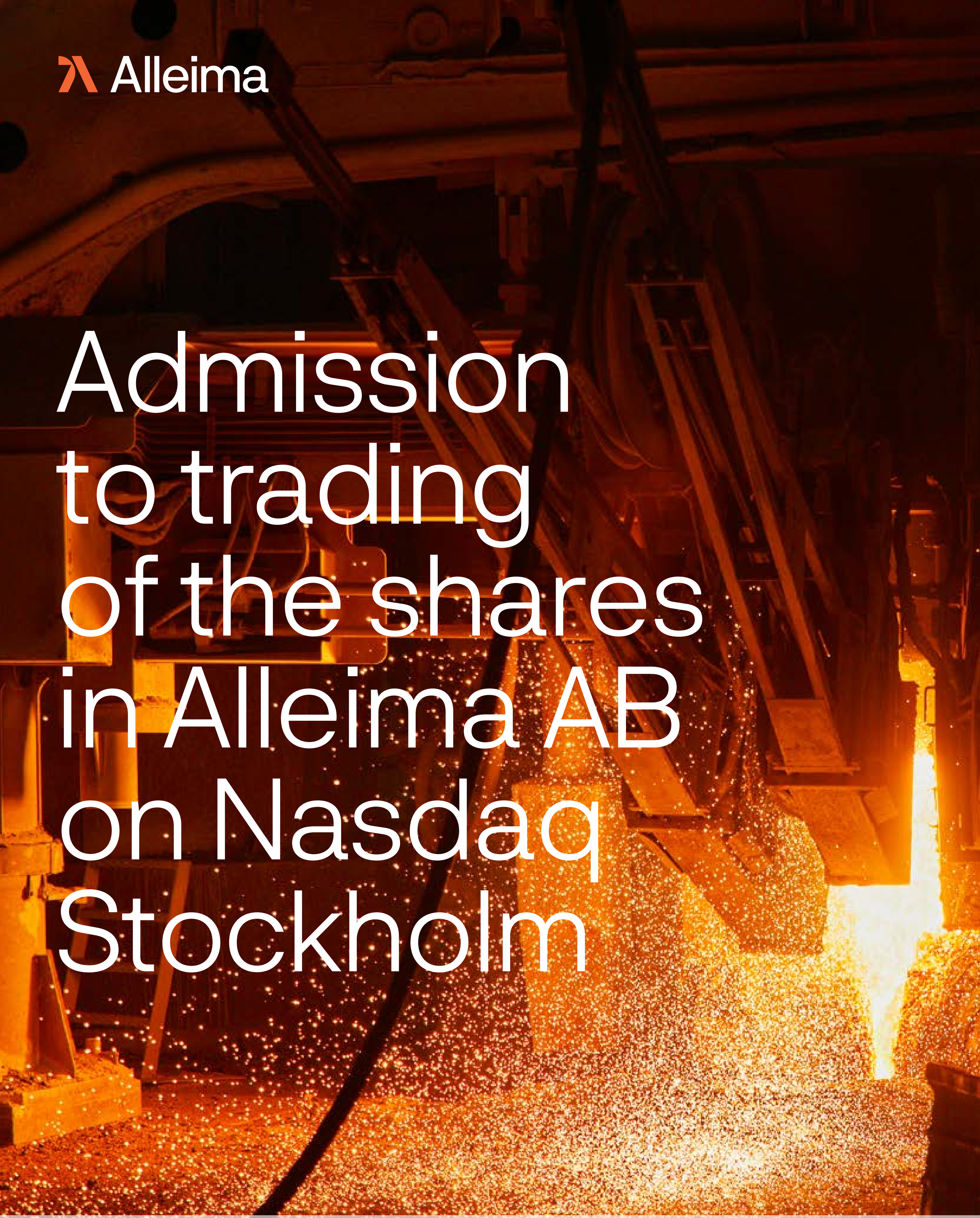

Alleima

Admission to trading of the shares in Alleima AB on Nasdaq Stockholm

Financial advisors

BofA SECURITIES

SEB

IMPORTANT INFORMATION

For certain definitions used in this prospectus, see "*Certain definitions*" on the next page.

This prospectus has been prepared following a resolution at the Annual General Meeting held on April 27, 2022, in Sandvik AB (publ) ("**Sandvik**") to distribute the shares in Alleima AB (publ) ("**Alleima**" or the "**Company**") to the shareholders of Sandvik and the Board of Directors of Alleima's application for listing of those shares on Nasdaq Stockholm.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "**SFSA**") as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the "**Prospectus Regulation**").

The prospectus is governed by Swedish law. Disputes arising in connection with this prospectus and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

This prospectus has been prepared for the purpose of Alleima's application of admission to trading of the shares in Alleima on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in the Company, neither in Sweden nor in any other jurisdiction. The prospectus and thereto related documents may not be distributed to or into the United States, Canada, Australia, Japan or any other jurisdiction where such distribution would require additional prospectuses, registration or measures besides those required by Swedish law or otherwise would be in conflict with applicable regulations in such countries or in such jurisdictions. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations.

Investing in shares is associated with risk (see "*Risk factors*"). When an investor makes an investment decision, he or she must rely on his or her own analysis of Alleima, including applicable facts and risks. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorized to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made, it should not be considered to have been approved by Alleima, and Alleima is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Alleima's business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Prospectus Regulation.

Information to investors in the United States

The distribution of the shares in Alleima has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). The shares in Alleima have not been approved or disapproved by the U.S. Securities and Exchange Commission ("**SEC**"), any state securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the distribution of the shares in Alleima or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Alleima will be relying on an exemption provided by Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended, and therefore will not be required to register its shares with the SEC. In accordance with Rule 12g3-2(b), Alleima will make available certain documents on its website. These documents will consist primarily of English-language versions of the Group's annual reports, press releases and certain other information made public in Sweden. However, Alleima will not be required to file with the SEC annual reports on Form 20-F or furnish reports on Form 6-K.

The shares in Alleima generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and persons who receive securities as a result of the separation of Alleima from Sandvik (other than affiliates) may resell them without restriction under the Securities Act. A receiving shareholder who is an affiliate of Alleima as of the date and time at which the separation of Alleima from Sandvik becomes effective or who became affiliates thereafter will be subject to certain U.S. transfer restrictions relating to the shares received pursuant to the separation.

Forward-looking statements

The prospectus contains certain forward-looking statements that reflect Alleima's present view of future events as well as financial and operational development. Words such as "intend", "anticipate", "expect", "may", "plan", "believe", "estimate", "project" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements are not a guarantee of future results or developments and actual outcomes may differ materially from the statements set forth in the forward-looking statements. Alleima makes no undertakings that it will disclose updates or revisions of forward-looking statements due to new information, future events or other such matters, other than what is required according to applicable legislation.

Factors that may cause Alleima's future results and development to differ from the forward-looking statements include, *inter alia*, those described in "*Risk factors*". The forward-looking statements contained in this prospectus apply only as of the date of this prospectus.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. Unless otherwise explicitly stated, no information in this prospectus has been audited or reviewed by an auditor.

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Important dates

Last day of trading in Sandvik shares with the right to the distribution of shares in Alleima:	August 25, 2022
Sandvik shares and ADRs are traded excluding the right to the distribution of shares in Alleima:	August 26, 2022
Record date for receipt of shares in Alleima:	August 29, 2022
Estimated first day of trading in Alleima's shares on Nasdaq Stockholm:	August 31, 2022

Other information

Ticker Alleima share:	ALLEI
ISIN code Alleima share:	SE0017615644
LEI code:	529900EBHTYGLA6PGP77

Financial information

Interim report January–September 2022:	October 17, 2022
Interim report January–December 2022:	January 24, 2023
Interim report January–March 2023:	April 26, 2023

Certain definitions

In this prospectus, the following definitions are used:

"**Alleima**" or the "**Company**" refers to, depending on the context, Alleima AB (publ) (corporate ID No. 559224-1433) or the group in which Alleima AB (publ) is the parent company.

The "**Group**" refers to Alleima AB (publ) and its subsidiaries.

"**Sandvik**" refers to, depending on the context, Sandvik AB (publ) (corporate ID No. 556000-3468) or the group in which Sandvik AB (publ) is the parent company.

The "**Sandvik Group**" refers to Sandvik AB (publ) and its subsidiaries.

"**Euroclear Sweden**" refers to Euroclear Sweden AB.

"**Nasdaq Stockholm**" refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

"**SEK**", "**EUR**" and "**USD**" refers to Swedish kronor, Euro and U.S. dollars, respectively (**M** indicates million, **BN** indicates billion).

Summary

Introductions and warnings

This prospectus has been prepared in relation to the admission to trading of the shares in Alleima AB (publ) (corporate ID No. 559224-1433), Storgatan 2, SE-811 81 Sandviken, Sweden, on Nasdaq Stockholm. The ISIN code of the shares is SE0017615644. Alleima's LEI code is 529900EBHTYGLA6PGP77.

The Swedish language version of this prospectus has been approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen, the "***SFSA***"*), which is the regulatory authority responsible for approving the prospectus in accordance with the Prospectus Regulation in Sweden. The contact information for the Swedish Financial Supervisory Authority is P.O. Box 7821, SE-103 97 Stockholm, telephone number +46 (0)8 408 980 00, and website www.fi.se). The prospectus was approved by the SFSA on August 4, 2022.

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

Key information on the issuer

Who is the issuer of the securities?

Alleima AB (publ) (corporate ID No. 559224-1433) is the issuer of the securities under this prospectus. The Board of Directors of Alleima has its statutory seat (Sw. *säte*) in the municipality of Sandviken, Sweden. The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated in Sweden in 2019. The Company conducts operations in accordance with the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). Alleima's LEI code is 529900EBHTYGLA6PGP77.

Principal activities

Alleima is a global developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating. Based on close and long-term customer partnerships, Alleima advances processes and applications in the most demanding industries through materials that are lightweight, durable, corrosion-resistant and able to withstand extremely high temperatures and pressures. The Company's offering comprises more than 900 active alloy recipes and an extensive range of products to many customer segments, mainly seamless stainless tubes, industrial heating elements, wire for medical devices as well as precision strip steel. Alleima's products are sold in approximately 90 countries across the globe. In 2021, Europe represented 51 percent of the Group's revenues followed by North America with 23 percent, Asia with 21 percent and other markets representing four percent. Headquartered in Sandviken, Sweden, Alleima generated revenues of SEK 13.8 billion, an EBIT margin[1)] of 10.0 percent and an adjusted EBIT margin[2)] of 7.6 percent during 2021. Alleima had 5,465 employees[3)] as of December 31, 2021. Alleima is organized into three divisions – **Tube**, **Kanthal** and **Strip**, each with its own distinct product offering and end markets. Tube offers seamless tubes and other long products in corrosion resistant alloys and other high-performance materials used in a wide variety of industrial applications. Kanthal offers electrical heating solutions, resistance materials, and medical wire. Strip offers a wide range of precision strip steel and a variety of strip based products.

Major shareholders

As of the date of this prospectus, Alleima is a wholly-owned subsidiary of Sandvik. The ownership structure in Alleima will initially be identical to that of Sandvik on the record date for proposed distribution, with the adjustment that five (5) shares in Sandvik equate one (1) share in Alleima. The table below shows Alleima's shareholders who have a direct or indirect holding in the Company that corresponds to five percent or more of the shares or votes, under the assumption that the distribution of shares in Alleima had been completed with June 30, 2022, as record date (with known changes thereafter) and with the adjustment that five (5) shares in Sandvik entitle to one (1) share in Alleima. As of that date, Sandvik had 141,245 known shareholders.

1) EBIT margin is defined as operating profit in relation to revenues.
2) Adjusted EBIT margin is defined as adjusted EBIT (operating profit excluding items affecting comparability and metal price effects) in relation to revenues.
3) The number of employees refers to the number of full-time equivalents (FTEs).

Holder/nominee/custodian	Total number of shares	Shares and votes, %
AB Industrivärden	34,240,000	13.6
Other shareholders	*216,637,184*	*86.4*
Total	**250,877,184**	**100.0**

Source: Modular Finance

Group Executive Management

In the table below, the members of Alleima's Group Executive Management, as of the date of this prospectus, are set forth.

Name	Position
Göran Björkman	President and CEO
Michael Andersson	President Tube Division
Anders Björklund*)	President Kanthal Division
Claes Åkerblom	President Strip Division
Olof Bengtsson	CFO
Johanna Kreft	EVP & General Counsel
Mikael Blazquez	EVP Strategy and Mergers & Acquisitions
Ulrika Dunker	EVP & Head of Human Resources
Tom Eriksson	EVP & Head of Strategic Research
Elja Nordlöf	EVP & Head of Communications

*) On July 6, 2022, Anders Björklund informed Alleima that he will resign as President Kanthal Division and that he will thereby leave his duties within the Group. The process of finding a replacement is ongoing and Anders Björklund will remain in his current position until such time as a replacement takes office, but no later than December 31, 2022.

Auditor

PricewaterhouseCoopers AB (Torsgatan 21, SE-113 97 Stockholm, Sweden) is Alleima's auditor. Magnus Svensson Henryson is auditor-in-charge.

What is the key financial information regarding the issuer?

The combined historical financial information presented below for the financial years 2021, 2020 and 2019 (other than alternative performance measures) has been derived from Alleima's audited combined financial statements for each respective financial year, which have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("**IFRS**"), and audited by the Company's auditor PricewaterhouseCoopers AB. The combined historical financial information presented below for the six months ended June 30, 2022 and 2021, respectively, has been derived from Alleima's unaudited combined financial statements for the period January to June 2022, which have been prepared in accordance with IAS 34 (Interim Financial Reporting) supplemented with financial information from Alleima's internal accounting system. Alleima's unaudited combined financial statements for the period January to June 2022 have, as regards the six months ended June 30, 2022, been reviewed by the Company's auditor PricewaterhouseCoopers AB.

Combined income statement

SEK M (unless otherwise stated)	2021	2020	2019	H1 2022	H1 2021
Revenues	13,847	13,925	15,654	8,976	6,715
Operating profit[1]	1,379	492	1,444	1,741	692
EBIT margin, %[1]	10.0	3.5	9.2	19.4	10.3
Profit for the period	1,228	380	667	1,224	519
Earnings per share (basic and diluted), SEK	4.80[2]	1.55[2]	2.64[2]	4.83[2]	2.03[2]

1) Alternative performance measures. EBIT margin is defined as operating profit in relation to revenues.
2) Earnings per share for each period has been calculated based on the number of shares in Alleima as per June 30, 2022.

Combined balance sheet

SEK M	December 31, 2021	December 31, 2020	December 31, 2019	June 30, 2022	June 30, 2021
Total assets	19,886	16,595	18,506	23,857	17,951
Total equity	11,761	10,368	8,791	15,374	11,066
Net debt[1]	1,324	1,737	4,751	−139	1,287

1) Alternative performance measure. Net debt is defined as interest-bearing current and non-current debts, including net pension and lease liability, less cash and cash equivalents.

Combined cash flow statement

SEK M	2021	2020	2019	H1 2022	H1 2021
Cash flow from operating activities	1,151	1,671	1,617	−122	474
Cash flow from investing activities	−507	−533	−745	−317	−139
Cash flow from financing activities	1,436	−3,126	−4,870	203	12
Net change in cash and cash equivalents	2,080	−1,989	−3,999	−236	348

What are the key risks that are specific to the issuer?

Alleima is exposed to risks related to macroeconomic factors

Alleima has a global footprint with production units located in Europe, North and South America, and Asia, and has customers located in most parts of the world. Customers' willingness to invest and procure, which ultimately drives the demand for Alleima's products and services, is affected by, for example, political decisions, general industrial production and investment levels, the GDP growth, inflation as well as oil and gas prices, all of which in turn are affected by macroeconomic factors in the countries and regions where Alleima's customers operate and conduct its businesses. A negative economic development in a specific industry, customer segment, region or country where Alleima's customers operate could significantly change the customers' production and investment plans and/or their ability to fund investments, and thus lead to a lower demand for Alleima's products and have a material adverse effect on Alleima's business, revenues and results of operations. Furthermore, any deterioration in the global economic development could have a material adverse effect on the Group's revenues and profitability, which could in turn have a material adverse effect on Alleima's business, financial position and results of operations.

Alleima is exposed to risks related to geopolitical conditions

Escalating geopolitical controversies, tensions and conflicts as well as acts of war, such as Russia's ongoing war against Ukraine, could lead to unforeseeable consequences for the Group. Continuing or escalating military actions and geopolitical tensions, as well as sanctions, could have a material adverse effect on Alleima's financial position and results of operations to the extent that these have a direct or indirect negative impact on Alleima's business. In addition, changes in the political environment in a region or country or political decisions affecting an industry or country could also have a material impact on customers' investments in Alleima's products, which could have a material adverse effect on Alleima's revenues, results of operations and financial position. An increased polarization in the global economy may also drive more differentiation between regions and increase the protectionism that is already prominent in the steel industry. Alleima also conducts extensive operations in emerging economies. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and political systems, including economic and political instability, which could make it difficult for Alleima to anticipate future business conditions in these markets, which in turn could have a material adverse effect on Alleima's business, results of operations and financial position.

Alleima is exposed to risks relating to its production units

Alleima has 27 production units (including three service units) located in 14 countries and the production comprises a chain of processes in which extensive outages and disruptions would adversely affect Alleima's possibilities to perform its obligations to customers. Any extensive outages or disruptions as a consequence of such events would affect Alleima's ability to manufacture products, which would have a material adverse effect on Alleima's business, results of operations and financial position. Furthermore, in line with its strategy, Alleima may, from time to time, decide to relocate or transfer parts of its manufacturing capacity to new plants or between existing plants. Any prolonged disruption in the operations of any of the Group's production facilities or any unforeseen extensive delay in shifting manufacturing operations to new facilities, whether due to technical or labor difficulties or delays in regulatory approvals or any start-up problems, would result in delays in delivery of products to customers, increased costs and reduced revenues. Alleima's main steel mill is located in Sandviken, Sweden, whereas a smaller steel mill is located in Hallstahammar, Sweden. The ability to shift and transfer production capacity between the steel mills is limited since they produce steel and special alloys used in different kind of products. Consequently, there is a risk that Alleima's production would be negatively impacted should a prolonged disruption occur in one of the steel mills and the Company's production would be particularly harmed if the steel mill in Sandviken would be subject to significant damage or other significant incidents hindering the use thereof.

Alleima is exposed to risks related to the price of raw materials, commodities and components

Alleima's production of advanced stainless steel and special alloys requires certain raw materials. Raw materials are priced in the world market and the prices generally vary in accordance with the availability of such raw materials and the demand for steel. The price volatility is primarily due to fluctuating customer demand, supply, levels of stock and speculation, which may, from time to time, be compounded by decreases in extraction and production due to natural disasters, geopolitical or financial instability or unrest. Significant increases in input prices of steel and other important raw materials as well as components would adversely affect Alleima's production costs and thereby the cost of its products. The production of steel products requires significant amounts of energy resources, and electricity and gas thereby represent significant energy costs for Alleima. As a significant portion of Alleima's future energy consumption of electricity is not hedged, an increased electricity shortage globally and, as a result, higher energy prices would significantly increase Alleima's costs for electricity, thus having a negative impact on Alleima's profitability.

Alleima is exposed to risks relating to industry shifts and market developments

The industry in which Alleima operates is characterized by a changing competitive landscape with risk of decreasing demand over time for certain products or from certain segments. Industry shifts have necessitated an increased focus on product and business development, as well as mergers and acquisitions to broaden Alleima's existing product portfolio and meet customer demand for digital solutions, electrification and services, and a readiness to broaden existing customer base and markets and reallocate resources to other segments. If Alleima fails to be at the forefront of, adapt to, or take advantage of, industry shifts, there is a risk that Alleima is not able to reach its strategic objectives long term, which can lead to lower growth or a less favorable financial result. Moreover, consolidation among competitors or other structural changes relating to the industry in which Alleima operates pose a risk to Alleima as such changes may enable competitors to achieve greater economies of scale. Any failure to effectively participate in and adapt to structural changes in the industry may reduce Alleima's competitiveness in terms of pricing as well as product and service development, which can lead to loss of customers and thus have a material adverse effect on Alleima's revenues, profitability, and financial position.

Alleima is exposed to risks related to suppliers, dealers and distributors as well as other external parties

Alleima is dependent on the suppliers' performance of their contractual obligations in terms of quality, sales and delivery time for Alleima to be able to carry out its operations and fulfill its obligations towards its customers, as well as on their compliance with Alleima's Supplier Code of Conduct and other industry standards as regards, for example, the environment, work environment, anti-corruption, human rights and business ethics. If Alleima fails in its assessment and evaluation of suppliers or in identifying and addressing, for example, potential and actual negative human rights impacts directly linked to its products in accordance with applicable requirement, or if suppliers fail in their commitments to Alleima, there is a risk that such circumstances could have a material adverse effect on Alleima's reputation, business, results of operations and financial position.

Alleima is subject to environmental laws and regulations

Alleima's production is subject to numerous international, national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Compliance with environmental requirements is a significant factor in the Group's operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. These laws and regulations, the violations of which can, in addition to seriously harm Alleima's reputation, lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. Alleima may be held liable to investigate and rectify contamination and emissions at the Group's plants and on property which Alleima, or companies and businesses which the Group has acquired or with which it has merged, owns or has previously owned, irrespective of whether Alleima has caused the contamination or whether the operation that caused the contamination was lawful at the time the contamination occurred. Risks of substantial costs and liabilities, including for the investigation and remediation of past or present contaminations, are inherent in the Group's ongoing operations, and the Group's ownership and occupation of industrial properties thus present a significant risk for substantial costs for the Group which could have a material adverse effect on Alleima's results of operations and financial position.

Alleima is exposed to risks relating to laws and regulations applicable to its industry

Alleima's operations are subject to industry-related laws and regulations in several jurisdictions, concerning, *inter alia*, greenhouse gas emissions, energy security, medical applications, and procurement of goods and services from high-risk sectors and geographic contexts, including high-risk raw materials such as cobalt, nickel, and oil. Evolving regulatory requirements could significantly affect Alleima's product development plans and may result in substantial costs and limit the number and type of products that the Group sells and where they are sold. In addition, any violations of governmental regulations could damage the Group's reputation and could result in criminal and civil penalties, including significant monetary fines, third party claims for loss or injury, loss of relevant licenses, or the imposition of requirements that Alleima shall implement costly corrective actions.

Alleima is exposed to compliance- and internal control-related risks

Alleima operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity worldwide in areas such as competition law, sanction and export control, human rights and anti-corruption. Sanctions regimes change quite frequently and not seldom at short notice, not least since Russia's invasion of Ukraine in February 2022. New or revised laws on sanctions and export control could result in increased compliance costs and the need for Alleima to cease or limit its operations in the markets affected by sanctions or in the regions where the Company deems that there is an increased risk that distributors or other external parties circumvent sanctions and export control. Alleima is also dependent on the compliance by its employees, suppliers and other third parties with laws and regulations, as well as internal governance documents and policies. Breaches of, or non-compliance with, applicable laws and regulations would adversely affect Alleima's business and reputation. If Alleima's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policies are insufficient, there is a risk that Alleima's reputation is damaged and that the Group becomes subject to fines, penalties and other sanctions and/or exposed to civil or criminal liability.

Alleima is exposed to currency risks

Alleima's products are manufactured in 14 countries around the world and sold in approximately 90 countries. Alleima generally offers customers the possibility to pay in their own currencies. As a result, the Group is continuously exposed to currency risks associated with account receivables denominated in foreign currency and with future sales to foreign customers. The currency risks relating to the sale of Alleima's products to customers in foreign countries and its investments in assets in foreign currencies expose the Group to movements of certain currencies relative to SEK, and changes in these currency rates will have a direct impact on the Group's operating income, balance sheet, cash flow and operating profit.

Alleima is exposed to credit and counterparty risks

The Group's commercial and financial transactions give rise to credit risk in relation to Alleima's counterparties. Credit risk is defined as risk of losses if the counterparty to an agreement does not fulfill its commitments. The Group companies are exposed to credit risk associated with outstanding trade receivables from ongoing sales. The potential inability of Alleima to collect outstanding trade receivables on a timely basis, or at all, could have a material adverse effect on the Group's business, results of operations and financial position.

The separation of Alleima may fail to realize anticipated benefits

The intended purpose of the separation of Alleima from Sandvik is to provide Alleima a more focused governance with a clear mandate for Alleima to execute its strategy to drive profitable growth, materials innovation, operational and commercial excellence and industry-leading sustainability. However, there is a risk that the anticipated benefits of the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect, or if the anticipated benefits or underlying drivers have been overestimated. There is also a risk that investors' appetite in investing directly in Alleima is overestimated, thus causing the share price in Alleima to develop unfavorably following the listing of Alleima's shares on Nasdaq Stockholm. to the extent that Alleima as a standalone company incurs additional costs or achieves lower revenues, its business, financial position and results of operations could be adversely affected and the anticipated benefits from the separation could fail to be realized.

Key information on the securities

What are the main features of the securities?

This prospectus relates to the admission to trading of the shares in Alleima AB (publ) (ISIN code SE0017615644) on Nasdaq Stockholm. The shares have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The quota value is SEK 1 per share.

As of the date of this prospectus, there are 250,877,184 shares in Alleima.

Rights attached to the shares

Each share in Alleima carries one vote at the General Meeting.

Should the Company decide to issue new shares by way of a cash issue or a set-off issue, the holders of shares shall have the priority right to subscribe for new shares in proportion to their existing shareholdings (primary preferential right). Shares not subscribed for by primary preferential right shall be offered to all shareholders (subsidiary preferential right). If the number of shares available for subscription is insufficient for the subscription made under subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to their previous shareholdings and, if this is not possible, by the drawing of lots.

All shares in Alleima carry the same right to share in the Company's profit and any surplus in the event of liquidation. Holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden on the record date established by the General Meeting will be entitled to receive dividends.

Alleima's shares are not subject to restrictions on the free transferability.

Dividend policy

Alleima's target is a dividend on average 50 percent of profit for the period (adjusted for metal price effects[4)]) over a business cycle. Dividends to reflect financial position, cash flow and outlook.

4) Metal price effects are defined as metal price effect on 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.

Where will the securities be traded?

The shares will be traded on Nasdaq Stockholm. The ticker for the shares will be ALLEI.

What are the key risks that are specific to the securities?

The share price can be volatile and the share price development is affected by several factors

Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. The performance of the Alleima share will depend on multiple factors, some of which are company specific, whilst others are related to the stock market in general. The share price may, for example, be affected by supply and demand, fluctuations in Alleima's actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors such as acquisition and divestment of significant holdings. This presents a significant risk for a single shareholder.

Alleima's ability to pay future dividends depends on several factors

Payment of dividends may only take place if there are payable funds held by Alleima and as long as the requirements of future dividends, and the size, scope and risks of any such dividends, are met. Such requirements depend on Alleima's equity, consolidation needs, liquidity and position in general for a certain financial year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. However, there is a risk that payable dividends will not be available in any financial year, which would reduce the return on an investor's invested capital.

There is a risk that a sufficiently active, liquid and functioning market for trading in Alleima's shares does not emerge

Prior to the listing on Nasdaq Stockholm, no public market exists for Alleima's shares. Accordingly, there is a risk that the market for trading in the Alleima shares will be less active than the market for the Sandvik share following the separation and listing of the Alleima shares on Nasdaq Stockholm. Low liquidity of Alleima's shares could entail difficulties in selling shares of Alleima at a point in time that is considered desirable for the shareholder or at a price level that could be obtained if a favorable liquidity situation prevailed. This presents a significant risk for a single shareholder.

Key information on the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

The prospectus is not ascribable to any offer. The shares in Alleima are distributed to the shareholders of Sandvik in proportion to each shareholder's holdings of shares in Sandvik on the record date for distribution (August 29, 2022), as determined by the Board of Directors of Sandvik. Every five (5) shares in Sandvik entitle to one (1) share in Alleima.

Since this prospectus does not relate to any offer, no dilution effect will arise.

Admission to trading on Nasdaq Stockholm

The Board of Directors of Alleima has applied for the listing of the Company's shares on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on August 2, 2022, to approve Alleima's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be August 31, 2022.

Transaction costs

The total transaction costs for the split of the Sandvik Group are estimated to be approximately SEK 990 million, including separation costs of SEK 780 million, one-time foreign tax costs of SEK 110 million and listing costs for the proposed distribution of the shares in Alleima of SEK 100 million, whereof Alleima's costs are estimated at approximately SEK 730 million. The remaining transaction costs in the third quarter of 2022 are estimated to be approximately SEK 90 million, which will be entirely born by Alleima, including both separation and listing costs.

Why is this prospectus being produced?

Background and reasons

Sandvik's shareholders decided at the Annual General Meeting on April 27, 2022, in accordance with the proposal by the Board of Directors of Sandvik to distribute all shares in its wholly-owned subsidiary Alleima to the shareholders of Sandvik. The Board of Directors of Alleima has applied for the listing of the Company's shares on Nasdaq Stockholm, with the first day of trading expected to be August 31, 2022.

In May 2019, Sandvik announced that its Board of Directors had decided to initiate an internal separation of the business area Sandvik Materials Technology (hereinafter Alleima), with the intention to increase Alleima's structural independence from the Sandvik Group and thereby put greater focus on the businesses' future development opportunities as well as create flexibility for improved performance and growth. At the time it was also announced that Sandvik's Board of Directors had decided to explore the possibility of a separate listing through the distribution of Alleima to the company's shareholders, should that be deemed to strengthen the business's position and future development. The decision was based on the Board of Directors' and Sandvik's management's belief that Alleima would develop more favorably by itself, increasing opportunities for profitable growth and that the sharpened focus of both Alleima and the remaining Sandvik Group has the potential to improve long-term value for shareholders. The separation from Sandvik is expected to provide more focused governance, with a clear mandate for Alleima to execute its strategy to drive profitable growth, materials innovation, operational and commercial excellence and industry-leading sustainability.

Material conflicts of interest

Bank of America Europe DAC, Stockholm bankfilial ("**BofA Securities**") and Skandinaviska Enskilda Banken AB (publ) ("**SEB**") provide financial advice to Alleima in conjunction with the distribution and the listing on Nasdaq Stockholm. From time to time, BofA Securities (and its affiliates) and SEB (and its affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Alleima for which they have received, and may receive, compensation. Furthermore, SEB (and its affiliates) is a lender of loans granted to Alleima.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Alleima and the future performance of the shares, for example risks related to Alleima's operations and industry, legal risks, financial risks, risks related to the distribution of the Alleima share and risks related to the nature of the securities and the admission of the securities to trading on a regulated market. The risk factors currently deemed material to Alleima and the shares are described below. The risk factors' materiality has been assessed based on the probability of their occurrence and the expected magnitude of their negative outcome. In each subsection, the risk factors currently deemed most material are presented first, but otherwise the risk factors are not ranked in any specific order of importance. The description of the risk factors below is based on information available and estimates made on the date of this prospectus.

Risks related to Alleima

Risks relating to Alleima's operations and industry

Alleima is exposed to risks related to macroeconomic factors

Alleima has a global footprint with production units located in Europe, North and South America, and Asia, and has customers located in most parts of the world, primarily in Europe, North America and Asia. Customers' willingness to invest and procure, which ultimately drives the demand for Alleima's products and services, is affected by, for example, general industrial production and investment levels, the GDP growth, inflation as well as oil and gas prices, all of which in turn are affected by macroeconomic factors in the countries and regions where Alleima's customers operate and conduct its businesses. A negative economic development in a specific industry, customer segment, region or country where Alleima's customers operate could significantly change the customers' production and investment plans and/or their ability to fund investments, and thus lead to a lower demand for Alleima's products and have a material adverse effect on Alleima's business, revenues and results of operations. In addition, changes in the geopolitical environment in a region or country, as well as political decisions affecting an industry or country, could materially impact customers' investments in Alleima's products (see "*Alleima is exposed to risks related to geopolitical conditions*" below). If customers' demand for Alleima's products decline and production volumes are reduced, Alleima will also be impacted by under-absorption of fixed costs in respect of its production facilities (see also "*Alleima is exposed to risks relating to its production units*" below). There is also a risk that macroeconomic factors affect Alleima's ability to plan its operations in the long term, leading to a less agile business, higher costs and price models not being profitable, thereby negatively affecting long-term financial performance. For example, in 2021, consumer price inflation averaged 3.1 percent in advanced economies and 5.9 percent in emerging market and developing economies. Inflation is expected to remain elevated, driven by, among other things, commodity price increases induced by the war in Ukraine and broadening price pressures. For 2022, consumer price inflation is projected at 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies.[1)]

For the year ended December 31, 2021, 51 percent of the Group's revenues derived from Europe, whereas 23 percent derived from North America and 21 percent from Asia, compared to 49, 29, and 17 percent, respectively, for the year ended December 31, 2020. Hence, Alleima faces significant exposure to the economic conditions, levels of industrial investment activity and levels of industrial production in Europe, North America and Asia. Accordingly, any deterioration of economic conditions in those markets could result in a recession or a prolonged period of slower growth, either of which would be likely to result in decreased demand and pressure on pricing for Alleima's products. As a result of the ongoing COVID-19 pandemic and the subsequent slowdown in the global economic growth, in 2020 and 2021, Alleima experienced a severe drop in order intake and decreased demand

1) International Monetary Fund (IMF), World Economic Outlook Update, July 2022.

for some of its products (see further "*Alleima is exposed to risks relating to the COVID-19 pandemic*" below). Any deterioration in the global economic development could have a significant adverse impact on the Group's revenues and profitability, which could in turn have a material adverse effect on Alleima's business, financial position and results of operations.

Furthermore, the oil price has been volatile in recent years and the oil price is likely to continue to fluctuate. Increased geopolitical tension and uncertainty, including as a consequence of the war in Ukraine, could cause oil prices to rise further, whereas a new wave of COVID-19 could have a negative impact on the travel industry and thus reduce demand for oil, which in turn would result in a global surplus of oil and lower oil prices. Significant oil price fluctuations tend to result in the Company's customers' investment plans being changed, which could lead to a decline in Alleima's order intake during the volatile period. Oil price fluctuations may also have lasting negative effects on the global economy, resulting in reduced investment plans for Alleima's customers and a declining demand for Alleima's products. Any decline in demand for Alleima's products which results in reduced order intake would adversely affect Alleima's revenues and could have a material adverse effect on Alleima's results of operations and financial position.

Alleima is exposed to risks related to geopolitical conditions

Escalating geopolitical controversies, tensions and conflicts as well as acts of war, such as Russia's ongoing war against Ukraine, could lead to unforeseeable consequences for the Group. As a result of the ongoing war in Ukraine and related escalating geopolitical tensions, the United States, the EU and other jurisdictions, for example, have imposed sanctions on certain Russian and Belarusian persons and entities, including, for example, certain banks, energy companies and defense companies, and have imposed restrictions on exports of various items to Russia, and may impose increasingly stringent sanctions going forward. Against the backdrop of the changed security policy situation following Russia's invasion of Ukraine in February 2022, the Swedish government decided on May 16, 2022, that Sweden should apply for membership in the NATO defense alliance and on May 18, 2022, the application was submitted. This is deemed by the Swedish government to involve a risk of Russian counter-reactions, including an increased risk of provocations and cyberattacks on Swedish interests and entities (see also "*Alleima is subject to risks related to IT and cybersecurity*"). Any such cyberattacks could, for example, affect Swedish energy supply, payment and communication systems that are functionally critical to Alleima and consequently have a significant negative impact on the Company' ability to conduct its operations. Sanctions imposed as a result of such escalation or other events could restrict trade and negatively impact the whole industry as well as the global economy, such as a slowdown in GDP growth, rising unemployment levels, as well as rising interest rates and inflation. Economic damage from the war in Ukraine is expected to contribute to a significant slowdown in global growth in 2022.[2] The war has further increased, and is likely to have a protracted impact on, commodity prices such as natural gas and has intensified supply disruptions, adding to inflation. Even before Russia invaded Ukraine, broad price pressures led central banks to tighten monetary policies. As a result, interest rates have risen sharply and asset price volatility has increased since the start of 2022, negatively affecting companies' balance sheets and investments. Continuing or escalating military actions and geopolitical tensions, as well as sanctions, could have a material adverse effect on Alleima's financial position and results of operations to the extent that these have a direct or indirect negative impact on Alleima's business. In addition, changes in the political environment in a region or country or political decisions affecting an industry or country could also have a material impact on customers' investments in Alleima's products, which could have a material adverse effect on Alleima's revenues, results of operations and financial position. An increased polarization in the global economy may also drive more differentiation between regions and increase the protectionism that is already prominent in the steel industry. Any tariffs or other reprisals imposed as a result of escalating trade barriers between regions or countries could increase costs for Alleima with an adverse impact on profitability (see also "*Alleima is exposed to risks relating to changes in taxes, tariffs or fiscal policies*" below).

Alleima also conducts extensive operations in emerging economies, such as China and other markets in Asia. For the year ended December 31, 2021, 8 percent of Alleima's revenues derived from China and 21 percent derived from Asia (including China). Alleima's business operations in these emerging economies may be subject to various political, economic and social conditions which include nationalization of assets, social, political or economic instability, volatility in currency exchange rates and in gross domestic product or restrictions on repatriation of profits and transfers of cash. For example, the Chinese government issued new guidelines in September 2020 to increase party supervision of private corporations. There is a certain risk that Alleima's production units in Shanghai and Zhenjiang will be negatively affected by the Chinese government's increased supervision. Furthermore, geopolitical tensions in Southeast Asia have had and may continue to have a negative impact on the political and economic environment in the region. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and

2) International Monetary Fund (IMF), World Economic Outlook Update, July 2022.

political systems, including economic and political instability, which could make it difficult for Alleima to anticipate future business conditions in these markets, which in turn could have a material adverse effect on Alleima's business, results of operations and financial position. Furthermore, the oil price has been volatile in recent years and the oil price is likely to continue to fluctuate. Increased geopolitical tension and uncertainty, including as a consequence of the war in Ukraine, could cause oil prices to rise further, whereas a new wave of COVID-19 could have a negative impact on the travel industry and thus reduce demand for oil, which in turn would result in a global surplus of oil and lower oil prices. Significant oil price fluctuations tend to result in the Company's customers' investment plans being changed, which could lead to a decline in Alleima's order intake during the volatile period. Oil price fluctuations may also have lasting negative effects on the global economy, resulting in reduced investment plans for Alleima's customers and a declining demand for Alleima's products. Any decline in demand for Alleima's products which results in reduced order intake would adversely affect Alleima's revenues and could have a material adverse effect on Alleima's results of operations and financial position.

Alleima is exposed to risks relating to its production units

Alleima has 27 production units (including three service units) located in 14 countries and the production comprises a chain of processes in which extensive outages and disruptions would adversely affect Alleima's possibilities to perform its obligations to customers. Alleima's production and service units are located in Europe, the United States, Asia and South America, of which the sites in Sandviken, Sweden, and Chomutov, Czech Republic, account for the largest share of the Group's production. In addition, Alleima has two steel mills with primary melting located in Sandviken and Hallstahammar in Sweden. The locations of Alleima's production units expose Alleima to a number of risks that are more or less specific to the country or region in question. These risks include unfavorable geopolitical developments, potential risk of forced labor, extreme weather conditions and natural disasters, epidemics, fire, theft, systems failures, mechanical failures or equipment breakdown (see also "*Alleima is exposed to risks relating to the COVID-19 pandemic*" and "*Alleima is exposed to risks relating to climate change, natural disasters, acts of war, epidemics and other external events*" below). If units are damaged or closed for any reason, in particular the unit in Sandviken, Sweden, since it accounts for the largest share of the Group's production (approximately 70 percent of Alleima's revenues in 2021 were based on materials originating from the unit in Sandviken), or critical equipment in the units is significantly damaged, or there are severe interruptions in its productions, the Group is likely to face setbacks in its ability to manufacture and distribute its products. Alleima has limited possibilities to use alternative production units and if Alleima is unable to repair the damaged units or damaged equipment in a timely and cost-efficient manner, such circumstances could have a material adverse effect on the Group's business, results of operations and financial position. Any extensive outages or disruptions as a consequence of such events would affect Alleima's ability to manufacture products, which would have a material adverse effect on Alleima's business, results of operations and financial position.

Furthermore, Alleima may, for strategic reasons from time to time, decide to relocate or transfer parts of its manufacturing capacity to new plants or between existing plants. For example, in 2020 Alleima relocated its production in Arnprior, Canada, to its existing production unit in Scranton, the United States, in order to minimize capacity overlap. However, transfers of production from one facility to another as well as construction of new plants are costly and complex processes, which present a risk of additional disruptions and delays during the transition or construction period. In addition, the relocation of production from one facility to another may increase the cost of production during the transition period as Alleima may be dependent on external suppliers. Moreover, Alleima may face additional costs after the relocation process during the time that the new facility is in ramp-up stage or experience shortages in capacity, which may affect deliveries to customers. Any prolonged disruption in the operations of any of the Group's production facilities or any unforeseen extensive delay in shifting manufacturing operations to new facilities, whether due to technical or labor difficulties or delays in regulatory approvals or any start-up problems, would result in delays in delivery of products to customers, increased costs and reduced revenues. There is also a risk that, in the future, Alleima may not be able to make investments in plants on favorable terms or, if necessary, is unable to rationalize production. The degree to which such events may affect Alleima is uncertain, and presents a significant risk to the Group's manufacturing capabilities. Moreover, the Company's competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to optimize capacity utilization and maintain low-cost and efficient production relative to competitors. Due to the high portion of fixed costs related to Alleima's production, the Company aspires to maintain high capacity utilization rates in order to maintain profitability. Alleima's fixed costs include personnel costs, depreciations and other property related costs and the fixed cost base made up approximately 22 percent of Alleima's total cost base in 2021. Because of the fixed cost nature of the business, an unforeseen decline in utilization rate, caused by a reduction in demand or otherwise, may negatively impact unit economics. If Alleima is not able to optimize its utilization rate in line with the demand for Alleima's products, the Company's high share of fixed costs will adversely affect the Group's margins, profitability and results of operations.

Alleima operates two steel mills with primary melting for the production of the advanced stainless steel and the special alloys used in the Company's products. Alleima's main steel mill is located in Sandviken, Sweden, whereas a smaller steel mill is located in Hallstahammar, Sweden. The ability to shift and transfer production capacity between the steel mills is limited since they produce steel and special alloys used in different kind of products. The production capacity also varies between the two steel mills, and any disruptions in one of the steel mills cannot be fully replaced by increased capacity in the other. In particular, the smaller mill in Hallstahammar cannot replace the capacity of the main steel mill in Sandviken. Consequently, there is a risk that Alleima's production would be negatively impacted should a prolonged disruption occur in one of the steel mills and the Company's production would be particularly harmed if the steel mill in Sandviken would be subject to significant damage or other significant incidents hindering the use thereof. Because of Alleima's limited possibilities to purchase material from external parties would a major disruption in one of the steel mills greatly impair the Company's ability to fulfill its obligations to its customers. The inability to deliver on its promises may harm Alleima's standing and reputation among customers as a reliable partner, which, in turn, may have a material adverse effect on the Company's revenues, profitability and financial position.

Alleima is exposed to risks related to the price of raw materials, commodities and components

Alleima's production of advanced stainless steel and special alloys requires certain raw materials. The main source is secondary raw materials such as scrap steel, but the Group's production also requires primary raw materials, for example nickel, molybdenum and chrome. Raw materials are priced in the world market and the prices generally vary in accordance with the availability of such raw materials and the demand for steel. The price volatility is primarily due to fluctuating customer demand, supply, levels of stock and speculation, which may, from time to time, be compounded by decreases in extraction and production due to natural disasters and geopolitical or financial instability or unrest. There is, for example, a substantial risk that the war in Ukraine has a protracted impact on commodity prices (see "*Alleima is exposed to risks related to geopolitical conditions*" above).

In 2021, Alleima purchased raw materials, acquired directly, for approximately SEK 3,766 million. The raw materials Alleima purchases directly and to which it is directly exposed for fluctuations in prices are mainly nickel, molybdenum and chrome. The price on raw materials, in turn, affects the price on components. Accordingly, significant increases in input prices of steel and other important raw materials as well as components thus adversely affect Alleima's production costs and thereby the cost of its products. The price risks associated with fluctuations in the market price for raw materials and commodities are only partially hedged through the signing of financial contracts and there is a risk that such hedging activities are not sufficient or effective in reducing costs associated with increased prices. Alleima's profitability is further affected by the lead time between the purchase of raw material and delivery of the furnished product. There is a risk that this discrepancy between cost and price has an adverse effect on the Company's profitability and that high input prices affect customer behavior to the extent that the customers turn to alternative products based on less costly materials. Increased costs of raw material and commodities that cannot be passed on to customers could have a material negative impact on Alleima's profitability and/or loss of customers, and thereby affect the Company's business, financial position and results of operations. Furthermore, Alleima has, as a result of the operations conducted by the Company, supply chains stretching from two to six months, which generally ties capital in inventory. There is a risk that changes in raw material prices can have a significant adverse impact on the cash flows of Alleima by tying capital in inventory.

Alleima's risks related to commodities other than metals are primarily concentrated to electricity and gas. The production of steel products requires significant amounts of energy resources, and electricity and gas thereby represent significant energy costs for Alleima. For example, a change in the electricity price of SEK 0.01 per kWh is estimated to affect Alleima's operating profit by plus or minus SEK 8 million on an annual basis, based on the prevailing conditions at December 31, 2021. Energy prices have historically varied and may continue to vary significantly as a result of political and economic factors beyond Alleima's control. The war in Ukraine and sanctions on Russia has resulted in rising global energy prices and may disrupt the supply of energy resources. Currently, 21 percent of Alleima's expected electricity energy consumption in the second half of 2022 and approximately 22 percent of Alleima's expected electricity energy consumption in 2023 are not price hedged. As a significant portion of Alleima's future energy consumption of electricity is not hedged, an increased electricity shortage globally and, as a result, higher energy prices would significantly increase Alleima's costs for electricity, thus having a negative impact on Alleima's profitability.

Alleima is exposed to risks relating to industry shifts and market developments

Alleima is a developer, manufacturer, and supplier of high value-added products in advanced stainless steel and special alloys as well as products for industrial heating for industries with high demand on material quality and material knowledge. The industry in which Alleima operates is characterized by a changing competitive landscape with risk of decreasing demand over time for certain products or from certain segments, such as the Oil and Gas segment (from which 14 percent of the Group's revenues derived from in 2021 (compared to 24 percent in 2020)), and an increasing demand for sustainable products and solutions. Examples of this include the shift towards fossil-free technologies and increased energy efficiency, further digitalization, and sustainability and circularity. As a result, many industries and companies, including Alleima, have started a transitioning to fossil-free production, and electrification of heating processes is in many cases key to enabling this transformation. Moreover, renewables and their share of the global energy generation are expected to grow substantially, supported by large governmental investments, regulations benefiting fossil-free technologies and demands from investors and other stakeholders. Such industry shifts have necessitated an increased focus on product and business development, as well as mergers and acquisitions to broaden Alleima's existing product portfolio and meet customer demand for digital solutions, electrification and services, and a readiness to broaden existing customer base and markets and reallocate resources to other segments. Other technological changes, including additive manufacturing (3D printing), powder technology, digitalization and automation, also have the potential to significantly affect Alleima's operations. New and evolving technologies or technological demands may for example lead to the need to attract new talent in key competence areas such as digitalization and sustainability. If Alleima fails to be at the forefront of, adapt to, or take advantage of, industry shifts, there is a risk that Alleima is not able to reach its strategic objectives long term, which can lead to lower growth or a less favorable financial result.

Moreover, consolidation among competitors or other structural changes relating to the industry in which Alleima operates pose a risk to Alleima as such changes may enable competitors to achieve greater economies of scale. Structural changes in the industry may enable Alleima's competitors to operate on lower margins, which may cause Alleima to fail to maintain its operating margins in order to remain competitive. Failure to effectively participate in any consolidation of, or other structural changes in, the industry may, in addition, be the consequence of reasons that are partly out of Alleima's control. For example, antitrust restrictions may hinder Alleima from acquiring certain companies, limit the ability to set prices, exclusivity arrangements and other commercial terms and conditions in the event that Alleima would be deemed to have a significant market share in relevant markets. A more competitive industry may also result in higher acquisition purchase price multiples. Any failure to effectively participate in and adapt to structural changes in the industry may reduce Alleima's competitiveness in terms of pricing as well as product and service development, which can lead to loss of customers and thus have a material adverse effect on Alleima's revenues, profitability, and financial position.

Alleima is exposed to risks related to suppliers, dealers and distributors as well as other external parties

In 2021, Alleima had approximately 9,100 suppliers operating in approximately 50 countries, from which Alleima source raw materials, commodities and components. Alleima is thus dependent on the suppliers' performance of their contractual obligations in terms of quality, sales and delivery time for Alleima to be able to carry out its operations and fulfill its obligations towards its customers, as well as on their compliance with Alleima's Supplier Code of Conduct and other industry standards as regards, for example, the environment, work environment, anti-corruption, human rights and business ethics (see also "*Alleima is exposed to compliance- and internal control-related risks*" below). As some of the raw materials used in Alleima's production, such as nickel, are mined or extracted in countries where compliance with international human rights laws and labor laws may be inadequate, there is an enhanced risk that suppliers in these countries do not meet the requirements as set out in Alleima's Supplier Code of Conduct and/or imply specific challenges for Alleima in relation to compliance with national and international sustainability regulations. In addition, Alleima also uses certain conflict materials in its production, such as gold, tungsten and tin, which are subject to extensive EU and national legislation and regulations. In 2021, Alleima identified approximately 0.8 percent of its suppliers as high risk suppliers based on supplier category and country.

Alleima's suppliers may also face financial difficulties, insolvency or bankruptcy or, due to geopolitical factors, catastrophic events or other external factors, fail to fulfill its contractual obligations, or otherwise fail to comply with applicable guidelines and industry standards. For example, the war in Ukraine (see "*Alleima is exposed to risks related to geopolitical conditions*" above) and the ongoing COVID-19 pandemic (see "*Alleima is exposed to risks relating to the COVID-19 pandemic*" below) may continue to negatively impact Alleima's supply chain. If Alleima fails in its assessment and evaluation of suppliers or in identifying and addressing, for example, potential and actual negative human rights impacts directly linked to its products in accordance with applicable requirement, or if suppliers fail in their commitments to Alleima, there is a risk that such circumstances could have a material adverse effect on Alleima's reputation, business, results of operations and financial position.

Moreover, some raw materials, commodities and components, such as nickel, chrome, molybdenum and zirconium are available only from a limited group of suppliers or from jurisdictions where breaches of public international law may be suspected. If these suppliers cease or interrupt production or delivery or otherwise fail to provide sufficient and punctual supply for Alleima's production, there is a risk that Alleima is unable to obtain these raw materials, commodities or components for a certain period of time, or that Alleima is forced to procure such raw materials, commodities or components from alternative suppliers that may be less compliant with sustainability requirements, which could have a material adverse effect on Alleima's reputation and the Group's ability to manufacture single type or categories of products. If Alleima is forced to enter into a contract with a new supplier, this may lead to significant costs and work in evaluating and approving a new party, and that it may be difficult for Alleima to purchase or source raw materials, commodities or components within a reasonable time or at an acceptable cost, which could harm Alleima's profitability and/or reputation and cause the Company to lose customers, incur additional costs or delay new product introductions.

Disruptions in the supply of energy resources could also temporarily impair the ability of Alleima to manufacture products. Such disruptions may also occur as a result of the loss of energy supply contracts or the inability to enter into new energy supply contracts on commercially attractive terms. Furthermore, weather conditions and other external events, including geopolitical circumstances, could affect the electricity grid and disrupt the delivery of electricity to Alleima's production units. Any such disruptions could affect the reliability of the manufacturing process and therefore Alleima's ability to deliver to customers on time.

Alleima most often distributes its products and services directly to the end customers (in 2021, approximately 80 percent of the sales were direct sales), but also through distributors. A significant part of physical distribution of products is concentrated to a number of distribution centers and the provision of services depends on the efficiency of Alleima's aftermarket organization. Should Alleima's distribution centers, distributors or other aftermarket organizations be subjected to disruptions, its sales may be negatively affected, which in turn could have a material adverse effect on Alleima's reputation and results of operations.

Alleima is exposed to risks related to product development and other product-related risks

Alleima's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new and updated products. The Company's offering comprises more than 900 active alloy recipes and an extensive range of products to many customer segments, mainly seamless stainless tubes, industrial heating elements, wire for medical devices as well as precision strip steel. Alleima's revenues and market share may suffer if it is unable to introduce new and updated products successfully in a timely fashion or if new or enhanced products or services are introduced by competitors that Alleima's customers find more suitable for their needs. In addition, the industry in which Alleima operates is generally characterized by prolonged periods of customer acceptance and adoption of new products. Alleima's research and development activities are mainly focused on new materials that are used in different product applications. There is a risk that new products and new materials launched by Alleima will not, if at all, be accepted and purchased by its current and/or prospective customers until an extensive period of time after launch. This presents a significant risk that Alleima may not receive any return on its investments in research and development pertaining to such products in a timely manner, which could have a material adverse effect on Alleima's cash flows and profitability. If Alleima is not able to keep pace with global product development and technological advances, including shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on Alleima's business, results of operations and financial position.

In the year ended December 31, 2021, Alleima's research and development expenses amounted to SEK 214 million. There is a risk that Alleima's research and development activities will not achieve their planned objectives, including as a result of unresolved technological barriers, systems failures or human errors in calculating or monitoring the success of the technologies, or that competitors will develop better solutions or technologies and will be able to manufacture the resulting products more rapidly, in larger quantities, with a higher quality and/or at a lower cost. This could lead to increased demand for the products of such competitors and result in a loss of market shares for Alleima. There is also a risk that the money invested in researching and developing new technologies to a considerable extent will have been spent in vain if the technologies developed or the products derived therefrom are unsuccessful in the market. It is possible that Alleima could then be compelled to make new investments in researching and developing other technologies to maintain existing market shares or to regain the market shares lost to competitors.

The planning and implementation of Alleima's business operations seek to take into account market opportunities and opportunities to acquire new businesses. Any failure in Alleima's business development could have a material adverse effect on Alleima's business, results of operations and financial position.

Alleima is subject to risks related to market competition and price pressure

The markets for Alleima's products are highly competitive in terms of pricing, product quality and reliability, the timing of development and introduction of new products, customer service and terms of financing and Alleima faces intense competition from global competitors as well as smaller niche players within all divisions. If Alleima does not compete successfully within its divisions and does not anticipate and respond to changes in evolving market demands and trends, including, for example, the shift towards fossil-free technologies, Alleima will not be able to compete successfully in its markets, which would have a material adverse effect on Alleima's market position, results of operations and financial position.

There is a significant risk that companies that are currently providing low cost products within the same segments as Alleima start to develop products with higher quality, which to a higher extent would compete with Alleima's products. Alleima is experiencing increased competition in all segments in which it operates. For example, Alleima's super-duplex stainless steel tubes for umbilicals have been subject to increased price pressure from competitors and Alleima is currently experiencing increased competition of high-tech materials from manufacturers in China. New technologies may also enable competitors to develop materials and products that would, directly or indirectly, compete with those of Alleima. Pricing of competing products as well as development of new or improved products could significantly reduce the prices of and demand for Alleima's products. Such a development could have a material adverse effect on Alleima's profitability, competitiveness and financial position. Furthermore, increased production capacity and marketing efforts by Alleima's competitors could lead to an increased supply of equipment in the markets in which Alleima operates, which could expose Alleima to price pressure and, as a result, adversely affect the Company's margins and results of operations.

Alleima is exposed to risks relating to changes in taxes, tariffs or fiscal policies

Changes in corporate and other taxation policies as well as changes in export and other incentives by various governments or import, tariff and tax policies could adversely affect the demand for the Group's products and its results of operations. Such government actions may be unpredictable, and any adverse changes in government policy could have a material adverse effect on Alleima's business, results of operations and financial position.

In its production, Alleima is dependent on steel products. There is a risk that the price of, and access to, steel products may be adversely affected by tariffs and other global measures restricting trade. For example, in March 2018, the United States imposed a 25 percent tariff on certain raw materials, including steel, imported to the United States. As a consequence, the EU and China imposed retaliatory tariffs later in 2018. As some of Alleima's products are exported between the relevant jurisdictions, the tariffs had an adverse effect on the Group's costs and profitability as well as the demand for the Group's products in 2018 and 2019. Such tariffs and any further tariff measures imposed on Alleima's products or raw materials, commodities or components that are important to the Group's operations, have in the past and may in the future lead to a decrease in demand for and/or lower margins on Alleima's products, which Alleima may be unable to fully or partially compensate for by price increases to customers. In November 2021, the tariff on imported steel was exchanged to a tariff rate quota; an arrangement in which higher levels of imports are met with higher duties. As a consequence of the tariffs imposed on imported steel, if Alleima is not able to secure a tariff exemption or if Alleima's import exceeds a steel import quota, Alleima would need to pay an additional 25 percent duty for the imported extrusion bar, resulting in an increase in raw material costs. Increased raw material costs could reduce Alleima's profitability or, if the increase is passed on to the customers, reduce Alleima's market competitiveness and thereby result in a loss of business. Changes in steel-related taxes, tariffs or fiscal policies could adversely affect Alleima's ability to maintain profitable operations in its current markets and further limit Alleima's ability to expand its operations into new markets, which in turn could have a material adverse effect on Alleima's competitiveness, profitability and financial position.

Alleima is exposed to information technology and cybersecurity risks

Alleima is exposed to risks in the field of information technology ("**IT**"), since unauthorized access to or misuse of data processed on its IT systems, human errors associated therewith or technological failures of any kind could disrupt its operations, including the manufacturing, design and engineering processes as well as the financial reporting or result in breaches of regulations such as GDPR.[3] Certain of Alleima's IT systems, for example Alleima's Enterprise Resource Planning (ERP) system that is used at the unit in Sandviken and the order system SOPIC that is used within the sales organization, are older so-called legacy systems. Outdated and deficient IT systems may expose Alleima to cyberattacks and IT system failures, including suppliers' or other third parties' system failures, and the risk of disruptions to Alleima's operations by causing significant downtime in critical operational IT systems or services, transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or delivery of products and other business disruptions. A significant IT system failure or security breach would have a material adverse effect on Alleima's business, financial performance and reputation. In addition, there is also a risk that the employees of Alleima in the future will not be able to efficiently utilize outdated or inhouse developed IT systems due to a lack of relevant software competence, which could have a negative impact on the Group's working and production processes. If the Company's IT

3) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

systems are not efficiently utilized, this could adversely affect Alleima's business and results of operations.

Large parts of Alleima's IT environment are outsourced to external IT service providers. For example, Alleima has outsourced its data center operations, systems for applications and products in data processing (SAP), network and security and cloud services to third parties. When implementing or migrating to new and outsourced IT infrastructures, there is a risk that services prove to be deficient or incompatible with the business that Alleima conducts or that disruptions occur. If Alleima's IT infrastructure services do not work satisfactorily, and that leads to inefficiency or major disruptions in the operations, it would have a material adverse effect on Alleima's operations. Furthermore, Alleima is currently running certain IT transformation projects. For example, in connection with the separation from Sandvik, Alleima has implemented a new IT infrastructure. IT transformation projects, including any migration of data, can lead to unexpected costs and take longer time than expected; a risk that is amplified when the time frame available is limited and projects are carried out on a global scale. Alleima and Sandvik have also entered into a series of transitional services agreements whereby Alleima and Sandvik will exchange services in certain areas over a transitional period. Shortcomings in fulfillment of commitments, disagreements regarding interpretation of agreements or other disruptions could have an adverse impact on Alleima's business, results of operations and financial position (see also "*Alleima will be dependent on Sandvik as a supplier for certain functions over a transitional period*" below).

Alleima's cybersecurity risk lies, *inter alia*, in its sales and manufacturing, supply chain or connected products being hacked or otherwise made available to unauthorized individuals or organizations (including, for example, by industrial espionage). Furthermore, information about products, customers, contracts, selling prices and costs and other business critical information constitute sensitive information that could be subject to cyber threats. Alleima is, *inter alia*, exposed to the risk of malware and ransomware attacks (including ransom demands) as well as denial-of-service attacks (DDoS), but cyber-related risks may also arise as a consequence of loss of information due to insufficient or erroneous internal processes, outages or technical faults, human error or natural disasters. These risks may also occur at Alleima's suppliers, dealers, distributors and other external parties with whom Alleima interacts. Moreover, Alleima operates in countries and have customers that require specific cybersecurity controls. However, there is a risk that these controls are insufficient to prevent cyber threats. The degree to which cyber-related risks may affect Alleima is uncertain and presents a significant risk to Alleima since they could lead to significant business disruptions, loss of important data and reputational damage.

Alleima is exposed to risks relating to the COVID-19 pandemic

The impact and duration of the COVID-19 pandemic have had, and continue to have, sustained repercussions on people, businesses, societies and financial markets across the world, including in all of Alleima's core markets (Europe, North America and Asia) and several customer segments. The pandemic has resulted in, *inter alia*, the disruption of global supply chains and a decrease in customer demand and investments, which has adversely impacted Alleima's operations. For example, during 2020 Alleima experienced a severe drop in orders, especially within the Oil and Gas and Aerospace segments with most airlines grounded, which led to a decrease in demand for fuel, spare parts and lower order intake for manufactures of airplanes. Alleima's order intake was significantly impacted by the pandemic in 2020 and declined by 26 percent compared to 2019. Moreover, in 2021 Alleima experienced production disturbances as a consequence of temporarily increased levels of sick leave at production units globally. The effects were primarily confined to delayed deliveries.

The ongoing COVID-19 outbreak could, depending on national responses, any resulting economic downturn, the shape of any potential recovery as well as effects from the omicron and other variants of the virus, adversely impact Alleima's ability to successfully operate in the future. Factors that may affect, and have affected, the Group's ability to operate include lockdowns in certain regions resulting in a slowdown or suspension in production at the Group's facilities and production units, delays or disruptions in the supply chain of raw materials, commodities, components as well as other materials and services, and disruptions caused by the Alleima's workforce, personnel and management not being able to fully conduct work. For example, the lockdown of certain regions in China during the spring of 2022, initiated by the Chinese authorities as a result of the extensive spread of infection, entailed that Alleima could not transfer certain cash and cash equivalents within the Group. In particular, issues with respect to the further development, distribution and effectiveness of vaccines, and the spread of new variants of the virus, could result in new restrictions being imposed by governments and businesses, and cause people to continue to self-isolate and customers to not participate in the economy at pre-COVID-19 pandemic levels for a prolonged period of time. These and other factors may delay a return to a pre-COVID-19 pandemic situation and ordinary course economic activity, or cause the European, North American and Asian economies or other major global economies to experience a recession. The spread of COVID-19 continues to be unpredictable and characterized by dispersion across regions with uncertainty regarding its ultimate length and trajectory. The longer the COVID-19 pandemic impacts activity levels in the locations and customer segments in which Alleima operates, the more likely it is to have a sustained, material impact on Alleima. The constantly evolving nature of the COVID-19 pandemic makes it difficult to predict its ultimate adverse impact on Alleima. Consequently, the COVID-19 pandemic continues to present uncertainty and risk and could have material adverse effects on Alleima's revenues, cash flows, financial position and results of operations.

Alleima is exposed to risks associated with mergers, acquisitions and divestments

Part of Alleima's strategy depends on accelerating growth through acquisitions. Execution of this strategy requires the continued pursuit of potential acquisitions and investments and that Alleima is able to identify suitable acquisition candidates and investment opportunities. For example, in October 2021, Alleima acquired the Switzerland-based company Accuratech Group, a niched medical wire forming and component manufacturer, and in January 2022, Alleima completed the acquisition of Gerling Metallverarbeitung GmbH, a German precision tube engineering company. However, there is a risk that, in the future, Alleima will be unable to carry out strategic mergers and acquisitions due to, for example, competition from other buyers, merger control issues or increased indebtedness. A limited amount of companies within the segments that fulfill Alleima's strategical requirements may also be an impeding factor. If Alleima fails to carry out strategic mergers and acquisitions, this would adversely affect Alleima's expansion and ability to capture further growth.

Mergers and acquisitions also give rise to risks related to the integration of new businesses and employees. Hence, in conjunction with mergers and acquisitions, it is important to retain key employees and to have a well-functioning and effective integration process. There is a risk that dissatisfaction arises among the personnel of the acquired business and Alleima's personnel, and that this ultimately leads to key employees choosing to terminate their employments. In addition, Alleima may incur significant acquisition costs and restructuring costs or other costs in connection with mergers and acquisitions. There is also a risk that anticipated synergies will not be realized, or that additional integration costs will be required in order to achieve synergies. Unexpected market downturns, such as geopolitical events or pandemics, may result in acquired businesses not developing according to short-term plans and interruptions in integration processes. Following mergers and acquisitions, there is also a risk that business relations with customers, dealers, distributors and suppliers change or cease, making it difficult for Alleima to successfully achieve anticipated synergies. These risks are accentuated in conjunction with acquisitions of companies with a product offering similar to Alleima, or who operate in the same segments and/or regions as Alleima does.

Alleima may also be required to take on additional indebtedness or issue equity in order to finance acquisitions, and these financing options may not be available on favorable terms at the required times. There is also a risk that due diligence reviews, if carried out, do not identify all of the issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. Such issues may be particularly relevant with respect to environmental aspects. There is also a risk that Alleima will need to take an impairment charge on the goodwill or other intangible assets in conjunction with divestments or acquisitions as well as during the ownership period. Risks associated with mergers, acquisitions and divestments thus present a significant risk for Alleima which could have a material adverse effect on the Company's results of operations and financial position.

Alleima is dependent on attracting and retaining key personnel and highly qualified employees

The success of the Group's business depends in large part on the ability to attract and retain key personnel in management, production and R&D. Alleima's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise, knowledge of its products, industry and technologies necessary to conduct its operations. Given that the Group over time needs to introduce new or enhanced products and technologies, it is important that it is able to attract people with sufficient expertise in its product areas, technologies and other key competence areas, particularly its research and development functions. If the Group fails to monitor its need for employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms it may not be able to sustain or further develop parts of its business which may have a material adverse effect on the Group's business, results of operations and financial position.

In a business environment characterized by strong competition and technological shifts, it is important to attract and retain employees possessing the right skills, experience and values. However, this can be particularly challenging in specific regions where there is intense competition for skilled employees and the overall pool of skills may be limited. If this leads to increased remuneration levels, it would adversely affect Alleima's results of operations. Moreover, nominal salary growth could accelerate to catch up with consumer price inflation as employees seek higher salaries to account for increased living costs. In 2021, salaries and remuneration to employees amounted to SEK 3,613 million. Conversely, if Alleima were to offer excessively low remuneration levels, there is a risk that employees choose to terminate their employments, which would adversely affect Alleima's competitiveness and business.

Alleima is exposed to risks relating to product liability and warranty claims

Alleima's products comprise tubular products, bars and billets, heating material and heating technology products, strip steel, medical wires and coated strip steel. In 2021, Alleima recorded revenues of SEK 13.8 billion for products and services sold. Under laws and regulations in many jurisdiction, for example in the EU and the United States, Alleima would be required to recall or repurchase some of its products launched on the market under certain circumstances. Any material recalls or repurchases of products would be costly to the Group and damage its reputation. For example, in 2016 one of Alleima's customers recalled boat engines containing a defect valve steel delivered by the Group. The parties reached a settlement in 2017 whereby Alleima compensated the customer with approximately USD 750,000. If Alleima is required to remove, or if Alleima voluntarily removes, its products from the market, the Group's reputation could be tarnished.

Alleima's manufacturing and sale of products also involve the risk of product liability and warranty claims. Alleima may be exposed to product liability claims in the event that one of its products is alleged to have caused property damage, bodily injury or other adverse effects (including through the use in such products of components received from third-party suppliers). Alleima manufactures, for example, materials that are used in products for medical treatment. An example of such material produced by Alleima is the medical ultra-fine wire that is used in life-changing and life-saving medical solutions that sense, stimulate or transmit signals inside or outside the human body. The ultra-fine wire is used in pacemakers, in continuous glucose monitors for diabetes care and for deep brain stimulation, amongst other devices. Defects in materials produced by Alleima could lead to severe bodily injury which in turn could have a material adverse effect on the Group's reputation and lead to product liability claims that could adversely affect Alleima's results of operations and financial position. In addition, Alleima relies on its customers and other third parties to use its products according to the products' design and product manuals. Alleima's brand name and image could be harmed due to a third party's incorrect use of Alleima's products. Alleima has become implicated in certain lawsuits in the ordinary course of its business, including suits involving allegations of improper delivery of goods and services, product liability and product defects and quality problems. For example, in 2014 a claim was brought against the Group in India for a defect bell furnace. The Group has made a provision for the claim totaling INR 12 million (corresponding to approximately SEK two million). If any such material product liability claims are successful, they could have a material adverse effect on Alleima's reputation, results of operations and financial position.

While the Group holds product liability insurance in amounts Alleima believes to be appropriate, there can be no assurances that the Group will be able to fully recover such amounts or that recovered amounts will be sufficient to cover the Group's losses should claims be made against Alleima in the future. Product liability or warranty claims could result in significant litigations costs, and a successful claim brought against Alleima in excess of available insurance coverage, or any claim that results in significantly adverse publicity, could have a material adverse effect on Alleima's business, financial position and results of operations.

Alleima is exposed to risks relating to customers and other partners

Alleima operates within several different market segments and has a large number of customers in widely differing business areas. In 2021, Alleima's revenues derived from customers within Industrial (24 percent), Chemical and Petrochemical (16 percent), Oil and Gas (14 percent), Industrial Heating (13 percent), Consumer (ten percent), Power Generation (eight percent), Mining and Construction (eight percent), Transportation (four percent), Medical (three percent), and Hydrogen and Renewable Energy (less than one percent). No individual customer contributed by more than five percent to Alleima's total revenues in 2021. Alleima is thus not dependent on any single customer. However, loss of a larger customer, or loss or postponement of a larger contract, would negatively affect Alleima's revenues and could have a material adverse effect on Alleima's results of operations. In addition, the Group's revenues may be negatively affected if Alleima's customers do not carry out their obligations, or drastically reduce or cease their operations (see also "*Alleima is exposed to credit and counterparty risks*" below).

Furthermore, Alleima has entered into a partnership with Sandvik regarding the supply of rock drill steel products, which includes hollow bar and solid bar products ("**RDS Products**"). The production and sale of RDS products is a business unit (the "**RDS Business**") that forms part of Alleima's business, with sales to several customers in the rock drill steel market. In 2021, the RDS Business accounted for eight percent of Alleima's revenues. Sandvik Mining and Rock Solutions ("**SMR**"), which is a business area within the remaining Sandvik Group, relies on the continued supply of RDS Products to secure its own production output. The RDS Business is conducted through Sandvik Materials Technology Rock Drill Steel AB (under name change to Alleima Rock Drill Steel AB) ("**RDSCo**"). At the first day of trading in Alleima's shares on Nasdaq Stockholm, ten percent of the shares of RDSCo (of a separate class, which do not entitle to any dividends) will be owned by Sandvik and the remaining shares will be owned by Alleima's wholly-owned subsidiary Sandvik Materials Technology EMEA AB ("**Alleima EMEA**"). The joint ownership of RDSCo is governed by a shareholders' agreement entered into between Sandvik and Alleima EMEA. Alleima EMEA controls the RDS Business, but under the terms of the shareholders' agreement, Sandvik is, in addition to customary minority rights, afforded protective rights aimed at securing the long-term delivery of RDS Products to Sandvik. The protective rights include a call option entailing a right for Sandvik to acquire Alleima EMEA's shares in RDSCo in the event that, for example, RDSCo terminates the RDSCo supply agreement with the Sandvik Group without cause or commits a material breach of the RDSCo supply agreement, or in the event that a direct or indirect "change of control" occurs with respect to Alleima EMEA (i.e. if Alleima ceases to be able to, directly or indirectly, direct or control the management or policies of Alleima EMEA or in the event that a private or corporate person, who is not already a major shareholder, as defined in the shareholders' agreement, at the time of the first day of trading in Alleima's shares on Nasdaq Stockholm gains control of at least 30 percent of the voting rights in Alleima). Furthermore, Sandvik is afforded certain veto rights in relation to board and shareholder resolutions on certain key matters, including such that could impact RDSCo's viability to operate the RDS Business as a going concern such as close down or relocation of the business, to take on additional business activities, or otherwise put the delivery of RDS Products to SMR at risk. The potential exercise of such veto rights, may limit or delay Alleima's opportunities to optimize RDSCo's production and costs as well as to fully explore its growth opportunities. Not being the sole owner of RDSCo will itself also entail that Alleima EMEA may not be able to conduct the RDS Business in the most profitable or tax-/cost-efficient way for Alleima EMEA. If Sandvik's call option would be triggered and Sandvik decides to acquire Alleima EMEA's shares in RDSCo, a material part of Alleima's business would have to be divested from the Group at fair market value, which would entail a loss of significant turnover and production scale. Consequently, not being able to unhindered conduct the RDS Business in the preferred way, or, ultimately being required to sell RDSCo to Sandvik, could have a material adverse effect on the Group's operations and results of operations.

Alleima is exposed to risks relating to climate change, natural disasters, acts of war, epidemics and other external events

Alleima's business could be materially and adversely affected by natural disasters, earthquakes, tsunamis, fires, floods, hail, windstorms, severe winter weather (including freezing water, ice storms and snowstorms), the outbreak of a widespread health epidemic or pandemic, power loss, communications and other infrastructure failures, explosions or other events, such as wars, acts of terrorism, environmental accidents, power shortage or infrastructure interruptions.

Certain natural disasters, such as earthquakes and hurricanes, may disrupt the delivery of raw materials, commodities, components and other materials and services to Alleima and accordingly, the distribution of products to customers. Such natural disasters may also directly affect Alleima's production units. For example, heavy rain caused flooding on Alleima's plant in Sandviken, Sweden, in the summer of 2021 and Kanthal's production unit in Palm Coast, Florida, the United States, is exposed to an increased risk of being affected by hurricanes that may cause severe damage to the facility and its equipment as well as injury to employees, visitors and other persons. The occurrence of events such as flooding and hurricanes could increase as a consequence of climate change, which could also result in longer-term shifts, such as rise of sea levels, all affecting Alleima's ability to operate its business. In addition, Alleima's global presence increases the potential threat of war or terrorist attacks affecting the Group, which may cause uncertainty and cause the business to suffer in ways that the Group cannot predict.

In addition to the current COVID-19 pandemic (see "*Alleima is exposed to risks relating to the COVID-19 pandemic*" above), there has historically been substantial publicity regarding other potent influenza viruses and disease epidemics. Ebola, Zika virus, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), avian flu and swine flu are a few examples of past outbreaks. Any future outbreak of a disease, as well as actions by governments to fight such disease, such as lock-downs and quarantine rules, would also affect Alleima's operations and presents a significant risk to Alleima's operations. Accordingly, future outbreaks of diseases that adversely affect Alleima's operations would also have a material adverse effect on Alleima's revenues and financial position.

The occurrence of any of the aforementioned events in Europe, North America, Asia or elsewhere where the Group operates could materially disrupt Alleima's operations. Such events could also significantly affect the automotive industry and cause a temporary closure of the facilities that Alleima or its business partners or suppliers use for their operations, which would severely disrupt the Group's operations. In addition, Alleima's revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other event harms the global economy in general.

Legal risks

Alleima is subject to environmental laws and regulations

Alleima's production is subject to numerous international, national and local environmental, health and safety directives, laws and regulations, including those pertaining to the storage, handling, treatment, transportation and disposal of hazardous and toxic materials, the construction and operation of plants and standards relating to energy efficiency and the discharge of pollutants to air, soil and water. Some of the Group's production facilities require permits for their operations which may be subject to certain conditions to which the facilities will need to adhere to. Such conditions may also be subject to reassessments and amendments from time to time, in particular where the permits are more than a decade old, which may require Alleima to adhere to more stringent conditions that could lead to increased costs and/or restrictions on production (temporary or permanent), which in turn may lead to temporary disruptions to the Group's operations and affect the ability to meet its contractual obligations, and therefore have a material adverse effect on the Group's profitability and financial position.

Like most industrial companies, the Group affects the environment in its production processes, through the use of natural resources, and the generation of emissions and wastes, in the distribution of, as well as in the use and final disposal of its products. Compliance with environmental requirements is a significant factor in the Group's operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations, particularly in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violations of which can, in addition to seriously harm Alleima's reputation, lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial (see also "*Alleima is exposed to risks related to disputes and administrative proceedings*" below). In relation to air emissions, there is a risk that there might be limited availability and therefore higher price of emission rights. Moreover, in 2020, cobalt (which is used in a few alloys (for example Sanicro 25 and Sanicro 625) at Alleima's production of seamless tubes) was classified as a substance that is carcinogenic, mutagenic or toxic to reproduction (CMR) by the EU. There is currently also a large focus on responsible sourcing, manifested by example through ongoing discussions within the EU to include cobalt as a conflicted mineral in the Conflict Minerals Regulation, and broader due diligence requirements in national legislations. Such initiatives and legislations would increase the legal obligations of Alleima concerning human rights and environmental risks in its value chains, as well as potentially increased exposure to reputational risk as Alleima will be required to disclose its risks and efforts to address them at a considerably more granular level than today (see also "*Alleima is exposed to risks related to suppliers, dealers and distributors as well as other external parties*" above). In addition, the Group could also become subject to liabilities and claims relating to personal injury (including exposure to substances used in its production), negative human rights impacts, impacts on climate relating emissions in its value chain (including emissions from customers' use of its products), property damage or damage to natural resources.

In 2021, the United States increased its focus on climate change and negative environmental impact. A broad set of legislature approaches in the United States on issues related to climate change is thus expected in the forthcoming years. It is, for example, likely that new emissions limitations will be imposed on the energy sector, which could result in increased energy costs to the industry. Additionally, the heightened focus on environmental justice may result in new requirements on environmental permitting processes. Any such additional costs and/or restrictions on production (temporary or permanent) may have a material adverse effect on the profitability of the Group, or lead to temporary disruptions to its operations and ability to meet its contractual obligations, and therefore have a significant impact on the Group's financial position.

Alleima carries out manufacturing business and is thus exposed to risks relating to pollution and contamination on land or water and similar environmental risks. Alleima may be held liable to investigate and rectify contamination and emissions at the Group's plants and on property which Alleima, or companies and businesses which the Group has acquired or with which it has merged, owns or has previously owned, irrespective of whether Alleima has caused the contamination or whether the operation that caused the contamination was lawful at the time the contamination occurred. For most of the Group's facilities, operations have been conducted for a long period of time. This typically entails an increased risk of claims in relation to contaminations, as the environmental requirements on operations were generally less strict in the past compared to today. For example, industrial operations have been conducted on the facility in Sandviken, Sweden, since 1862 and trichloroethylene has been found in the soil and in the groundwater. Risks of substantial costs and liabilities, including for the investigation and remediation of past or present contaminations, are inherent in the Group's ongoing operations, and the Group's ownership and occupation of industrial properties thus present a significant risk for substantial costs for the Group which could have a material adverse effect on Alleima's results of operations and financial position.

Alleima is exposed to risks relating to laws and regulations applicable to its industry

Alleima's products are sold in approximately 90 countries. Alleima's operations are thus subject to industry-related laws and regulations in several jurisdictions, concerning, *inter alia*, greenhouse gas emissions, energy security, medical applications, and procurement of goods and services from high-risk sectors and geographic contexts, including high-risk raw materials such as cobalt, nickel, and oil. The number and extent of legal and regulatory industry requirements will likely increase significantly in the future, which will result in increased compliance and transition costs. Evolving regulatory requirements could significantly affect Alleima's product development plans and may result in substantial costs and limit the number and type of products that the Group sells and where they are sold. In addition, any violations of governmental regulations could damage the Group's reputation and could result in criminal and civil penalties, including significant monetary fines, third party claims for loss or injury, loss of relevant licenses, or the imposition of requirements that Alleima shall implement costly corrective actions. There is also a risk that regulatory changes may result in significant differences in industry regulations in different regions, which may lead to difficulties to perform business within certain industries. For example, there are ongoing discussions to include cobalt as a conflicted mineral in the EU Conflict Minerals Regulation[4], which would result in new regulatory requirements for Alleima (see further "*Alleima is subject to environmental laws and regulations*" above).

To comply with current and future industry-related laws and regulations, the Group may have to incur additional capital expenditures and research and development costs to upgrade products and plants as well as update internal governance procedures. This in turn could have an impact on the Group's cost of production and therefore its results of operations. Considering the competitive pressure in terms of pricing in the industry, such additional costs may be difficult for the Group to pass on to its customers (see also "*Alleima is subject to risks related to market competition and price pressure*" above). There is also a risk that the Group might be unable to develop commercially viable technologies within the time frames set by the new standards, which could result in significant civil penalties, or alternatively that the Group may be forced to restrict its product offerings.

Alleima is exposed to compliance- and internal control-related risks

Alleima operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity worldwide in areas such as competition law, sanction and export control, human rights and anti-corruption. There are corruption risks in several of the jurisdictions in which Alleima operates and Alleima faces the risk of corruption and other illegal acts committed by its employees and business partners as well as violations in its subsidiaries and other companies in which Alleima has an interest. Alleima has compliance processes and policies in place to prevent such actions, however, these processes and policies may fail to prevent violations of laws and Alleima's governance documents and there is a risk that there will be acts of corruption and other illegal activities involving employees or other business partners of Alleima.

Alleima also conducts operations and have business partners in jurisdictions that are, and have been, subject to international sanctions and export control restrictions, such as China and – before the end of February 2022, when operations with relevant business partners were suspended – Russia and Belarus. Sanctions and export control laws are complex, and their applicability to a given circumstance can often be subject to interpretation and be difficult to determine with certainty. In addition, there is a risk that Alleima interprets sanctions and export control laws in a certain way and that authorities, customers, suppliers and other third parties have a different view of the relevant regulation, which could lead to claims being brought against Alleima for not fulfilling its legal or contractual obligations. Furthermore, there is a risk that sales through distributors will result in Alleima's products being supplied in violation of applicable regulations without Alleima knowing or being able to prevent it, regardless of which contractual arrangements Alleima has entered into with the distributor. The operations in or directed to such jurisdictions may thus result in an increased risk of alleged violations in respect of past, ongoing or future business activities, or that the Group becomes subject to investigations or claims, as well as that the individuals concerned become subject to criminal liability. Moreover, sanctions regimes change quite frequently and not seldom at short notice, not least since Russia's invasion of Ukraine in February 2022. New or revised laws on sanctions and export control could result in increased compliance costs and the need for Alleima to cease or limit its operations in the markets affected by sanctions or in the regions where the Company deems that there is an increased risk that distributors or other external parties circumvent sanctions and export control.

In addition, Alleima is dependent on the compliance by its employees, suppliers and other third parties with laws and regulations, as well as internal governance documents and policies. Breaches of, or non-compliance with, applicable laws and regulations would adversely affect Alleima's business and reputation. Such behavior include, for example, non-compliance with laws and regulations related to competition law, anti-corruption, money laundering, IT security, data protection (including GDPR), public procurement, corporate governance, export controls and trade sanctions, IFRS and other rules relating to accounting and financial reporting, the environment, the work environment, business ethics, equal treatment and other human rights. There is also a risk that internal governance documents, policies and codes of conduct are not at all times adequate and fully effective, particularly if the Group is confronted with risks that it has not fully or adequately identified or anticipated. Alleima also faces

4) Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas.

the risk that its executives make decisions that are not in compliance with the Group's strategies, corporate governance practices, internal guidelines and policy documents. If Alleima's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policies are insufficient, there is a risk that Alleima's reputation is damaged and that the Group becomes subject to fines, penalties and other sanctions and/or exposed to civil or criminal liability.

Effective internal controls are also necessary for Alleima to provide reliable financial reports and effectively prevent and detect fraud. Inadequate internal controls could result in Alleima becoming more vulnerable in relation to fraudulent acts committed by employees or other persons, such as fraud committed in the revenue recognition or other fraudulent acts committed in the Company's accounting systems. Deficiencies in internal control could also lead to inaccurate information being presented to the Company's shareholders, which in turn could cause investors and other third parties to lose confidence in Alleima's reported financial information, which could have a material adverse effect on Alleima's business, financial position and results of operations.

Alleima is exposed to risks related to legal disputes and administrative proceedings

Alleima is involved in disputes in the ordinary course of its business. The disputes may concern, *inter alia*, environmental issues, alleged defects in delivery of goods and services, warranty undertakings, supplier agreements, employment issues, patent rights and other intellectual property rights and other issues on rights and obligations that arise in connection with the Group's operations. Alleima may also be exposed to product liability claims in the event that one of its products is alleged to have caused property damage, bodily injury or other adverse effects. Disputes may also arise in connection with mergers and acquisitions. Disputes, administrative proceedings and other investigations may prove costly, be time consuming and disrupt normal operations. The financial, reputational and legal outcomes of material disputes, administrative proceedings and other investigations are also uncertain and presents a highly significant risk to Alleima since a disadvantageous outcome would have a material adverse effect on the Group's reputation, business, results of operations and financial position.

Alleima has been, currently is, and is likely to in the future be, subject to disputes, administrative proceedings and other investigations relating to possible, alleged or confirmed contaminations at or from the facilities on which the Group currently conducts or previously has conducted its operations (see also "*Alleima is subject to environmental laws and regulations*" above). The Group is, for example, party to one civil inquiry and two administrative proceedings relating to contaminations identified at the Group's former production facility in Diadema, Brazil. Discussions with the authorities in Brazil were initiated in 2010 and the proceedings are still ongoing. The Group has carried out several remedial measures since 2012 at a total cost of approximately BRL 16.7 million (approximately SEK 32.8 million), and has a current provision in place of BRL 6.1 million (approximately SEK 12 million) to cover the remedial measures that until this date have been brought concerning the period until 2025, at which time remediation of the facility currently is deemed to be completed. Furthermore, the Group's production facility in Sandviken, Sweden, has been identified as an environmental risk by the Swedish County Administrative Board (Sw. *Länsstyrelsen*) since industrial operations have been conducted on the facility since 1862 and trichloroethylene has been found in the soil and in the groundwater. In addition, the Group conducts operations on a facility in Hallstahammar, Sweden, where the Group has had operations since 1992 and where industrial activity has been conducted since 1930. Trichloroethylene as well as tetrachloroethene have been identified in soil and groundwater within four areas of the facility. The estimated cost to remediate the facility in Sandviken, Sweden, amounts to between approximately SEK 6 million and SEK 165 million, depending on how extensive such potential contaminations could turn out to be and depending on how much of the plant is being remediated, whereas the cost to carry out necessary remedial measures at the facility in Hallstahammar, Sweden, amounts to between approximately SEK 15 million and SEK 25 million. The Company has made provisions for the potential remedy costs of SEK 103 million and SEK 24 million, respectively. The estimated costs for remedial measures do not, however, include any potential investigations or possible remedial measures other than those identified to date, for example, potential costs for remedial measures relating to water and sediment in, for instance, lake Storsjön adjacent to the Sandviken facility (which could be significantly higher than SEK 165 million). If the contaminations identified turns out to be more extensive than expected, or if new and not insignificant contaminations on or from the Group's facilities are being identified in the future, there is a risk that remedial measures, fines or other monetary sanctions imposed on the Group may prove costly and could have a material adverse effect on the Group's reputation, business and financial position.

Alleima is subject to health and safety laws and regulations

Alleima is subject to a broad range of health and safety laws and regulations in the jurisdictions where the business is being conducted. Health and safety laws and regulations are becoming increasingly stringent and the protection standards to which Alleima must adhere are becoming more rigorous. The cost of complying with, and the liabilities and the potential sanctions imposed pursuant to, applicable health and safety laws and regulations could be substantial on a Group level. Non-compliance could result in civil or criminal sanctions, loss or suspension of permits, temporary or permanent closure of operations, lawsuits or other claims by third parties (including liability for personal injury and property damage). Alleima has on several occasions accepted a summary imposition of a fine during the period 2017 to 2022 relating to violations of the Swedish Work Environment Act (Sw. *Arbetsmiljölagen*) at site Sandviken, Sweden, and has, as a consequence of non-compliance with Swedish labor laws, paid SEK 1.7 million in fines during the above-mentioned period. Increased compliance costs, or a failure to adhere to increasingly demanding safety and health standards, could have a material adverse effect on Alleima's business, financial position and results of operations.

Given the nature of Alleima's business, industrial accidents and other incidents, such as explosions, fires, poor air quality, contaminations, gas leaks and other incidents that may lead to personal injuries and fatalities, have occurred in the past and may occur in the future. Most accidents and incidents occur in Alleima's production environment and the employees working within production are particularly exposed. Additionally, Alleima's products may be involved in accidents or other incidents. Accidents, incidents or other disruptions affecting employees', customers' and others' health and safety may result in serious personal injury, death, damage to property, civil and criminal liability, major fees and substantial harm to Alleima's reputation, all of which could have a material adverse effect on Alleima's business, financial position and results of operations.

Alleima is exposed to risks related to intellectual property rights

Alleima's intellectual property rights, including patents, trademarks, design rights, copyright, trade secrets and related rights, are a significant and valuable aspect of the Group's business. Alleima is also a licensee of the "Sandvik" word mark and logotype as well as certain trademarks and domains from Sandvik during a transitional period. Being a licensee of intellectual property such as trademarks entails certain obligations and restrictions with respect to use of the intellectual property rights, as a consequence of which Alleima does not enjoy the same freedom to use the licensed intellectual property rights as Alleima otherwise would if the Group had owned the intellectual property in question. If, for example, Alleima were to violate material terms in a licensing agreement, it could lead to Alleima losing its right to use the intellectual property. Any material failure to obtain, renew or adequately protect Alleima's intellectual property rights may negatively affect its competitiveness, if, for example, Alleima would no longer be able to use certain trademarks or another entity sells products of low quality under any of Alleima's brands or features or otherwise misrepresents such trademarks.

Alleima has applied for intellectual property protection in multiple jurisdictions with respect to certain innovations and new products, product features and processes. For example, the Group's patent portfolio includes approximately 850 registered patents and in 2021 Alleima registered approximately 168 unique patents with authorities in various jurisdictions. However, there is a risk that the intellectual property rights that Alleima owns is challenged, invalidated, or that others design around the Group's patents. Moreover, the laws and procedures of certain foreign countries in which the Group operates, such as China and Russia, make it more challenging to protect and enforce intellectual property rights than, for example, in Europe or the United States. For example, there is an ongoing dispute in China between Alleima and a natural person, where the latter has registered a trademark hindering the Group from registering the Kanthal mark in class 11 (comprising appliances for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes). A severe deterioration in the protection of intellectual property rights would weaken the Group's competitive advantage with respect to its products, services, and brands in the countries concerned.

Furthermore, there is a risk that other parties assert intellectual property rights that cover some of Alleima's technology, patents, brands, products or services. In addition, if the Group, within the area of product development, finds its solutions or inventions already protected by other parties' intellectual property rights, the Group may need to redesign or adapt its products or take legal action to revoke the holder's registration of the intellectual property right, which may imply that the Group's product development becomes more challenging, costly and takes longer time. Legal proceedings and disputes regarding patents, trademarks or other intellectual property rights can be costly and time-consuming and can divert the attention of the Group's management and key personnel from the Group's operations and there is also a risk that Alleima not successfully can protect its intellectual property rights through legal proceedings or otherwise. Alleima may also be required to pay royalties and/or adapt its product development should the Group otherwise infringe another parties' intellectual property rights. The Group also risks being held liable for significant damages or subject to injunctions prohibiting production and sale of certain products, which would have a material adverse effect on its results of operations and financial position.

Alleima is exposed to employment-law related risks

As of December 31, 2021, Alleima had 5,465 employees[5] in approximately 25 countries. The Group thus needs to comply with several employment-related laws and regulations with various levels of employee protection. If such laws and regulations were to be amended in a way that reduces the employer's flexibility or imposes additional administrative or financial burden on the employer, it would have a negative effect on Alleima's business.

Alleima is also subject to separate collective bargaining agreements with certain labor unions, for example in Sweden, France and Germany, with different durations, and the Group periodically negotiates with certain of the unions representing their employees. However, there is a risk for the Group that renewed collective bargaining agreements contain less favorable terms. Such renegotiations may also cause disruptions to the operations and increase the risk of industrial conflict measures. Accordingly, within its own business or within the business of suppliers or other third parties, Alleima is exposed to risks related to strikes or other industrial conflict measures, which, if they last for a long period or encompass a substantial part of the workforce in a major or important part of the business, would create disruptions and delays in the operations. Employment law related risks thus present a significant risk for the Group.

Furthermore, there is a risk that redundancy, for example as a consequence of efficiency improvements, rationalization or relocations of the operations or discontinued manufacturing, which is not handled properly, in consultation with trade unions or in accordance with applicable laws, damages Alleima's reputation and deteriorates its relationship with trade unions, or requires the Group to compensate employees.

Alleima is subject to tax law-related risks

The Group is comprised of subsidiaries that are subject to taxation in approximately 25 jurisdictions. Accordingly, the Company is subject to taxation in Sweden as well as in other jurisdictions. Alleima's tax expense (as included in income for the period) totaled SEK 278 million in 2021, SEK 176 million in 2020 and SEK 345 million in 2019, and the effective tax rate amounted to 18.4, 31.6 and 34.1 percent, respectively. There is a risk that Alleima's understanding and interpretation of tax laws, tax treaties and other provisions is not correct in all respects. There is also a risk that tax authorities in the relevant jurisdictions make assessments and decisions that differ from Alleima's understanding and interpretation of the aforementioned laws, tax treaties and other provisions, which risks to negatively impact the Group's tax expenses and effective tax rate. In addition, there is a risk that amended laws, tax treaties or other provisions, which may apply retroactively, may have a material adverse effect on Alleima's results.

As mentioned above, due to the international nature of its business, Alleima is subject to the tax laws and regulations of several jurisdictions, in particular with regard to transfer pricing rules. Pursuant to such rules, related enterprises must conduct any inter-company transactions on an arm's length basis and must provide sufficient documentation thereof, subject to the applicable rules of the relevant jurisdiction. Tax authorities may challenge Alleima's compliance with applicable transfer pricing rules. In addition, Alleima faces the risk of increased taxes due to the implementation of new tax rules or regulations. Alleima is also regularly subject to local tax investigations initiated by local tax authorities and faces the risk that tax authorities or other regulators have different interpretations of tax legislation than Alleima.

In the separation of Alleima's business from Sandvik, Alleima and its tax advisors have made certain assessments in regard to tax effect pertaining to the carve-out. There is a risk that national tax authorities or regulators challenge Alleima's and its tax advisors' interpretation of the relevant tax laws and regulations. Should such a risk materialize, this could result in supplementary taxation and fines for Alleima, which could have a material adverse effect on Alleima's business, financial position and results of operations.

Alleima is exposed to insurance-related risks

Alleima is currently covered by Sandvik's insurance program and will after the separation from Sandvik and the listing on Nasdaq Stockholm be covered by its own insurance program. The insurance program includes, among other insurances, property damage and business interruptions insurance, product liability insurance, cargo insurance, financial lines insurances and business travel insurance, to the extent and for amounts considered to be in line with industry practice. However, Alleima is not fully insured against all possible risks and insurance coverage for all types of risks, or for particularly extensive risks, may not be available at a reasonable cost or at all. Therefore, if a major claim was raised against Alleima, or there were to occur a major accident or incident causing losses in excess of the applicable insurance policy limits or not covered by insurance, this would have a material adverse effect on Alleima's business, results of operations and financial position.

In 2021, Alleima's costs for its insurance coverage procured through Sandvik amounted to SEK 76 million. After the separation from Sandvik and the listing on Nasdaq Stockholm, Alleima will have its own insurance coverage which could lead to significant additional costs. The annual costs for Alleima's own insurance coverage

5) The number of employees refers to the number of full-time equivalents (FTEs).

after the separation are currently expected to amount to approximately SEK 90 million. There is a risk that Alleima, depending on how the costs for insurances develop in general and how Alleima's risk profile and insurance coverage may be set up, will not be able to maintain its insurance coverage on the same terms in the future.

Financial risks

Alleima is exposed to currency risks

Alleima's products are manufactured in 14 countries around the world and sold in approximately 90 countries. Alleima generally offers customers the possibility to pay in their own currencies. As a result, the Group is continuously exposed to currency risks associated with account receivables denominated in foreign currency and with future sales to foreign customers. Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Alleima is exposed to a large net inflow of foreign currencies. Alleima's annual transaction exposure, meaning the Group's net flow in foreign currencies, after full offsetting of the counter-value in the exporting companies' local currencies, and measured at the average exchange rate, amounted to SEK 3,260 million in 2021 (compared to SEK 3,314 million in 2020). In 2021, Alleima's total net inflow was distributed between USD (49 percent), EUR (35 percent), JPY (seven percent), CNY (six percent) and other currencies (three percent), whereas the Group's total net outflow was distributed between CZK (84 percent), INR (12 percent) and GBP (four percent). A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments and bank account balances. In addition, major project orders are currency hedged to protect the gross margin. Currency hedging exposes Alleima to the risk that appropriate hedging lines for the type of risk exposures the Group is subject to may not be available at a reasonable cost or at all, and there is a risk that the use of such hedging instruments fails to meet the intended purpose, which could have a material adverse effect on the Group's results of operations and financial position.

Moreover, Alleima has investments in assets in foreign currencies, mainly in USD, EUR and CZK and primarily consisting of assets in foreign subsidiaries' shareholders equity, and the Group is therefore affected by fluctuations in foreign currency exchange rates. As of December 31, 2021, the Group's net assets in subsidiaries in local currencies amounted to SEK 4,576 million (compared to SEK 2,769 million in 2020). If exchange rates were to change by five percent in an unfavorable direction, the net effect on other comprehensive income would be approximately SEK –229 million, based on the prevailing conditions at December 31, 2021.

The currency risks relating to the sale of Alleima's products to customers in foreign countries and its investments in assets in foreign currencies expose the Group to movements of certain currencies relative to SEK, and changes in these currency rates will have a direct impact on the Group's operating income, balance sheet, cash flow and operating profit.

Alleima is exposed to credit and counterparty risks

The Group's commercial and financial transactions give rise to credit risk in relation to Alleima's counterparties. Credit risk is defined as risk of losses if the counterparty to an agreement does not fulfill its commitments. Alleima has entered into agreements with the banks that it has outstanding derivatives contract with on such matters as the right to offset receivables and liabilities that arise from these financial transactions, so-called ISDA agreements. This means that Alleima's counterparty exposure to the financial sector is limited to the unrealized positive results that arise in derivative agreements. On the other hand, Group companies are exposed to the credit risk associated with outstanding trade receivables from ongoing sales. Some of Alleima's customers have, for example, experienced financial and operational challenges throughout the difficult economic environment resulting from the COVID-19 outbreak (see also "*Alleima is exposed to risks relating to the COVID-19 pandemic*" above) and customers may face similar difficulties as a consequence of economic damage relating to the war in Ukraine (see "*Alleima is exposed to risks related to geopolitical conditions*" above). The impact and duration of the persistent repercussions on business and trade caused by the pandemic and the war in Ukraine could impose additional economic and operational distress or even bankruptcy. The potential inability of Alleima to collect outstanding trade receivables on a timely basis, or at all, could have a material adverse effect on the Group's business, results of operations and financial position.

Alleima is exposed to risks relating to liquidity and financing

Alleima is exposed to liquidity and refinancing risks, which relate to the risks that financing possibilities may be limited when loans are to be refinanced and that payment commitments may not be met as a result of insufficient liquidity. In addition, Alleima is exposed to the risk that financing of the Group's capital requirements and refinancing of existing borrowings is more difficult or costly in the future. These risks may arise from matters outside of Alleima's control, such as a credit crisis or severe adverse economic conditions in the countries in which the Group operates, and could have a material adverse effect on Alleima's results of operations and financial position.

The Group's external financing comprises bilateral bank facilities, a commercial paper program and a revolving credit facility. The revolving credit facility contains certain restrictive conditions with respect to, for example, further loans, restrictions on acquisitions as well as divestments and pledging of assets. These credit agreements also contain financial covenants, according to which Alleima is required to maintain certain financial key performance indicators during the term of the agreements. The Group is measured on gearing (financial net debt/equity) and if gearing exceeds a certain level, the Group will also be measured on interest cover (adjusted EBITDA/net interest expenses). Any non-fulfillment of the financial covenants and failure to rectify such breaches within a certain period of time (if there is such a possibility), or if lenders refuse to grant waivers from the covenants, may result in loans being called in pursuant to the credit facility terms. Such conditions may also limit the Group's ability to secure additional capital or financing through new loans or the sale of assets. If the Group breaches such financial covenants, outstanding amounts payable under such financing agreements become immediately due and payable. This, in turn, may have the consequence that outstanding amounts under other financing agreements also become immediately due and payable (referred to as cross-default). There is also a risk that financing will not continue to be available to the Group on acceptable terms in the future. All of the aforesaid would have a material adverse effect on the Group's business, results of operations and financial position.

Alleima is exposed to risks relating to its pension commitments

Alleima has comprehensive defined contribution and defined benefit pension plans for its employees in all countries in which it operates. The pension provisions vary depending on legislation and local agreements. The risks associated with Alleima's pension obligations relate to, for example, interest rate fluctuations, capital market volatility, changes in life expectancy and calculation assumptions. Since the duration of the liabilities differs from the duration of the interest-bearing assets is Alleima exposed to risks relating to interest rate fluctuations. Further, calculating pension and similar obligations require assumptions on discount rates, expected return on plan assets and rate of compensation increase, which may not match actual outcomes. If Alleima's pension liabilities exceeds its assets, this may have a material adverse effect on the Group's financial position.

Alleima is exposed to interest rate risks

The Group's interest-rate risk arises mainly in connection with borrowing. Interest-rate swap agreements are sometimes used to achieve the desired fixed-interest term. The average fixed-interest term on Alleima's borrowing was 1 month at June 30, 2022. In response to surging inflation during the first half of 2022, central banks across the globe have increased interest rates, with further rises predicted through 2022. For example, the Swedish Riksbank's policy rate was raised from zero to 0.25 percent in May 2022 and from 0.25 to 0.75 percent in June 2022, with the forecast that the policy rate will be raised further and that it will be close to two percent at the start of 2023.

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 change over the forthcoming 12 months given a 1 percentage point change in interest rates. Interest-rate risk arises if Alleima invests in interest-bearing assets, the value of which changes when the interest rate changes, and if the cost of Alleima's borrowing fluctuates when the general interest-rate situation changes. If market rates were to rise by 1 percentage point across all terms, in relation to loans for which the interest rate will be reset during the coming year, interest costs would be impacted by SEK 5 million based on the prevailing conditions at June 30, 2022. Consequently, significantly increased market rates could have a material adverse effect on the Group's finance net.

Alleima is exposed to risks related to valuation of inventory

As of June 30, 2022, Alleima's inventory amounted to SEK 7,717 million. Accordingly, Alleima keeps a significant stock of raw materials, spare parts and work-in-progress at its production units and stores of finished goods, mainly at its sales units and distribution centers. Inventories are stated at the lowest end of cost and net realizable value, with due consideration of obsolescence. Alleima writes down product inventories that have become obsolete or do not meet anticipated demand or net realizable value. In 2021, write-downs due to obsolescence amounted to SEK 16 million and reversals of previous write-downs amounted to SEK 5 million for the Group. If the Alleima management's estimates with respect to valuation of inventory prove to be significantly incorrect, this would have a material adverse effect on the Group's results of operations and financial position.

Alleima is exposed to risks related to valuation of goodwill

As of June 30, 2022, Alleima reported goodwill of SEK 1,422 million as well as other intangible assets of SEK 140 million, corresponding in total to approximately 7 percent of the Group's total assets. Goodwill is tested for impairment yearly or whenever there is any indication that the carrying amount of any asset may not be recoverable. An impaired asset is written down to its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and value in use is the present value of the future cash flows expected to be obtained from the asset tested for impairment. Differences in the estimation of fair values, expected future cash flows and discount rates used would result in different asset valuations. Such different asset valuations may have a material adverse effect on Alleima's results of operations and financial position.

Alleima is exposed to risks related to its indebtedness

As of June 30, 2022, Alleima's net debt amounted to SEK –139 million. Alleima's future indebtedness risks leading to the Group incurring increased interest expenses, which would make it more difficult for the Group to perform its obligations with respect to outstanding credit facilities and other indebtedness. Considerably increased interest levels would require Alleima to use a greater part of its cash flows for interest payments, which would result in reduced cash flows for other purposes and thereby limit the Group's ability to pay any dividends to the shareholders and finance working capital, investments, acquisitions, maturing debt obligations, business operations and other general company purposes. A high level of indebtedness also risks increasing Alleima's vulnerability to, and reduce its flexibility to address, general economic and industry-related conditions, restrict the Group's flexibility with respect to planning for, or reacting to, changes in Alleima's business, competition and the industry in which Alleima operates, and adversely affect the Group's competitiveness, especially if its debt burden exceeds that of its competitors. In addition, some of Alleima's debts may be at a variable rate of interest linked to varying market rates (see "*Alleima is exposed to interest rate risks*" above).

Risks related to the separation and distribution of the Alleima share

The separation of Alleima may fail to realize anticipated benefits

The intended purpose of the separation of Alleima from Sandvik is to provide Alleima a more focused governance with a clear mandate for Alleima to execute its strategy to drive profitable growth, materials innovation, operational and commercial excellence and industry-leading sustainability. However, there is a risk that the anticipated benefits of the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect, or if the anticipated benefits or underlying drivers have been overestimated. For example, Alleima, as a standalone company, may not be able to procure external financing or other financial services on conditions as favorable as those obtainable by Sandvik before the distribution. There is also a risk that investors' appetite in investing directly in Alleima is overestimated, which may lead to that the share price in Alleima develops unfavorably following the listing of Alleima's shares on Nasdaq Stockholm. Moreover, to the extent that Alleima as a standalone company incurs additional costs or achieves lower revenues, its business, financial position and results of operations could be adversely affected and the anticipated benefits from the separation could fail to be realized.

Alleima's standalone brand is not well known in the market

Sandvik is a well-known brand in most of the markets where Sandvik conducts its operations. After the separation from Sandvik, Alleima will conduct its business under a new and not as well-known brand as Sandvik. An important factor for Alleima in maintaining a strong market position is for Alleima and its brand to become well-known and associated with positive values by current and future customers and employees. Operating as a separate company, Alleima could face difficulties in achieving brand recognition and a market position equivalent to that enjoyed by Alleima as part of the Sandvik Group, whose brand has been established internationally for a long time. A weakening of the Company's market position could lead to lower demand for its products and services, as well as higher marketing and sales costs. A weakened market position and brand recognition could also lead to difficulties in recruiting and retaining employees (see also "*Alleima is dependent on attracting and retaining key personnel and highly qualified employees*" above). These factors could have a material adverse effect on the Company's business, financial position and results of operations.

Alleima will be dependent on Sandvik as a supplier for certain functions over a transitional period

Alleima and Sandvik have entered into a transitional services agreement according to which the Group and Sandvik during a transitional period will provide each other a limited number of services in relation to IT systems and IT procedures. The term of the transitional services varies, but most of them have a term of 24 months and the services will at the latest end 42 months after the distribution of the shares in Alleima. Shortcomings in Alleima's or Sandvik's fulfillment of its commitments in relation to each other, disagreements regarding the interpretation of agreements, or other disruptions in the IT supply-relationship between Alleima and Sandvik, could have an adverse impact on Alleima's operations. After the transitional period, Alleima intends to either develop internal capacity or enter into agreements with third parties to replace the IT services currently provided by Sandvik. If Alleima fails at developing the IT functions internally, if Alleima fails to enter into agreements with third parties on commercially acceptable terms or if the transition to internal or third party IT services is otherwise disrupted or delayed, Alleima's business, financial position and results of operations could be adversely affected.

Contractual obligations provided in connection with the separation from Sandvik may result in unforeseen costs for Alleima

Under the master separation agreement entered into between Alleima and Sandvik in connection with the separation of Alleima from Sandvik, Alleima shall, as a general rule, indemnify Sandvik for any liability or loss caused by or relating to any past or present business of the Sandvik Materials Technology business area. Correspondingly, Sandvik shall, as a general rule, indemnify Alleima for any liability or loss caused by or relating to the remaining Sandvik business and certain other residual business conducted by Alleima historically. In relation to tax liabilities, there is a deviation from the foregoing described general principle, whereby the party formally responsible for the payment of tax relating to a tax issue shall be responsible (instead of applying the described indemnities). However, in the event and to the extent such tax issue arises as a consequence of any taxation group or similar arrangement, the party to which such tax issue relates shall, as between Alleima and Sandvik, be responsible for such tax liabilities. Should there occur unforeseen significant liabilities pertaining to Alleima's business that would trigger the Group's indemnification liability towards Sandvik, this could lead to increased costs for the Group. Furthermore, if Alleima and Sandvik fail to agree on the allocation of liability in any matter described above, the matter may finally need to be resolved in arbitration procedures, which may be both protracted and costly for Alleima and could have a material adverse effect on the Company's business and results of operations.

Furthermore, Alleima and Sandvik have entered into agreements concerning the supply of certain utilities (for example electricity and drinking water) (the "**Media Supply Agreements**") to ensure that each party will be able to continue to conduct its business at the site in Sandviken, Sweden, following the distribution and listing of Alleima. All services provided under the Media Supply Agreements will be provided by Alleima to Sandvik. Since Sandvik will be reliant on Alleima's supply of these services to conduct its business, the agreements contain certain liabilities and undertakings for Alleima. Under the Media Supply Agreements, a party has right to compensation for loss due to the other party's gross negligence or intent and also a limited right to compensation for direct loss due to the other party's negligence. The amounts by which damages can amount to if the breach of contract is committed with intent or gross negligence are, according to the Media Supply Agreements, substantial and not subject to any contractual restrictions. If Alleima, for example as a result of the human factor through gross negligence, does not fulfill its undertakings to Sandvik, it can thus lead to extensive liability for damages, which could have a material adverse effect on the Company's results of operations and financial position.

Alleima is exposed to risks relating to new processes/ changes due to the separation from Sandvik

Prior to the distribution and the listing of the shares in Alleima, operations that were previously carried out by Alleima as part of the Sandvik Group have been separated from Sandvik. In the capacity as a separate listed company, Alleima will be subject to certain laws, regulations and requirements, including, but not limited to, obligations regarding information disclosure, governance and financial reporting. In view of the foregoing, several new functions and work processes have been established in Alleima. Functions managed by Sandvik prior to the listing, such as treasury, group consolidation, reporting and other processes, legal functions and HR department, have been established separately by Alleima. The fact that certain functions and work processes are newly established in Alleima may increase the risk of misunderstandings, uncertainties and governance failures, which could have a material adverse effect on Alleima's business, financial position and results of operations. The new functions and work processes may also entail increased costs and certain activities may be more difficult, require more time and/or become more expensive and the demands for Alleima's systems and resources may increase. Furthermore, the Board of Directors and the Group Executive Management of Alleima may be required to devote time and effort to ensure compliance with rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

Moreover, the asset pool of Alleima as a standalone company will be smaller than the combined asset pool within the Sandvik Group. Accordingly, every risk that currently exists in the Alleima Group and which will continue to exist after the distribution will be of greater proportional significance to the Company's business than for Alleima as part of the Sandvik Group. This may affect, for example, the capability to manage unforeseen claims and expenses of material significance. Furthermore, the more streamlined operation to be conducted in Alleima as a standalone company will not have the same opportunity to balance the effects of certain operational risks as it would as an integral part of the Sandvik Group. Such major unforeseen claims and expenses as well as material changes in the price of input goods could, therefore, have a significant negative impact on Alleima's results of operations, cash flow and financial position.

Risks related to the shares in Alleima

Risks related to the nature of the securities and the admission to trading on a regulated market

The share price can be volatile and the share price development is affected by several factors

Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. As an example, the lowest and highest closing share price in Sandvik during the period from June 30, 2021, to June 30, 2022, during which time Alleima was part of the Sandvik Group, were SEK 164 and SEK 263.2, respectively. The performance of the Alleima share will depend on multiple factors, some of which are company specific, whilst others are related to the stock market in general. The share price may, for example, be affected by supply and demand, fluctuations in Alleima's actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors such as acquisition and divestment of significant holdings. In addition, there is a risk that the price for the Alleima share may decline significantly in value after the listing on Nasdaq Stockholm as a consequence of external factors such as the COVID-19 pandemic and/or the Russian invasion of Ukraine, as the global stock markets at times have been subject to extraordinary volatility in recent years as a consequence thereof (see also "*Alleima is exposed to risks relating to the COVID-19 pandemic*" and "*Alleima is exposed to risks related to geopolitical conditions*" above). The price of Alleima's share may furthermore be affected by, for example, competitors' activities and market positions. This presents a significant risk for a single shareholder.

Alleima's ability to pay future dividends depends on several factors

Payment of dividends may only take place if there are payable funds held by Alleima and as long as the requirements of future dividends, and the size, scope and risks of any such dividends, are met. Such requirements depend on Alleima's equity, consolidation needs, liquidity and position in general for a certain financial year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. Alleima's target is a dividend to average 50 percent of the profit for the period (adjusted for metal price effects[6)]) over a business cycle. The dividend shall reflect financial position, cash flow and outlook. However, there is a risk that payable dividends will not be available in any financial year, which would reduce the return on an investor's invested capital.

There is a risk that a sufficiently active, liquid and functioning market for trading in Alleima's shares does not emerge

Prior to the listing on Nasdaq Stockholm, no public market exists for Alleima's shares. Accordingly, there is a risk that the market for trading in the Alleima shares will be less active than the market for the Sandvik share following the separation and listing of the Alleima shares on Nasdaq Stockholm. Low liquidity of Alleima's shares could entail difficulties in selling shares of Alleima at a point in time that is considered desirable for the shareholder or at a price level that could be obtained if a favorable liquidity situation prevailed. This presents a significant risk for a single shareholder.

Shareholders in the United States and other jurisdictions are subject to specific share-related risks

Alleima's shares will only be listed in SEK, and any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency. A weak development of SEK may have a negative effect on shareholdings denominated in other currencies. Furthermore, tax legislation in both Sweden and the shareholder's home country may affect the income from any dividend.

In certain jurisdictions, there may be restrictions in national securities laws that mean that shareholders in such jurisdictions do not have the possibility to participate in new share issues and other offerings if securities are offered to the general public. After the distribution of the shares in Alleima, the Company will have shareholders located in, for example, the United States, Canada, Australia and Japan where securities laws impose such limitations. If Alleima issues new shares with preferential rights for Alleima's shareholders in the future, shareholders in some jurisdictions, including the aforementioned jurisdictions, may be subject to restrictions, which could mean that they may be unable to participate in such new share issues or that their participation is otherwise prevented or limited. Such limitations present a significant risk to shareholders located in the United States and in other jurisdictions where such limitations apply.

6) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".

Presentation of financial and other information

Information about the prospectus

This prospectus has been approved by the SFSA (Sw. *Finansinspektionen*) as competent authority under Regulation (EU) 2017/1129 (the Prospectus Regulation). The SFSA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the issuer or of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This prospectus is valid for twelve (12) months after the date of the approval of the prospectus. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies is no longer applicable once the shares in Alleima have been admitted to trading on Nasdaq Stockholm.

Financial information

This prospectus contains:

- Alleima's audited combined financial statements for the financial years 2021, 2020 and 2019, which have been prepared in accordance with IFRS, as adopted by the EU, and audited by PricewaterhouseCoopers AB, as set forth in the audit report included elsewhere in this prospectus; and
- Alleima's unaudited combined financial statements for the period January to June 2022, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), and reviewed by PricewaterhouseCoopers AB, as set forth in the audit report included elsewhere in this prospectus, with comparative information for the corresponding period 2021.

With the exception of the historical financial information on pages F-2–F-34 and F-35–F-86, respectively, in this prospectus, no other information herein has been audited or reviewed by the Company's auditor.

IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10 (Consolidated Financial Statements). The combined financial statements are intended to present the Group's historical financial information. One important requirement for the preparation of these combined financial statements is that all entities are under common control via Sandvik's ownership.

The formation of the Group comprised transactions between entities that are under common control. Since neither these transactions nor the combined financial statements are covered by any IFRS standard, management should according to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) develop and apply an accounting policy that is, *inter alia*, relevant and reliable.

A suitable and established method that management considers to be relevant and reliable is to aggregate the units forming the Group and use previous carrying amounts (predecessor basis of accounting), which is the principle that the Group has applied. For additional accounting policies, please see "*Note 1 – Significant accounting principles – assessments and assumptions for accounting purposes*" on page F-40 and onwards in "*Historical financial information*".

Alleima presents its financial statements in SEK. Amounts included in Alleima's financial statements that were not originally denominated in SEK have been translated into SEK using the average exchange rate for the financial period with respect to the income statement and the period-end exchange rate with respect to statement of financial position items.

Non-IFRS measures (alternative performance measures)

In this prospectus, Alleima presents certain key operating metrics and ratios that are not defined under IFRS (alternative performance measures, APMs). These non-IFRS measures are used by Alleima's Group Executive Management to assess and monitor the financial and operational performance of the Group. The Group Executive Management believes that these measures also provide helpful supplementary information for investors in order to review Alleima's performance. Such measures may not be comparable to similar measures presented by other companies. Consequently, non-IFRS measures have limitations as analytical tools and should not be considered in isolation of or as a substitute for related financial measures prepared in accordance with IFRS. The components included in the calculations of the non-IFRS measures have been derived from Alleima's financial reports and Alleima's internal reporting system. The non-IFRS measures have not been audited or reviewed by the Company's auditor.

The Company applies the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures. The guidelines aim to make alternative performance measures in financial statements more reliable, comparable, and/or comprehensible and thereby promote their usability. According to these guidelines, an alternative performance measure is a financial measure of historical or future financial position, financial performance or cash flows that is not defined or specified in the applicable financial reporting framework, which for Alleima is IFRS.

For definitions and an explanation of why Group Executive Management finds the non-IFRS measures included herein useful, please refer to "*Selected historical financial information–Key performance indicators*".

Rounding

Certain numerical information and other amounts and percentages presented in this prospectus may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

Currencies

In this prospectus, all references to: (i) "**SEK**" are to Swedish krona, the lawful currency of Sweden; (ii) "**EUR**" are to euro, the single currency of the member states of the EU participating in the European Monetary Union having adopted the euro as its lawful currency; (iii) "**USD**" are to U.S. dollars, the lawful currency of the United States; (iv) "**CZK**" are to Czech koruna, the lawful currency of the Czech Republic; (v) "**INR**" are to Indian rupee, the lawful currency of India; (vi) "**JPY**" are to Japanese yen, the lawful currency of Japan; (vii) "**CNY**" are to Chinese renminbi, the lawful currency of China; (viii) "**GBP**" are to British pound sterling, the lawful currency of the United Kingdom; and (ix) "**BRL**" are to Brazilian real, the lawful currency of Brazil.

Industry and market data

This prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions, market development and other industry data pertaining to Alleima's markets and business. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including a market study (the "**Market Study**") the Company has commissioned from Arthur D. Little (conducted in December 2021 to January 2022) and information otherwise obtained. Such information has been accurately reproduced, and, as far as Alleima is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Market Study is based on primary interviews conducted with industry experts and participants, secondary market research, publicly available sources and internal financial and operational information supplied by, or on behalf of, Alleima. In some places in the prospectus, Alleima's market position is described. This information is based on the Market Study and market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market (SAM) as of 2020 or 2021.

Industry publications and reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Alleima has not independently verified and cannot give any assurance as to the accuracy of market data contained in this prospectus that was extracted or derived from such industry publications or reports. Market data and statistics are inherently unpredictable and subject to uncertainty and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

This prospectus also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by Alleima based on third-party sources and Alleima's internal estimates, including the Market Study. In many cases, there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. The Group Executive Management believes that its estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which Alleima operates as well as its position within the industry. Although the Group Executive Management believes that Alleima's internal market observations are reliable, Alleima's estimates are not reviewed or verified by any external sources. While Alleima is not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those described herein and under "*Risk factors*". Please also refer to "*Important information–Forward-looking statements*" on the inside of the cover page of the prospectus.

Trademarks

Alleima owns or has rights to certain trademarks, trade names or service marks that it uses in connection with the operation of its business. Alleima asserts, to the fullest extent under applicable law, its rights to its trademarks, trade names and service marks. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder. For convenience, the trademarks, trade names and copyrights in this prospectus are generally mentioned without the ™, ® and © symbols.

Certain terms used

For definitions of certain terms used in this prospectus, see "*Glossary*".

Background and reasons

Sandvik's shareholders decided at the Annual General Meeting on April 27, 2022, in accordance with the proposal by the Board of Directors of Sandvik to distribute all shares in its wholly-owned subsidiary Alleima to the shareholders of Sandvik. The Board of Directors of Alleima has applied for the listing of the Company's shares on Nasdaq Stockholm, with the first day of trading expected to be August 31, 2022.

Alleima's heritage dates back to 1862 when the company Sandvikens Jernverk (renamed to Sandvik in 1972) was founded in Sandviken, Sweden, with a focus on steel production on an industrial scale. Over the years, Sandvik developed into a global force in cutting tools, mining equipment, and advanced materials based on strong application know-how. The advanced materials business (referred to as business area Sandvik Materials Technology when part of Sandvik), including high value-added products in advanced stainless steels and special alloys as well as products for industrial heating, is conducted by Alleima.

In May 2019, Sandvik announced that its Board of Directors had decided to initiate an internal separation of the business area Sandvik Materials Technology (hereinafter Alleima), with the intention to increase Alleima's structural independence from the Sandvik Group and thereby put greater focus on the businesses' future development opportunities as well as create flexibility for improved performance and growth. At the time it was also announced that Sandvik's Board of Directors had decided to explore the possibility of a separate listing through the distribution of Alleima to the company's shareholders, should that be deemed to strengthen the business's position and future development. The decision was based on the Board of Directors' and Sandvik's management's belief that Alleima would develop more favorably by itself, increasing opportunities for profitable growth and that the sharpened focus of both Alleima and the remaining Sandvik Group has the potential to improve long-term value for shareholders.

Alleima is a world-leading[1] manufacturer of advanced stainless steels, special alloys and heating systems for the most demanding industries. The separation from Sandvik is expected to provide more focused governance, with a clear mandate for Alleima to execute its strategy to drive profitable growth, materials innovation, operational and commercial excellence and industry-leading sustainability. Alleima recorded revenues of SEK 13.8 billion in 2021 and had 5,465 employees[2] as of December 31, 2021.

The Board of Directors of Alleima is responsible for the contents of this prospectus. To the best of the Board of Directors' knowledge, the information contained in the prospectus is in accordance with the facts and the prospectus makes no omission likely to affect its import.

Sandviken, August 4, 2022
Alleima AB (publ)
The Board of Directors

1) The Market Study. According to the Market Study, Alleima was the market leader with an estimated market share of 13 percent. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable target market (SAM) as of 2021.
2) The number of employees refers to the number of full-time equivalents (FTEs).

Information regarding the distribution of Alleima

Resolution on the distribution of Alleima

On April 27, 2022, the Annual General Meeting of Sandvik resolved, in accordance with the Board of Directors' proposal, to distribute all shares in the wholly-owned subsidiary Alleima to the shareholders of Sandvik. The shares in Alleima are distributed to the shareholders of Sandvik in proportion to each shareholder's holdings of shares in Sandvik on the record date for distribution (August 29, 2022), as determined by the Board of Directors of Sandvik. Every five (5) shares held in Sandvik entitle to one (1) share in Alleima. Aside from being registered as a shareholder on the record date for distribution (directly registered or nominee-registered), no further actions are required in order to receive shares in Alleima. It is expected that the distribution of the shares in Alleima will fulfill the requirements set out in the so-called "Lex Asea" rules and therefore not be immediately taxable for individuals and limited liability companies that are Swedish tax residents. For further information, see "*Tax considerations*".

Distribution ratio

Every five (5) shares in Sandvik entitle to one (1) share in Alleima. In total, 250,877,184 shares in Alleima will be distributed. If a shareholder's shareholding in Sandvik is not evenly divisible by five (5), the fraction of shares which the shareholder's shareholding in Sandvik otherwise would entitle to will be combined with all other shareholders' fractions of shares into whole shares in Alleima, which will be sold on Nasdaq Stockholm through Skandinaviska Enskilda Banken AB (publ) ("**SEB**"). The proceeds from such sale, free of any commissions, will then be paid to such shareholders through the Euroclear system on a *pro rata* basis. For further information, see "*Share capital and ownership structure*".

Record date

The record date for the right to receive distribution of shares in Alleima is August 29, 2022. The last day of trading in Sandvik shares including the right to distribution of shares in Alleima is August 25, 2022. The shares in Sandvik will be traded excluding the right to distribution of shares in Alleima as of August 26, 2022.

Receipt of the shares in Alleima

Those recorded in the share register, maintained by Euroclear Sweden, as shareholders of at least five (5) Sandvik shares on the record date for the distribution of shares in Alleima will receive shares in Alleima with no further action required. Shares in Alleima will be available on the securities account of those shareholders who are entitled to receive the distribution (or the securities account belonging to the party who is otherwise entitled to receive the distribution) no later than two banking days after the record date. Thereafter, Euroclear Sweden will send out a statement containing information on the number of shares registered on the securities account of the recipient.

Nominee-registered holdings

Shareholders whose holdings in Sandvik are registered in the name of a nominee (i.e., a bank or other nominee), on the record date for the distribution of shares in Alleima, will not receive a statement from Euroclear Sweden. Notification and the crediting of shares in Alleima to the accounts of nominee-registered shareholders will instead be carried out in accordance with the procedures of the respective nominee.

Listing of the shares in Alleima

The Board of Directors of Alleima has applied for the listing of the Company's shares on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on August 2, 2022, to approve Alleima's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be August 31, 2022. The Company's ticker symbol on Nasdaq Stockholm will be ALLEI. The ISIN code for the Company's share is SE0017615644.

Holders of Sandvik American Depositary Receipts

Pursuant to the terms of the deposit agreement under which the American Depositary Receipts ("**ADRs**") representing shares of Sandvik were issued, it is expected that an independent broker, on behalf of the depositary Deutsche Bank, will sell the shares in Alleima distributed in respect to the shares of Sandvik deposited in the ADR facilities. The net cash proceeds from the sale of the shares and fractions of shares in Alleima will be distributed by the depositary to the holders of ADRs representing shares of Sandvik, on a *pro rata* basis.

Right to dividends

The shares in Alleima entitle to dividend for the first time on the record date for distribution of dividend which falls immediately after the distribution of shares in Alleima has been executed. Any dividends will be paid following a resolution by a General Meeting. The payment of any dividends will be administered by Euroclear Sweden or, should the shares be nominee-registered, in accordance with the procedures of the respective nominee. Entitlement to receive such dividends is limited to shareholders registered in the share register maintained by Euroclear Sweden on the record date for distribution determined by the General Meeting. For further information on Alleima's dividend policy, see "*Business description–Financial targets and dividend policy*". For information on tax on dividend, see "*Tax considerations*".

Transaction costs

The total transaction costs for the split of the Sandvik Group are estimated to be approximately SEK 990 million, including separation costs of SEK 780 million, one-time foreign tax costs of SEK 110 million and listing costs for the proposed distribution of the shares in Alleima of SEK 100 million, whereof Alleima's costs are estimated at approximately SEK 730 million. The remaining transaction costs in the third quarter of 2022 are estimated to be approximately SEK 90 million, which will be entirely born by Alleima, including both separation and listing costs.

Market overview

Unless otherwise explicitly stated are statistics, data and other information relating to markets, markets sizes, market shares, market positions, market developments and other industry data pertaining to the Company's markets and business in this section based on the Company's analysis of several sources, including the Market Study and other information received. The Market Study was performed prior to Russia's invasion of Ukraine in February 2022 and the war's impact on Alleima's markets is uncertain and may affect the outlook (see "*Risk factors–Alleima is exposed to risks related to geopolitical conditions*"). For additional information, please refer to "*Presentation of financial and other information–Industry and market data*".

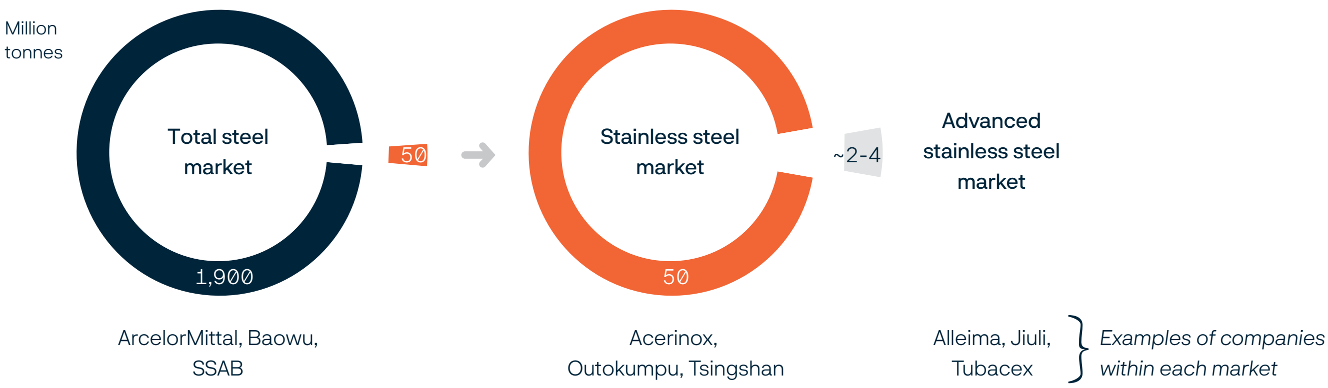
Additional factors, which should be considered in assessing the usefulness of the market and competitive data, are described elsewhere in the prospectus, including in "*Risk factors*".

Market dynamics

Alleima operates in three different markets: the advanced stainless steel market, the special alloys market and the market for industrial heating products.

Overview of the total steel market[1), 2)]

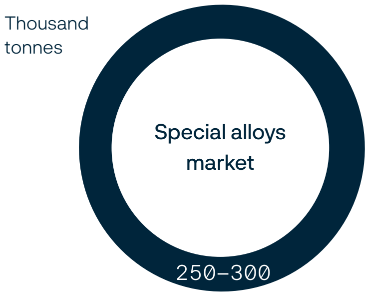
Alleima operates in the advanced stainless steel market, which is a narrow niche within the total steel market. The total steel market has an estimated annual output of approximately 1,900 million tonnes, of which the stainless steel market corresponds to approximately 50 million tonnes. The stainless steel market can be further divided into the advanced stainless steel market, which was estimated to have an annual production output of approximately two to four million tonnes in 2021. Companies operating within the advanced stainless steel market generally offer high-value added products of advanced stainless steel with high industry requirements on accurate tolerances, product quality and process control.



1) The Market Study.
2) Annual volume of steel.

Overview of the special alloys market[3), 4)]

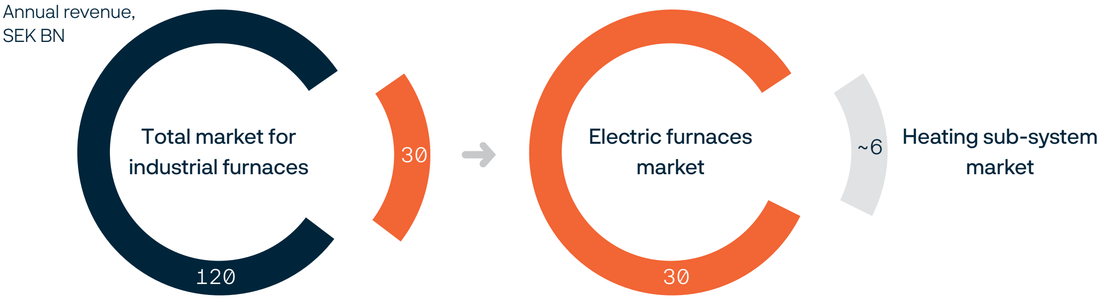
Alleima is also active in niche categories within the special alloys market, which is exemplified separately from the advanced stainless steel market as this market covers metals other than stainless steel, for example high nickel alloys, titanium, and zirconium. The special alloys market is characterized by a higher degree of material refinement or mixture of metals resulting in higher performance special alloys compared to the advanced stainless steel market. The production output on the special alloys market is estimated to be approximately 250,000 to 300,000 tonnes.



Carpenter Technology, Haynes International, Alleima } *Example of companies within each market*

Overview of the total market for industrial heating products[5)]

Alleima is active in the industrial furnaces market through its industrial heating offering. The overall market consists of both gas-fired and electric furnaces, where the share of electric furnaces is about 25 percent. The share of electric industrial furnaces is increasing, driven by global megatrends and the transition towards more sustainable solutions.



Fives Group, Andritz, IPSEN

Centrotherm, Tannabe, Nabertherm

Alleima, I Squared R Element, Tokai } *Example of companies within each market*

Size and growth of Alleima's aggregated market

Alleima's global offering covers a large variety of special alloys in multiple product forms, such as seamless stainless tubes and pipes, products for industrial heating, wire for medical applications and precision strip steel. The Company also produces tailored process elements that require advanced procedures and performance critical materials, such as dynamic steel mill production, steel powder and physical vapor deposition (PVD) coating. Alleima has a fully integrated value chain and production flow, enabling product quality and control throughout the production process in multiple product areas.

Through its product offering Alleima serves ten main customer segments, Industrial, Chemical and Petro-chemical, Oil and Gas, Industrial Heating, Consumer, Power Generation, Mining and Construction, Transportation, Medical, and Hydrogen and Renewable Energy, which are benefitting from favorable market trends with multiple growth drivers. The Company also acts indirectly in several other customer segments with limited share of Alleima's total revenues. Furthermore, Alleima's products are not necessarily tied to a specific sector but can be applied in several different customer applications and customer segments such as seamless stainless tubes used in the Industrial, Chemical and Petrochemical, Oil and Gas, Power Generation, Transportation as well as Hydrogen and Renewable Energy customer segments. Lastly, Alleima's market is characterized by established actors and large initial investment requirements, especially in customer

3) The Market Study.
4) Annual volume of special alloys.
5) The Market Study.

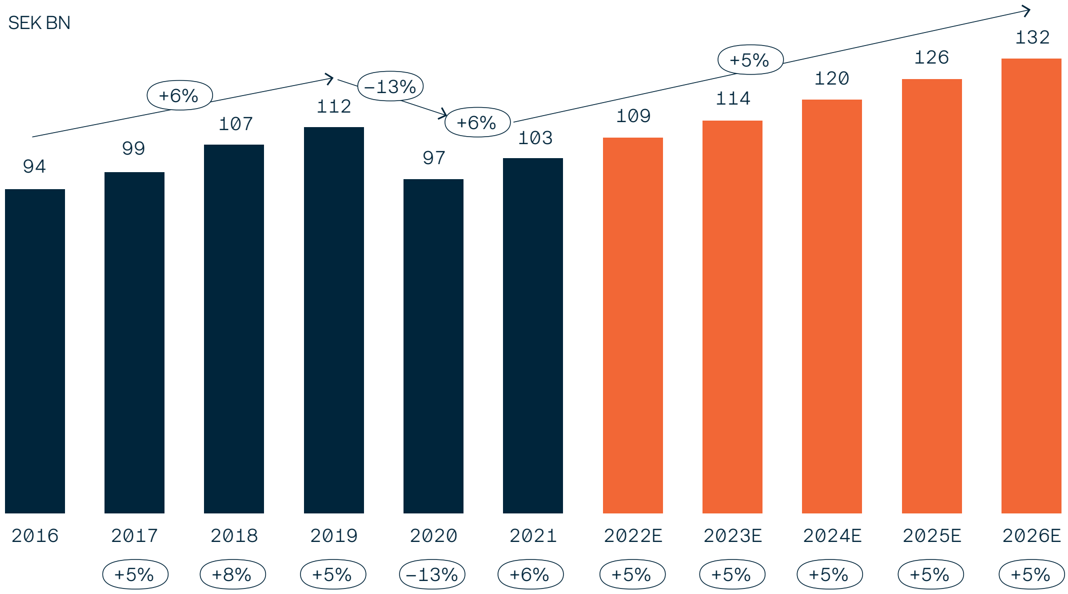
segments such as Oil and Gas, Power Generation, Chemical and Petrochemical and Mining and Construction.[6)]

The aggregated serviceable addressable market ("**SAM**") for Alleima's offering was estimated to be SEK 103 billion in 2021.[6)] The estimated size and growth of Alleima's SAM are based on the aggregated size and growth of all ten customer segments, of which Industrial, Chemical and Petrochemical, and Oil and Gas respectively are the largest. The size and growth of Alleima's SAM has been estimated bottom-up based on Alleima's current product offering in the ten defined customer segments. Additional information on Alleima's revenue split for the customer segments is available in "*Business Description*".

From 2016 to 2019, the Company's SAM exhibited an average growth rate of approximately six percent per annum. During the outbreak of COVID-19 in 2020 the SAM declined by approximately 13 percent, from SEK 112 billion in 2019 to SEK 97 billion in 2020. The market is anticipated to have fully recovered from the COVID-19 decline by 2023.[6)]

SAM is expected to grow by approximately five percent per annum between 2021 and 2026. Using 2019 as the starting point, the Company's SAM is expected to grow by approximately two percent per annum between 2019 and 2026.[6)]

Aggregated serviceable addressable market (SAM) for Alleima from 2016 to 2026[6)]



General megatrends[6)]

There are several megatrends driving growth in Alleima's customer segments, including:

Changing demographics: The global population is expected to grow which is estimated to drive consumption and energy demand. The share of people aged over 60 years is also estimated to increase, which will in turn drive a continued increase in demand for health care and medical solutions. This trend is also expected to drive increased industry production.

Increasing and changing energy demand: Global energy demand, with a preference for renewable energy, is estimated to increase, driven by population and economic growth. These trends will primarily drive demand in the Oil and Gas, Power Generation, and Hydrogen and Renewable Energy customer segments.

Electrification of industry and transportation: The electrification of industrial processes and vehicles is expected to drive demand in the customer segments Industrial Heating and Transportation. Electricity is expected to account for an increasing share of global energy consumption in the future.

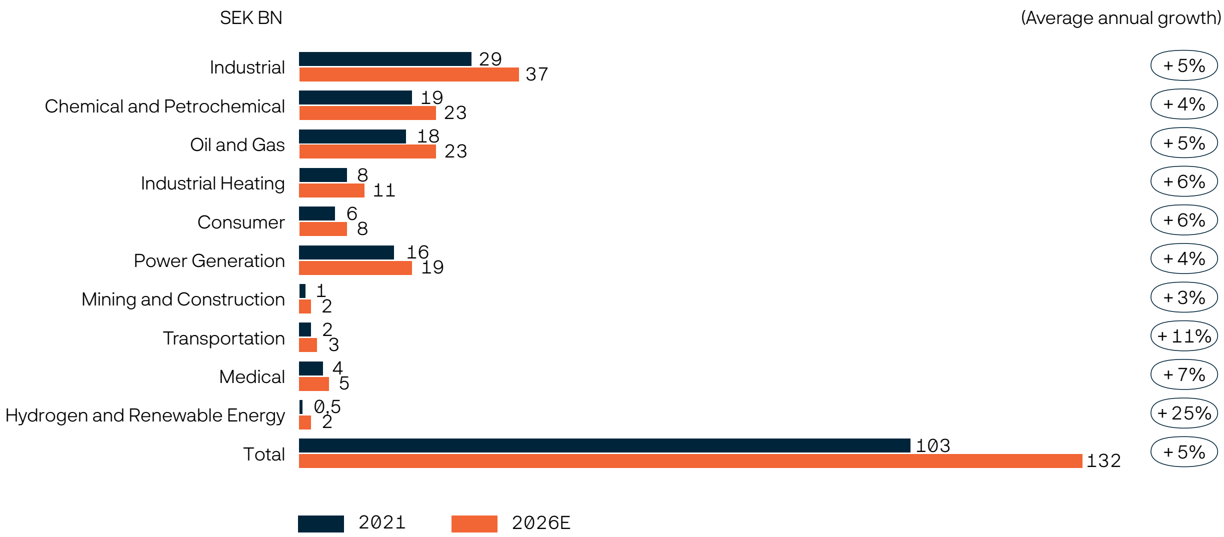
Growth in emerging markets: The rising living standards and industrial development in emerging markets support growth across all of Alleima's customer segments.

Market size, growth and trends by customer segment

In addition to the more general megatrends described above, each of Alleima's customer segments have their own growth outlook and key drivers as described below. The graph below illustrates the size of each customer segment in Alleima's SAM, and the corresponding average annual growth for the period 2021 to 2026.

6) The Market Study.

SAM size and growth outlook by customer segment from 2021 to 2026[7)]



Industrial

The Industrial customer segment includes a range of products that are supplied to a broad set of different industries. Key products include hollow and solid round bars, high-pressure and composite tubing as well as semi-finished ingots and blooms and billets for hot rod. The products are used in a variety of applications, including as pre-material for wire rod and machinery components, high pressure water jet cutting equipment and for heat recovery boilers in the pulp and paper industry.

The size of the SAM for the customer segment Industrial was estimated to approximately SEK 29 billion in 2021 and is expected to grow by approximately five percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK 28 billion and is expected to grow by approximately three percent per annum from 2019 to 2026. The development of the Industrial customer segment is primarily driven by overall industrial growth and investments, as well as higher focus on energy efficiency, the shift towards more sustainable materials and increasing requirements for overall capacity utilization.[7)]

Chemical and Petrochemical

The Chemical and Petrochemical customer segment includes application tubing products for hydraulics and instrumentation, heat exchangers, process piping, high temperature applications and high pressure equipment for fertilizer production. The products can be used in process fluids distribution, control and measuring systems and heat exchange process equipment. The Chemical and Petrochemical products are inputs in production of end-customer products, for instance in multiple consumer goods produced in plastics, rubber and textiles.

The size of the SAM for the customer segment Chemical and Petrochemical was estimated to SEK 19 billion in 2021 and is expected to grow by approximately four percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK 21 billion and is expected to grow by approximately two percent per annum from 2019 to 2026. Demand in the Chemical and Petrochemical customer segment is expected to be driven by growing capital expenditures in the industry, increase of petrochemical industry capacity, growth in plastic and fertilizer production and an expanding Asian market, mainly in China.[7)]

Oil and Gas

The Oil and Gas customer segment consists of a range of tubular products for supporting exploration and production of crude oil and gas. The products within the SAM include advanced stainless steel umbilical tubing, control lines, corrosion resistant alloys and Oil Country Tubular Goods (OCTG). Common applications for these products are well-operations, injecting chemicals into subsea wells and enhancing the flow of the oil or gas (linking the surface and seafloor equipment). Key success factors for the customer segment include the ability to manufacture high quality and process-controlled products, required lengths of umbilical tubes and having necessary qualifications to participate in tenders concerning special alloys.

The size of the SAM for the customer segment Oil and Gas was estimated to approximately SEK 18 billion in 2021 and is expected to grow by approximately five percent per

7) The Market Study.

annum from 2021 to 2026. In 2019, the SAM was approximately SEK 23 billion and is expected to be of the same size in 2026 as in 2019. Key drivers for the Oil and Gas customer segment include global energy demand, oil price fluctuations, customers' capital expenditures and number of rigs in operation. Oil is mainly used in the transport sector and natural gas is used for power generation and heating. Other key trends are the decreasing availability of conventional reserves of oil and gas, the demand for more advanced solutions during the exploitation and the shift towards renewable resources.[8)]

Another underlying trend is the expected increase of the share of natural gas in the fossil fuel mix, as the commitments to decrease the use of coal will likely have a positive effect on the demand for natural gas. There is also a general need for natural gas in order to meet the increasing power demand, a trend primarily seen in Asia. Short and mid-term, the demand for oil and gas is expected to increase or remain at a stable level. Moreover, certain natural gas activities have been included in the EU taxonomy for sustainable activities as part of the transition towards a predominantly renewable-based future.[9)]

Industrial Heating

The Industrial Heating customer segment primarily includes products such as Kanthal® wire, ceramic heating elements including Kanthal® Super and silicon carbide, diffusion cassettes and metallic heating elements. These materials and heating elements are used for their ability to conduct heat and in industrial settings where heating elements constitute a critical component to heat treatment. The products in this customer segment are metallic special alloys that can withstand a maximum operating temperature of up to 1,400 degrees Celsius and ceramic materials that operate up to 1,850 degrees Celsius. These products can be applied in heat treatment furnaces, the production of lithium-ion batteries, ceramics, steel, and an assortment of electronic devices.

The size of the SAM for the customer segment Industrial Heating was estimated to approximately SEK eight billion in 2021 and is expected to grow by approximately six percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK nine billion and is expected to grow by approximately four percent per annum from 2019 to 2026. The SAM growth in the Industrial Heating customer segment is primarily driven by the growth in global manufacturing where heating processes are critical. A shift towards electrical furnaces (where Kanthal heating solutions are critical components) from fossil fueled furnaces are driven by the steel and metal producing industry to improve their carbon footprint. Growth within the SAM is also driven by an electrification trend increasing the sales of electric vehicles with lithium-ion batteries, the production of which requires Alleima's produced elements. Increasing connectivity is expected to drive demand for display glass, fiber optics, semiconductor devices, and electronics in general, all of which utilizes heating elements in the production process.[10)]

Consumer

The Consumer SAM comprises products for the advanced stainless steel market and includes razor blade steel, compressor valve steel for instance used in air conditioners and refrigerators, knife-steel and wire used for a variety of consumer goods. Main end market applications for the mentioned products are shaving products, compressors, electric shower heads and cooking plates, and handheld knives such as kitchen, chef's, and hunting knives.

The size of the SAM for the customer segment Consumer was estimated to approximately SEK six billion in 2021 and is expected to grow by approximately six percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK six billion and is expected to grow with approximately four percent per annum from 2019 to 2026. The Consumer customer segment is primarily driven by a global increase, particularly in regions such as China, of the middle-class population, which is expected to give stronger purchasing power in combination with global GDP growth, resulting in higher demand for consumer goods. Along with requirements of more environmentally friendly and less energy consuming products, this translates into a high innovation pace with improved energy efficiency of end-products seen in, for instance, white goods. Furthermore, product specific drivers, such as the men's grooming market and growing production of consumer goods containing compressor components, are also expected to drive the SAM demand.[10)]

Power Generation

Main product groups within Power Generation consists of three key nuclear industry tube products; steam generator tubing, cladding tubes and nuclear tube and pipe. Steam generators convert water to steam and cladding tubes are used inside the reactor containing the nuclear fuel, both key components of the reactor core, while more general nuclear tube and pipe products have several application areas and are subject to various requirements depending on level of application. The customer segment also includes other products that are not specific for the nuclear industry. Main applications for these products are boiler tubes in gas fired power plant boilers.

8) The Market Study.
9) European Commission, "EU Taxonomy: Commission presents Complementary Climate Delegated Act to accelerate decarbonization", February 2, 2022.
10) The Market Study.

The size of the SAM for the customer segment Power Generation was estimated to approximately SEK 16 billion in 2021 and is expected to grow by approximately four percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK 15 billion and is expected to grow by approximately three percent per annum from 2019 to 2026. Global energy demand is expected to exhibit a long-term increase of approximately 30 percent on average over the next 30 years, with nuclear energy consumption expected to grow by approximately one percent per annum from 2021 to 2026. The Power Generation customer segment is driven by the demand for nuclear tube and pipes, cladding and steam generator tubes, which are expected to have an annual volume growth of approximately one percent, one percent, and six percent on average from 2021 to 2026, respectively.[11)]

Moreover, regional development is also a driver in the customer segment as future demand for equipment and products with higher level of corrosion resistance and performance levels are expected to increase in line with the development of more advanced nuclear reactors. Furthermore, certain nuclear power is included under conditions in the taxonomy as transitional activities in the shift to a future with predominantly renewable energy[12)] and the U.S. Department of Energy is investing in the development of advanced nuclear energy systems in order to meet future demand for equipment and products requiring higher performance levels. This could potentially lead to higher growth within this market. China is expected to be the fastest growing market in terms of increasing the share of nuclear power as a way of reaching carbon neutrality by 2060.[13)]

Mining and Construction

In the Mining and Construction customer segment, the main product is carbon rock drill steel used for mechanized rock drilling rigs in mines and infrastructure construction work. The applications of these products are in percussive drilling in both mining and construction, both on the surface and underground. The Mining and Construction SAM is characterized by close relationships with equipment manufacturers and stable levels.

The size of the SAM for the customer segment Mining and Construction was estimated to approximately SEK one billion in 2021 and is expected to grow by approximately three percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK one billion and is expected to grow with approximately one percent per annum from 2019 to 2026. The development of the Mining and Construction customer segment is primarily driven by raw material prices and electrification of industries, which increases the demand for battery related minerals. Furthermore, technological advancements, a growing middle-class and government spending in the construction and infrastructure markets are other key drivers in the customer segment.[13)]

Transportation

The Transportation customer segment is divided into two subgroups, aerospace and automotive. The product offering within aerospace includes advanced stainless steel and titanium tubes to aircraft hydraulic systems and jet engines, serving the commercial, defense and space aircraft industries. Products within this market are generally distributed to large and established airplane manufacturers. The automotive market mainly consists of products relating to gasoline direct injection (GDI) engines, as well as different strip steel products including compressor valve steel used in air-conditioning, shock absorber steel and fuel cells used in hydrogen powered vehicles to transform hydrogen into electricity. The main product segment for GDI engines are seamless fuel tubes used for injecting fuel into combustion chambers in combustion engines.

The size of the SAM for the customer segment Transportation was estimated to approximately SEK two billion in 2021 and is expected to grow by approximately 11 percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK three billion and is expected to grow by approximately three percent per annum from 2019 to 2026.[13)]

The aerospace customer segment relies on the development within segments such as air travel, military defense spending and space travel. The air travel market is recovering from the effects of the COVID-19 pandemic, while the increased demand for trade and e-commerce drives the need for cargo aircraft. Furthermore, market growth is driven by an increase in global military spending and investments in the spacecraft market. Market growth in the automotive industry is expected to be driven by the growth in the number of vehicles as well as the growth in GDI engines for some years ahead (albeit followed by an expected gradual phase out of combustion powered vehicles over time). Other key drivers for the Transportation customer segment include demand for high fuel efficiency, electrification, fuel cell vehicles and emission regulations. The shift towards fuel cell vehicles is also driving the demand in the Hydrogen and Renewable Energy segment, more described in the section for the Hydrogen and Renewable Energy customer segment below.[13)]

11) The Market Study.
12) European Commission, "EU Taxonomy: Commission welcomes the result of today's vote by the European Parliament on the Complementary Delegated Act", July 6, 2022.
13) The Market Study.

Medical

The Medical customer segment includes products for medical fine wire, which are made from a range of different materials depending on the end application, as well as different components and special alloys used in several other medical customer segments. The SAM's product areas include remote patient monitoring (components for continuous glucose monitors), cardiovascular devices (pacemaker leads and hearth failure devices), orthopedic implants and neuroscience applications such as nerve simulation and sensing devices. The customer segment is characterized by developing high-end and advanced engineered solutions, meaning that product development capabilities are important for continuous advancements.

The size of the SAM for the customer segment Medical was estimated to approximately SEK four billion in 2021 and is expected to grow by approximately seven percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK three billion and is expected to grow by approximately six percent per annum from 2019 to 2026. The main drivers for the Medical customer segment are an increase in global population and life expectancy, OECD healthcare expenditures, increase in cardiovascular diseases, technological advancements, growth of remote patient monitoring and fewer invasive surgeries.[14)]

Hydrogen and Renewable Energy

Within the Hydrogen and Renewable Energy customer segment there are product applications for hydrogen, concentrated solar power (CSP), as well as geothermal energy, biopower and biofuels, offshore wind and carbon capture storage (CCS). The main products and applications within hydrogen are fuel cells, stationary fuel cells, electrolysis and high-pressure tubes for build-up of hydrogen infrastructure. Fuel cells are used to transform hydrogen to electricity with only water as emission when consumed, which is an important step towards lower emissions. Stationary fuel cells are used in combined heat and power systems to support industries or real estate with electricity and heat, electrolysis is utilized to produce green hydrogen and high-pressure tubes are used for expansion of hydrogen refueling stations. The main products within CSP are hydraulic and instrumental tubing, heat exchange tubing and high temperature tubing. The main applications of Alleima's offering with regards to CSP is the thermal storage of energy. Within geothermal energy and biopower and biofuels products include special alloys and high temperature tubes.

The size of the SAM for the customer segment Hydrogen and Renewable Energy was estimated to approximately SEK 0.5 billion in 2021 and is expected to grow by approximately 25 percent per annum from 2021 to 2026. In 2019, the SAM was estimated to approximately SEK 0.3 billion and is expected to grow by approximately 24 percent per annum from 2019 to 2026.[14)]

A significant trend in the Hydrogen and Renewable Energy customer segment is the general shift to renewable energy sources, which is driven by governments and corporations pressured to address CO2 emissions and global warming. The 2021 United Nations Climate Change Conference (COP26) resulted in 136 countries having pledged to reach net-zero emissions by 2050, which demonstrates the determination of governments to promote a shift from fossil fuels to sustainable energy sources. Other SAM growth drivers consist of deployment of hydrogen vehicles using fuel cells, increased capacity for electrolysis production of hydrogen and CSP capacity. These trends are major demand drivers in the customer segment, supported by expected production cost reductions and increased sustainability awareness.[14)]

Competitive landscape

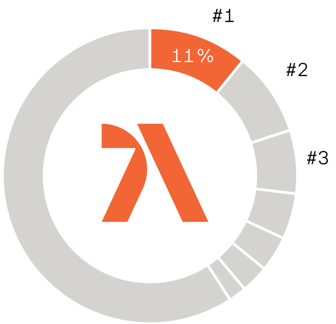
Alleima operates in a wide range of selected niches in demanding industries where material requirements, as well as product quality and reliability, are extremely high. The competitive landscape of Alleima varies for each division and the different niches. For the main part of Alleima's tubular product offering there are few competitors moving in a strategic direction that are aiming for a similar position as Alleima in selected industries. In other parts of the business, which offer more standardized products, there are competitors such as Asian players utilizing low cost production and local presence. The main competitors within the Tube division are Nippon Steel, Tubacex, Salzgitter Mannesmann and Jiuli. Within the niche of special alloys, Haynes International is also a competitor and Carpenter Technology is another important peer. The main competitors in the Kanthal division's heating segments are Aperam, VDM Metals, Tokai KK and I Squared R Element. In the medical segment of Kanthal, Fort Wayne Metals and Heraeus are among the competitors. In the Strip division key competitors include the precision strip divisions of Hitachi Metals, Voestalpine, Jindal Steel and Power and Zapp.

Market shares

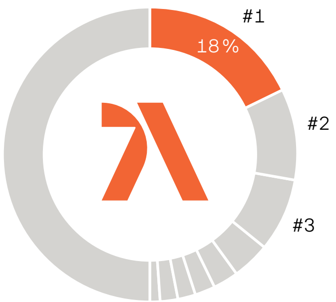
In 2021, Alleima was the leader in its SAM with a global market share of 13 percent. Moreover, in each of Alleima's divisions Tube, Kanthal, and Strip, Alleima had the largest market shares in 2021 of 11 percent, 18 percent and 28 percent respectively.[15)]

14) The Market Study.
15) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2021.

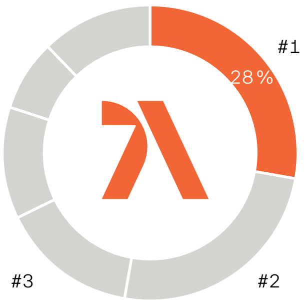
Market shares Tube (SAM) 2021[16)]



Market shares Kanthal (SAM) 2021[16)]



Market shares Strip (SAM) 2021[16)]



Market characteristics

Alleima's SAM consists of established players and has some general characteristics which are high upfront investment and fixed costs, lengthy qualification requirements, high degree of customer stickiness, requirements of high and specific competence, and technical know-how. The production process requires significant upfront investments into specific machinery, equipment and know-how due to the products' complexity and production process. Moreover, in customer segments such as Medical, Transportation, and Oil and Gas there are also several quality certifications required to be fulfilled in order for the products to be approved and to be able to be sold on the market. The customer segments collectively share features such as continuously updated regulatory and qualification requirements, due to the SAM environment being in a constant development towards more efficient solutions.[17)]

Furthermore, skills and capabilities are essential to handle materials that require complex process adaptations as most end-products demand a high degree of material refinement. This in turn creates customer stickiness developed over time through extensive knowledge about customer applications. Moreover, it can be challenging to find employees with the right skills and experiences as the field requires specialized competences.[17)]

There are some general factors affecting companies' market positions in Alleima's SAM. One factor is to be leading within R&D activities, which is vital in a market that is constantly advancing. Furthermore, other factors that are important within Alleima's SAM are establishing long lasting relationships with customers, adapting to customers evolving inquires, while developing machinery and maintaining process ability. Another factor that could potentially, to some extent, affect the position of Alleima's SAM is the effect of regional political fluctuations that could have some influence on local production policies, tolls, and requirements of domestic supply.[17)]

16) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2021.
17) The Market Study.

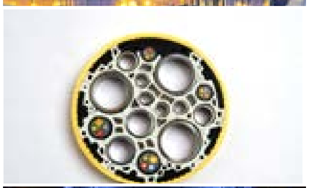
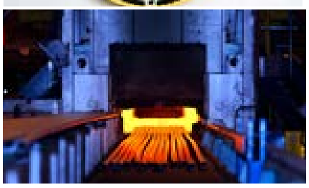
Business description

Overview

Alleima is a developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating, operating with a global footprint. Based on close and long-term customer partnerships, Alleima advances processes and applications in the most demanding industries through materials that are lightweight, durable, corrosion-resistant and able to withstand extremely high temperatures and pressures. Through the Company's offering and in-depth expertise in materials technology, metallurgy and industrial processes, Alleima enables its customers to become more efficient, profitable, safe and sustainable. The fully integrated value chain, from R&D and primary melting to final product, allows the Company to provide superior quality and flexibility in its offering, minimize its CO_2 footprint and increase circularity.

The Company has strong market positions across a wide range of niche end markets. The Company's offering comprises more than 900 active alloy recipes and an extensive range of products to many customer segments, mainly seamless stainless tubes, industrial heating elements, wire for medical devices as well as precision strip steel. Alleima's products are sold in approximately 90 countries across the globe. In 2021, 51 percent of the Group's revenues derived from Europe, followed by North America with 23 percent, Asia with 21 percent and other markets with four percent. Headquartered in Sandviken, Sweden, Alleima generated revenues of SEK 13.8 billion, an EBIT margin[1)] of 10.0 percent and an adjusted EBIT margin[2)] of 7.6 percent during 2021. Alleima had 5,465 employees[3)] as of December 31, 2021.

Through its global presence and broad portfolio of product solutions, Alleima is a partner to customers in a wide range of selected niche end markets. These can broadly be divided into ten customer segments.

	Customer segment	% of Alleima's revenues 2021	Examples of product offering
	Industrial	24%	• Solid round bar and hollow bar • High pressure tubing • Composite tubing
	Chemical and Petrochemical	16%	• Fertilizer tubing • Hydraulic and instrumental tubing • Heat exchanger tubing
	Oil and Gas	14%	• Umbilical tubing • Control lines • Oil Country Tubular Goods (OCTG)
	Industrial Heating	13%	• Metallic heating elements • Ceramic heating elements • Radiant Kanthal® APM / Kanthal® APMT tubes • Diffusion cassettes

1) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".
2) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".
3) The number of employees refers to the number of full-time equivalents (FTEs).

	Customer segment	% of Alleima's revenues 2021	Examples of product offering
	Consumer	10%	• Razor blade steel • Compressor valve steel • Stainless knife steel • Appliance wire
	Power Generation	8%	• Steam generator tubes • Cladding tubing • Nuclear tubes and pipes
	Mining and Construction	8%	• Rock drill steel
	Transportation	4%	• Titanium and stainless steel tubes • Gasoline Direct Injection (GDI) tubes • Compressor valve steel • Shock absorber steel
	Medical	3%	• Ultra-fine wire • Wire components • Stainless and titanium tubing
	Hydrogen and Renewable Energy	<1%	• Coated strip steel for fuel cells • High pressure tubing for hydrogen applications • High nickel alloy tubing for concentrated solar power applications

Alleima is organized into three divisions – **Tube**, **Kanthal** and **Strip** (which also constitute the Group's operating segments), each with its distinct product offering and customer segments served. **Tube** generated revenues of SEK 9.5 billion in 2021, corresponding to 69 percent of Alleima's revenues. Tube develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys used by customers primarily in the customer segments Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation. Because of their lightweight, durable, and highly corrosion-resistant characteristics, Alleima's tubular products can contribute to more efficient and reliable industrial processes. Within the Tube division, Alleima has developed market-leading positions across several niche end markets and product categories, including umbilical tubing (#1 globally), seamless control lines (#1 globally), aerospace titanium tubes (#1 globally), and steam generator tubing (#2 globally).[4] As per December 31, 2021, Tube had 3,652 employees[5] with the main manufacturing sites located in Sandviken, Sweden and Chomutov, Czech Republic.

Kanthal is a provider of products and services in the area of industrial heating technology and resistance materials and generated revenues of SEK 3.0 billion in 2021, corresponding to 22 percent of Alleima's revenues. Kanthal provides materials for electric heating, temperature sensing and heat resistant applications as well as ceramic and metallic electric resistance heating furnace elements, modules and heating system radiant tubes that generally require a higher degree of processing and refinement before delivery to customers. Kanthal's

4) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.
5) The number of employees refers to the number of full-time equivalents (FTEs).

products enable the ongoing shift from fossil fuel-based furnaces to electrical furnaces used in industrial manufacturing processes. Kanthal also offers ultra-fine wire in stainless steel and precious metals for use in medical and electronic appliances, where durability of the material is extra important to guarantee functionality and longevity of the products. Kanthal's market positions are particularly strong in industrial heating solutions (#1 globally) and medical wire (#2 globally).[6)] As per December 31, 2021, Kanthal had 1,101 employees[7)] with the main manufacturing site located in Hallstahammar, Sweden.

The **Strip** division contributed SEK 1.3 billion of revenues in 2021, corresponding to nine percent of Alleima's revenues. Strip develops and manufactures a wide range of precision strip steel products primarily to the Consumer, Industrial, Transportation, and Hydrogen and Renewable Energy customer segments. Key examples of Consumer products are razor blade steel and compressor valve steel (e.g. for use in air conditioners, heat pumps, refrigerators and freezers). Through the business unit Surface Technology, Strip also offers a portfolio of pre-coated steel strips for one of the most critical components in the hydrogen fuel cell stack – the bipolar plates. In close partnership with customers, this breakthrough technology for industrialized pre-coating of strip steel, eliminates the otherwise costly need for coating of individual plates, enabling fuel cell technology at scale. Alleima's market positions are particularly strong in compressor valve steel (#1 globally), stainless knife steel (#1 globally) and razor blade steel (#3 globally).[8)] As per December 31, 2021, Strip had 508 employees[9)] with the main manufacturing site in Sandviken, Sweden.

Alleima's history

Alleima's origins date back to 1862 and the foundation of the company Sandvikens Jernverk (renamed to Sandvik in 1972) by Göran Fredrik Göransson, a pioneer in using the Bessemer method for steel production on an industrial scale. In 1880 the Company became a leading supplier of cold rolled strip steel and flat wire and in 1888 the supply of seamless steel tubes (a tube without welding seam) to the new power industry began.

The manufacturing of stainless steel began in 1921. Already then, scrap from the company's own steel production was remelted in the, at the time, new induction furnace. Today, the amount of recycled material in the Company's products is above 80 percent. The first seamless tubes made of stainless steel were introduced in the market in 1924.

In general, the 1950s was an era of big installations. Petrochemistry made its breakthrough, and the first nuclear reactors were built. The new, bigger plants in basic industry and energy meant not only increased demand for tube and pipe but also a rise of demand for quality. Extruding stainless steel tubes of the quality demanded by the new process industries was a daunting technical challenge and in 1959 a license was signed to build the largest extrusion press seen by the industry at that time. The plant, Pressverk 62, was completed just in time for the company's centenary, and laid the foundation for market leadership in a new field. The new facility enabled a premium segment in the tube market, and productivity was two and a half times higher. The investment was followed by Rörverk 63 facility the following year, built to house the finishing operations and quality control of the tubes. Product properties could be further enhanced with the combination of extrusion and pilgering. Another indication of the rapid change in the refined tube market was the new alloys for corrosive environments in the chemical industry and the alloys for the nuclear energy industry. The product range was expanded with high nickel content alloys, titanium and zirconium alloys. In 1963, cladding tubes made of zirconium alloys were developed for the nuclear power industry. Low-carbon stainless steel was developed for the pulp and paper industry.

In the early 1960s the program for cold rolled strip products was expanded and ten cold rolling mills for thin strip were built, designed by the company's engineers. When the world's consumer markets ordered stainless steel razor blades, the company was well positioned to take the lead. Furthermore, the investment enabled the Strip division to produce premium steel for compressor valves for the automotive industry and the refrigeration industry. Together with customers new industry standards were developed.

In 1975, the company developed high-strength steel for oil sources located at great depth in difficult conditions. In 1985, the first generation of the duplex grade SAF™ 2205 was released for use in North Sea oil and gas extraction and in 1991, SAF™ 2507 super-duplex umbilical tubes for deep-water oil extraction were introduced.

In 1994, a mill for seamless tubes in Chomutov, Czech Republic, was acquired, establishing a platform for further development of the umbilical tubing offering. Another noteworthy development during the 1990s was the release of the Safurex® grade in 1996, a product that eliminates the risk of explosion for Urea plants.

When the specialized industrial heating company Kanthal was acquired in 1997, it had the global market's most complete range of resistance materials made of various alloys and ceramics for heating, plus bimetals for measuring and controlling temperatures. Through

6) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.
7) The number of employees refers to the number of full-time equivalents (FTEs).
8) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.
9) The number of employees refers to the number of full-time equivalents (FTEs).

the acquisition, a new market segment was entered. The same year, Kanthal acquired H.P. Reid of Palm Coast, Florida, a producer of ultra-fine medical wire, which was later product branded Exera®. Today, the offering for the medical industry comes from all divisions. The majority of sales stem from ultra-fine wire and wire-based components branded as Exera®. The products are used in vascular therapy, diabetes care and neurostimulation, including inner ear hearing devices.

In 1998, California-based MRL Industries, the world's largest manufacturer of furnace cassettes for the electronics industry, is acquired. It was later organized and rebranded under the Kanthal® brand in 2021.

In 2003, the business area changed name from Sandvik Specialty Steel to Sandvik Materials Technology.

In 2009, a new production unit for stainless steel tubing and a service center for precision strip was constructed in Zhenjiang, China. Additional investments in tube production in Chomutov, Czech Republic and in Sandviken, Sweden were made in 2010 to serve the fast-growing oil and gas and power generation markets.

During 2017 and 2018, Sandvik Materials Technology divested its stainless wire and welding wire businesses to refine the product portfolio.

In 2018, Custom Electric Manufacturing Co., a North American manufacturer of heating elements was acquired. As part of the Kanthal division, it was later merged into the Kanthal® brand in 2021. In 2019, as the world's first resistance material producer, Kanthal launched an additive manufacturing service, in connection with the launch of a new FeCrAl alloy.

In more recent years, several niche acquisitions have been made, including Thermaltek (2019), Summerill Tube Corp. (2020) and Accuratech Group (2021). Furthermore, at the start of 2022, the tube engineering solutions company Gerling Metallverarbeitung GmbH was acquired, strengthening the offering and capabilities in the fast-developing hydrogen market.

To increase the availability of high-quality seamless stainless tubes, add flexibility to introduce new grades and strengthen the regional service, a new cold finishing manufacturing line was inaugurated in Mehsana, India, in the beginning of 2020. The new manufacturing line, mainly aimed at the production of heat exchanger tubing and for other demanding industrial applications, doubled Mehsana's cold-working capacity and thus allowed for swifter delivery times across the Asia Pacific region.

In 2021, the Kanthal division entered a strategic partnership with HYBRIT (an initiative by SSAB, LKAB and Vattenfall), aiming to develop fossil-free electric gas heating solutions for hydrogen used to reduce iron ore in the HYBRIT process. The initiative aims to develop the world's first fossil-free steel making technology. Kanthal is developing a large-scale electric heating solution for the project that heats large volumes of hydrogen gas up to 1,000 degrees Celsius. The new, scalable technology has the potential to be used in the cement, petrochemical and other energy-intense industries.

In May 2019, the decision was made by the Sandvik Board of Directors to initiate an internal separation of the business area Sandvik Materials Technology with the intention to increase the structural independence from the Sandvik Group and explore the possibility of a separate listing of the Company on the Nasdaq Stockholm stock exchange. On March 23, 2022, the Sandvik Board of Directors decided to propose the distribution and listing of Sandvik Materials Technology to the Annual General Meeting on April 27, 2022. It was also decided that Alleima will be the new name of Sandvik Materials Technology as of listing. Sandvik's Annual General Meeting on April 27, 2022 resolved to distribute the shares in Alleima to the shareholders of Sandvik in accordance with the Board of Directors' proposal.

1862 Alleima originates from Sandvik which was founded by Göran Fredrik Göransson in 1862.

1921 Begins manufacturing of stainless steel.

1962 Production starts in the newly built and, at the time, largest extrusion press in the stainless steel industry.

1963 Cladding tubes made of zirconium alloys for the nuclear power industry are developed. Low-carbon stainless steel is developed for the pulp and paper industry. In the early 1960s the program for cold rolled strip products was expanded with 10 cold rolling mills.

1981 Continuous casting of steel starts in Sandviken, Sweden.

1991 Introduces SAF™ 2507 super-duplex umbilicals for deep-water oil extraction.

1996 Release of Safurex® grade, a product that eliminates explosion risk for Urea plants.

1998 California-based MRL Industries, the world's largest manufacturer of furnace cassettes for the electronics industry, is acquired.

2003 The business area changes its name from Sandvik Specialty Steel to Sandvik Materials Technology.

Introduces Hi-Flex flapper valve steel, a new generation material with high bending fatigue strength for use in for example air conditioning products (requiring continuous operation over long periods without failure).

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

2017/18 Completes the divestments of its welding wire and stainless wire businesses.

2018 Completes the divestment of its 50 percent share in Fagersta Stainless, a manufacturer of stainless bar and wire.

Completes the acquisition of US-based Custom Electric Manufacturing Co., a manufacturer of original equipment and replacement heating elements.

2021 Completes the acquisition of Swiss based Accuratech Group, a niched medical wire forming, and component manufacturer.

Kanthal enters a strategic partnership with HYBRIT.

1876 Begins cold drawing of wire.

1880 Begins manufacturing of cold rolled strip steel and flat wire

1888 Begins supplying the new power industry with seamless steel tubes (a tube without any welding seam).

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

1975 Develops high-strength steel for oil sources located at great depth in difficult conditions.

1985 The first duplex material, SAF™ 2205 makes it possible to extract oil in the North Sea (at depths of around 100m).

1994 Acquires a business part of Valcovny Trub A.S. in Chomutov, Czech Republic.

1997 Acquires Kanthal to supplement the Company's range of products in stainless steels and high-alloyed materials with products for industrial heating and resistance materials. Kanthal acquires H.P Reid of Palm Coast, Florida, a producer of ultra-fine medical wire, which was later branded as Exera®.

2009 A new production unit for stainless steel tubing and a service center for precision strip is constructed in Zhenjiang, China.

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

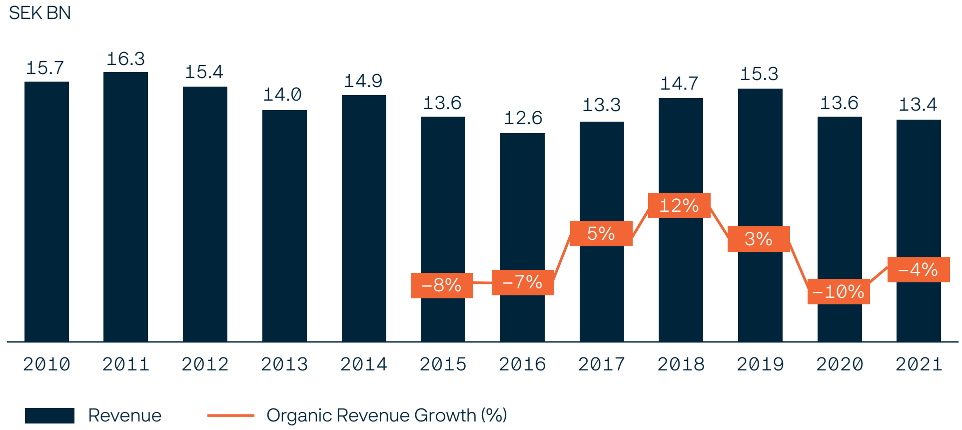
2019 Completes the acquisition of US-based Thermaltek Inc., a manufacturer of high temperature furnace systems and metallic heating elements.

2020 Completes the acquisition of US-based Summerill Tube Corp., a manufacturer of high precision tubes.

2022 Completes the acquisition of German based Gerling Metallverarbeitung GmbH, a precision tube engineering company.

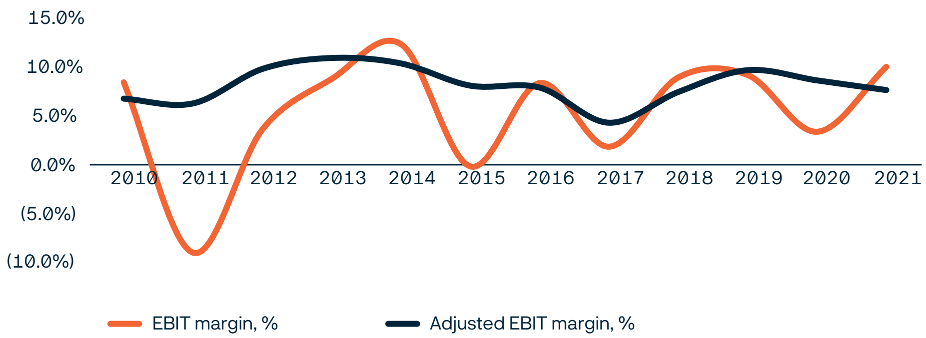
The graphs below show the revenue development, EBIT margin[10] and adjusted EBIT margin[11] of the business area Sandvik Materials Technology within Sandvik with respect to the financial years 2010–2021 as well as the organic growth[12] since 2015. Alleima's business largely mirrors that of Sandvik Materials Technology and it is the Company's assessment that Sandvik Materials Technology is a good indicator of how Alleima would have trended during the same period. It should be noted, however, that completed acquisitions, divestments and reorganizations have an impact when comparing individual years. To enable greater stability in EBIT and adjusted EBIT margin over time, Sandvik Materials Technology implemented several operational initiatives and improvement actions during the period 2012 to 2021. During 2012 to 2016, the Company implemented a step change program and a value creation program where holdings not part of the core business were divested, cost savings were implemented and net working capital was reduced through operational improvements and capital savings from reduced investments. Furthermore, Sandvik Materials Technology underwent an action program to counteract the decline in demand within the Oil and Gas customer segment in 2014 to 2015 through a staffing system and implemented contingency plans. During the period 2017 to 2021, Sandvik Materials Technology focused on measures to improve stability, profitability and management of the net working capital. In 2020, additional measures were carried out to protect the Company's profitability and cash flow during the COVID-19 pandemic.

Sandvik Materials Technology (Sandvik business area) revenue development and growth (2010–2021)



Source: Sandvik's annual reports 2010–2021 and, with regards to organic growth, Sandvik's internal accounting system.

Sandvik Materials Technology (Sandvik business area) EBIT margin and adjusted EBIT margin (2010–2021)



Source: Sandvik's annual reports 2010–2021.

10) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".
11) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*". The adjusted EBIT margin is adjusted for metal price effects for the whole period and, where applicable, adjusted for items affecting comparability (2011, 2012, 2015 and 2017–2021).
12) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".

Mission and strategy

Mission

Alleima advances industries through materials technology. Alleima's expertise enables more efficient, more profitable and more sustainable processes, products and applications for its customers.

Strategy

Alleima has strong positions across its diverse niche end markets with long-term customer partnerships and extensive knowledge about customer applications. The Company's fully integrated value-chain, from R&D to primary melting to final product, as well as the Company's global footprint, enables close customer partnerships, industry-leading circularity, sustainability and financial performance. With a clear positioning as a technology leader, progressive customer partner and sustainability driver, the strategic direction for Alleima stands on a solid foundation and is based on four pillars:

- **Profitable growth:** Capitalize on the megatrends of energy transition, energy efficiency, electrification, increased industrial production, medical market growth and capture the oil and gas rebound
- **Materials innovator and technology leader:** Continuous focus on R&D activities to capture new business opportunities, defending and strengthening the current business and widening the materials portfolio
- **Operational and commercial excellence:** Drive excellence through continuous improvements and footprint optimization, digitalization and automation, pricing management and mix optimization as well as cost flexibility and resilience
- **Industry-leading sustainability:** Leading in the market from a sustainability perspective, contribute to increased circularity and support general health and wellbeing, both through product offering as well as operations

Profitable growth

Alleima intends to capture growth in existing business as well as through new business creation and furthermore drive profitable growth by product portfolio management. Alleima's growth agenda is focused on delivering profitable organic revenue growth, in line with or above its targeted end markets. The targeted end markets include selected areas of Alleima's serviceable addressable market where profitable growth is deemed feasible, for example within the segments Industrial Heating, Hydrogen and Renewable Energy, Medical, and Chemical and Petrochemical. The underlying demand for Alleima's products is driven by a number of global megatrends; these trends include, but are not limited to, changing demographics, increasing and changing energy demand, electrification of industry and transportation and growth of emerging markets (see also "*Market overview*").

Various industries have started the transformation to fossil-free production and in many cases, electrification of heating processes is key to enabling this transformation. Kanthal® is Alleima's brand for products and services in the area of sustainable industrial heating technology and resistance materials. Having the technology, expertise and global presence, Kanthal is partnering with energy intensive industries, such as steel and aluminum, to help reduce their carbon footprint. In addition to carbon dioxide (CO_2) and nitrogen oxide (NOx) reductions, Kanthal's electric solutions provide energy efficient, safe and controllable industrial heat.

Renewable energy sources and their share of global power generation are expected to grow substantially, supported by governmental investments, regulations benefiting fossil-free technologies and demands from investors and other stakeholders. In the ongoing energy transition towards more sustainable energy sources and supportive hydrogen technologies, various technologies and solutions are under evaluation leading to further examination of new materials and products. Alleima intends to continue to develop and create business opportunities in the Hydrogen and Renewable Energy customer segment, such as hydrogen applications, solar power, offshore wind, geothermal energy and bioenergy.

Advanced materials for the Medical customer segment, driven by growing need of healthcare and more advanced medical devices, has also been identified as an additional opportunity for continued growth, particularly within the wire-forming and coating area, where Alleima has extensive technical know-how and market presence today. Alleima's growth strategy also focuses on capturing the market rebound in upstream oil and gas, driven by the recovering demand following the COVID-19 pandemic. The Company has a market leading position in terms of revenues in for example umbilical tubing and seamless control lines.[13] Other near-to mid-term growth avenues include strengthening its position across industrial, chemical and petrochemical and other end markets.

Additionally, Alleima intends to expand through M&A within selected key customer segments to enable accelerated growth and diversification across products and end markets. Alleima's M&A strategy is focused on acquiring complementary businesses to improve the Company's strategic position while leveraging its core capabilities within advanced materials. Recent acquisitions in line with this strategy include Summerill Tube Corp., a manufacturer of high-precision tubes, Gerling Metallverarbeitung

13) The Market Study.

GmbH, focusing on precision tubes and solutions for the hydrogen market, niche medical wire company Accuratech Group, strengthening the Company's position within medical, as well as Thermaltek Inc., a manufacturer of high temperature furnace systems and metallic heating elements. As a standalone listed company, Alleima will have the ability to make its own capital allocation decisions to seek to accelerate both organic and acquired growth.

Materials innovator and technology leader

Alleima is a niche player within its industry with strong competence and advanced materials know-how. In order to remain customers' number one choice, the Company is focusing its R&D efforts across three strategic themes: (i) defend and strengthen the core product portfolio (material and process development to improve the current product portfolio); (ii) develop new products to capitalize on global trends (materials development for applications with high growth opportunities); and (iii) widen portfolio (advancements in capabilities, process technology and metallurgy for high nickel and special alloys).

With the innovative R&D environment and solid in-house capabilities (from lab scale steel mill to high end transmission electron microscopes), Alleima has been able to attract top scientists to the R&D site in Sandviken, Sweden, and thereby created a strong competence centre. This has resulted in a position where Alleima has approximately 850 active patents protecting the Company's materials and generates research collaborations with global top universities and institutes within the field of alloy and material design as well as application specific environment testing.

In line with its strategy, the Company has released several new products in recent years, including super austenitic high strength steel Sanicro® 35, next generation compressor valve steel Freeflex®, process gas heater, Safurex® Star, Kanthal® Flow heaters, Cochlear, Fractional flow rate, SAF™ 2205, Sanicro® 625 and Sanicro® 276. The Company continuously strives to further increase the pace of new product introductions.

Examples of new product development

Sanicro® 35

Sanicro® 35 is a newly developed, high alloyed austenitic grade for wet corrosive applications. It is a high-performance alternative to conventional materials that minimizes risk and extends production lifecycles in demanding environments. With its combination of excellent corrosion resistance and excellent mechanical properties, it is a strong candidate material for refinery heat exchangers, seawater coolers, and offshore hydraulic & instrumentation installations, to name a few.

Freeflex®

Freeflex™ is a hardened and tempered martensitic stainless compressor valve steel with a unique chemical composition. This next generation of compressor valve steel enables our customers to develop more energy-efficient compressors while also using less material to produce the compressors. The growing demand for white goods and home appliances drives the development of new materials that add energy efficiency.

Process Gas Heater

The strategic partnership Kanthal has developed with Hybrit (an initiative by SSAB, LKAB and Vattenfall) moves steel towards a completely fossil-free value chain. The initiative in Sweden aims to develop the world's first fossil-free steelmaking technology. Kanthal has developed a large-scale electric heating solution for the project that heats large volumes of hydrogen gas up to 1,000°C (1,832°F). The new, scalable technology has the potential to be used in the cement, petrochemical and other energy-intense industries.

Safurex® Star

Safurex® is a high-alloy duplex (austenitic-ferritic) stainless steel developed to withstand the corrosive environments present in the Stamicarbon urea process.

Kanthal® Flow Heaters

The Kanthal® Flow Heater offers an emission-free alternative to gas burners in applications such as furnace processes and heating of process gases, test benches, pre-heating of equipment in metal cast houses and local heat treatment.

Cochlear implant

The next generation of cochlear implants are highly sophisticated and requires custom made tight coils which play a vital role in transmitting high quality sound signals. Exera® gold wire, platinum-iridium alloys and coatings are perfectly suited for these type of applications. Often the implants are life-long and require wire with excellent fatigue strength and flexibility for patient comfort.

Fractional flow reserve

Fractional Flow Reserve devices measure the pressure differences across a coronary artery stenosis. This next generation FFR device is a composite wire that has incorporated different elements from previous designs into one "smart guidewire" system. The smaller devices requires small diameter wire produced with extreme precision. The FFR fits well into the trend of smaller and smarter medical devices for less invasive surgeries and remote monitoring of patients.

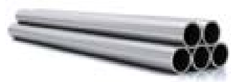
SAF 2205®

SAF 2205® is a duplex (austenitic-ferritic) stainless steel characterized by high resistance to stress corrosion cracking (SCC) in chloride-bearing environments as well as environments containing hydrogen sulphide.

Sanicro® 625

Sanicro® 625 is an austenitic nickel-chromium alloy characterized by extremely good corrosion resistance in widely varying acidic and chloride containing environments.

Sanicro® 276



Sanicro® 276 is a nickel-chromium-molybdenum alloy suitable for service in a broad range of severe environments and is characterized by Superior corrosion resistance in H2S, CO2 and chloride containing environments.

Operational and commercial excellence

Alleima has established a culture of continuous improvement, flexibility and efficiency which are prerequisites to successfully manage cyclical demand across customer segments. Ongoing improvements in pricing management and mix optimization, footprint optimization, digital innovations as well as strengthening talent attraction and competence development are all integral parts of the Company's strategy. Alleimas's strategic levers in operational and commercial excellence include continuous improvement programs with overall targets to improve cost productivity, footprint optimization, price and mix optimization and secure cost flexibility.

Alleima works continuously to improve its price management and product mix, to strengthen the earnings and cash flow profile. The Company has also improved its processes for price management and product mix optimization within all divisions, such as being more selective in booking orders and mindful about mix optimization to avoid orders with unfavorable pricing in periods with low demand as well as continuous strategic reviews of the product mix and prices to determine the optimal pricing policy and mix. Other examples include proactivity in pricing models, such as implementing further surcharges to cover for cost inflation from freight and energy.

Related to footprint optimization, Alleima is focused on maintaining cost efficiency (reduced costs of goods sold (COGS) and improved utilization of mills) by driving continuing improvements with the overall target to improve cost productivity as well as strengthening its regional market positions, bringing sales and finishing capabilities closer to customers. Recent initiatives include the closure of the Company's site in Arnprior, Canada with production moved to Scranton in the United States and the relocation of some of the tube production operations from Sandviken, Sweden, to Chomutov, Czech Republic. Furthermore, in the third quarter of 2020, Alleima's Tube division announced a reorganization that resulted in discontinued operations in Charost, France, in order to increase efficiency in the production of tubes for the Transportation customer segment (including aerospace). During 2021, Kanthal also opened a second production site in Tucson, the United States for medical wire products supporting the medical business growth.

Alleima is working with digital innovations. Data simulations enable quality and energy efficiency improvements and the Company has started using big data to fast track the grade development of alloys and has developed a digital solution using facial recognition technology that automatically detects internal surface defects through the patterns in tubes. The digitally connected Mobile Service Solutions container continues to gain traction among customers. It uses a digitally connected system to straighten and cut coiled tubing on-site to match customer specifications. The solution significantly reduces waste compared to delivering a standard tube size, leading to substantial material, time and cost savings.

Alleima's people strategy focuses on talent attraction, securing competence for the future, as well as diversity, inclusion and belonging. The Company strives to be an attractive employer for its current employees as well as in the eyes of potential future employees. Through a strong competence development and performance management, Alleima can quickly respond and react to changes in the surrounding world and deploy resources where needed to serve its customers.

Finally, the Company actively evaluates its product offering and competences in order to be capital efficient and relevant to its customers. As a result, selected parts of the existing product portfolio may be identified as non-core and subject to potential divestment. The most recent examples of such portfolio rationalization initiatives are the sale of Alleima's welding wire operations to ESAB in 2017 and the sale of its stainless wire business to Zapp Group in 2018.

Industry-leading sustainability

Alleima has identified sustainability as one of the most important success factors to compete within its industries. To this end, the Company has invested considerable resources into developing a sustainable product offering, combined with several initiatives to lower the overall environmental impact of its production process.

Sustainability permeates all aspects of Alleima's operations and the Company's commercial strategy. The main contribution to sustainability is through the Company's product offering, enabling the transition to renewable energy, electrification of industries, innovation in the medical sector and much more. The Company also actively seeks to reduce and minimize harm to employees and the environment via its operations.

Alleima products play a pivotal role in advancing technologies – existing and emerging – to tackle the challenges of the future. Alleima's coated strip steel for fuel cell bipolar interconnect plates can be used in, for example, hydrogen cars and stationary hydrogen solutions which are renewable energy sources. The Company's heating solutions help customers reduce their CO_2 emissions by converting from fossil gas furnaces to electrical furnaces. Gasoline direct injection (GDI) technology helps reduce fuel consumption by 20 percent or more and lowers emissions. Achieving this has required a doubling of pressure in the car engine fuel system and Alleima has developed Pressurfect® specifically to meet the higher pressure requirements for the next-generation engine platforms. Alleima's compressor valve steel enables smaller and more efficient compressors. Refrigerators, freezers, air conditioners and many other devices, depend on a compressor. Compressor energy efficiency has a significant effect on the world's total CO_2 emissions.

Through its high-integrity grades and products, the Company is also well positioned to lead and facilitate the development of less mature applications such as concentrated solar power, carbon capture and storage and geothermal energy. Alleima's Sanicro® material was used to develop the first industrial reactor for supercritical water gasification, a new technology to convert organic waste streams into carbon neutral, or even carbon negative, energy carriers.

The scope is not merely confined to the challenges related to the rise in energy demand and the CO_2 emissions thereto. For example, the Company's Exera® medical wire is used in life changing innovations for people with diabetes, Parkinson's disease, cochlear hearing implants and pacemakers.

Alleima's products consist of more than 80 percent recycled material (partially procured through its own materials buyback program) and low fossil footprint. The latter is achieved through Alleima's deployment of fossil-free electricity in its production facilities. In 2021, Alleima estimates that approximately 94 percent of its global electricity usage was fossil free. The equivalent figure for its operations based in the EU has been 100 percent since year 2013. As part of its circularity initiatives, Alleima also targets to make use of all the by-products, including slag, dust and process gases. Furthermore, Alleima's products are to a large extent recyclable and wrapped in recyclable packing, substantially reducing their product lifecycle footprint.

Financial targets and dividend policy

The Board of Directors of Alleima has adopted the following financial targets and dividend policy:

Organic growth[14)]

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

Earnings

Adjusted EBIT margin[14)] to average above 9 percent over a business cycle.

Capital structure

Net debt[14)] in relation to Equity below 0.3x.

Dividend policy

Dividend on average 50 percent of profit for the period (adjusted for metal price effects[14)]) over a business cycle. Dividends to reflect financial position, cash flow and outlook.

Strengths and competitive advantages

Several key strengths and competitive advantages have contributed to Alleima's development and performance and provide a strong foundation for the Company to execute its strategy as a standalone company. These strengths and competitive advantages include:

Premium offering with solid market positions and diverse customer segment exposure

Alleima is a niche player with a premium offering to applications with high demands and level of refinement. The offering includes high value-added products in advanced stainless steels and special alloys as well as products for industrial heating. Through its industry and application knowledge, excellent R&D competence, expertise in metallurgy and advanced materials technology combined with world-class production processes, the Company has established top two market positions (market shares) across a wide range of niche end markets and products such as umbilical tubing, heating elements, aerospace titanium tubes, steam generator tubing and stainless compressor valve steel.[15)]

Alleima is exposed to a wide range of customer segments, which the Company considers a strength as it reduces risk and volatility. Furthermore, the industry in which the Company is active in is characterized by extensive capital expenditure required to establish new mills and production facilities, as well as regulatory and/or lengthy qualification requirements in selected customer segments (e.g. Oil and Gas, Power Generation, Medical and Transportation). The industry is further characterized by material and process know-how and patents (for example, Alleima has approximately 850 registered patents), customer stickiness due to the risk of changing suppliers of critical parts, the co-developmental nature of partnerships, as well as competence scarcity.

Fully integrated value chain with prominent metallurgy expertise and global footprint

Alleima's control of the entire value chain, from R&D to final product, is deemed a key competitive advantage and enables the Company's prominent metallurgy expertise. The metallurgy has always been a key part of Alleima's business – the Company started with industrializing the Bessemer method 160 years ago. Alleima has more than 100 years of experience from stainless steel and some 900 alloy recipes that are active today. Additionally, the Company has numerous patent applications within metallurgy, relating to both production processes and alloys. All this can only be achieved by maintaining a very high level of metallurgical expertise. The Company's R&D function consists of approximately 230 in-house material experts

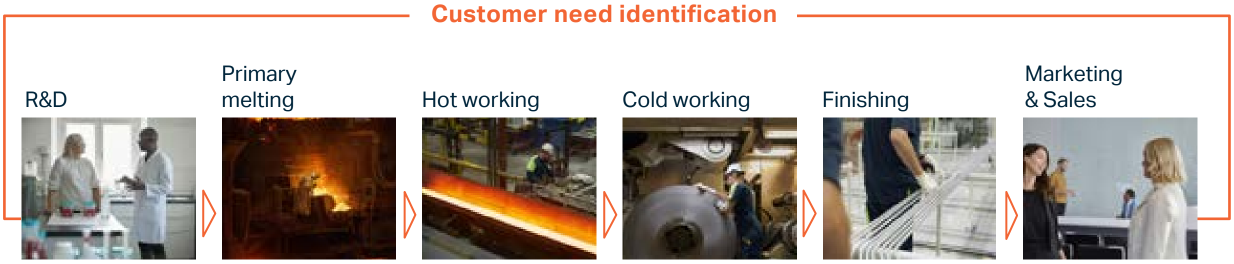
14) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".
15) The Market Study.

and manufacturing specialists, working in world-class R&D facilities with pilot scale manufacturing, as well as a chemical laboratory.

Alleima owns and operates two steel mills with primary melting, five extrusion presses and several hot and cold working facilities, as well as finishing facilities. In total, the Company has 27 production units (including three service units) spread across the globe, including 11 in Europe, seven in Asia, one in South America and eight in the United States. In addition, the Company has around 40 local sales offices. The benefits achieved by controlling the entire production line include the ability to maintain a narrow chemistry outcome, ensure the highest standard quality control and monitor the various steps to optimize process flows. Equally, the Company can take a holistic approach to sustainability by minimizing its environmental footprint along all phases of production.

Through its global footprint, Alleima is able to facilitate collaborative and close partnerships with its customers. Customer proximity also enables the Company to identify customer needs, be it present or future, which is used in the R&D process.

Fully integrated value chain



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

Alleima stands to benefit from several global megatrends. In particular, the Company has identified four trends that are likely to underpin near- and long-term demand for advanced and high-performance materials. The first relates to the growing and ageing population which will drive demand in the energy sector as well as the need for medical care and equipment. Ultimately, this trend is increasing the need for industrial production, which is likely to drive demand for the Company's broad product offering and will likely also drive demand for tubing products used within mainly chemical and petrochemical production. Secondly, the Company benefits from the general increase in energy demand and is well positioned to capture growth from the energy transition to sustainable alternatives. Thirdly, the ongoing electrification and transformation to fossil-free energy of industries and transportation presents further business opportunities, mainly through its heating solutions offering, which help customers reduce their CO_2 emissions by converting from fossil gas furnaces to electrical furnaces. Lastly, there is potential in the growth of emerging markets and their increasing relative economic importance, which drives increasing demand of the Company's broad product offering, particularly in Asia.

Alleima intends to continue to strengthen its market position by developing advanced materials and products, as well as its geographical footprint to capitalize on these structural growth drivers. The Company is in a good position to capitalize on the anticipated rebound in the oil and gas sector, and build-out of the natural gas infrastructure, which, incidentally, is expected to play an important role in the energy transition towards renewable energy sources. The Company is well positioned to capture the long-term shift toward renewable energy sources, such as hydrogen applications, solar power, offshore wind, geothermal energy and bioenergy through its current and future offering. Within hydrogen applications the Company can offer pre-coated stainless strip steel for hydrogen fuel cells, a technology that produces no harmful emissions. The Company also offers solutions for hydrogen refueling station infrastructure. Other promising growth avenues are biopower, biofuels, supercritical water gasification, offshore wind, carbon capture and storage, as well as geothermal energy where the Company is exploring potential business opportunities, supported by its R&D. Through Alleima's advanced and high-quality products that offer structural strength, corrosion resistance and high-temperature resistance, the Company believes that it is well positioned to capture growth and capitalize on the transition to renewable energy sources.

In addition to driving organic growth, Alleima intends to continue to maintain an active M&A agenda to further complement a product portfolio even more suited for alternative renewable energy sources. Moreover, the M&A strategy focuses on making acquisitions in selected growth areas that stand to benefit from the identified global megatrends, for example within the Industrial Heating and Medical customer segments.

Solid foundation with attractive and resilient earnings and cash-flow profile

In recent years, Alleima has built a solid foundation with increased focus on operational excellence. The footprint optimization program, which started in 2018, involves locating operations closer to customers as well as improving cost efficiency. This work has been, and will continue to be, an important lever to further improve customer partnerships and manage the cost base. Another focus area has been to improve and control net working capital, including inventory management. A more solid and transparent process for controlling the supply chains, linking sales plans to business planning, as well as inventory management, has been implemented. Alleima has in recent years also improved its price management and product mix, resulting in a strengthened earnings and cash flow profile.

At the time of the COVID-19 outbreak, Alleima was well prepared, activating contingency plans and quickly implementing initiatives to mitigate the negative impact from a volatile economic environment. As a result of the improved flexibility, Alleima reduced temporary staff, implemented work time reductions and made redundancies. As volumes dropped during the COVID-19 outbreak, cash flows were supported by successful inventory management and temporary capital expenditure reductions. The Company has also improved its processes for price management and product mix optimization within all divisions, such as being more selective in booking orders and mindful about mix optimization to avoid orders with unfavorable pricing in periods with low demand. This proved to be a clear advantage for Alleima as the demand started to return. Other examples include proactivity in pricing models, such as implementing further surcharges to cover for cost inflation from freight and energy. During the pandemic, particularly in 2021, Alleima proved its resilience in its margins[16] and cash flows, despite a sharp drop in volumes due to low backlog in the Oil and Gas segment. The Company's product offering is built on advanced materials technology that serves a diverse set of customer segments, exposed to different business cycles and market dynamics, which helps to reduce risk and volatility.

Value creation potential as a standalone company

The separation from Sandvik is expected to provide more focused governance with a clear mandate for Alleima to execute its strategy to drive profitable growth, materials innovation, operational and commercial excellence and industry-leading sustainability. As an independent listed company, Alleima will be able to focus capital allocation in the best interest of Alleima and its shareholders to support acceleration of revenue growth, earnings and cash flow. The autonomy that comes from being a standalone company will facilitate faster decision-making as well as greater accountability throughout the organization.

Alleima's management team comprises long-tenured and highly experienced individuals who together bring a strong combination of skills, management experience and relevant business and market knowledge to deliver on the outlined strategy.

Divisions

Alleima has three divisions: Tube, Kanthal and Strip. Tube offers seamless tubes and other long products in corrosion resistant alloys and other high-performance materials used in a wide variety of industrial applications. Kanthal offers electrical heating solutions, resistance materials, and medical wire. Strip offers a wide range of precision strip steel and a variety of strip based products.

Tube

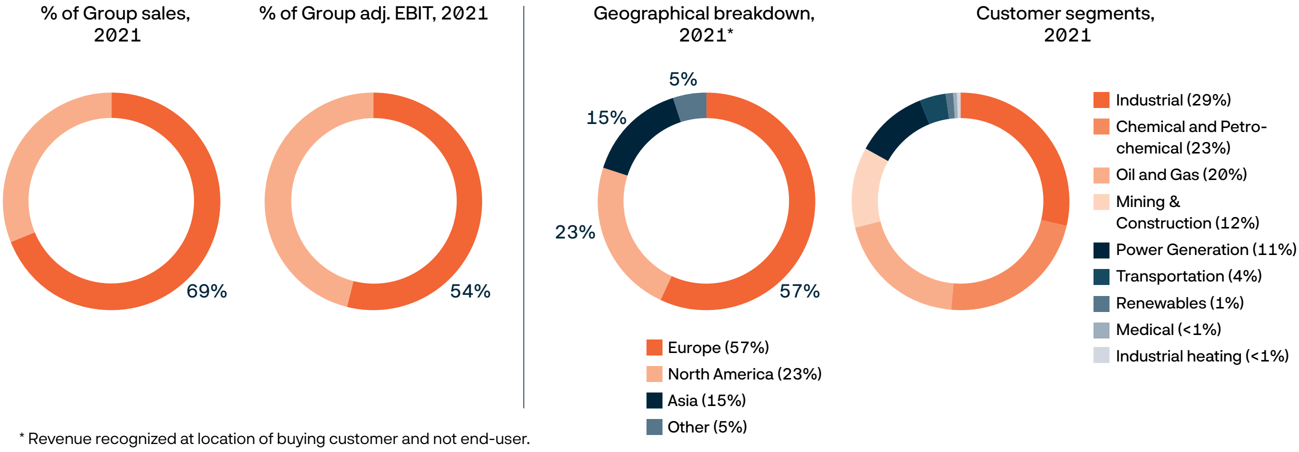
Tube offers an extensive portfolio of seamless tubes and other long products in advanced stainless steels and special alloys used by customers primarily in the customer segments Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation. Europe was the largest geographical market, representing approximately 57 percent of Tube's revenues 2021, followed by North America (23 percent), Asia (15 percent), and other markets (five percent).

Tube generated revenues of SEK 9,530 million in 2021 corresponding to 69 percent of Alleima's total revenues. As per December 31, 2021, Tube had 3,652 employees[17] with the main sites located in Sandviken, Sweden, and Chomutov, Czech Republic. Other key sites are located in Germany, India, China, and in the United States.

Tube's main competitors are Nippon Steel Corp., Tubacex, Salzgitter Mannesmann International and Jiuli. Within the niche of special alloys is Haynes International also a competitor and Carpenter Technology is another important peer.

16) Compared to the average of the reported EBIT margins for the companies ATI, Aperam, Carpenter Technology, Haynes International, Jiuli, Salzgitter Mannesmann, Tenaris, Tubacex, Vallourec and Voestalpine, which are listed companies with similar operations as Alleima, Alleima reported a higher EBIT margin during the period 2019–2021.
17) The number of employees refers to the number of full-time equivalents (FTEs).

Tube – Key financials



* Revenue recognized at location of buying customer and not end-user.

Selected customer segments and product offering

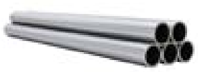
Industrial

The Industrial offering comprises a broad range of products that are supplied to a wide range of industries and customers, including end users, manufacturers and distributors. Key products include *hollow* and *solid round bars*, *high-pressure and composite tubing* as well as semi-finished *ingots* and *blooms* and *billets* for wire rod. Hollow bars (thick-walled tubes) and solid round bars are used to manufacture corrosion resistant components for use in many industries such as oil and gas, chemical, power generation, pharmaceutical and food and beverage. Tube and pipes with heavy wall-thickness are also used in high pressure application such as water jet cutting. Composite tubes (compound tube) are suitable for applications where the conditions outside and inside the tube require material properties that cannot be met by one material only, such as boilers in the pulp and paper industry. Ingots and blooms are mainly sold to other materials technology companies that refine the materials to other products such as stainless steel wire rods.

	Product	Description
	High pressure tubing	— Pipes with small hole and thick wall used when there is a need for high pressure, applications including water jet cutting, machine manufacturing, general engineering, oil and gas.
	Composite tubing	— Composite tube (compound tube) suitable for applications where the conditions outside and inside the tube require material properties that cannot be met by one material only — The main end application is the boilers in the Pulp and Paper industry.
	Hollow bar	— Hollow bar is a thick-walled bar often used for machining components. — Application industries include oil and gas, power generation, chemical, food industry – often the key industries of the specific country determine its application areas in that country.

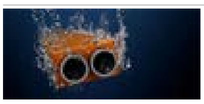
Chemical and Petrochemical

The Chemical and Petrochemical offering primarily consists of tube and pipe for the manufacture of *Fertilizer*, such as Urea. *Hydraulic and instrumentation* tubes are used to monitor temperature, pressure and processes in chemical and petrochemical plants. Heat exchanger tubes for tube-heat exchangers for heat transfer between different corrosive process media. Tubes suitable for applications with temperatures above 500 degrees Celsius. Tubes of a more standardized nature, which have several varying areas of use (also outside the segment of chemical and petrochemical industries, such as industrial areas of use) but which usually involve the transport of corrosive liquids or gases.

	Product	Description
	Fertilizer	— Used in the chemical and petrochemical industry and is mainly used for high-pressure parts of the urea or other fertilizer tubing production processes.
	Hydraulic and instrumentation tubing	— Used for the critical application of control, monitoring and measuring in wide ranging industry segments including petrochemical plants, offshore platforms and the power generation industry. They are a key link in the system control application, interfacing with other components to measure and control critical functions.
	High temperature tube & pipe	— Precision tube which is suitable for applications with temperature above 500 degrees Celsius and has similar application as heat exchanger tubes.
	Heat exchanger tube	— Suitable for all types of heat exchangers, such as seawater coolers, condensers, evaporators, heaters and reheaters.

Oil and Gas

The Oil and Gas offering consists of tubular products for production and well-operations. Key examples include *seamless stainless steel umbilical tubes*, which are used to inject chemicals into the subsea well and in hydraulic control functions, *control lines*, which are used to operate wells (safety valves, isolation valves and chemical injection), as well as various corrosion resistant alloy *Oil Country Tubular Goods (OCTG)* used to ensure well integrity and production tubing to transport oil and gas from the well formation to the ground or seabed, and to inject water or gas into formations to increase pressure for enhanced recovery. Other products include bars and billets in corrosion resistant alloys. Alleima is considered the market leader in seamless stainless steel umbilical and seamless control lines.[18)]

	Product	Description
	Umbilical tubes	— Umbilical tubing is used to inject chemicals into the subsea well (to enhance the flow and recovery of oil and gas) as well as provide hydraulic control of subsea systems and infrastructure. They provide the link from the surface to the subsea system.
	Control lines	— Used to operate wells; safety valves, isolation valves and chemical injection. — Critical part of the well operation.
	Corrosion resistant alloy Oil Country Tubular Goods (OCTG)	— Production tubing: used to transport oil and gas from the well formation to the ground or seabed, and to inject water or gas into formations to increase pressure for enhanced recovery. — Casing: used to ensure well integrity and prevent collapse in the well formation.

18) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.

Power Generation

Main product groups within the Power Generation segment are *steam generator tubing*, *cladding tubing* and *nuclear tube and pipe*. *Steam generator tubes* are used in steam generators, converting water into steam producing electricity from a turbine driven by the steam.

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. *Nuclear tube and pipe* is used in piping systems and networks, such as coolant distribution and heat exchanger systems.

	Product	Description
	Steam generator tubes	— Used in steam generators, converting water into steam producing electricity from a turbine driven by the steam. — The heated coolant passes through the steam generator transferring the heat to the water surrounding the tube wall, resulting in steam from the boiling water.
	Cladding tubing	— Used mainly as fuel tubes, with a group of fuel rods containing the fissionable material (uranium) providing fuel for the nuclear reactor.
	Nuclear tube & pipe	— Wide application area containing piping system and network for, e.g., distribution of coolant and connection to support systems on the nuclear island. — The closeness to the nuclear core changes the level of requirements on the product application.

Hydrogen and Renewable Energy

Thanks to its high-integrity grades and products, Alleima believes it is well positioned to lead and facilitate the development of tubular products for applications such as concentrated solar power, carbon capture and storage, geothermal energy and bioenergy. To this end, the Company has started various initiatives to explore potential commercial avenues leveraging existing proprietary grades and capabilities. These include, but are not limited to, ongoing product testing and customer partnerships.

Furthermore, the Company has built a strong platform in the hydrogen market with an on-site container solution for manufacturing of high pressure tubes required in hydrogen refueling stations. The mobile and connected container can be located at the customers' locations or other locations, reducing waste, increasing safety along with time and cost savings. The container solution can be deployed in all kinds of conditions and can be tailored to suit individual customer needs.

Other customer segments and applications

The main product within **Mining and Construction** is *carbon steel* used for mechanized rock drilling rigs in mines and infrastructure construction work. The product offering within Aerospace (a sub-set of the **Transportation** customer segment) includes *stainless steel* and *titanium tubes* used in aircraft hydraulic systems and jet engines, serving the commercial, defense and space aircraft industries.

Tube customers

Tube serves customers across a wide range of customer segments such as Oil and Gas, Chemical and Petrochemical, Power Generation, and Transportation. Major customers include Aker Solutions, Oceaneering, Technip FMC, Tenaris as well as multiple other strategic partners.

Kanthal

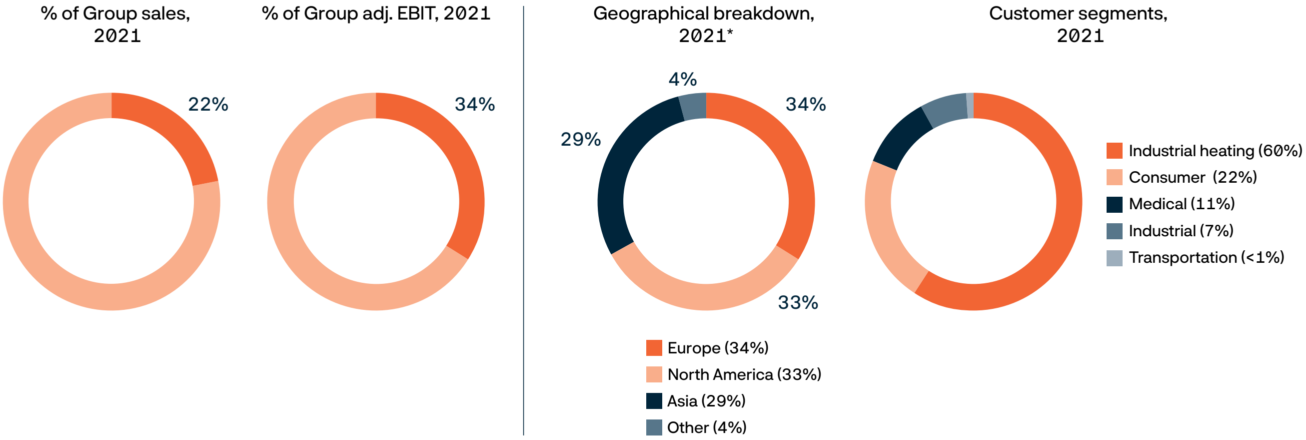
Kanthal is a provider of products and services in the area of industrial heating technology, resistance materials and medical. Products are mainly used by customers within the Industrial Heating, Consumer and the Medical customer segments. The largest geographical market is Europe (34 percent of Kanthal's revenues in 2021), followed by North America (33 percent), Asia (29 percent), and other markets (4 percent).

Kanthal generated revenues of SEK 3,007 million in 2021, corresponding to 22 percent of Alleima's total revenues. As per December 31, 2021, Kanthal had 1,101 employees[19] with the main manufacturing site as well as R&D center located in Hallstahammar, Sweden. Moreover, Kanthal also has production in Surahammar in Sweden as well as in India, Japan, Germany, the United Kingdom and the United States.

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

19) The number of employees refers to the number of full-time equivalents (FTEs).

Kanthal – Key figures



* Revenue recognized at location of buying customer and not end-user.

Selected customer segments and product offering

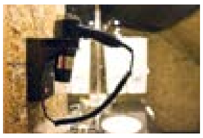
Industrial Heating

The Industrial Heating offering comprises alloys and heating elements that can withstand extreme temperatures and demanding environments. Within the area of *heating materials*, the company provides alloys for electric heating, temperature sensing and heat resistant applications, with materials delivered to customers in basic forms such as strip and wire. Kanthal also offers products for *heating systems* and provide ceramic and metallic electric heating elements, modules and heating system radiant tubes that generally require a higher degree of processing and refinement (forming and assembly) before delivery to customers. Examples include *metallic heating elements*, targeting end-users such as primary aluminum manufacturers, steel companies and heat treatment in Automotive. *Ceramic heating elements* are used for heat treatment in the production of display glass, MLCC and Li-ion batteries. The Industrial Heating offering also consists of Kanthal® APM and Kanthal® APMT tubes which are, *inter alia*, used in the steel processing.

	Product	Description
	Metallic heating elements	— Ready-made metallic heating elements made from wire or strip in Kanthal® iron-chromium-aluminum alloys or Nikrothal® nickel-chromium alloys. — Common applications: all industries and processes where maximum element temperature is 1,425 degrees Celsius (2,600°F), for example steel, aluminum, semiconductors and solar cells.
	Ceramic heating elements	— SiC (Globar®) and MoSi2 (Kanthal® Super) heating elements for element temperature up to 1,850 degrees Celsius (3,360°F). — Common industries: glass, ceramics, primary aluminum and steel production.
	Radiant tubes	— Kanthal® APM and Kanthal® APMT iron-chromium-aluminum (FeCrAl) tubes can be used at tube temperatures up to 1,250 degrees Celsius (2,282°F). — Common industries: heating processes in primary steel and aluminum production and case hardening in the automotive industry.

Consumer

The Consumer offering features an extensive range of *heating materials*, for example resistance heating alloys for all types of heating elements and thermostatic components for appliances such as dishwashers, cooking plates, hair dryers, washing machines and refrigerators. Example products include the *Wire Nikrothal®*, which can withstand temperatures up to 1,200 degrees Celsius. Due to extremely good adhesion properties of the surface oxide, Nikrothal can offer superior service life compared to competitive nickel-chromium alloys.

	Product	Description
	Wire Nikrothal	— Wire Nikrothal can handle temperatures up to 1,200 degrees Celsius (2,192°F). — Often used in consumer appliances, such as dryers, electric shower heads and cooking plates, due to its lower temperature resistance.
	Wire Kanthal	— Wire Kanthal can handle temperatures up to 1,350 degrees Celsius (2,462°F). — Often used in consumer appliances, such as electric shower heads, hot plates and hobby kilns. Due to its superior oxidation properties in air, wire Kanthal is increasing in popularity since it is an alloy free of nickel.
	Ribbon	— Ribbon available in Kanthal and Nirkrothal alloys offers the same temperature capabilities as above. — Often used in hot plates and heating elements for home appliances as, for example, music strings and other applications.

Medical

Kanthal's main products within the Medical segment are medical fine wire and wire-based components trademarked Exera® and sold under the Alleima brand. The components are twisted, stranded or coiled and made in stainless steels or precious metals depending on end application requirements. Since the wire is extremely thin and hard to see with eyes only, automated processes support repeat manufacturing to the high standards needed in medical components. Examples of application areas include *Remote patient monitoring*, such as continuous glucose monitors where material type and configuration provide high accuracy in the sensed and transferred data, *Cardiovascular*, such as pacemaker leads where materials must have good cyclic fatigue and withstand corrosive environments, and *Neuroscience*, such as cochlear implants where biocompatible materials must have durability, patient comfort and reliability over an extended period of time since this implant should last a lifetime.

	Product	Description
	Ultra-fine wire	— Comprehensive range of high-grade fine wires and wire-based components Exera® for applications in various fields of medical technology. — Specialized in providing our expertise in selecting materials and configurations for use in medical applications such as vascular therapy, sensing and neurostimulation.
	Wire components	— Customized wire shapes and combinations including coiling, stranding, fusing and selective insulation removal to meet end application need or improve manufacturability.
	Single strand and multi-filar micro cables	— Single strand and multi-filar micro-cables can be manipulated into different cable configurations. The strands are formed by twisting and wrapping together multiple single ended wires or previously joined multi-filar wires or cables to form a single entity.

Kanthal customers

Kanthal's customers are active within the Industrial Heating, Consumer and Medical customer segments. Examples of customers are Tutco (Smiths Group) and Centrotherm.

Strip

Strip is a leading supplier of precision strip materials.[20] Main customer segments are Consumer, Industrial, Transportation (mainly for automotive applications) and Medical. Compressor valve steel and razor blades for shaving represent product segments where Strip has #1

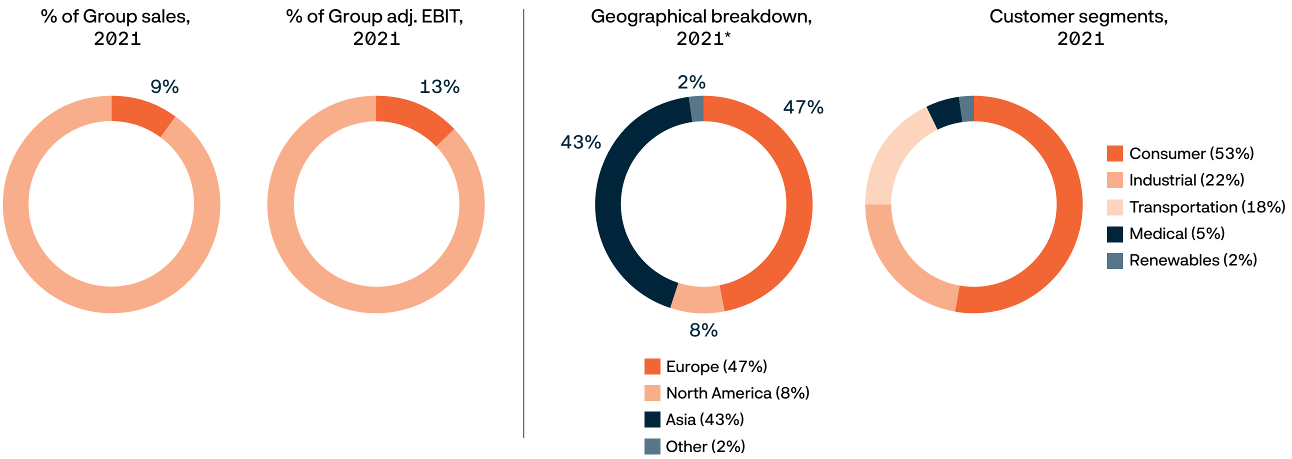
20) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.

or #3 positions in the market.[21] In addition, Strip has strong positions in niches like printing doctor blade and medical applications such as scalpels, microtome blades and bone saws. The product offering also includes coated steel strip used in the production of hydrogen fuel cells. The largest geographical market is Europe, representing approximately 47 percent of Strip's revenues in 2021, followed by Asia (43 percent), North America (eight percent), and other markets (two percent).

Strip generated revenues of SEK 1,310 million in 2021, corresponding to nine percent of Alleima's total revenues. As per December 31, 2021, Strip had 508 employees[22] with the main site in Sandviken, Sweden.

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

Strip – Key financials

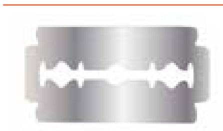


* Revenue recognized at location of buying customer not end-user.

Selected customer segments and product offering

Consumer

Precision strip steel is produced for the most demanding environments and applications where superior control of production parameters is crucial to reach the dimensional tolerances and the tight chemical compositions of the customers' specifications and expectations. The Consumer offering is mainly focused on the high-end stainless market and offers, for example, *razor blade steel*, *stainless valve steel* used in compressors, and *knife steel*. Alleima's product offering into the growing compressor valve steel market is driven by the global mega-trends, growing and increasing population, improved living standard and the need for more energy efficient solutions. The main market is in Asia where Alleima has a specialized service center and testing facilities to cater to the customers' unique demands.

	Product	Description
	Razor blade steel	— The products are used in shaving products and the steel is typically only 0.075 mm thick.
	Stainless valve steel	— Used in compressors which in turn are located in, for example, air conditioners, heat pumps, vacuum pumps, refrigerators and freezers.
	Stainless knife steel	— Alleima's knife steels are characterized by fine microstructure and chemical composition within close tolerances.

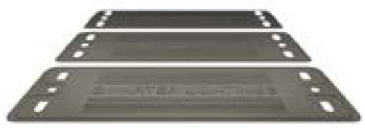
21) The Market Study. Market positions have been calculated in terms of percentage of the Company's aggregated serviceable addressable market as of 2020.
22) The number of employees refers to the number of full-time equivalents (FTEs).

Transportation and Hydrogen and Renewable Energy

Strip offers compressor valve steel for braking systems in commercial vehicles like trucks and buses. The compressor is used to pressurize air used when braking semi-hermetic system. Strip also offers a portfolio pre-coated steel strips for forming and welding of bipolar plates which is a one of the critical components in the hydrogen fuel cell stack. Using hydrogen-powered fuel cells it is possible to propel for example electric cars and trucks with no emission other than water. There are also multiple applications beyond transportation that are open to this clean, carbon-free energy source such as combined heat and power for industries and real estate. Fuel cells are designed to last for many years of operation under harsh conditions and require a protective and functional coating of the metallic plates. Alleima has developed its own technology for coating in a continuous coil to coil process which enables customers to design a manufacturing process for high volumes and cost-efficient production of fuel cells. Alleima is also collaborating with several global players in developing solutions for various hydrogen fuel cell applications, with customers in varying maturity stages from sample evaluations to ready for industrialization of mass production.

The products are sold under three different trademarks:

Sanergy LT™



- Carbon coating for low temperature fuel cells
- Enables sustainable mobility with PEFC bipolar plates
- Austenitic stainless steell

Sanergy HT™

- CeCo coating for high temperature fuel cells
- Enables stationary power with high-temperature SOFC interconnects
- Ferritic stainless steel

Santronic™

- Nickel coating for electrical conductivity
- Sustainable and efficient pre-coating of electronic components
- Stainless steel

Alleima has a large-scale production facility in Sandviken, Sweden, enabling mass production of pre-coated strip steel to be formed into bipolar plates and for large scale commercial deployment of fuel cell technology.

Surface Technology facility in Sandviken, Sweden

- High capacity physical vapour deposition (PVD) coating line
- Coating
  - One side or two side coating
  - Similar or dissimilar coatings on each side
  - Multiple layers in one coating run
- Environmental advantages:
  - Clean process
  - No wet chemistry or solvents

Strip customers

Strip serves customers active within Consumer and Automotive customer segments. Examples of customers include Gillette, Samsung, LG, Feather and Stryker.

Business model

Alleima's business model is based on a fully integrated value chain, including in-house R&D, two steel mills with primary melting, five extrusion presses and several hot working, cold working and finishing facilities spread across 27 production units (including three service units) in 14 countries. In addition, the Company has its own global sales force. The end-to-end process control from R&D to final product enables benefits such as customer need identification (which feeds back from the sales force into R&D and production), customization of products, the ability to ensure premium quality as well as full traceability and consistency in delivery (narrow chemistry output). The integrated value chain also reduces the exposure to supply chain disruptions.

The Company's business model is also based on close customer partnership and extensive industry knowledge in combination with materials and process competence and a global footprint. Customers are generally large global corporations or industry specialists that demand highly customized products and solutions for various demanding applications and industries, accessed through direct sales channels. Alleima's customer partnerships are often characterized by a high degree of close collaboration, including identifying the customers' needs and finding innovative ways to solve complex technical and material challenges. Solid technical marketing is therefore a key prerequisite for productive customer interaction, which is conducted in about 90 countries with own educated and skilled personnel, resulting in that numerous customer partnerships have lasted for more than 50 years.

Each division has separate dedicated sales forces working closely together with customers in direct relationships in the local markets to maintain current business and to generate new business. Alleima estimates that approximately 80 percent of its revenues can be classified as direct sales to global and regional customers through the Company's own global sales network and channels. The remainder of the revenues are derived from regional and local customers often buying more standardized products (such products are often stocked by distributors and re-sellers) through distribution channels as well as e-commerce interface. Approximately 25 percent of Alleima's revenues in 2021 was generated from Alleimas' ten largest customers.

Research and development

Process

A key factor for Alleima's success is the Company's ability to develop new innovative products that serve the customer's needs and increase their productivity. Alleima considers itself a leader in metallurgy with a prominent expertise in advanced stainless steels and special alloys for selected niches in the most demanding industries. Alleima maintains a portfolio in excess of 900 active alloy recipes for further processing into different niche applications, protected by approximately 850 patents, and continuously develops new patent protected alloy concepts.

The R&D team works in close collaboration with the sales organization to identify present and future customer needs, which are characterized by great heterogeneity between end markets and geographical location. Key focus areas include evolutionary upgrades and refinements to the existing materials and processes, such as the development of new super duplex grades and austenitic materials and next generation compressor valve steel, or through the expansion of the existing portfolio. Examples of the latter include process optimization for high nickel and special alloys and the development of internal sourcing for medical type alloys. The Company also maintains active and close relationships with universities and institutes through common projects and initiatives, either governmentally funded or in bilateral collaborations.

The R&D team is focused on future challenges that can be addressed through materials innovation. The ongoing green energy transition serves as a case in point, which is underpinning the demand for materials that exhibit unique properties, such as the ability to withstand extreme corrosion environments. Other examples of megatrends include the growing and ageing population, where new and improved high strength medical alloys may play a central role.

Multiple factors underpin Alleima's prominent research and success. The Company has accumulated vast knowledge through its long history. The Company is also one of the players in the industry that invests the most in R&D in relation to revenues. On the average, Alleima's R&D spend to revenues between 2019 and 2021 amounted to 1.5 percent. The Company also maintains prominent R&D facilities, with capabilities such as pilot scale manufacturing, extensive testing capabilities, and ability to perform chemical and metallurgical analysis through its own laboratory.

R&D organization

The Company's R&D organization is characterized by its high level of in-house expertise and comprises roughly 230 employees, spread across four research centers (two in Sweden, one in China and one in India). The largest R&D facility is located in Sandviken, Sweden. The R&D organization is in part centrally managed and in part managed at the division level. The central part (hereafter "Strategic Research") is overseen by the Vice President of Strategic Research, whom 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 for the Strategic Research function is to build knowledge and expertise and to produce findings that can be shared and leveraged across all three divisions. This is achieved through six research platforms: Corrosion Resistant

Alloys, High Temperature Materials, Functional Properties, Powder Technology, Modelling and Data Analytics, and Surface Engineering.

R&D conducted at the Tube, Kanthal and Strip division level, with focus on new product development, is overseen by division R&D Vice Presidents, reporting to the respective division Presidents.

Intellectual property rights

Alleima holds approximately 850 registered patents globally, such as in China, USA, Japan, India, South Korea and Europe. The registered patents protect core technology such as alloys, material compositions, products and processes. Alleima aims at filing patents protecting its market share.

Alleima™ is the Company's main brand and will be used globally. Other significant brands under which the Company sells its products include Kanthal® as well as the product trademarks Sanicro®, Sanmac®, SAF™, Safurex®, Sanbar®, Hiflex™, Freeflex™, Sanergy™ and Exera®. See also "*Legal considerations and supplementary information–Transitional agreement for certain intellectual property rights*".

Production facilities and manufacturing

Alleima has a fully integrated production process that enables the Company to control the entire value chain from R&D to final product. The production process span R&D, primary melting, hot working, cold working to finishing, marketing and sales of manufactured products. The benefits achieved by controlling the entire production line include the ability to maintain a narrow chemistry outcome, ensure the highest standard quality control, and monitor the various manufacturing steps to optimize the process. Alleimas's main source is secondary raw materials such as scrap steel but the Group's production also requires primary raw materials, for example nickel, molybdenum and chrome. Raw materials are sourced from various global suppliers, however, some raw materials such as zirconium and nickel are only available from a limited group of suppliers.

Many of Alleima's customers operate globally, which means that Alleima also needs to have a global presence and reach. With production capacity on three continents, Alleima believes that the Group has created a platform to meet the customers' complex needs. Alleima has a well-invested production footprint including two steel mills with primary melting and 27 production units (including three service units) spread across the globe. The Company's largest production facilities are located in Sandviken, Sweden, and in Chomutov, Czech Republic.

Alleima's site in Sandviken is one of the largest industrial sites in Sweden[23] with about 3,000 employees.

Alleima Sandviken site overview

- At the site, several of Alleima's core activities are carried out:
  - Primary melting and hot rolling
  - Hot extrusion
  - Production of seamless tube and pipe, steam generator tubing and zirconium tubing
  - Production of rock drill steel
  - Production of precision strip
  - Research and Development

Alleima is continuously making efficiency improvements to its production footprint, both in terms of bringing it closer to customers, but also from a cost efficiency perspective. Recent initiatives include the closure of the Company's site in Arnprior, Canada with production moved to Scranton in the United States and the successful move of some of the tube production operations from Sandviken, Sweden, to Chomutov, in the Czech Republic. Furthermore, in the third quarter of 2020, Alleima's Tube segment announced a reorganization that resulted in an exit from the site in Charost, France. Moreover, recent growth investments have included further development at the Mehsana site in India, to add capacity and capability, and to ensure that the portfolio availability is closer to the customers.

23) The site in Sandviken is one of the largest industrial sites in Sweden as measured by land area.

Country	Location	Number of employees at the unit*
Brazil	Itatiaia	14
China	Shanghai	9
China	Zhenjiang	163
Czech Republic	Chomutov	583
France	Gap	25
Germany	Hörste	75
Germany	Mörfelden-Walldorf	91
Germany	Werther	105
India	Hosur	68
India	Mehsana	159
Italy	Calimera	14
Japan	Chiba	30
Malaysia	Subang Jaya	13
South Korea	Busan	12
Sweden	Hallstahammar	348
Sweden	Sandviken	2,459
Switzerland	St-Imier	16
Switzerland	Zug	20
The United Kingdom	Perth	101
The United States	Bethel	75
The United States	Concord	60
The United States	Houston	9
The United States	Kennewick	80
The United States	Palm Coast	114
The United States	Scottdale	43
The United States	Scranton	264
The United States	Tucson	7

* Refers to the number of employees at the unit excluding non-production or non-service personnel.

The Company upholds strong quality assurance throughout its production process and holds a wide range of relevant certifications spanning the most demanding industry verticals. An example is the Company's certification for nuclear steam generator tubes meeting the most stringent demands. Additionally, the Company holds multiple certifications within Transportation, Oil and Gas as well as Medical customer segments.

Sustainability and safety

Sustainability and safety permeate all aspects of Alleima's operations and are integral parts of the Company's commercial strategy. The main contribution to sustainability is through the Company's product offering, enabling the transition to renewable energy sources, electrification of industries, innovation in the medical sector and much more. The Company also actively seeks to reduce and eliminate harm to people and the environment via its operations. Other important initiatives include diversity and inclusion as well as ensuring compliance with the Company's Code of Conduct.

Alleima is committed to a number of international principles and initiatives, including the UN Sustainable Development Goals (SDGs) and UN Global Compact since 2013. The principles also lay the foundation for the Company's Code of Conduct and Supplier Code of Conduct.

Sustainable product offering

Alleima develops innovative products, solutions and services that help their customers raise productivity and competitiveness and, importantly, reduce environmental impact. The latter manifests itself in multiple parts of the value chain and product life-cycle, from procurement to recycling of materials. Alleima's products consist of more than 80 percent recycled material and are produced with minimal fossil CO_2 footprint (which is further elaborated in the next section). Additionally, Alleima's products are to a large extent recyclable.

Alleima's products play a pivotal role in advancing technologies – existing and emerging – to tackle the challenges of the future. Alleima's coated strip steel for fuel cell bipolar interconnect plates can be used in, for example, hydrogen cars and stationary hydrogen solutions. The Company's heating solutions help customers reduce their CO_2 emissions by converting from fossil gas furnaces to electrical furnaces. Gasoline direct injection (GDI) technology helps reduce fuel consumption by 20 percent or more and lowers emissions. Achieving this has required a doubling of pressure in the car engine fuel system and Alleima has developed Pressurfect® specifically to meet the higher pressure requirements for the next-generation engine platforms. Alleima's compressor valve steel enables smaller and more efficient compressors. Refrigerators, freezers, air conditioners and many other devices, depend on a compressor. Improving compressor energy efficiency has a significant effect on reducing the world's total CO_2 emissions.

Through its high-integrity grades and products, the Company believes that it is also well-positioned to lead and facilitate the development of less mature applications such as hydrogen applications, solar power, offshore wind, geothermal energy and bioenergy. Alleima's Sanicro® material was used to develop the first industrial reactor for supercritical water gasification, a new technology to convert organic waste streams into carbon neutral, or even carbon negative, energy carriers.

The scope is not merely confined to the challenges related to the rise in energy demand and the CO_2 emissions thereto. For example, the Company's Exera® medical wire is used in life-changing innovations for people with diabetes, Parkinson's disease, cochlear hearing implants and pacemakers.

Sustainable operations

The Company continuously evaluates possible avenues to reduce the environmental footprint from its operations. Alleima has a 2030 climate target to reduce the carbon emissions from its own operations and purchased energy by 50 percent compared to the base year (2019). In 2021, Alleima reduced its carbon emissions from its own operations by seven percent compared to 2020 and 19 percent compared to 2019.

To achieve this, Alleima conducts regular energy audits, implements improvements, and has rigorous processes in place to ensure sustainable technology is selected for new investments. Efficient management of energy and materials is critical for Alleima as it improves the Company's profitability, competitiveness, and environmental performance.

Key initiatives include the procurement and recycling of materials via its direct buy-back programs of materials from customers and end-users. The Company estimates that approximately 82 percent of the total volume sold in 2021 was based on recycled materials. This number has stayed stable throughout the years (ranging from approximately 82 to 84 percent between 2016 and 2021). It is important to note that the percentage is impacted by a number of factors, not least the product mix and volume where more refined products generally require a higher degree of new materials.

The Company also targets a reduction of waste from steelmaking by way of extracting the full capacity of the materials used. Alleima's goal is also to make use of all the by-products, including slag, dust and process gases.

Other central initiatives include the Company's deployment of fossil-free electricity in its production facilities, the reduction of water usage and safe chemical management. In 2021, the Company estimates that approximately 94 percent of its global electricity usage was fossil-free. The equivalent figure for its operations based in the EU has been 100 percent since 2013. The Company's production process also uses considerable amounts of water, resulting in wastewater, emissions, energy use and operational costs. To minimize its impact, the Company continually pursues efficiency improvements of its water usage globally, including improved recycling of water within its production units, optimized cooling systems to increase efficiency, and leak prevention. Alleima also participates in the EU project Inspirewater for innovative use of water in the industry. Alleima operates in compliance with REACH (The European Regulation on Chemicals) and has pre-registered all necessary imported and manufactured substances.

Responsible and ethical business

Alleima is committed to ethically sound business practices and operating in compliance with applicable laws and regulations. The Company's Code of Conduct lays the foundation for how employees are to act and conduct business responsibly, both internally and in dealings with business partners. Employees are to conduct training in the Company's Code of Conduct and in anti-corruption. To detect any irregularities that could damage Alleima's business or harm its employees, Alleima provides whistleblower service.

Health, safety, and wellbeing

Providing a safe work environment is of the utmost importance and Alleima is committed to providing an injury-free workplace. The Company operates in line with the requirements in its Sustainability policy and focuses on preventative risk identification and analysis. Examples of how Alleima works to promote a safe workplace are the Company's embedded safety culture and visible safety leadership. The 2022 target is that the number of recordable incidents per million hours worked (TRIFR) is lower than 5.5. In 2021 the TRIFR reached 8.3, a reduction by 50 percent compared to 2013 when TRIFR was introduced.

Alleima is committed to offering good work conditions and interesting career development opportunities to attract, develop and retain qualified employees. Leadership development is mainly done through opportunities for training, talent management and succession planning. In accordance with Alleima's People Policy, no employee is to experience discrimination based on gender, age, background, sexual orientation, ethnicity, physical ability or similar. Diversity is a competitive advantage, and an inclusive work environment leads to a more innovative, competitive and productive organization. A target has been set for 2030 for an increase in the share of female managers. In 2021, the share of female managers continued to trend positively measuring 21.1 percent, compared to 19.4 percent in 2020. The Company is also committed to increasing the number of women in the total workforce.

During 2021 Alleima laid the groundwork to reach the target that all significant suppliers shall comply with the Company's Supplier Code of Conduct or an equivalent standard. The Supplier Code of Conduct was updated and strengthened with a section on human rights due diligence, and encouragement for all our suppliers to adopt climate targets in line with the 2015 Paris Agreement on climate change. The procedure for assessing compliance of the Supplier Code of Conduct was updated, and to facilitate this Alleima procured a risk screening tool as well as a new provider of social and environmental audits. New training materials within social and environmental sustainability has been created for all sourcing staff to integrate sustainability criteria into sourcing agreements.

Alleima's sustainability goals 2030 (unless otherwise stated)	**Description**
Climate and Circularity	— Commitment to Science Based Targets: Net Zero latest by 2050 — Reduce carbon emissions intensity from its own operations and purchased energy by 50 percent compared to 2019 (Scope 1 and Scope 2) — 83 percent of the volume based production to be manufactured based on recycled materials
Health, safety, and wellbeing	— Reduce the number of recordable incidents per million hours worked (TRIFR) by 50 percent by 2030 compared to 2019
Fair play	— All suppliers compliant with Alleima's Supplier Code of Conduct by 2030

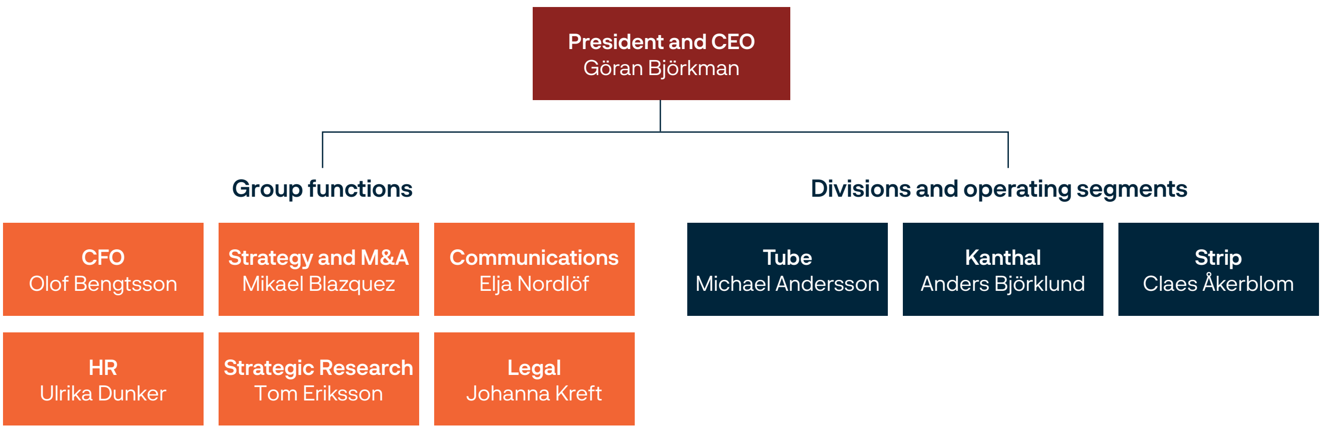
Organization and employees

Alleima's headquarter is located in Sandviken, Sweden. The Company mainly conducts operations across Europe, North America and Asia, and had 5,465 employees[24)] as per December 31, 2021. Alleima is organized into the following divisions: Tube, Kanthal and Strip.

Although the principle of decentralized responsibilities and authorities is highly regarded in Alleima, there are a number of Group functions for the coordination of work between the divisions for the Company's main functions. There are different Group functions in the areas of Finance, Legal, HR, Communications, Strategy and M&A, and Strategic Research. The centralized Group functions aim to ensure that synergies can be achieved, that best practices can be shared between the divisions and to reduce the amount of potential parallel work in the different divisions.

The below chart illustrates the Company's main organizational structure and the Group Executive Management.

Organizational overview – Group management



24) The number of employees refers to the number of full-time equivalents (FTEs).

Employees[25)]

Alleima had 5,731 employees as per June 30, 2022. Tube had 3,890 employees, Kanthal had 1,124 employees, Strip had 511 employees, and shared Group functions including management comprised 206 employees. Due to the end market cyclicality, Alleima uses contracted labor in addition to its permanent employees to handle temporary fluctuations in demand. The contracted labor workforce is primarily hired in Sweden. The Company had a contracted labor workforce of 557 workers as per June 30, 2022. Out of the total employees of 5,731 at the six months ended June 30, 2022, approximately 53 percent are located in Sweden. The table below displays the average number of employees during the six months ended June 30, 2022, and the financial years 2021, 2020 and 2019, broken down by geography and gender.

	H1 2022		2021		2020		2019	
Employees, FYE	**Number**	**Women %**	**Number**	**Women %**	**Number**	**Women %**	**Number**	**Women %**
Sweden	3,019	19	2,878	19	2,957	18	3,229	18
Rest of Europe	1,251	19	1,136	19	1,191	19	1,226	20
Total Europe	**4,270**	**19**	**4,014**	**19**	**4,147**	**18**	**4,455**	**19**
North America	677	22	622	23	627	24	733	22
Asia	611	20	592	19	583	18	587	17
Other	40	43	42	41	45	29	45	29
Total	**5,598**	**20**	**5,271**	**20**	**5.402**	**19**	**5,819**	**19**

Regulatory framework

Alleima operates in the global manufacturing industry of advanced stainless steels, special alloys and products and systems for industrial heating. In general, Alleima's operations require regulatory or governmental permits, authorizations or similar, which typically include thresholds or maximum permissible amounts for air- and water-borne emissions and noise, and typically also require Alleima to submit notifications, reports and/or documentation to the relevant authority. In addition, the manufacturing process is subject to both national, and international legislation with respect to, *inter alia*, environmental, health and energy aspects. Below is a high-level summary of the main regulatory framework applicable to Alleima's operations worldwide.

Environmental regulatory framework

Europe

In EU member states, Alleima's operations are generally subject to EU regulations and directives, as implemented in national legislation (as applicable), which set out basic requirements for the operations. The most important ones include the Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation ((EC) 1907/2006) ("**REACH**"), the Industrial Emissions Directive (2010/75/EU) (the "**IED**"), the Ambient Air Quality Directive (2008/50/EC) (the "**AQD**"), the National Emissions Ceilings Directive (2016/2284/EU) (the "**NEC**"), the Water Framework Directive (2000/60/EC) (the "**WFD**") and the Classification, Labelling and Packaging Regulation ((EC) 1272/2008) (the "**CLP**"). In non-EU member states in Europe, national equivalents, as applicable, apply.

REACH requires companies to register chemical substances with the European Chemicals Agency and applies to all chemical substances that are manufactured, imported, and sold within the EU and EEA in quantities above 1 ton per year. For the iron and steel industry, raw materials, such as alloys, are mainly affected.

The IED regulates, amongst other things, emissions related to industrial activities. The IED covers standards linked to Best Available Techniques ("**BAT**"), so-called BAT conclusions, which are binding for the operators covered by such conclusions, following a four-year implementation period after the relevant BAT conclusions were published. The BAT conclusions are decided through BAT Reference Documents ("**BREF**"). For Alleima's operations, the most important BREF is the one for iron and steel production and the one for Large Combustion Plants. Both BREF's includes BAT conclusions that needs to be adhered within Alleima's operations.

The AQD sets out measures for the assessment of ambient air quality in EU member states as well as for obtaining information on ambient air quality to help combat air pollution and nuisance. The NEC sets out national emission reduction commitments for EU member states and the EU itself, for the air pollutants nitrogen oxides, non-methane volatile organic compounds, sulfur dioxide, ammonia, and fine particulate matter. Both the AQD and the NEC limits the levels of air-borne emissions of certain substances permissible from Alleima's operations.

The WFD commits member states to achieve good qualitative and quantitative status of all water bodies. Thus,

25) The number of employees refers to the number of full-time equivalents (FTEs).

the WFD has an impact on what levels of water-borne emissions of certain substances that are permissible from Alleima's operations.

The CLP aligns the EU system of classification, labelling and packaging of chemical substances and mixtures to the Globally Harmonized System (GHS).

Sweden

Alleima's operations in Sweden are subject to the EU regulations stated above, the Swedish implementations of the respective EU directive, as well as Swedish national legislation. The most substantial national legislation is the Swedish Environmental Code, which contains, *inter alia*, basic regulations on the protection of human health and the environment. The Environmental Code is supplemented with several ordinances and administrative provisions.

From a Swedish perspective, Alleima's compliance with the above-mentioned EU regulations, the Swedish implementations of the EU directives and Swedish national legislation, is supervised by relevant national and local authorities.

The United States

All of the Group's U.S.-based facilities are subject to the same primary federal environmental laws regulating air, water, chemicals, hazardous wastes and emergency response as further described below.

The Clean Air Act ("**CAA**") requires the US Environmental Protection Agency ("**EPA**") to issue regulations to minimize air pollution, including establishing minimum National Ambient Air Quality Standards ("**NAAQS**") and standards for hazardous air pollutants. EPA has promulgated NAAQS for sulfur dioxide, particulate matter, nitrogen dioxide, carbon monoxide, ozone, and lead. The CAA assigns primary responsibility for achieving compliance with the NAAQS and many other CAA requirements to the states, including permitting of air emission sources. The CAA also allows for "citizen suits," whereby individuals may bring lawsuits against sources that allegedly violated CAA requirements.

The Clean Water Act ("**CWA**") regulates point sources that discharge pollutants into the waters of the United States. Enforcement is largely delegated to the states and facilities with point source discharges to waters of the United States are required to obtain permits that include discharge limits and reporting requirements. The CWA also regulates storm water associated with industrial discharges through individual or general storm water permits. The CWA also allows for citizen suits to enforce compliance.

The Emergency Planning and Community Right-to-Know Act ("**EPCRA**") requires reporting of hazardous substance releases in excess of reportable quantities and chemical emergency response planning, including annual reporting of hazardous chemicals present, manufactured, processed or otherwise used in excess of specified thresholds at certain industrial facilities.

The Resource Conservation and Recovery Act ("**RCRA**") gives EPA the authority to regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes and states generally implement EPA's requirements. Certain Alleima facilities are subject to RCRA corrective action or related cleanup, such as Alleima's facility in Bethel, Connecticut.

The Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**") imposes joint, strict and several liability (liability without regard to fault) on broad classes of parties for releases of hazardous substances at a facility, including: (i) current or past owner/operators of a facility; (ii) transporters of hazardous substances to a facility (typically to a disposal or recycling facility); or (iii) anyone who arranged for the disposal of hazardous substances at a facility.

EPA governs the production, importation, and use of certain chemicals under the Toxic Substances Control Act ("**TSCA**"), including by imposing certain reporting and recordkeeping requirements. TSCA also regulates polychlorinated biphenyls.

An emerging contaminant of concern is per- and polyfluoroalkyl substances ("**PFAS**"). EPA is taking steps to regulate PFAS under various federal laws, including by proposing to list certain PFAS as hazardous substances under CERCLA.

There are also state-specific environmental laws, many of which regulate in the same areas as the federal programs. State laws must however be at least as stringent as federal laws and certain states also regulate areas not regulated by federal law. For example, the Connecticut Property Transfer Law ("**CT Transfer Act**") requires notification to Connecticut environmental regulators and the investigation and potential remediation of areas of potential environmental concern in connection with certain transfers of industrial property and business operations in Connecticut. The CT Transfer Act could potentially apply to a future sale of the property in Bethel, Connecticut, and/or other future corporate transactions involving operations at the property in Bethel, Connecticut.

Selected historical financial information

The combined historical financial information presented below for the financial years 2021, 2020 and 2019 (other than alternative performance measures) has been derived from Alleima's audited combined financial statements for each respective financial year, which have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU ("**IFRS**"), and audited by the Company's auditor PricewaterhouseCoopers AB, as set forth in the audit report included elsewhere in this prospectus (see "*Audit report on combined historical financial information*" on page F-87 in "*Historical financial information*"). The combined historical financial information presented below for the six months ended June 30, 2022 and 2021, respectively, has been derived from Alleima's unaudited combined financial statements for the period January to June 2022, which have been prepared in accordance with IAS 34 (Interim Financial Reporting) supplemented with financial information from Alleima's internal accounting systems. Alleima's unaudited combined financial statements for the period January to June 2022 have, as regards the six months ended June 30, 2022, been reviewed by the Company's auditor PricewaterhouseCoopers AB , as set forth in the audit report included elsewhere in this prospectus (see "*Auditor's report*" on page F-16 in "*Interim report January-June 2022*" in "*Historical financial information*"). For additional information, please refer to "*Presentation of financial and other information–Financial information*".

Combined income statement

SEK M	H1 2022	H1 2021	2021	2020	2019
Revenues	8,976	6,715	13,847	13,925	15,654
Cost of goods sold	–5,944	–4,984	–10,379	–11,424	–12,011
Gross profit	**3,033**	**1,730**	**3,468**	**2,502**	**3,643**
Selling expenses	–586	–461	–952	–935	–1,160
Administrative expenses	–646	–471	–1,047	–816	–862
Research and development costs	–106	–114	–214	–202	–245
Other operating income	110	80	266	119	133
Other operating expenses	–63	–74	–141	–175	–66
Operating profit*)	**1,741**	**692**	**1,379**	**492**	**1,444**
Financial income	173	73	390	212	1
Financial expenses	–272	–167	–263	–149	–432
Net financial items	**–99**	**–94**	**127**	**63**	**–431**
Profit after net financial items	**1,643**	**598**	**1,506**	**556**	**1,012**
Income tax	–419	–79	–278	–176	–345
Profit for the period	**1,224**	**519**	**1,228**	**380**	**667**

*) The operating profit (EBIT) includes items affecting comparability and metal price effects. Adjusted EBIT[1] for H1 2022 was SEK 931 million (corresponding to an adjusted EBIT margin of 10.4%) and for H1 2021 SEK 580 million (8.6%), whereas adjusted EBIT for the financial year of 2021 was SEK 1,055 million (7.6%), for the financial year of 2020 SEK 1,205 million (8.7%) and for the financial year of 2019 SEK 1,513 million (9.7%).

1) See "*Selected historical financial information–Definitions and reconciliation of alternative performance measures*".

Combined balance sheet

SEK M	June 30, 2022	June 30, 2021	December 31, 2021	December 31, 2020	December 31, 2019
Goodwill	1,422	1,254	1,352	1,234	1,324
Other intangible assets	140	114	123	127	129
Property, plant and equipment	7,238	6,990	7,251	7,165	7,484
Right-of-use assets	233	183	204	210	273
Non-current receivables	1,159	240	253	93	421
Deferred tax assets	215	433	218	456	378
Non-current assets	**10,408**	**9,214**	**9,401**	**9,285**	**10,009**
Inventories	7,717	4,885	5,372	4,296	4,876
Trade receivables	3,127	2,238	2,532	1,856	2,435
Income tax receivables	141	67	101	52	14
Other current receivables	1,136	1,084	819	927	1,060
Current receivables	**4,404**	**3,389**	**3,452**	**2,835**	**3,510**
Cash and cash equivalents	1,328	463	1,661	179	112
Current assets	**13,449**	**8,737**	**10,485**	**7,310**	**8,498**
Total assets	**23,857**	**17,951**	**19,886**	**16,595**	**18,506**
Equity attributable to owners of the parent company	15,374	11,007	11,663	10,317	8,731
Non-controlling interest	0	59	97	50	60
Total equity	**15,374**	**11,066**	**11,761**	**10,368**	**8,791**
Provisions for pensions	552	1,231	1,204	1,478	1,303
Other non-current interest-bearing liabilities	176	260	147	212	469
Non-current interest-bearing liabilities	**728**	**1,491**	**1,351**	**1,690**	**1,772**
Deferred tax liabilities	622	451	404	480	162
Provisions	316	256	300	308	210
Other non-current liabilities	618	68	136	48	64
Non-current non-interest-bearing liabilities	**1,556**	**776**	**840**	**836**	**436**
Non-current liabilities	**2,285**	**2,267**	**2,191**	**2,526**	**2,207**
Loans	470	0	1,620	2	5
Other current interest-bearing liabilities	66	358	71	242	3,270
Current interest-bearing liabilities	**536**	**358**	**1,691**	**245**	**3,276**
Accounts payable	2,922	1,731	2,128	1,192	1,330
Advances from customers	409	373	360	429	688
Income tax liabilities	342	127	123	83	41
Provisions	178	289	214	443	264
Accrued expenses and deferred income	1,192	1,153	1,138	1,079	1,057
Other current non-interest-bearing liabilities	620	587	280	231	851
Current non-interest-bearing liabilities	**5,662**	**2,969**	**4,243**	**3,457**	**4,232**
Current liabilities	**6,198**	**4,618**	**5,934**	**3,701**	**7,508**
Total equity and liabilities	**23,857**	**17,951**	**19,886**	**16,595**	**18,506**

Combined statement of cash flows

SEK M	H1 2022	H1 2021	2021	2020	2019
Operating profit	1,741	692	1,379	492	1,444
Adjustments for non-cash items					
Depreciation, amortization and impairment	421	404	743	790	1,003
Pensions	–17	54	–18	–220	–343
Other non-cash items	–43	–181	–126	667	241
Paid interest	–133	–119	–218	–84	–80
Income tax paid	–241	–112	–189	–271	–125
Cash flow from operating activities before changes in working capital	**1,729**	**737**	**1,571**	**1,374**	**2,140**
Changes in working capital					
Inventories	–2,132	–563	–933	432	–256
Accounts receivables	–493	–398	–589	498	–124
Other receivables	–107	–295	270	219	159
Accounts payable	772	653	909	–108	–169
Other payables	108	341	–77	–744	–134
Changes in working capital	**–1,851**	**–263**	**–420**	**297**	**–523**
Cash flow from operating activities	**–122**	**474**	**1,151**	**1,671**	**1,617**
Investing activities					
Acquisition of intangible assets	–16	–9	–23	–11	–4
Proceeds from sale of intangible assets	0	0	4	–3	0
Acquisition of tangible assets	–174	–129	–471	–505	–685
Proceeds from sale of tangible assets	9	2	54	47	99
Acquisition of companies and shares, net of cash	–141	0	–60	–90	–154
Proceeds from sale of companies and shares, net of cash	0	6	6	28	0
Other investments and financial assets	6	–9	–17	1	–1
Cash flow from investing activities	**–317**	**–139**	**–507**	**–533**	**–745**
Financing activities					
Proceeds from loans	16	0	1,628	0	83
Repayment of loans	–1,168	0	–85	–175	0
Amortization of lease liabilities	–43	–37	–76	–72	–91
Dividends paid	–3	0	0	0	–2
Change in net Group cash pool	1,400	49	–31	–2,879	–4,861
Cash flow from financing activities	**203**	**12**	**1,436**	**–3,126**	**–4,870**
Net change in cash and cash equivalents	**–236**	**348**	**2,080**	**–1,989**	**–3,999**
Cash and cash equivalents at beginning of year	1,661	2,293	179	112	8
Exchange rate differences in cash and cash equivalents	51	6	13	–14	–1
Other cash flow from transactions with shareholders	–148	1,591	–611	2,070	4,104
Cash and cash equivalents at end of the period	**1,328**	**4,239**	**1,661**	**179**	**112**

Financial information by division

Tube

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Order intake*)	9,288	5,408	10,795	8,331	12,950
Order intake in relation to revenues, %*)	149	119	113	82	112
Revenues	6,226	4,546	9,530	10,102	11,528
Organic growth, %*)	16	–18	–10	–10	6
Adjusted EBITDA*)	1,050	706	1,311	1,668	1,949
Adjusted EBITDA margin, %*)	16,9	15.5	13.8	16.5	16.9
EBIT*)	1,420	525	1,168	666	1,234
EBIT margin, %*)	22.8	11.5	12.3	6.6	10.7
Adjusted EBIT*)	710	365	707	1,093	1,290
Adjusted EBIT margin, %*)	11.4	8.0	7.4	10.8	11.2

*) Alternative performance measures. See “*Definitions and reconciliation of alternative performance measures*” below.

Kanthal

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Order intake*)	2,242	1,720	3,357	2,646	2,739
Order intake in relation to revenues, %*)	115	115	112	101	96
Revenues	1,947	1,502	3,007	2,615	2,852
Organic growth, %*)	5	23	15	–7	–3
Adjusted EBITDA*)	352	276	526	380	396
Adjusted EBITDA margin, %*)	18.1	18.4	17.5	14.5	13.9
EBIT*)	531	263	545	104	386
EBIT margin, %*)	27.3	17.5	18.1	4.0	13.5
Adjusted EBIT*)	304	235	445	298	307
Adjusted EBIT margin, %*)	15.6	15.7	14.8	11.4	10.8

*) Alternative performance measures. See “*Definitions and reconciliation of alternative performance measures*” below.

Strip

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Order intake*)	906	779	1,529	1,253	1,162
Order intake in relation to revenues, %*)	113	117	117	104	91
Revenues	804	667	1,310	1,209	1,275
Organic growth, %*)	10	13	8	–3	3
Adjusted EBITDA*)	139	130	216	147	151
Adjusted EBITDA margin, %*)	17.4	19.4	16.5	12.2	11.9
EBIT*)	146	119	202	84	82
EBIT margin, %*)	18.1	17.8	15.4	6.9	6.5
Adjusted EBIT*)	115	104	167	97	99
Adjusted EBIT margin, %*)	14.3	15.6	12.7	8.0	7.8

*) Alternative performance measures. See “*Definitions and reconciliation of alternative performance measures*” below.

Common Group functions

SEK M	H1 2022	H1 2021	2021	2020	2019
Adjusted EBITDA*)	−189	−114	−243	−262	−166
EBIT*)	−356	−215	−536	−361	−259
Adjusted EBIT*)	−199	−124	−263	−283	−184

*) Alternative performance measures. See "*Definitions and reconciliation of alternative performance measures*" below.

Financial information by geographic region

Revenue

SEK M	H1 2022	H1 2021	2021	2020	2019
Europe	4,630	3,514	7,120	6,880	8,937
North America	2,355	1,502	3,238	4,052	3,601
Asia	1,604	1,409	2,883	2,320	2,531
Other	387	290	606	675	585
Total	**8,976**	**6,715**	**13,847**	**13,925**	**15,654**

Key performance indicators

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Order intake[1]	12,436	7,907	15,681	12,230	16,851
Order intake in relation to revenues, %[1]	139	118	113	88	108
Revenues	8,976	6,715	13,847	13,925	15,654
Organic growth, %[1]	13	–8	–3	–9	4
Gross profit[1]	3,033	1,730	3,468	2,502	3,643
Gross margin, %[1]	33.8	25.8	25.0	18.0	23.3
Adjusted gross margin, %[1]	22.9	22.3	20.6	22.2	23.2
Capex[1]	–182	–136	–436	–472	–590
Capex in relation to revenues, %[1]	2.0	2.0	3.1	3.4	3.8
EBITDA[1]	2,162	1,096	2,122	1,283	2,446
EBITDA margin, %[1]	24.1	16.3	15.3	9.2	15.6
Adjusted EBITDA[1]	1,352	997	1,811	1,933	2,331
Adjusted EBITDA margin, %[1]	15.1	14.8	13.1	13.9	14.9
EBIT[1]	1,741	692	1,379	492	1,444
EBIT margin, %[1]	19.4	10.3	10.0	3.5	9.2
Adjusted EBIT[1]	931	580	1,055	1,205	1,513
Adjusted EBIT margin, %[1]	10.4	8.6	7.6	8.7	9.7
Profit for the period	1,224	519	1,228	380	667
Adjusted profit for the period[1]	584	434	980	916	742
Cash flow from operating activities	–122	474	1,151	1,671	1,617
Free operating cash flow[1]	28	533	1,046	1,483	1,250
Net working capital[1]	6,641	4,304	4,567	4,019	4,460
Net working capital, %[1]	31.9	29.9	31.2	30.4	26.1
Return on capital employed, %[1]	27.8	11.4	10.4	3.8	10.7
Number of employees, FTE[2]	5,731	5,283	5,465	5,084	5,726
Number of consultants, FTE[2]	557	300	413	287	513
Financial net debt (+)[1]	–841	–27	–22	69	3,365
Net debt (+)[1]	–139	1,287	1,324	1,737	4,751
Net debt/Adjusted EBITDA[1]	–0.06	N/A[3]	0.73	0.90	2.04
Net debt/Equity[1]	–0.01	0.12	0.11	0.17	0.54
Average number of shares, million	250.877[4]	250.877[4]	250.877[4]	250.877[4]	250.877[4]
Earnings per share (basic and diluted), SEK	4.83[4]	2.03[4]	4.80[4]	1.55[4]	2.64[4]
Adjusted earnings per share, SEK[1]	2.28[4]	1.70[4]	3.82[4]	3.69[4]	2.94[4]

1) Alternative performance measures. See "*Definitions and reconciliation of alternative performance measures*" below.
2) Full-time equivalents.
3) Not applicable.
4) Average number of shares, earnings per share and adjusted earnings per share for each period have been calculated based on the number of shares in Alleima as of June 30, 2022.

Definitions and reconciliation of alternative performance measures

Alleima presents certain key operating metrics below that are not defined under IFRS (alternative performance measures, APMs). See "*Presentation of financial and other information–Non-IFRS measures (alternative performance measures)*". The non-IFRS measures have not been audited or reviewed by the Company's auditor.

Measure	Definition	Reason for use
Adjusted earnings per share	Adjusted profit for the period divided by average number of shares.	Alleima considers adjusted earnings per share to be a relevant measure for presenting comparable earnings per share between periods in the underlying business.
Adjusted EBIT	EBIT excluding items affecting comparability and metal price effects.	Alleima considers adjusted EBIT to be a relevant measure to present profitability of the underlying business, excluding metal price effects and items affecting comparability.
Adjusted EBIT margin, %	Adjusted EBIT in relation to revenues.	Alleima considers adjusted EBIT margin to be a relevant measure for comparing profitability of the underlying business, excluding metal price effects and items affecting comparability over time.
Adjusted EBITDA	EBIT before depreciation, amortization and impairments, adjusted for items affecting comparability and metal price effects.	Alleima considers adjusted EBITDA to be a useful indicator of the Company's performance. Adjusted EBITDA provides investors an indication of the underlying business's ability to generate cash and cash equivalents and pay its debts.
Adjusted EBITDA margin, %	Adjusted EBITDA in relation to revenues.	Alleima considers adjusted EBITDA margin to be a useful indicator of the underlying business's ability convert revenues into cash and cash equivalents.
Adjusted gross margin, %	Revenues less cost of goods sold, adjusted for items affecting comparability and metal price effects, in relation to revenues.	Alleima considers adjusted gross profit margin to be a relevant measure to present profitability after production costs of the underlying business, excluding items affecting comparability and metal price effects over time.
Adjusted profit for the period	Profit for the period, adjusted for items affecting comparability, metal price effects and income tax effects.	Alleima considers adjusted profit for the period to be a relevant measure for presenting comparable results between periods in the underlying business.
Capex	Acquisitions and sale of tangible and intangible assets.	Alleima considers capex to be an important key performance indicator to present how the Company uses part of its cash flow to reinvest in and maintain a long-term development.
Capex in relation to revenues, %	Capex divided by revenues.	Alleima considers the key performance indicator to be a relevant measure for comparing how the Company reinvests its revenues in assets over time.
EBIT	Operating profit.	Alleima considers EBIT to be a relevant measure to present reported profitability.
EBIT margin, %	EBIT in relation to revenues.	Alleima considers EBIT margin to be a relevant measure for comparing reported profitability over time.
EBITDA	EBIT less depreciation, amortization and impairments.	Alleima considers EBITDA as a useful indicator of the Company's performance. EBITDA gives investors an indication as to a company's ability to generate cash and service its debts.
EBITDA margin, %	EBITDA in relation to revenues.	Alleima considers EBITDA margin in relation to revenues to be a useful indicator of the business's ability to transform revenues to cash.
Financial net debt (+)	Net debt, excluding net pension and lease liabilities.	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.
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 less the amortization of lease liabilities.	Alleima considers free operating cash flow 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.
Gross profit	Revenues less costs of goods sold.	Alleima considers gross profit to be a relevant measure for comparing profitability after production costs over time.

Measure	Definition	Reason for use
Gross profit margin, %	Revenues less costs of goods sold in relation to revenues.	Alleima considers gross profit margin to be a relevant measure for comparing profitability after production costs over time.
Items affecting comparability	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.	Alleima considers items affecting comparability to have significant impact on the comparability of the operational performance.
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.	Alleima considers metal price effects to have significant impact on the comparability of the operational performance.
Net debt (+)	Interest-bearing current and non-current debts, including net pension and lease liability, less cash and cash equivalents.	Alleima considers net debt to be relevant to present 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/ Adjusted EBITDA	Net debt divided by adjusted EBITDA.	Alleima considers that net debt to adjusted EBITDA is useful 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/Equity	Net debt divided by equity.	Alleima considers net debt to equity to be useful 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 as it is considered to be more stable over time compared to net debt to adjusted EBITDA.
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.	Alleima considers net working capital to be a relevant measure of the Company's liquidity and capital efficiency.
Net working capital, %	The quarterly value is the average working capital for the latest quarter divided by annualized revenues for the last quarter. The annual value is the average working capital for four quarters divided by revenues for the full year.	Alleima considers net working capital in relation to revenues to be a relevant measure of both the Group's efficiency and its short-term financial condition.
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.	The order intake reported by the Company is primarily used as an indication of the demand in the market.
Order intake in relation to revenues, %	The order intake of the period divided by the revenues of the period.	Alleima considers that the key performance indicator provides an indication of if the demand for the Company's products is increasing or decreasing.
Organic growth, %	Change in revenues after adjustments for exchange rate effects and structural changes such as divestments and acquisitions and alloy surcharges.	Alleima considers organic growth to be a valuable indicator of the business ability to grow the business based on its own capacity.
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.	Alleima considers return on capital employed relevant as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments.

Revenue growth and order intake and order intake in relation to revenues

SEK M (unless otherwise stated)	**H1 2022**	**H1 2021**	**2021**	**2020**	**2019**
Organic growth, %*)	13	–8	–3	–9	4
Structure, %*)	1	0	0	1	–2
Currency, %*)	5	–5	–2	–2	3
Alloys, %*)	13	3	5	–1	1
Total growth, %*)	**34**	**–10**	**–1**	**–11**	**6**
Order intake	12,436	7,907	15,681	12,230	16,851
Revenues	8,976	6,715	13,847	13,925	15,654
Order intake in relation to revenues, %	139	118	113	88	108

*) Change compared to same period previous year.

EBITDA and adjusted EBITDA as well as EBITDA margin and adjusted EBITDA margin

SEK M (unless otherwise stated)	**H1 2022**	**H1 2021**	**2021**	**2020**	**2019**
EBIT	1,741	692	1,379	492	1,444
Reversal:					
Depreciation, amortization and impairments	421	404	743	791	1,002
EBITDA	**2,162**	**1,096**	**2,122**	**1,283**	**2,446**
Items affecting comparability	164	70	176	478	158
Metal price effects	–975	–169	–487	172	–274
Adjusted EBITDA	**1,352**	**997**	**1,811**	**1,933**	**2,331**
Revenues	8,976	6,715	13,847	13,925	15,654
EBITDA margin, %	24.1	16.3	15.3	9.2	15.6
Adjusted EBITDA margin, %	15.1	14.8	13.1	13.9	14.9

Adjusted EBIT as well as EBIT margin and adjusted EBIT margin

SEK M (unless otherwise stated)	**H1 2022**	**H1 2021**	**2021**	**2020**	**2019**
Operating profit (EBIT)	1,741	692	1,379	492	1,444
Reversal:					
Items affecting comparability	164	57	164	540	343
Metal price effects	–975	–169	–487	172	–274
Adjusted EBIT	**931**	**580**	**1,055**	**1,205**	**1,513**
Revenues	8,976	6,715	13,847	13,925	15,654
EBIT margin, %	19.4	10.3	10.0	3.5	9.2
Adjusted EBIT margin, %	10.4	8.6	7.6	8.7	9.7

Metal price effects and items affecting comparability within EBITDA/EBIT

SEK M	H1 2022	H1 2021	2021	2020	2019
Metal price effects					
Tube	715	126	385	–137	212
Kanthal	230	28	74	–35	66
Strip	30	15	28	–	–4
Total	**975**	**169**	**487**	**–172**	**274**
EBITDA items affecting comparability					
Tube	–5	21	63	–249	–103
Kanthal	–2	–	26	–138	32
Strip	–	–	8	–13	–12
Common Group functions	–157	–91	–273	–78	–76
Total	**–164**	**–70**	**–176**	**–478**	**–158**
Impairments affecting comparability					
Tube	–	13	13	–42	–166
Kanthal	–	–	–	–20	–20
Strip	–	–	–	–	–
Total	**–**	**13**	**13**	**–62**	**–185**
Items affecting comparability (total)					
Tube	–5	34	76	–291	–269
Kanthal	–2	–	26	–158	12
Strip	–	–	8	–13	–12
Common Group functions	–157	–91	–273	–78	–76
Total	**–164**	**–57**	**–164**	**–540**	**–343**
Items affecting comparability, EBITDA items					
Separation cost	–164	–96	–305	–67	–65
Restructuring cost	–			–411	–93
Reversal of restructuring provisions	–	26	99		
Capital gain from divestment of property	–		29		
Total	**–164**	**–70**	**–176**	**–478**	**–158**
Items affecting comparability, impairments					
Impairment	–			–62	–185
Reversal of impairment	–	13	13		
Total	**–**	**13**	**13**	**–62**	**–185**
Items affecting comparability (total)	**–**	**–57**	**–164**	**–540**	**–343**

Gross profit margin and adjusted gross profit margin

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Gross profit	3,033	1,730	3,468	2,502	3,643
Reversal:					
Items affecting comparability within gross profit	0	–65	–126	411	259
Metal price effects	–975	–169	–487	172	–274
Adjusted gross profit	2,057	1,496	2,854	3,085	3,628
Revenues	8,976	6,715	13,847	13,925	15,654
Gross profit margin, %	33.8	25.8	25.0	18.0	23.3
Adjusted gross profit margin, %	22.9	22.3	20.6	22.2	232

Adjusted profit for the period

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Profit for the period	1,224	519	1,228	380	667
Reversal:					
Adjustment items EBIT*)	−811	−111	−324	712	69
Tax on adjustment items	171	26	76	−176	5
Adjusted profit for the period	**584**	**434**	**980**	**916**	**742**
Attributable to:					
Owners of the parent company	572	425	958	926	738
Non-controlling interest	12	9	23	−10	4
Average number of shares at the end of the period (million)	250.877	250.877	250.877	250.877	250.877
Adjusted earnings per share (basic and diluted), SEK	2.28	1.70	3.82	3.69	2.94

*) Metal price effects and items affecting comparability (see "*Adjusted EBIT as well as EBIT margin and adjusted EBIT margin*" above).

Capex and capex in relation to revenues

SEK M (unless otherwise stated)	H1 2022	H1 2021	2021	2020	2019
Investments in intangible assets	−16	−9	−23	−11	−4
Cashflow from divestments of intangible assets	0	0	4	−3	0
Investments in property, plant and equipment	−174	−129	−471	−505	−685
Cash flow from divestments of property, plant and equipment	9	2	54	47	99
Capex	**182**	**−136**	**−436**	**−472**	**−590**
Revenues	8,976	6,715	13,847	13,925	15,654
Capex in relation to revenues, %	2.0	2.0	3.1	3.4	3.8

Free operating cash flow

SEK M	H1 2022	H1 2021	2021	2020	2019
EBITDA	2,162	1,096	2,122	1,283	2,446
Non–cash items	−59	−128	−144	447	8
Changes in net working capital	−1,851	−263	−420	297	−523
Capex	−182	−136	−436	−472	−590
Amortization, lease liabilities	−43	−37	−76	−72	−91
Free operating cash flow	**28**	**533**	**1,046**	**1,483**	**1,250**

Net working capital (NWC) and return on capital employed (ROCE)

SEK M (unless otherwise stated)	**H1 2022**	**H1 2021**	**2021**	**2020**	**2019**
Inventories	7,717	4,885	5,372	4,296	4,876
Trade receivables	3,127	2,238	2,532	1,856	2,435
Account payables	−2,922	−1,731	−2,128	−1,192	−1,330
Other receivables	624	942	497	748	976
Other liabilities	−1,906	−2,030	−1,706	−1,689	−2,497
Net working capital (NWC)	**6,641**	**4,304**	**4,567**	**4,019**	**4,460**
Average net working capital	6,022	4,124	4,326	4,239	4,083
Revenues annualized	19,029	13,796	13,847	13,925	15,654
Net working capital, %	31.6	29.9	31.2	30.4	26.1
Total assets	23,857	17,951	19,886	16,595	18,506
Non-current non-interest-bearing liabilities	−1,556	−776	−840	−836	−436
Current non-interest-bearing liabilities	−5,662	−4,260	−4,243	−3,457	−4,232
Capital employed	16,638	12,916	14,803	12,302	13,838
Average capital employed	16,094	12,550	13,306	13,071	13,468
Operating profit, annualized	4,424	1,421	1,379	492	1,444
Financial income, annualized	48	6	5	2	1
Total return, annualized	4,472	1,427	1,384	495	1,444
Return on capital employed (ROCE), %	**27.8**	**11.4**	**10.4**	**3.8**	**10.7**

Net debt, financial net debt, net debt/equity and net debt/adjusted EBITDA

SEK M (unless otherwise stated)	**H1 2022**	**H1 2021**	**2021**	**2020**	**2019**
Interest-bearing non-current liabilities	728	1,491	1,351	1,690	1,772
Interest-bearing current liabilities	536	358	1,691	245	3,276
Prepayment of pensions	−75	−99	−57	−19	−184
Cash and cash equivalents	−1,328	−463	−1,661	−179	−112
Net debt	**−139**	**1,287**	**1,324**	**1,737**	**4,751**
Net pension liability	−477	−1,132	−1,147	−1,456	−1,119
Leasing liabilities	−226	−182	−200	−209	−268
Financial net debt	**−841**	**−27**	**−22**	**69**	**3,365**
Adjusted EBITDA, accumulated current year	1,352	997	1,811	1,933	2,331
Adjusted EBITDA, previous year	814	N/A*)	–	–	–
Adjusted EBITDA, rolling 12 months	2,166	N/A*)	1,811	1,933	2,331
Total equity	15,374	11,066	11,761	10,368	8,791
Net debt/Equity	**−0.01**	**0.12**	**0.11**	**0.17**	**0.54**
Net debt/Adjusted EBITDA(multiple)	**−0.06**	N/A*)	**0.73**	**0.90**	**2.04**

*) Not applicable.

Operating and financial review

This operating and financial review is intended to facilitate the understanding and assessment of trends and changes in the Company's results of operations and financial position. The information below should be read together with "*Selected historical financial information*" and the combined financial statements prepared in accordance with IFRS as adopted by the EU and presented elsewhere in this prospectus. For information about the Company's accounting principles, please refer to "*Note 1 – Significant accounting principles – assessments and assumptions for accounting purposes*" on page F-40 and onwards in "*Historical financial information*".

The majority of the functions and processes created to make Alleima an independent company, separate from Sandvik, have been implemented in 2021 or will be implemented in 2022. This means that the financial information is not fully representative in terms of the standalone costs related to these functions and processes. Alleima believes that 2022 will be the first full-year in which costs related to the new functions and processes will generate full effects.

Historical earnings do not provide any correct indication of future earnings. This section contains forward-looking statements. Such statements are based on estimates and assumptions and are subject to risks, uncertainties and other factors, including, without limitation, those stated in "*Risk factors*". Moreover, the effect of Russia's invasion of Ukraine in February 2022 and the war's impact on Alleima's markets are uncertain and may affect the forward-looking statements (see "*Risk factors–Alleima is exposed to risks related to geopolitical conditions*"). These factors could cause the Company's future operating profit, financial position or cash flow to deviate significantly from the information stated or indicated in such forward-looking statements. See also "*Important information–Forward-looking statements*".

Overview

Alleima is a developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating, operating with a global footprint. The Company's offering comprises more than 900 active alloy recipes and an extensive range of forms, such as seamless tubes, industrial heating elements, wire for medical devices as well as precision strip steel. The Company operates a fully integrated value chain via its internal R&D activities, two steel mills with primary melting, 27 production units (including three service units) in 14 countries (hot working, cold working, and finishing) and control of its own global sales force. Through its integrated value chain, Alleima's products are sold in approximately 90 countries across the globe.

Divisions and operating segments

Alleima is organized in three divisions which are Tube, Kanthal and Strip, each with its own distinct product offering and end markets. The three divisions also constitute the Group's operating segments.

The Tube division develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys used by customers primarily in the customer segments Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation. Examples of products within Tube include umbilical tubing, seamless control lines, aerospace titanium tubes and steam generator tubes.

The Kanthal division offers electric heating technology products and services, marketed under the Kanthal® brand. Main products are alloys and heating elements that can handle temperatures of up to 1,850 degrees

Celsius. Product examples include sub-components and entire heating systems used in industrial furnaces and home appliances. Kanthal also offers ultra-fine wire used in medical and electronic appliances, where durability of the material is important to guarantee functionality and longevity of the products.

The Strip division develops and manufactures a wide range of precision strip steel as well as a variety of strip-based products to the customer segments Consumer, Industrial, Hydrogen and Renewable Energy and Automotive, a sub-set of the Transportation customer segment. Key examples of consumer products are razor blade steel (for electrical and non-electrical shaving) and compressor valve steel (used for example in air conditioners, heat pumps, refrigerators and freezers).

Key factors affecting the results of operations

Alleima's financial development has been, and will likely continue to be, affected by a number of factors, some of which are beyond Alleima's control. Presented below is a description of the key factors that Alleima considers to have affected the financial development during the periods addressed in this section and which can be expected to continue to affect Alleima's financial development in the future.

Demand for advanced material products and market development supporting long-term growth

The demand, order intake and sales for Alleima's products are dependent on several end markets with different drivers and characteristics. Demand is driven by the development of Alleima's customer segments. In each customer segment there are various trends that can have an impact on the demand for Alleima's products that in turn affects the Company's revenues, earnings and cash flows. Moreover, the growth rates for Alleima's customer segments are underpinned by the global megatrends for changing demographics, increasing and changing energy demand, electrification of industry and transportation and growth in emerging markets.

Alleima operates across a broad set of industry verticals and has sales on a global scale. In 2021, Europe represented 51 percent of the Company's revenues followed by North America (23 percent), Asia (21 percent) and other markets (four percent). This diversification attenuates the cyclic swings in demand which do occur in certain industries and geographies to some degree, however Alleima's underlying demand still varies over time. One example of this is the ongoing COVID-19 pandemic, where Alleima's addressable market declined by 13 percent in 2020 and is expected to reach pre COVID-19 levels in 2023.[1] Furthermore, the war in Ukraine and its macroeconomic effects may impact demand. Economic damage from the war in Ukraine is expected to contribute to a significant decline in global growth in 2022.[2] For a more detailed description of key drivers of demand that are expected to affect Alleima's earnings, see *"Market overview".*

Product mix and price management

The product mix is driven by demand and market conditions and affects Alleima's revenues, earnings and cash flow as the Company's products have different pricing and different profit margins. The opportunities to optimize the product mix are better when the demand for Alleima's products is higher, and it is easier to then shift the product mix towards highly refined products with higher margins. When demand is lower, the product mix tend to shift towards bulk products with lower margins to secure volume and cover fixed costs.

Alleima's products are affected by changes in cost inputs, such as metal prices, and generally the Company strives to pass through adjustments in cost inputs to customers. Over time Alleima can make strategic decisions to focus on specific end markets over others, where one reason for doing so is margin levels on products. However, these shifts are not conducted quickly, but over longer time periods. Alleima continuously engages in price management and strategic reviews of the product mix and prices in order to determine the optimal pricing policy and mix. The Company reviews its optimal price strategy as part of the continuous sales and production planning, the annual production planning and as part of the annually revised strategy review.

Strategic product development and ability to address new markets

A key factor for the success of Alleima is to develop improved as well as new products that meet customer needs. Continued investments in product development are critical for maintaining a competitive product portfolio and enabling Alleima to retain competitiveness and pricing for products as well as addressing new markets. Alleima has four R&D centers with 230 employees working with the innovation process and has clear innovation targets to ensure continuous development. Investments in research and development are a central part of Alleima's strategy and ability to realize such investments is paramount to future profitability. Alleima believes that its strategic focus on the development of the Hydrogen and Renewable Energy segment has positioned the Company well to capitalize on the growing underlying market that includes applications within areas such as hydrogen applications, solar power, offshore wind, geothermal energy and bioenergy. For additional information on Alleima's activities

1) The Market Study.
2) International Monetary Fund (IMF), World Economic Outlook Update, July 2022.

in product development and innovation, see "*Business description–R&D organization*".

Metal price effects

The raw material in Alleima's products are generally metals in different alloy compositions. The raw material input costs for the metals are subject to changing global market prices, thereby affecting the revenues, profitability and cash flows of Alleima. However, Alleima strives to manage metal price fluctuations by either passing through metal prices changes to customers through alloy surcharge clauses, hedging metal prices or managing metal prices through short-term fixed price contracts. Approximately 40 percent of Alleima's sales include an alloy surcharge clause, in which the metal content sales price is based on the prevailing market price at time of the sale. In the case of large orders, Alleima generally hedges for metal price fluctuations by the time of entering the order for the duration until the metal content is purchased for production. For instance, of the total metal content, nickel accounts for approximately 15 percent of the volume while it holds 60 percent of the metal cost. In order to limit the risk on the nickel content, on average 50 percent of the nickel sales has an alloy surcharge clause in the price to customers while 25 percent instead is hedged in connection with the customer order and the remainder is handled through short-term fixed price contracts based on the latest price for nickel at the time of the order.

In the case of alloy surcharges there is continuously a time lag between the cost of the raw material in a product and setting the price to the customer. The cost of the metal that is realized in the cost of goods sold when the revenue is recognized is based on the actual purchase price of the metal, which normally is the market price approximately three to six months earlier. Meanwhile the price to customers is generally set based on the average market price for the month preceding the revenue recognition of the product. This means that during periods of increasing market prices for metals Alleima will normally realize a gain on the price fluctuation and a loss during periods of decreasing metal prices. This effect is classified as a metal price effect and is adjusted for when tracking the operational performance of the business. From a cash flow point of view there are two effects related to changing metal prices, namely on profit and inventory. The result effect in a rising price trend will impact the cash flow positively through higher prices to customers (income statement) but will be offset by the higher price for replacing the metal in inventory (net working capital). The opposite effect will appear at decreasing metal prices.

In addition, the war in Ukraine has further increased, and is likely to have a protracted impact on, commodity prices such as nickel and has intensified supply disruptions, which affects the global market prices and thereby Alleima's raw material costs.

Operational efficiency, cost control and production capacity

Alleima's ability to maintain or improve operational efficiency and cost control affects the Company's earnings and cash flow. The operational efficiency is determined by production processes, sourcing and logistics infrastructure, ability to generate cost synergies, efficient resource allocation as well as innovation.

Alleima continuously evaluates ways to improve operational efficiency throughout its value chain and thereby lowering costs. About 50 percent of cost of goods sold relate to raw material, consumables and energy, and these costs have a high degree of variability. In addition to managing changes in raw material prices through alloy surcharge clauses and hedged metal prices, Alleima also hedges certain other costs, such as electricity costs. These amounted to approximately SEK 400 million in 2021 and approximately 80 percent of Alleima's expected electricity consumption during the second half of 2022 and in the full year 2023 is price hedged. In addition, the Company manages part of the variable cost base in downturns through initiatives such as work time reductions that is implemented both for the workforce employed through contractors and Alleima employees.

Furthermore, several production footprint initiatives are continuously undertaken to primarily optimize cost structure but also to some degree improve production capacity. Examples of footprint initiatives include consolidation of operations in certain geographies such as the United States and Czech Republic. Alleima also works on initiatives to reduce selling, general and administration costs, such as modernization of the IT platform. Moreover, Alleima has a global manufacturing footprint with 27 production units (including three service units) in 14 countries worldwide, which mitigates political risks and decreases the risk of supply chain disruption. The Company strives to have an agile production process to ensure that the production capacity can adapt to fluctuations in volume when needed. Alleima believes that its fully integrated manufacturing ensures solid control of the value chain and gives flexibility to adjust for future volume variations.

Investments and capabilities needs

The capital expenditures supporting and maintaining Alleima's operations have a material impact on the Company's cash flow. For example, investments in production capacity typically have a significant negative effect on the cash flow, but benefit the production over a longer period of time and support the organic growth and product sales of Alleima. The Company is continuously evaluating investment needs to support and develop its operations. As an independent company, it is expected that Alleima's management will be able to better control the allocation of its capital expenditures. With better control and higher focus on Alleima's operations, the management expects to be able to allocate it more efficiently to support its strategy with potential effects on growth, profitability and cash flows.

Management of working capital

Due to the nature of Alleima's business, the Company has supply chains stretching from two to six months, which generally ties capital. Changes in net working capital can therefore have a significant impact on the cash flows of Alleima. Alleima's net working capital is primarily impacted by inventory, both in terms of tonnage and price of raw material, the size of accounts receivables and accounts payables as well as any advances from customers. Moreover, Alleima is also exposed to mix effects as the length of supply chains and need for capital varies among different product offerings, implying potential fluctuations in the level of working capital based on product mix. Therefore, Alleima continuously reviews and focuses on optimizing the level of capital tied up in the net working capital.

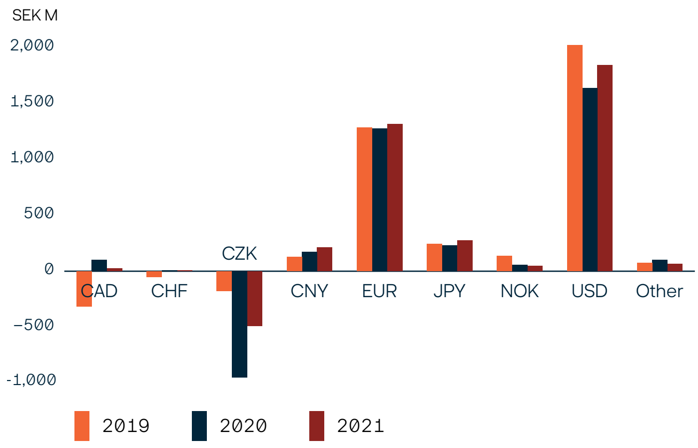
Continuous monitoring of the business portfolio

Alleima continuously evaluates its business portfolio and executes strategic acquisitions and divestments, which are expected to affect both revenue and profitability of the Company going forward. Historically, Alleima has managed to improve its profitability through divestments with the aim to optimize its overall product portfolio and offering in line with its strategy. Moreover, the Company has been able to combine organic growth and growth through some acquisitions. As an independent company, Alleima intends to continue executing on its portfolio optimization and is also expected to be able to execute acquisitions in-line with its growth strategy.

Management of foreign exchange fluctuations

Alleima's earnings and cash flow are affected by changes in exchange rates since Alleima conducts global operations with exposure to several different markets and currencies. Currency fluctuations may expose Alleima to transaction and translation risks that influence the Company's earnings and cash flow. Transaction exposure primarily arises when the revenues from sales of Alleima's products are generated in other countries and currencies than the costs, while translation exposure occurs when translating foreign subsidiaries' results and balance sheets into SEK. The war in Ukraine and its macroeconomic effects may lead to increased fluctuations in exchange rates, which would expose Alleima for additional transaction and translation risks.

Net flow in foreign currencies

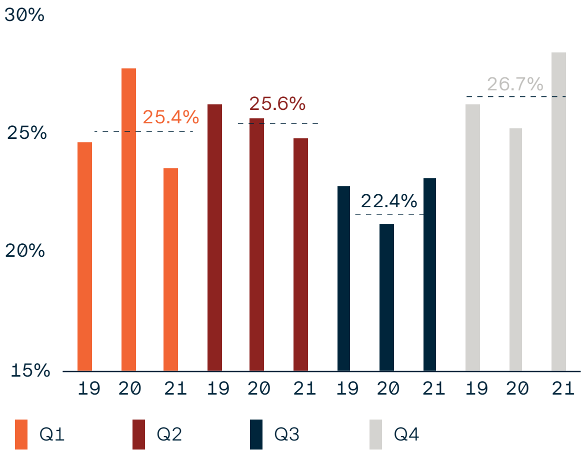


Management of seasonal demand fluctuation

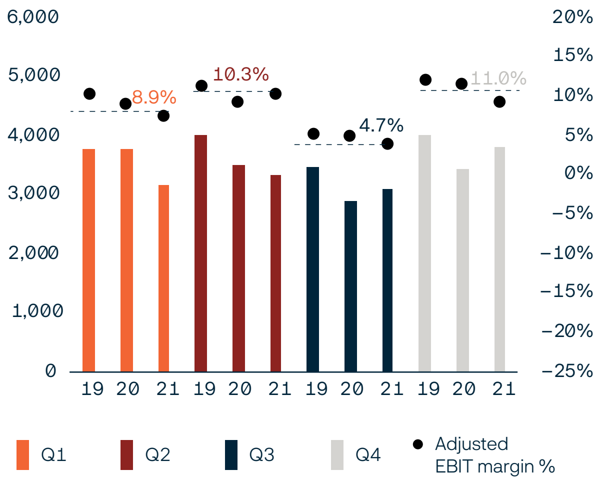
Seasonal demand fluctuations impact the revenues, earnings and cash flow of Alleima. During the cycle of the calendar year, the third quarter is typically weaker in terms of revenue and profitability in comparison to the remainder of the year. The third quarter is normally impacted by seasonally lower demand mainly explained by the summer vacation period in Europe and planned annual maintenance. Furthermore, a seasonal build-up of inventory is made before summer vacations, which has a negative impact on cash flow during the first and second quarters. This inventory build-up then usually declines in the third and fourth quarters, resulting in positive cash flow effects.

The graphs below show quarterly revenue as a percentage of total revenue and quarterly revenue and adjusted EBIT margin development for the business area Sandvik Materials Technology within Sandvik for the quarters during the period 2019–2021. Alleima's business broadly reflects Sandvik Materials Technology's and the Company's assessment is that Sandvik Materials Technology provides a good indication of how Alleima would have developed during the same period. However, it should be noted that acquisitions, divestments and reorganizations affect the comparison between individual years.

Quarterly revenue as a percentage of total revenue



Quarterly revenue and adjusted EBIT margin



Source: Sandvik's interim reports for the period 2019–2021.

Alleima as an independent company

As part of the process of Alleima becoming an independent company, separated from the Sandvik Group, certain functions and processes have been established. For example, Alleima will have its own head office coordinating the Company's operations as well as other central functions, which probably will lead to increased administrative costs for the independent company. Administrative capabilities also have had to be established by Alleima to independently conduct investor relation activities, such as meeting the stock market's expectations of information disclosure. Alleima has also had to establish its own administrative capabilities to meet the formal and legal requirements associated with a listing on the stock exchange, such as publication of financial reports and arranging Annual General Meetings. Functions for managing treasury, group consolidation, reporting and other processes, previously managed by Sandvik prior to the listing, such as legal functions and HR department, have been established separately by Alleima. Furthermore, Alleima will conduct its independent strategic development without the need to coordinate its operations with other parts of Sandvik, which will boost the independent Company. Starting during the second half of 2021 and during 2022, the majority of the functions and processes established to turn Alleima into an independent company, separated from the Sandvik Group, have been gradually implemented, and in connection therewith have certain start-up costs also continuously affected the operational result. The costs in 2022 for the independent functions implemented are thus not representative as these have not been fully staffed and since they also contain start-up costs of a non-recurring nature. The Company assess that 2023 will be the first financial year when the costs for the functions and processes can be correctly observed. Historic costs are affected by items affecting comparability related to the separation from Sandvik. Furthermore, Alleima has established financing agreements for the standalone Company, which means that historical financial figures related to interest-bearing liabilities, taxes and financial net are not representative of the effect from such financing agreement.

Explanation of income statement items

Revenues

Revenue is recognized when the control of goods or 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 steel and special alloys as well as products for industrial heating.

Cost of goods sold

The cost of goods sold is defined as the costs of production and procurement of the goods sold and other order specific costs, including realized gains and losses from raw material and energy derivatives. A production unit's total cost is recognized within cost of goods sold.

Selling expenses

Selling expenses are the costs connected with advertising and selling products to external customer. Internal selling expenses for distributing goods internally are included in cost of goods sold.

Administrative expenses

Administrative expenses are the administrative expenses that are not related to costs of goods sold or sales costs.

Research and development costs

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research costs are always expensed as incurred.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of the commercial production or use. Development does not include the maintenance or enhancement of ongoing operations.

Other operating income and expenses

Other operating income and expenses are income and expense that are not related to administration, sales, or research and development. It includes legal settlements, government grants, mergers and acquisition costs, capital gains and losses as well as exchange rate differences on receivables and liabilities denominated in foreign currencies that are revalued using the foreign exchange rate at the balance sheet date and realized effects of foreign exchange.

Financial income and expenses

Financial items consist of financial income and financial expenses. Financial income items include interest income from cash and cash equivalents and finance lease receivables, capital gains, changes in fair value of other financial assets, including unrealized derivatives and foreign exchange gains. Financial expense items include interest expenses on borrowings, lease liabilities, net pension provisions, deferred considerations, capital losses, changes in fair value of other financial liabilities, including unrealized derivatives, and borrowings and foreign exchange losses.

Income tax

The income tax expense for the period encompasses current and deferred tax. The current income tax expense is calculated on the basis of the tax regulations applicable on the closing date in those countries where the parent company and its subsidiaries are active and generate taxable income. Current tax also includes adjustments relating to recognized current tax from prior periods. Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards, if it is probable that these can be utilized against future taxable profits. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Six months ended June 30, 2022, compared to the six months ended June 30, 2021

Orders received

Orders received during the six months ended June 30, 2022, amounted to SEK 12,436 million compared to SEK 7,907 million during the corresponding period 2021, which represents an increase of SEK 4,529 million or 57 percent. Order intake increased organically by 33 percent driven by positive development within the segments Oil and Gas, Power Generation as well as Industrial Heating. The currency effect was 5 percent and the alloy surcharges had a positive impact of 16 percent. Structure had a slightly positive impact of 1 percent.

Tube

Orders received during the six months ended June 30, 2022, amounted to SEK 9,288 million compared to SEK 5,408 million during the corresponding period 2021, which represents an increase of SEK 3,880 million or 72 percent. The organic growth amounted to 46 percent, while the currency effect had a positive impact of 4 percent. Alloy surcharges had a positive impact of 19 percent. The growth was supported by an increase in orders received within mainly Oil and Gas, and most of the customer segments showed a positive development.

Kanthal

Orders received during the six months ended June 30, 2022, amounted to SEK 2,242 million compared to SEK 1,720 million during the corresponding period 2021, which represents an increase of SEK 522 million or 30 percent. The organic growth amounted to 5 percent, the currency effect was 8 percent and alloy surcharges had a positive impact of 11 percent. Structure had a slight positive impact of 4 percent. The growth was mainly supported by the customer segment Industrial Heating, due to a wide offering of products for heating systems, as well as the Medical segment.

Strip

Orders received during the six months ended June 30, 2022, amounted to SEK 906 million compared to SEK 779 million during the corresponding period 2021, which represents an increase of SEK 127 million or 16 percent. The organic growth was positive with 7 percent, the currency effect was 5 percent and the alloy surcharges had a positive impact of 4 percent. The growth was mainly supported by products such as razor blades and knife steel within the Consumer segment.

Revenues

Revenues during the six months ended June 30, 2022, amounted to SEK 8,976 million compared to SEK 6,715 million during the corresponding period 2021, which represents an increase of SEK 2,261 million or

34 percent. Revenues increased by 13 percent organically compared to the corresponding period 2021. The change was primarily driven by an increase within all segments and divisions. The currency effect was 5 percent and the alloy surcharges had a positive impact of 13 percent. Structure had a slightly positive impact of 1 percent from two acquisitions.

Tube

Revenues for Tube during the six months ended June 30, 2022, amounted to SEK 6,226 million compared to SEK 4,546 million during the corresponding period 2021, which represents an increase of SEK 1,680 million or 37 percent. Revenues increased by 16 percent organically, mostly driven by a positive development within most of the segments, mainly Oil and Gas where umbilical tubes supported strongly. The currency effect was 4 percent and the alloy surcharges had a positive impact of 15 percent. Structure had a slightly positive impact of 1 percent from an acquisition.

Kanthal

Revenues for Kanthal during the six months ended June 30, 2022, amounted to SEK 1,947 million compared to SEK 1,502 million during the corresponding period 2021, which represents an increase of SEK 445 million or 30 percent. The organic growth was positive at 5 percent, mainly as a result of products within Industrial Heating and by the Medical segment . The currency effects were 8 percent. The alloy surcharges were positive at 11 percent. Structure from an acquisition had a slight positive impact of 4 percent.

Strip

Revenues for Strip during the six months ended June 30, 2022, amounted to SEK 804 million compared to SEK 667 million during the corresponding period 2021, which represents an increase of SEK 137 million or 21 percent. The organic growth was positive at 10 percent due to an increase within all segments, mainly products such as razor blades, knife steel and compressor valve steel. Currency effects had a positive impact of 5 percent and the alloy surcharges had a positive impact of 4 percent.

Cost of goods sold

Cost of goods sold during the six months ended June 30, 2022, amounted to SEK 5,944 million compared to SEK 4,984 million during the corresponding period 2021, which represents an increase of SEK 959 million or 19 percent. Excluding metal price effect and items affecting comparability, the cost of goods sold increased with SEK 1,700 million or 33 percent. The increase in cost of goods sold was primarily driven by higher production volumes and increased raw material and energy prices.

Gross profit

As a result of the revenues and cost of goods sold development, the gross profit during the six months ended June 30, 2022, amounted to SEK 3,033 million compared to SEK 1,730 million during the corresponding period 2021, which represents an increase of SEK 1,302 million or 75 percent. The increase in gross profit was primarily driven by increased revenues, rising metal prices and a favorable product mix compared to the corresponding period 2021. Adjusted for metal prices and items affecting comparability, gross profit increased by SEK 561 million or 38 percent driven by increased revenues. The gross profit margin increased to 33.8 percent from 25.8 percent. The adjusted gross profit margin increased to 22.9 percent from 22.3 percent.

Selling expenses

Selling expenses during the six months ended June 30, 2022, amounted to SEK 586 million compared to SEK 461 million during the corresponding period 2021, which represents an increase of SEK 125 million or 27 percent. The increase in selling expenses was primarily driven by higher demand and increased shipping costs.

Administrative expenses

Administrative expenses during the six months ended June 30, 2022, amounted to SEK 646 million compared to SEK 471 million during the corresponding period 2021, which represents an increase of SEK 175 million or 37 percent. The increase in administrative expenses was primarily driven by higher activity levels due to the increased customer demand and costs related to the separation from Sandvik.

Research and development costs

Research and development costs during the six months ended June 30, 2022, amounted to SEK 106 million compared to SEK 114 million during the corresponding period 2021, which represents a decrease of SEK 8 million or 7 percent. The primary reason for the decrease is related to temporary differences in the activity level within development projects.

Other operating income and expenses

Other operating income and expenses during the six months ended June 30, 2022, amounted to SEK 46 million compared to SEK 7 million during the corresponding period 2021. The increase was primarily due to an increase in positive exchange rate differences.

EBITDA

EBITDA during the six months ended June 30, 2022, amounted to SEK 2,163 million compared to SEK 1,096 million during the corresponding period 2021, which represents an increase of SEK 1,067 million or 97 percent. The increase in EBITDA was primarily driven by increased sales and metal price effects, which increased by SEK 806 million, partly offset by items affecting comparability which weakened the result by SEK –94 million compared to the previous year. Adjusted for metal prices and items affecting comparability, EBITDA increased with SEK 355 million or 36 percent driven by the higher sales and an improved product mix. During the same period, the EBITDA margin increased to 24.1 percent from 16.3 percent. The adjusted EBITDA margin increased to 15.1 percent from 14.8 percent.

Operating profit (EBIT)

Operating profit (EBIT) during the six months ended June 30, 2022, amounted to SEK 1,741 million compared to SEK 692 million during the corresponding period 2021, which represents an increase of SEK 1,050 million or 152 percent. The increase in EBIT was primarily driven by the improvement within EBITDA. Adjusted for metal prices and items affecting comparability, EBIT increased with SEK 350 million or 60 percent. The operating margin increased to 19.4 percent from 10.3 percent. The adjusted operating margin increased to 10.4 percent from 8.6 percent.

Tube

EBIT for Tube during the six months ended June 30, 2022, amounted to SEK 1,420 million compared to SEK 525 million during the corresponding period 2021, which represents an increase of SEK 896 million or 171 percent. The increase in EBIT was primarily driven by increased sales, positive metal price effects and improved product mix, slightly offset by increased costs for shipping and energy. Adjusted for metal prices and items affecting comparability, EBIT increased with SEK 346 million or 95 percent. The operating margin increased to 22.8 percent during the six months ended June 30, 2022, from 11.5 percent during the corresponding period 2021. The adjusted operating margin increased to 11.4 percent during the six months ended June 30, 2022, from 8.0 percent during the corresponding period 2021.

Kanthal

EBIT for Kanthal during the six months ended June 30, 2022, amounted to SEK 531 million compared to SEK 263 million during the corresponding period 2021, which represents an increase of SEK 269 million or 102 percent. The increase in EBIT was primarily driven by increased sales and positive metal price effects, slights offset by increased costs for shipping and energy. Adjusted for metal prices and items affecting comparability, the increase in EBIT was SEK 69 million or 29 percent. The operating margin increased to 27.3 percent during the six months ended June 30, 2022, from 17.5 percent during the corresponding period 2021. The adjusted operating margin decreased to 15.6 percent during the six months ended June 30, 2022, from 15.7 percent during the corresponding period 2021.

Strip

EBIT for Strip during the six months ended June 30, 2022, amounted to SEK 146 million compared to SEK 119 million during the corresponding period 2021, which represents an increase of SEK 27 million or 22 percent. The increase in EBIT was primarily driven by increased sales and positive metal price effects, slights offset by increased costs for shipping, energy and raw material. Adjusted for metal prices and items affecting comparability, the increase in EBIT was SEK 11 million or 11 percent. During the same period, the operating margin increased to 18.1 percent from 17.8 percent. The adjusted operating margin decreased to 14.3 percent from 15.6 percent.

Other – Common Group functions

EBIT for Other – Common Group functions during the six months ended June 30, 2022, amounted to SEK –356 million compared to SEK –215 million during the corresponding period 2021, which represents an increase in costs of SEK 141 million. The increase in cost was driven by items affecting comparability, increased personnel costs as a result of the creation of own group functions, and project costs. Adjusted for items affecting comparability, the costs increased with SEK 75 million.

Items affecting comparability and metal price effects

Items affecting comparability impacted EBIT by SEK –164 million during the six months ended June 30, 2022, which was in entirety related to cots for the separation from Sandvik. During the corresponding period 2021, items affecting comparability amounted to SEK –57 million, of which SEK –96 million related to the separation from Sandvik and SEK 26 million related to release of restructuring reserves and a further SEK 13 million related to the reversal of impairments.

Metal price effects amounted to SEK 975 million during the six months ended June 30, 2022, primarily driven by increased nickel prices. During the corresponding period 2021, the metal price effects amounted to SEK 169 million.

Financial income and expenses

Financial income during the six months ended June 30, 2022, amounted to SEK 173 million compared to SEK 73 million during the corresponding period 2021. Financial expenses during the six months ended June 30, 2022, amounted to SEK –272 million compared to SEK –167 million during the corresponding period 2021. Net financial items during the six months ended June 30, 2022, was SEK –99 million compared to SEK –94 million during the corresponding period 2021, which represents an decrease of SEK 5 million. The negative effect from the net financial expense was primarily due to effects from derivates.

Income tax

Income tax expense during the six months ended June 30, 2022, amounted to SEK 419 million compared to SEK 79 million during the corresponding period 2021, which represents an increase of SEK 340 million. Income tax expense during the six months ended June 30, 2022, corresponded to an effective tax rate of 25.5 percent compared to 13.2 percent during the corresponding period 2021. The increase in effective tax rate was primarily driven by one-off effects relating to 2021, and that a higher proportion of the Group's profit 2022 was generated in high tax countries such as the United States and Germany.

Profit for the period

Net profit during the six months ended June 30, 2022, amounted to SEK 1,224 million compared to SEK 519 million during the corresponding period 2021, which represents an increase of SEK 705 million. The increase is due to improved EBIT. During the six months ended June 30, 2022, SEK 1,212 million was attributable to owners of the parent compared to SEK 510 million during the corresponding period 2021.

2021 compared to 2020

Orders received

Orders received for 2021 amounted to SEK 15,681 million compared to SEK 12,230 million for 2020, which represents an increase of SEK 3,451 million or 28 percent. Order intake increased organically by 27 percent driven by positive development in all segments where the Industrial customer segment increased by 46 percent. The currency effect was –3 percent and the alloy surcharges had a positive impact of 6 percent.

Tube

Orders received for 2021 amounted to SEK 10,795 million compared to SEK 8,331 million in 2020, which represents an increase of SEK 2,464 million or 30 percent. The organic growth amounted to 26 percent, while the currency effect had a negative impact at 2 percent. The alloy surcharges had a positive impact of 7 percent. The growth was supported by positive development in all customer segments.

Kanthal

Orders received for 2021 amounted to SEK 3,357 million compared to SEK 2,646 million in 2020, which represents an increase of SEK 712 million or 27 percent. The organic growth amounted to 27 percent, the currency effect was –6 percent and the alloy surcharges had a positive impact of 5 percent. The strong growth was driven by positive development in all Kanthal customer segments.

Strip

Orders received for 2021 amounted to SEK 1,529 million compared to SEK 1,253 million in 2020, which represents an increase of SEK 275 million or 22 percent. The organic growth was positive at 22 percent, primarily related to a strong recovery in the Industrial customer segment and in particular the consumer white goods sub segment. The currency effect was –2 percent and the alloy surcharges had a positive impact of 3 percent.

Revenues

Revenues for 2021 amounted to SEK 13,847 million compared to SEK 13,925 million in 2020, which represents a decrease of SEK 79 million or 1 percent. Revenues decreased by 3 percent organically compared to 2020. In general, all customer segments except Oil and Gas have had a positive development, especially Industrial and Mining and Construction. The currency effect was –2 percent and the alloy surcharges had a positive impact of 5 percent.

Tube

Revenues for Tube in 2021 amounted to SEK 9,530 million compared to SEK 10,102 million in 2020, which represents a decrease of SEK 572 million or 6 percent. Revenues declined 10 percent organically, mostly driven by reduced invoicing in the Oil and Gas customer segment. The currency effect was –2 percent and the alloy surcharges had a positive impact of 6 percent.

Kanthal

Revenues for Kanthal in 2021 amounted to SEK 3,007 million compared to SEK 2,615 million in 2020, which represents an increase of SEK 392 million or 15 percent. The organic growth was positive at 15 percent, all customer segments within Kanthal showed a positive development and Industrial heating had the strongest contribution. The currency effects were –5 percent. The alloy surcharges had a positive impact of 5 percent.

Strip

Revenues for Strip in 2021 amounted to SEK 1,310 million compared to SEK 1,209 million in 2020, which represents an increase of SEK 101 million or 8 percent. The organic growth was positive at 8 percent driven by positive development in the Consumer and Industrial customer segments. Currency effects had a negative impact of 2 percent and the alloy surcharges had a positive impact of 3 percent.

Cost of goods sold

Cost of goods sold for 2021 amounted to SEK 10,379 million compared to SEK 11,424 million in 2020, which represents a decrease of SEK 1,045 million or 9.1 percent. Excluding metal price effects and items affecting comparability, the cost of goods sold increased with 153 million or 1.4 percent.

The increase in costs of goods sold was primarily driven by cost inflation.

Gross profit

As a result of the revenues and cost of goods sold development, the gross profit for 2021 amounted to SEK 3,468 million compared to SEK 2,502 million in 2020, which represents an increase of SEK 966 million or 38.6 percent. The increase in gross profit was primarily driven by metal price effects and items affecting comparability. Adjusted for metal prices and items affecting comparability, gross profit decreased by SEK 231 million driven by lower revenue volumes and product mix. The gross profit margin increased to 25.0 percent from 18.0 percent. The adjusted gross profit margin decreased to 20.6 percent from 22.2 percent.

Selling expenses

Selling expenses for 2021 amounted to SEK 952 million compared to SEK 935 million in 2020, which represents an increase of SEK 17 million or 1.8 percent. The increase in selling expenses was primarily driven by inflation.

Administrative expenses

Administrative expenses for 2021 amounted to SEK 1,047 million compared to SEK 816 million in 2020, which represents an increase of SEK 231 million or 28.3 percent. The increase in administrative expenses was primarily driven by items affecting comparability.

Research and development costs

Research and development costs for 2021 amounted to SEK 214 million compared to SEK 202 million in 2020, which represents an increase of SEK 12 million or 5.8 percent. The primary reason for the increase is related to overall increased business activity level.

Other operating income and expenses

Other operating income and expenses for 2021 amounted to SEK 124 million compared to SEK –56 million in 2020. The increase in income was primarily due to exchange rate differences, which amounted to SEK 44 million in 2021 compared to SEK –50 million in 2020 and an operating income of SEK 85 million 2021 related to refund of pension payments.

EBITDA

EBITDA for 2021 amounted to SEK 2,122 million compared to SEK 1,283 million in 2020, which represents an increase of SEK 839 million or 65.4 percent. The increase in EBITDA was primarily driven by metal price effects of SEK 660 million and items affecting comparability of SEK 302 million. Adjusted for metal prices and items affecting comparability, EBITDA decreased with SEK 122 million or 6.3 percent driven by lower revenue volume and product mix. During the same period, the EBITDA margin increased to 15.3 percent from 9.2 percent. The adjusted EBITDA margin decreased to 13.1 percent from 13.9 percent.

Operating profit (EBIT)

Operating profit (EBIT) for 2021 amounted to SEK 1,379 million compared to SEK 492 million in 2020, which represents an increase of SEK 887 million or 180.1 percent. The increase in EBIT was primarily driven by the increase in EBITDA. Adjusted for metal prices and items affecting comparability, EBIT decreased with SEK 149 million or 12.4 percent. The operating margin increased to 10.0 percent from 3.5 percent. The adjusted operating margin decreased to 7.6 percent from 8.7 percent.

Tube

EBIT for Tube in 2021 amounted to SEK 1,168 million compared to SEK 666 million in 2020, which represents an increase of SEK 502 million or 75.4 percent. The increase in EBIT was primarily driven by metal prices and items affecting comparability offset by lower volumes and mix. Adjusted for metal prices and items affecting comparability, EBIT decreased with SEK 386 million or 35.3 percent. During the same period, the operating margin increased to 12.3 percent 2021 from 6.6 percent 2020. The adjusted operating margin decreased to 7.4 percent 2021 from 10.8 percent 2020.

Kanthal

EBIT for Kanthal in 2021 amounted to SEK 545 million compared to SEK 104 million in 2020, which represents an increase of SEK 442 million or 425.7 percent. The increase in EBIT was primarily driven by revenue volume, metal prices and items affecting comparability. Adjusted for metal prices and items affecting comparability, the increase in EBIT was SEK 147 million or 49.3 percent. The operating margin increased to 18.1 percent 2021 from 4.0 percent 2020. The adjusted operating margin increased to 14.8 percent 2021 from 11.4 percent 2020.

Strip

EBIT for Strip in 2021 amounted to SEK 202 million compared to SEK 84 million in 2020, which represents an increase of SEK 118 million or 141.1 percent. The increase in EBIT was primarily driven by revenue volume, product mix, metal prices and items affecting comparability. Adjusted for metal prices and items affecting comparability, the increase in EBIT was SEK 70 million or 72.2 percent. During the same period, the operating margin increased to 15.4 percent from 6.9 percent. The adjusted operating margin increased to 12.7 percent from 8.0 percent.

Other – Common Group functions

EBIT for Other – Common Group functions in 2021 amounted to SEK –536 million compared to SEK –361 million in 2020, which represents an increase in costs of SEK 175 million. The increase in cost was driven by items affecting comparability relating to the separation from Sandvik. Adjusted for items affecting comparability, the costs decreased with SEK 20 million or 7.1 percent, primarily driven by currency effects.

Items affecting comparability and metal price effects

Items affecting comparability impacted EBIT by SEK –164 million in 2021, which was related to the separation from Sandvik. In 2020, items affecting comparability amounted to SEK –551 million, of which SEK –67 million related to the separation from Sandvik and SEK –484 million related to site closures.

Metal price effects amounted to SEK 487 million in 2021, primarily driven by higher prices on nickel and chrome. In 2020, the metal price effects amounted to SEK –171 million, mainly as a consequence of negative metal price development for nickel and molybdenum.

Financial income and expenses

Financial income for 2021 amounted to SEK 390 million compared to SEK 212 million in 2020. Financial expenses for 2021 amounted to SEK 263 million compared to SEK 149 million in 2020. Net financial items for 2021 amounted to an income of SEK 127 million compared to an income of SEK 63 million in 2020, which represents an increase of SEK 63 million. The increase in financial items was primarily due to market valuation of unrealized hedges and derivatives related to foreign exchange, electricity and raw material.

Income tax

Income tax expense for 2021 amounted to SEK 278 million compared to SEK 176 million in 2020, which represents an increase of SEK 102 million. Income tax expense for 2021 corresponded to an effective tax rate of 18.4 percent compared to 31.6 percent in 2020. The decrease in effective tax rate was primarily driven by positive effects from tax losses carried forward and revaluations of temporary differences.

Profit for the period

Net profit for 2021 amounted to SEK 1,228 million compared to SEK 380 million in 2020, which represents an increase of SEK 848 million. The increase was due to improved EBIT in 2021 compared to 2020. In 2021, SEK 1,205 million was attributable to owners of the parent compared to SEK 390 million in 2020.

2020 compared to 2019

Orders received

Orders received for 2020 amounted to SEK 12,230 million compared to SEK 16,851 for 2019, which represents a decrease of SEK 4,621 million or 27 percent. Order intake declined organically by 26 percent, primarily due to major orders[3] received in the Oil and Gas customer segment in 2019. Adjusted for major orders, the order intake declined by 16 percent organically. The decline was primarily a consequence of the broad market downturn and turmoil that followed the COVID-19 breakout. Structure[4] had a neutral impact due to two acquisitions and one divestment.

Tube

Orders received for 2020 amounted to SEK 8,331 million compared to SEK 12,950 million in 2019, which represents a decrease of SEK 4,620 million or 36 percent. The organic growth amounted to –34 percent, while there was a negative currency effect of 1 percent. The impact from the oil price drop and the COVID-19 related market downturn was significant. The weakest customer segments in order intake were Oil and Gas and Power Generation. A decline was noted in all major regions with North America being the weakest market. Structure had a neutral impact from the acquisition of Summerill Tube Corp. and the divestment of Sandvik Powder Solutions AB.

Kanthal

Orders received for 2020 amounted to SEK 2,646 million compared to SEK 2,739 million in 2019, which represents a decrease of SEK 93 million or 3 percent. The organic growth was –3 percent and the currency effect was –2 percent. The organic development was due to a sharp decline in the customer segment Industrial Heating as well as the short cyclical Consumer customer segment, which was partly offset by positive development in the Medical customer segment. The alloy surcharges had a negative impact of 1 percent. Structure had a positive impact of 2 percent from the acquisition of Thermaltek Inc.

Strip

Orders received for 2020 amounted to SEK 1,253 million compared to SEK 1,162 million in 2019, which represents an increase of SEK 91 million or 8 percent. The organic growth was positive at 10 percent, primarily related to a strong development during the second half of the year in the Consumer customer segment and the consumer white goods sub-segment. The currency effect was –2 percent.

3) Major orders are defined as single orders larger than SEK 200 million.
4) Structure is defined as the year over year effect from acquired or divested business.

Revenues

Revenues for 2020 amounted to SEK 13,925 million compared to SEK 15,654 million in 2019, which represents a decrease of SEK 1,729 million or 11 percent. Revenues decreased by 9 percent organically compared to 2019, a sharp decline in the short cyclical business on the back of the COVID-19 outbreak. The currency effect was –2 percent and the alloy surcharges had a negative impact of 1 percent. The decline was mainly driven by a drop in the Industrial and Oil and Gas customer segments. Structure had a slight positive impact of 1 percent due to two acquisitions and one divestment.

Tube

Revenues for Tube in 2020 amounted to SEK 10,102 million compared to SEK 11,528 million in 2019, which represents a decrease of SEK 1,426 million or 12 percent. Revenues declined 10 percent organically and the currency effect was –2 percent. The decline was mainly driven by the short cyclical business relating to application tubing, partly offset by the project related business in the Industrial and Oil and Gas customer segments. Structure had a neutral impact on the revenues from the acquisition of Summerill Tube Corp. and the divestment of Sandvik Powder Solutions AB.

Kanthal

Revenues for Kanthal in 2020 amounted to SEK 2,615 million compared to SEK 2,852 million in 2019, which represents a decrease of SEK 237 million or 8 percent. The organic growth was –7 percent due to a sharp decline in projects related to the Industrial heating as well as in the Consumer customer segments and offset by positive development in the Medical customer segment. The currency effect was 3 percent and the alloy surcharges had a minor effect at –1 percent. Structure had a positive impact on revenues of 2 percent from the acquisition of Thermaltek Inc.

Strip

Revenues for Strip in 2020 amounted to SEK 1,209 million compared to SEK 1,275 million in 2019, which represents a decrease of SEK 66 million or 5 percent. The decrease was driven by negative organic growth at 3 percent due to decline in the Industrial and Transportation customer segments stemming from a steep drop in demand during the second and third quarter on the back of the COVID-19 turmoil. Currency effects had a negative impact of 1 percent and the alloy surcharges had a slightly negative, almost neutral effect.

Cost of goods sold

Cost of goods sold for 2020 amounted to SEK 11,424 million compared to SEK 12,011 million in 2019, which represents a decrease of SEK 588 million or 4.9 percent. Excluding metal price effects and items affecting comparability, the decrease was SEK 1,186 million or 9.9 percent. The decrease in costs of goods sold was primarily driven by lower revenue volumes and the related reduction of variable costs.

Gross profit

As a result of the revenues and cost of goods sold development, gross profit for 2020 amounted to SEK 2,502 million compared to SEK 3,643 million in 2019, which represents a decrease of SEK 1,141 million or 31.3 percent. The decrease in gross profit was primarily driven by lower revenue volumes, higher metal prices and items affecting comparability of SEK 152 million. Adjusted for metal prices and items affecting comparability, the decrease in gross profit was SEK 542 million. The gross profit margin decreased to 18.0 percent from 23.3 percent. The adjusted gross profit margin decreased to 22.2 percent from 23.2 percent.

Selling expenses

Selling expenses for 2020 amounted to SEK 935 million compared to SEK 1,160 million in 2019, which represents a decrease of SEK 225 million or 19.4 percent. The decrease in selling expenses was primarily driven by reduced activity level, cost saving initiatives, currency effects and items affecting comparability of SEK 15 million.

Administrative expenses

Administrative expenses for 2020 amounted to SEK 816 million compared to SEK 862 million in 2019, which represents a decrease of SEK 45 million or 5.3 percent. The decrease in administrative expenses was primarily driven by savings initiatives.

Research and development costs

Research and development costs for 2020 amounted to SEK 202 million compared to SEK 245 million in 2019, which represents a decrease of SEK 43 million or 17.4 percent. The primary reason for the decrease is the reduced activity level and cost saving initiatives.

Other operating income and expenses

Other operating income and expenses for 2020 amounted to SEK –56 million compared to SEK 67 million in 2019. The cost increase was primarily due to exchange rate differences, which amounted to SEK 50 million in 2020 compared to SEK 9 million in 2019 and an operating income of SEK 67 million 2019 related to the exit from the Wire business.

EBITDA

EBITDA for 2020 amounted to SEK 1,283 million compared to SEK 2,446 million in 2019, which represents a decrease of SEK 1,164 million or 47.6 percent. The decrease in EBITDA was primarily driven by lower revenue volumes, currency effects, negative metal price effects of SEK 446 million and items affecting comparability of SEK –320 million. Adjusted for metal prices and items affecting comparability, the decrease in EBITDA was SEK 398 million or 17.1 percent. During the same period, the EBITDA margin decreased to 9.2 percent from 15.6 percent. The adjusted EBITDA margin decreased to 13.9 percent from 14.9 percent.

Operating profit (EBIT)

Operating profit (EBIT) for 2020 amounted to SEK 492 million compared to SEK 1,444 million in 2019, which represents a decrease of SEK 951 million or 65.9 percent. The decrease in EBIT was primarily driven by the decrease in EBITDA. Adjusted for metal prices and items affecting comparability, the decrease in EBIT was SEK 309 million or 20.4 percent. The operating margin decreased to 3.5 percent from 9.2 percent. The adjusted operating margin decreased to 8.7 percent from 9.7 percent.

Tube

EBIT for Tube in 2020 amounted to SEK 666 million compared to SEK 1,234 million in 2019, which represents a decrease of SEK 568 million or 46.1 percent. The decrease in EBIT was primarily driven by revenue volume and product mix, currency effects, metal prices and items affecting comparability with positive impact from savings measures. Adjusted for metal prices and items affecting comparability, the decrease in EBIT was SEK 198 million or 15.3 percent. During the same period, the operating margin decreased to 6.6 percent from 10.7 percent. The adjusted operating margin decreased to 10.8 percent from 11.2 percent.

Kanthal

EBIT for Kanthal in 2020 amounted to SEK 104 million compared to SEK 386 million in 2019, which represents a decrease of SEK 282 million or 73.1 percent. The decrease in EBIT was primarily driven by revenue volume, currency effects, metal prices and items affecting comparability with positive impact from savings measures. Adjusted for metal prices and items affecting comparability, the decrease in EBIT was SEK 10 million or 3.1 percent. The operating margin decreased to 4.0 percent 2020 from 13.5 percent 2019. The adjusted operating margin increased to 11.4 percent 2020 from 10.8 percent 2019.

Strip

EBIT for Strip in 2020 amounted to SEK 84 million compared to SEK 82 million in 2019, which represents an increase of SEK 1 million or 1.5 percent. The increase in EBIT was primarily driven by metal prices. Adjusted for metal prices and items affecting comparability, the decrease in EBIT was SEK 2 million or 2.2 percent. During the same period, the operating margin increased to 6.9 percent from 6.5 percent. The adjusted operating margin increased to 8.0 percent from 7.8 percent.

Other – Common Group functions

EBIT for Other – Common Group functions in 2020 amounted to SEK –361 million compared to SEK –259 million in 2019, which represents an increase in costs of SEK 102 million or 39.3 percent. Adjusted for items affecting comparability, the increase in costs was SEK 99 million or 54.1 percent. This was primarily driven by increased provisions for pension funds, environmental risk and legal dispute as well as negative currency effects.

Items affecting comparability and metal price effects

Items affecting comparability impacted EBIT by SEK –551 million in 2020, of which SEK –67 million related to the separation from Sandvik and SEK –484 million related to personnel reductions and site closures. In 2019, items affecting comparability amounted to SEK –343 million, of which SEK –65 million related to the separation from Sandvik and SEK –278 million related to site closures.

Metal price effects amounted to SEK –171 million in 2020, mainly as a consequence of negative metal price development for nickel and molybdenum. In 2019, the metal price effect amounted to SEK 272 million driven by price increases in nickel and molybdenum.

Financial income and expenses

Financial income for 2020 amounted to SEK 212 million compared to SEK 1 million in 2019. Financial expenses for 2020 amounted to SEK 149 million compared to SEK 432 million in 2019. Net financial items for 2020 amounted to an income of SEK 63 million compared to an expense of SEK 431 million in 2019, which represents an increase of SEK 494 million. The increase in financial items was primarily due to market valuation of unrealized hedges and derivatives related to foreign exchange, electricity and raw material.

Income tax

Income tax expense for 2020 amounted to SEK 176 million compared to SEK 345 million in 2019, which represents a decrease of SEK 169 million. Income tax expense for 2020 corresponded to an effective tax rate of 31.6 percent compared to 34.1 percent in 2019. The decrease in effective tax rate was due to the fact that in 2019 Sandvik Materials Technology AB was operating in commission to Sandvik AB and hence no deferred tax asset was reported on the loss made by that entity.

Profit for the period

Net profit for 2020 amounted to SEK 380 million compared to SEK 667 million in 2019, which represents a decrease of SEK 287 million. The decrease was due to lower EBIT in 2020 compared to 2019, offset by an increase in net financial items and lower tax expenses. In 2020, SEK 390 million was attributable to owners of the parent company compared to SEK 663 million in 2019.

Capital resources and liquidity

Alleima's liquidity needs arise primarily as a consequence of the need to finance working capital and investments in tangible and intangible assets, but also acquisitions of businesses. The main source of liquidity is the cash flow generated by the operating activities. In connection with the listing of the Alleima shares, the Company will also have access to bilateral bank facilities, a commercial paper program as well as multicurrency revolving credit facilities, which are further described under "*Credit facilities and loans*" below.

Cash flow

Six months ended June 30, 2022, compared to the six months ended June 30, 2021

Cash flow from operating activities

Cash flow from operating activities during the six months ended June 30, 2022, amounted to SEK –122 million compared to SEK 474 million during the corresponding period 2021, which represents a decrease of SEK 597 million. The main driver for the cash flow decrease was higher capital employed driven by increased demand and higher raw material prices partly offset by higher operating profit.

Cash flow from investing activities

Cash flow from investing activities during the six months ended June 30, 2022, gave rise to an outflow of SEK 317 million compared to an outflow of SEK 139 million during the corresponding period 2021, which represents an increase of SEK 178 million. The main driver for the change in cash flow from investing activities was acquisition of businesses and a higher rate of investment in tangible fixed assets.

Cash flow from financing activities

Cash flow from financing activities during the six months ended June 30, 2022, gave rise to an inflow of SEK 203 million compared to an inflow of SEK 12 million during the corresponding period 2021, which represents an increase of SEK 190 million. The increase was mainly a result of capital injections from owners.

2021 compared to 2020

Cash flow from operating activities

Cash flow from operating activities for 2021 amounted to SEK 1,151 million compared to SEK 1,671 million in 2020, which represents a decrease of SEK 520 million or 31.1 percent. The main driver for the cash flow decrease was increased working capital, partly related to higher metal prices which had a positive impact on the value of inventory.

Cash flow from investing activities

Cash flow from investing activities for 2021 gave rise to an outflow of SEK 507 million compared to an outflow of SEK 533 million in 2020, which represents a decrease of SEK 27 million. The main driver for the change in cash flow from investing activities was the lower rate of acquisition of companies during 2020.

Cash flow from financing activities

Cash flow from financing activities for 2021 gave rise to an inflow of SEK 1,436 million compared to an outflow of SEK –3,126 million in 2020, which represents an increase of SEK 4,562 million. The increase was mainly attributable to transactions with shareholders as part of the establishment of the Alleima structure.

2020 compared to 2019

Cash flow from operating activities

Cash flow from operating activities for 2020 amounted to SEK 1,671 million compared to SEK 1,617 million in 2019, which represents an increase of SEK 54 million or 3.3 percent. The main reason for the increase was reduced working capital, partly related to reduced inventory.

Cash flow from investing activities

Cash flow from investing activities for 2020 gave rise to an outflow of SEK 533 million compared to an outflow of SEK 745 million in 2019, which represents a decrease of SEK 212 million. The acquisition of Summerill Tube Corp. had a negative impact of SEK 90 million in 2020, while the acquisition of Thermaltek Inc. had a negative impact of SEK 156 million in 2019. In addition, fewer acquisitions of tangible assets were made in 2020.

Cash flow from financing activities

Cash flow from financing activities for 2020 gave rise to an outflow of SEK –3,126 million compared to an outflow of SEK –4,870 million in 2019, which represents an increase of SEK 1,744 million. The increase was mainly attributable to transactions with shareholders as part of the establishment of the Alleima structure.

Working capital statement

It is Alleima's opinion that the working capital is sufficient for the present requirements during the next twelve months. In this context, working capital refers to the ability to access liquid resources in order to meet liabilities as they fall due.

Property, plant and equipment

As of June 30, 2022, Alleima's tangible fixed assets amounted to SEK 7,238 million and consisted of property, plant and equipment (SEK 6,990 million) and right of use assets of SEK 233 million (SEK 183 million). Alleima had pledged assets of SEK 13 million for tangible assets as per June 30, 2022.

Property, plant and equipment are stated at historical cost less straight-line accumulated depreciation based on estimated useful lives, adjusted for any impairment charges. Land is not depreciated as it is considered to have an unlimited useful life. For further information, see "*Note 13 – Property, plant and equipment*" on page F-66 in "*Historical financial information*".

For information on Alleima's manufacturing units please refer to "*Business description–Production facilities and manufacturing*". Some of the manufacturing units require environmental permits and require Alleima to submit notifications, reports and/or documentation to the relevant local authority for their operations, see "*Business description–Regulatory framework*".

Goodwill and other intangible assets

As of June 30, 2022, Alleima had intangible assets with a recognized value of SEK 1,562 million, and primarily comprised goodwill with a book value of SEK 1,422 million and technology-based intangibles with a book value of SEK 140 million. For further information on the Company's intangible assets, see "*Note 12 – Intangible assets*" on page F-62 in "*Historical financial information*".

Capital expenditures

Alleima continuously invests in tangible and intangible assets, as well as other financial assets. Most investments in property and plant are related to machining equipment or plant refurbishment for core manufacturing activities and to production facilities.

During the period 2019 to 2021, Alleima's investments consisted mainly of equipment and machinery and facilities for manufacturing and service operations. Alleima made three acquisitions in the period 2019 to 2021. One business was divested in 2020. In the first quarter of 2022, Alleima carried out one acquisition (see further "*Acquisitions and divestments*" below). Capital expenditures in each category for the financial years from 2019 to 2021 and the six months ended June 30, 2022 and 2021, respectively, are further detailed in the table below:

SEK M	H1 2022	H1 2021	2021	2020	2019
Investments in property, plant and equipment	–174	–129	–471	–505	–685
Sale of property, plant and equipment	9	2	54	47	99
Investments in intangible assets	–16	–9	–23	–11	–4
Sale of intangible assets	0	0	4	–3	0
Acquisition of shares	–141	0	–60	–90	–154
Proceeds from sale of shares	0	6	6	28	0
Other investments/divestments	6	–9	–13	1	–1
Total investing activities	**–317**	**–139**	**–507**	**–533**	**–745**

Ongoing and future capital expenditures

Alleima continuously invests in tangible and intangible assets, so-called capex-investments, as well as in financial assets. The majority of the capex-investments in property and plant are related to machining equipment or refurbishment of production facilities. Currently a two year investment project is run to further develop the Mehsana site in India, to add capacity and capability, and ensure portfolio availability closer to customers. The new capacity is expected to be in place by the end of 2022. All ongoing capex-investments in the Group are financed through Alleima's existing financial means.

The Company's capex-investments in the forthcoming years are expected to be at a level equivalent to around 4–5 percent of sales. During the financial year 2022, Alleima's investments are expected to amount to a total of less than approximately SEK 650 million.

Acquisitions and divestments

Below, acquisitions and divestments made by Alleima during the financial years 2019–2022 are described. For further information, see "*Note 28 – Business combinations*" and "*Note 29 – Divestments*" on page F–84 and onwards in "*Historical financial information*".

On April 26, 2022, Alleima acquired the remaining 30 percent of the shares which Alleima did not hold in Pennsylvania Extruded Tube Co., the United States. Pennsylvania Extruded Tube Co. has since 1993 been jointly owned with Nippon Steel Extruded Tube, Inc. and has around 85 employees.

In January, 2022, Alleima acquired Gerling Metallverarbeitung GmbH, Germany, a diversified engineering group, providing innovative solutions across a wide range of industries. In 2020, Gerling Metallverarbeitung GmbH had revenues of about 90 million SEK, with around 75 employees.

On October 5, 2021, Alleima acquired, through the Kanthal division, Accuratech Group, Switzerland, a niched medical wire forming and component manufacturer. In

2020, Accuratech Group had revenues of approximately SEK 75 million, with around 50 employees.

On January 14, 2020, Alleima acquired, through the Tube division, Summerill Tube Corp., United States, a manufacturer of high precision tubes. Summerill Tube Corp. is headquartered in Pennsylvania, USA, and generated revenues of about SEK 100 million with 45 employees in 2018.

In December, 2019, Alleima acquired, through the Kanthal division, Thermaltek Inc., United States, a manufacturer of high temperature furnace systems and metallic heating elements. The company generated revenues of about USD 13 million with 30 employees in the 12-month period ending on 30 September 2019.

On April 6, 2020, Alleima completed the divestment of Sandvik Powder Solutions AB, Surahammar, Sweden, for powder based HIP products to Metal Technology Co. Ltd. The divested company had revenues of SEK 68 million, with approximately 30 employees in 2019.

Research and development

Expenditure of research activities are expensed as incurred, whereas expenditures of development activities are expensed as incurred unless the activities meet the criteria for being capitalized, that is if the product or process being developed is estimated to be technically and commercially feasible, and the Company has the intent and ability to complete and sell or use the product or process.

Below is an overview of research and development costs from 2019 to 2021 and for the six months ended June 30, 2022 and 2021, respectively.

SEK M	H1 2022	H1 2021	2021	2020	2019
Research and development cost	106	114	214	202	245

Credit facilities and loans

Until the separation of Alleima from Sandvik, Alleima is primarily funded by internal borrowings from Sandvik. However, as of the first day of trading in the shares of Alleima on Nasdaq Stockholm, all loans from Sandvik to Alleima will be repaid with Alleima's existing financial means. For more information about the intra-group financing, see "*Capitalization, indebtedness and other financial information–Transfer of assets and liabilities between Alleima and Sandvik*".

In order for Alleima, as a standalone company, to efficiently manage short-term liquidity and to avoid being required to borrow money in one unit while at the same time lending money in another unit, Alleima has entered into a number of cash pool arrangements where surplus and deficit funds in a country can be netted and the net position can then be managed by the Group's treasury function. Net surplus and deficit positions between countries can then also be managed by the Group's treasury function. The cash pool arrangements can also have overdraft facilities connected in order to manage daily variations in the net liquidity as efficiently as possible.

The Group's treasury function manages Alleima's long-term and short-term funding needs. The short-term liquidity and funding needs for the Group is based on regular forecasts provided by the operating entities. In order to efficiently borrow short-term funds, Alleima has entered into bilateral bank facilities with a number of banks and has also established a commercial paper program enabling Alleima to borrow money on the Swedish money market.

The Group's treasury function decides, based on the residual cash reserved and cash forecasts, whether it is necessary to borrow short-term funds under the bilateral bank facilities or the commercial paper program in order to optimize the Group's financial position. If the bilateral bank facilities or the commercial paper program at any time would not be available or suitable for Alleima to use, the Company has also entered into a multicurrency revolving credit facilities agreement.

Below is a description of the contractual arrangements that the Company has entered into with respect to credit facilities and loans.

Bilateral bank facilities

Alleima Treasury AB (publ) ("**Alleima Treasury**") has entered into three framework agreements for short-term financing with Svenska Handelsbanken AB (publ), Skandinaviska Enskilda Banken AB (publ), and Danske Bank, Denmark, Sweden Branch, respectively, as creditors. The framework agreements are valid until further notice. The terms of each loan under the framework agreements are negotiated individually and creditors have not committed to lending a specific amount to Alleima Treasury. There is no maximum loan amount specified under the framework agreements, instead this is determined by the creditors' internal limits. At the time of this prospectus, there are no outstanding loans under the framework agreements.

Commercial paper program

Alleima Treasury has established a commercial paper program with a framework amount of SEK 3 billion for short-term funding purposes. The coordinator and issuing and paying agent is Handelsbanken Capital Markets and the issue agents are Danske Bank, Handelsbanken Capital Markets, and Skandinaviska Enskilda Banken AB (publ). The commercial papers are guaranteed by Alleima for Alleima Treasury's obligations pursuant to the commercial papers and the tenor of each commercial paper is as minimum one (1) day but must be less than one (1) year. The commercial papers are issued as discount notes, i.e. no coupons are payable and the yield is the difference between the issue price and the nominal value repayable on the maturity date. At the time of this prospectus, there are no outstanding commercial papers under the program.

Multicurrency revolving credit facilities agreement

On June 8, 2022, Alleima, as guarantor to the borrower Alleima Treasury, entered into a SEK 3 billion multicurrency revolving credit facilities agreement, of which a maximum of SEK 500 million can be used for a short-term facility, with a syndicate of lenders. The tenor of the facility is five years (with two extension options, after each lenders' sole approval) and, in addition to SEK, the available currencies are EUR and USD. The revolving credit facilities are subject to financial covenants in the form of a gearing ratio and an interest coverage ratio, which may not deviate negatively from certain levels specified in the agreement. The facility does not contain any dividend restrictions. At the time of this prospectus, the Company has no credit drawn under the facility.

Pension commitments

Pension commitments to employees globally within Alleima are mainly secured via defined contribution (DC) schemes where premiums are paid regularly. There are also defined benefit schemes in certain countries, which entails a reported net pension liability of SEK 477 million as per June 30, 2022. The majority of the pension net liability for Alleima is with its Swedish entities. A separate pension fund is intended to be established in Sweden after the listing to which Alleima's share of the Swedish pension foundation at Sandvik will be transferred.

For further information on the Company's pension plans and related assets and liabilities, see "*Note 20 – Provision for pensions and other non-current benefits*" on page F-72 in "*Historical financial information*".

Recent trends

During the second quarter 2022, Alleima experienced tailwinds in the form of positive market demand, which was translated into organic order intake growth of 26 percent compared to the same period last year. This corresponded to the highest ever order intake level in absolute terms, which is a result of a broad-based positive development as well as high raw material prices (alloy surcharges), despite uncertainties in the macroeconomic environment. Alleima received several large orders in the quarter, related mainly to the Oil and Gas segment within Tube, both for Oil Country Tubular Goods (OCTG) and umbilicals. The energy market and the global energy demand are hot topics and Alleima is expected to continue to benefit from the under-investments within this industry for the foreseeable future.

Revenues increased organically by 13 percent year on year, with growth in all three divisions, and an adjusted EBIT margin of 11.5 percent. The reported EBIT margin including positive metal price effects of SEK 649 million and items affecting comparability related to the separation project of SEK –89 million was 23.3 percent. Alleima is, however, experiencing high raw material prices, which is positive for earnings but has a short-term negative impact on cash flows, as it leads to more capital tied up in inventories and accounts receivable. Together with the higher market demand, the normal seasonal inventory build-up and extended freight times this impacted Alleima's cash flow negatively in the second quarter 2022.

Guidance

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

Year on year underlying demand trend

	Industrial	Chemical and Petrochemical	Oil and Gas	Industrial Heating	Consumer
Year on year underlying demand trend	→	↗	↗	↗	→
% of Group revenues 2021	24%	16%	14%	13%	10%

	Power Generation	Mining and Construction	Transportation	Medical	Hydrogen & Renewable Energy
Year on year underlying demand trend	↗	→	↗	↗	↗
% of Group revenues 2021	8%	8%	4%	3%	<1%

Outlook for the third quarter 2022

The positive market sentiment is expected to continue into the third quarter. However, uncertainties due to inflationary pressure and impact from the macroeconomic environment as well as volatile raw material and energy prices combined with continued supply chain issues and delays might still be present. The product mix going into the third quarter is expected to be similar to that in the second quarter of 2022. At current raw material price levels, inventory is expected to decrease during the third quarter, according to normal seasonal trends due to summer shut-downs. Orders, revenues and adjusted margin in the third quarter are normally lower than in the second quarter based on seasonality.

Significant changes since June 30, 2022

No significant changes in the financial position or financial performance of Alleima have occurred since June 30, 2022.

Capitalization, indebtedness and other financial information

Capitalization and indebtedness

The tables in this section describe Alleima's capitalization and net financial indebtedness on consolidated level as of June 30, 2022, based on amounts extracted from the Group's unaudited combined financial statements for the period January to June 2022, or the Company's internal accounting and reporting system. The information in the tables below is unaudited financial information. The debts included in the tables below are interest-bearing.

For information about the Company's share capital and the number of outstanding shares, see "*Share capital and ownership structure*". The information presented below should be read in conjunction with the sections "*Selected historical financial information*", "*Operating and financial review*" and Alleima's unaudited combined financial statements for the period January to June, 2022, see "*Historical financial information*".

Capitalization

Set forth below is Alleima's capitalization as of June 30, 2022.

SEK M	June 30, 2022
Total current debt *(including current portion of non-current debt)*	**536**
Guaranteed	–
Secured	–
Unguaranteed/unsecured[1)]	536
Total non-current debt *(excluding current portion of non-current debt)*	**728**
Guaranteed	–
Secured[2)]	13
Unguaranteed/unsecured[3)]	715
Shareholders' equity	**15,374**
Share capital	251
Legal reserve(s)	–
Other reserves[4)]	15,123
Total	**16,638**

1) SEK 470 million of the item relates to a loan from Sandvik. The loan will be repaid prior to listing of Alleima's shares on Nasdaq Stockholm.
2) The item relates in its entirety to loans relating to machinery for which the assets have been pledged as security.
3) The item includes provisions for pensions with SEK 552 million.
4) The item relates to the translation reserve, the hedging reserve, the retained earnings including the profit or loss for the period and non-controlling interest influence.

Net financial indebtedness

Set forth below is Alleima's net financial indebtedness as of June 30, 2022.

SEK M	June 30, 2022
(A) Cash	1,328
(B) Cash equivalents	–
(C) Other current financial assets	–
(D) Liquidity (A)+(B)+(C)	**1,328**
(E) Current financial debt *(including debt instruments, but excluding current portion of non-current financial debt)*	474
(F) Current portion of non-current financial debt[5)]	62
(G) Current financial indebtedness (E)+(F)	**536**
(H) Net current financial indebtedness (G)-(D)	**–792**
(I) Non-current financial debt *(excluding current portion and debt instruments)*[6)]	728
(J) Debt instruments	–
(K) Non-current trade and other payables	–
(L) Non-current financial indebtedness (I)+(J)+(K)	**728**
(M) Total financial indebtedness: (H)+(L)[7)]	**–64**

5) The item relates in its entirety to short-term lease liabilities.
6) The item includes provisions for pensions with SEK 552 million and long-term lease liabilities of SEK 164 million.
7) The definition of total financial indebtedness (SEK –64 million) deviates from the definition of the Company's key performance indicator net debt (SEK 139 million), see "*Selected historical financial information– Key performance indicators*". The difference of SEK 75 million relates to advance payment of pensions.

Contingent liabilities and indirect indebtedness

As of June 30, 2022, the Company's contingent liabilities amounted to SEK 7 million. For a description of the contingent liabilities, please see "*Note 25 – Contingent liabilities and pledged assets*" on page F-79. As at June 30, 2022, the Company had indirect indebtedness of SEK 177 million in respect of ongoing investments.

Significant changes after June 30, 2022

Transfer of assets and liabilities between Alleima and Sandvik

As of June 30, 2022, intra-group borrowings from Sandvik to Alleima amounted to SEK 470 million. As of the first day of trading in the shares of Alleima on Nasdaq Stockholm, all loans from Sandvik to Alleima will be repaid with Alleima's existing financial means. For future financing needs, Alleima has access to bilateral bank facilities, a commercial paper program and a multicurrency revolving credit facility (see "*Operating and financial review–Credit facilities and loans*"). The repayment of outstanding loans to Sandvik will be reported as transactions with shareholders in Alleima's financial reporting.

Neither dividends nor capital contributions between the Group and Sandvik have been made after June 30, 2022.

After the listing of the shares in Alleima there will be no loans or derivatives outstanding between the Group and the remaining Sandvik Group.

For more information about transactions between Alleima and Sandvik, see "*Legal considerations and supplementary information–Related-party transactions*".

Financial exposure and risk management

For information on the Group's financial exposure and risk management, please see "*Note 26 – Financial risk management*" on page F-79 and onwards in "*Historical financial information*".

Board of Directors, Group Executive Management and auditor

Board of Directors

According to the Company's Articles of association, the Board of Directors shall be comprised of not less than three and not more than ten members, elected by the shareholders at the General Meeting. In addition and by law, employee organizations are entitled to appoint employee representatives. The Board of Directors currently comprises six members elected by the 2022 Annual General Meeting for a term of office extending until the end of the Annual General Meeting 2023 as well as two ordinary members and two deputies appointed by Swedish employee organizations.

Name	Position	Board member in Sandvik	Board member in Alleima since	Independent in relation to the Company and the Group Executive Management	Independent in relation to the Company's major share-holders	Audit Committee	Remuneration Committee	Shareholding in Sandvik[2)]	Entitled to number of shares in Alleima[3)]
Andreas Nordbrandt	Chairman	Yes	2021	Yes	Yes	–	Chairman	8,527	1,705
Göran Björkman	Member and President and CEO	–	2019	No	Yes	–	–	13,689	2,737
Claes Boustedt	Member	Yes	2021	Yes	Yes	Member	–	50,000	10,000
Kerstin Konradsson	Member	–	2022	Yes	Yes	–	Member	–	–
Susanne Pahlén Åklundh	Member	–	2022	Yes	Yes	Member	–	3,000	600
Karl Åberg	Member	–	2021	Yes	No	Chairman	–	–	–
Tomas Kärnström	Member[1)]	–	2021	–	–	–	–	2,889	577
Mikael Larsson	Member[1)]	–	2021	–	–	–	–	135	27
Maria Sundqvist	Deputy[1)]	–	2021	–	–	–	–	703	140
Niclas Widell	Deputy[1)]	–	2021	–	–	–	–	121	24

1) Employee representative.
2) Own holdings and holdings of related persons and affiliated companies under the assumption that the separation of Alleima from Sandvik was completed with record date on June 30, 2022, i.e., refers to the shareholding in Sandvik as per the said date (and known changes thereafter). The board members' respective shareholding in Alleima as per the first day of trading of the shares in Alleima, which is estimated to be August 31, 2022, may differ from the shareholding presented herein.
3) As of June 30, 2022, (and known changes thereafter) and based on the distribution ratio that every five (5) shares in Sandvik entitle to one (1) share in Alleima.

Andreas Nordbrandt

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

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

Principal activities outside of Alleima: Board assignments.

Current board assignments and similar: Member of the board of ENIG Sverige AB, GAJK AB, Kosa Sports AB, Mälarvillan AB, Markutvecklingsbolaget Örebro AB, Sandvik AB and Trenig AB. Member of the board and CEO of Solis-innet AB.

Previous board assignments and similar (past five years): Member of the board of Mobilaris MCE AB and Örebro Läns Flygplats AB. CEO of Mälarvillan AB.

Independent in relation to the Company and the Group Executive Management as well as the Company's major shareholders.

Göran Björkman

Born 1965. Board member since 2019 and President and CEO since 2017.

See *"Group Executive Management"* below.

Independent in relation to the Company's major shareholders, but not in relation to the Company and the Group Executive Management.

Claes Boustedt

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

Education and professional experience: Master of Science in Business and Economics from Stockholm School of Economics, Sweden. Head of Research at Öhman Fondkommission.

Principal activities outside of Alleima: President at L E Lundberg Kapitalförvaltning AB. Executive VP at L E Lundbergföretagen AB.

Current board assignments and similar: Member of the board of Byggnads AB S:t Erik, Byggnadsfirma Oscar H. Nord AB, Förvaltnings AB L E Lundberg, Förvaltnings AB Lunden, Hufvudstaden AB, L E Lundberg Kapitalförvaltning AB, Lunden Kapitalförvaltning AB and Sandvik AB. Deputy member of the board of Anna Boustedt AB and ASTRID AB.

Previous board assignments and similar (past five years): Member of the board of L E Lundberg AB and Östgöta Holding AB.

Independent in relation to the Company and the Group Executive Management as well as the Company's major shareholders.

Kerstin Konradsson

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

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

Principal activities outside of Alleima: Board assignments.

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

Previous board assignments and similar (past five years): Chairman of the board of Boliden Bergsöe AB, Boliden Harjavalta Oy, Boliden Kokkola Oy, Boliden Odda AS and Höghuset Ekonomi & Administration AB. Member of the board of Boliden Commercial AB, Boliden International AB, Boliden International Mining AB, Boliden Mineral AB, Bothnia Sea Chartering AB, Höganäs AB, Mineral Holding Sweden AB and SWERIM AB. CEO of Boliden Commercial AB, Boliden International AB, Boliden International Mining AB and Bothnia Sea Chartering AB.

Independent in relation to the Company and the Group Executive Management as well as the Company's major shareholders.

Susanne Pahlén Åklundh

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

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

Principal activities outside of Alleima: Board assignments.

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

Previous board assignments and similar (past five years): Member of the board of Trelleborg AB.

Independent in relation to the Company and the Group Executive Management as well as the Company's major shareholders.

Karl Åberg

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

Education and professional experience: Master of Science in Economics and Business Administration from Stockholm School of Economics, Sweden. Partner and co-founder at Zeres Capital Partners AB. Partner at CapMan Public Market Fund. Various positions within Handelsbanken Capital Markets.

Principal activities outside of Alleima: Head of Investments and Analysis and member of the management team at AB Industrivärden.

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

Previous board assignments and similar (past five years): –

Independent in relation to the Company and the Group Executive Management, but not in relation to the Company's major shareholders.

Tomas Kärnström

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

Education and professional experience: Upper secondary school education. Chairman of IF Metall, Sandvik Materials Technology.
Principal activities outside of Alleima: Board assignments.
Current board assignments and similar: Chairman of the board of Sandviken Energi AB, Sandviken Energi Elnät AB and Sandviken Energi Vatten AB. Member of the board of AB Sandvik Materials Technology, Sandvikens Hotell- och Restaurang AB and Sandvikens Folkets Husförening Ekonomisk förening. Deputy member of the board of Sandvik Utbildnings AB.
Previous board assignments and similar (past five years): Chairman of the board of Bångbro Kraft AB. Member of the board of Sandvik AB.

Mikael Larsson

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

Education and professional experience: Upper secondary school education. President of Unionen, Sandvik Materials Technology. Various positions within the Sandvik Group, including Inside Sales Manager and Key Account Manager.
Principal activities outside of Alleima: –
Current board assignments and similar: Member of the board of AB Sandvik Materials Technology.
Previous board assignments and similar (past five years): –

Maria Sundqvist

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

Education and professional experience: Master of Science in Materials Technology from Luleå University of Technology, Sweden. Various positions within the Sandvik Group, including Senior R&D Engineer and Project Manager.
Principal activities outside of Alleima: –
Current board assignments and similar: Deputy member of the board of AB Sandvik Materials Technology.
Previous board assignments and similar (past five years): –

Niclas Widell

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

Education and professional experience: Chairman of IF Metall, Kanthal AB. Industrial worker.
Principal activities outside of Alleima: –
Current board assignments and similar: Member of the board of Kanthal AB.
Previous board assignments and similar (past five years): Deputy member of the board of Mälarenergi Elnät AB.

Group Executive Management

Name	Position	Employed within Alleima since	Shareholding in Sandvik[2]	Entitled to number of shares in Alleima[3]
Göran Björkman	President and CEO	2017	19,655	3,931
Michael Andersson	President Tube Division	2002	19,108	3,821
Anders Björklund[1]	President Kanthal Division	2020 (also 2018–2019)	5,135	1,027
Claes Åkerblom	President Strip Division	2017 (also 2003–2008)	4,714	942
Olof Bengtsson	CFO	2019	4,681	936
Johanna Kreft	EVP & General Counsel	2015	2,191	438
Mikael Blazquez	EVP Strategy and Mergers & Acquisitions	2006	5,421	1,084
Ulrika Dunker	EVP & Head of Human Resources	2020 (also 2010–2011)	2,488	497
Tom Eriksson	EVP & Head of Strategic Research	2007	3,081	616
Elja Nordlöf	EVP & Head of Communications	2017	1,372	274

1) On July 6, 2022, Anders Björklund informed Alleima that he will resign as President Kanthal Division and that he will thereby leave his duties within the Group. The process of finding a replacement is ongoing and Anders Björklund will remain in his current position until such time as a replacement takes office, but no later than December 31, 2022.
2) Own holdings and holdings of related persons and affiliated companies under the assumption that the separation of Alleima from Sandvik was completed with record date on June 30, 2022, i.e., refers to the shareholding in Sandvik as per the said date (and known changes thereafter). Information on shareholding in Sandvik includes the shares that each member of the Group Executive Management will receive in August 2022 as part of an acceleration of Sandvik's long-term share-based incentive program (LTI 2021). The respective shareholding of the members of the Group Executive Management in Alleima as per the first day of trading of the shares in Alleima, which is estimated to be August 31, 2022, may differ from the shareholding presented herein.
3) As of June 30, 2022, (and known changes thereafter) and based on the distribution ratio that every five (5) shares in Sandvik entitle to one (1) share in Alleima.

Göran Björkman

Born 1965. President and CEO since 2017.

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

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

Previous board assignments and similar (past five years): Chairman of the board of Fagersta Stainless AB. Member of the board of I C Change AB, Oerlikon Balzers Coating Sweden AB and Seco Tools AB. CEO of Sandvik Materials Technology EMEA AB and AB Sandvik Materials Technology.

Michael Andersson

Born 1970. President Tube Division since 2013.

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

Current board assignments and similar: Various board assignments within the Group. Deputy member of the board of ÅVF konsult AB.

Previous board assignments and similar (past five years): –

Anders Björklund[1)]

Born 1970. President Kanthal Division since 2020.

Education and professional experience: Master of Science in Material Science from KTH Royal Institute of Technology, Sweden. Various assignments within the Sandvik Group, including CEO of Kanthal AB and President of the Strip division. VP Operations at Gunnebo Industrier AB. VP at Johnson Pump. Director Global Purchasing at Volvo Construction Equipment AB. Purchasing Manager at Telefon AB LM Ericsson. Quality Development at Atlas Copco Rock Drills AB.

Current board assignments and similar: Chairman of the board of Wire Sandviken AB. Member of the board of Hyttbäcken Invest AB and Kanthal AB.

Previous board assignments and similar (past five years): –

Claes Åkerblom

Born 1975. President Strip Division since 2019.

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

Current board assignments and similar: Member of the board of Sandvik Materials Technology StripTech AB.

Previous board assignments and similar (past five years): Chairman of the board of Sandvik Stål Försäljnings AB. Various board assignments within the Group. External CEO of Sandvik Materials Technology StripTech AB.

Olof Bengtsson

Born 1961. CFO since 2019.

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

Current board assignments and similar: Chairman of the board of Sandvik Stål Försäljnings AB. Member of the board of Havskräftan AB and Sandstranden i Falkenberg AB. Various board assignments within the Group. Deputy member of the board of Hans Bengtsson Fastighets AB, Havsvåg AB and Rörbecksgatan Fbg AB.

Previous board assignments and similar (past five years): Member of the board of Capio Group Services AB and Capio Psykiatri AB. Various board assignments within the Group. Deputy member of the board of Sandstranden i Falkenberg AB. CEO of Capio Group Services AB.

Johanna Kreft

Born 1976. EVP & General Counsel since 2015.

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

Current board assignments and similar: Various board assignments within the Group.

Previous board assignments and similar (past five years): Chairman of the board of Gusab Stainless AB. Member of the board of Sandvikens Brukspersonals Byggnadsförening u.p.a. Various board assignments within the Group. Deputy member of the board of Sandvik Stål Försäljnings AB.

Mikael Blazquez

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

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

Current board assignments and similar: Member of the board of Sandvik Materials Technology StripTech AB.

Previous board assignments and similar (past five years): –

1) On July 6, 2022, Anders Björklund informed Alleima that he will resign as President Kanthal Division and that he will thereby leave his duties within the Group. The process of finding a replacement is ongoing and Anders Björklund will remain in his current position until such time as a replacement takes office, but no later than December 31, 2022.

Ulrika Dunker
Born 1975. EVP & Head of Human Resources since 2020.
Education and professional experience: Bachelor's Degree in Education from University of Gävle, Sweden. Liquid Leader certificate from Hanken & SSE Executive Education. Various positions within the Sandvik Group, including VP and Head of HR at Sandvik Venture AB and Sandvik Construction AB. Executive VP Human Resources and EHS at Ramirent AB. HR Director at Kungliga Operan AB. HR Assistant at the Boston Consulting Group.
Current board assignments and similar: Member of the board of AB Sandvik Materials Technology. Deputy member of the board of Sandvik Utbildnings AB.
Previous board assignments and similar (past five years): Member of the board of Ramirent AB, Ramirent Internal Services AB, Ramirent AS, Ramirent S.A. and Ramirent Oy. Deputy member of the board of Bostadsrättsföreningen Borren 350.

Tom Eriksson
Born 1973. EVP & Head of Strategic Research since 2018.
Education and professional experience: Doctor of Philosophy in Materials Chemistry from Uppsala University, Sweden. Bachelor's Degree in Inorganic Chemistry from Uppsala University, Sweden. Various positions within Sandvik Materials Technology, including Head of Materials Design and Strategic Research Manager. Discovery Research Manager and Material Specialist at St. Jude Medical AB. Researcher at Lawrence Berkeley National Laboratory.
Current board assignments and similar: Member of the board of SWERIM AB.
Previous board assignments and similar (past five years): –

Elja Nordlöf
Born 1985. EVP & Head of Communications since 2018.
Education and professional experience: Master of Science in Media and Communication from University of Gävle, Sweden. Various positions within the Sandvik Group, including Corporate Communications Manager and Communications Specialist. Communications at the German-Swedish Chamber of Commerce. Customer Service Officer at Korsnäs AB.
Current board assignments and similar: Member of the board of Kanthal AB.
Previous board assignments and similar (past five years): –

Other information concerning the Board of Directors and the Group Executive Management

All members of the Board of Directors and the Group Executive Management can be reached through Alleima's address Storgatan 2, SE-811 81 Sandviken, Sweden.

There are no family relationships between any of the members of the Board of Directors and/or the Group Executive Management. No board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No official public incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board of Directors or the Group Executive Management. Nor, during the past five years, has any member of the Board of Directors or the Group Executive Management been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.

No member of the Board of Directors or the Group Executive Management has any private interests or other duties which might conflict with their duties carried out on behalf of Alleima. However, as stated above, Andreas Nordbrandt and Claes Boustedt are members of the board of both Sandvik and Alleima, and in the event of conflicting interest between the companies, they may be considered having a conflict of interest under the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). In addition, a number of the members of the Board of Directors and the Group Executive Management have a financial interest in Alleima through shareholdings.

Auditor

PricewaterhouseCoopers AB (Torsgatan 21, SE-113 97 Stockholm, Sweden) is Alleima's auditor since 2019. PricewaterhouseCoopers was elected at the Annual General Meeting 2022 for the period until the end of the Annual General Meeting 2023. Magnus Svensson Henryson, authorized public accountant and a member of FAR (the professional institute for authorized public accountants in Sweden), is auditor-in-charge since 2019.

Corporate governance

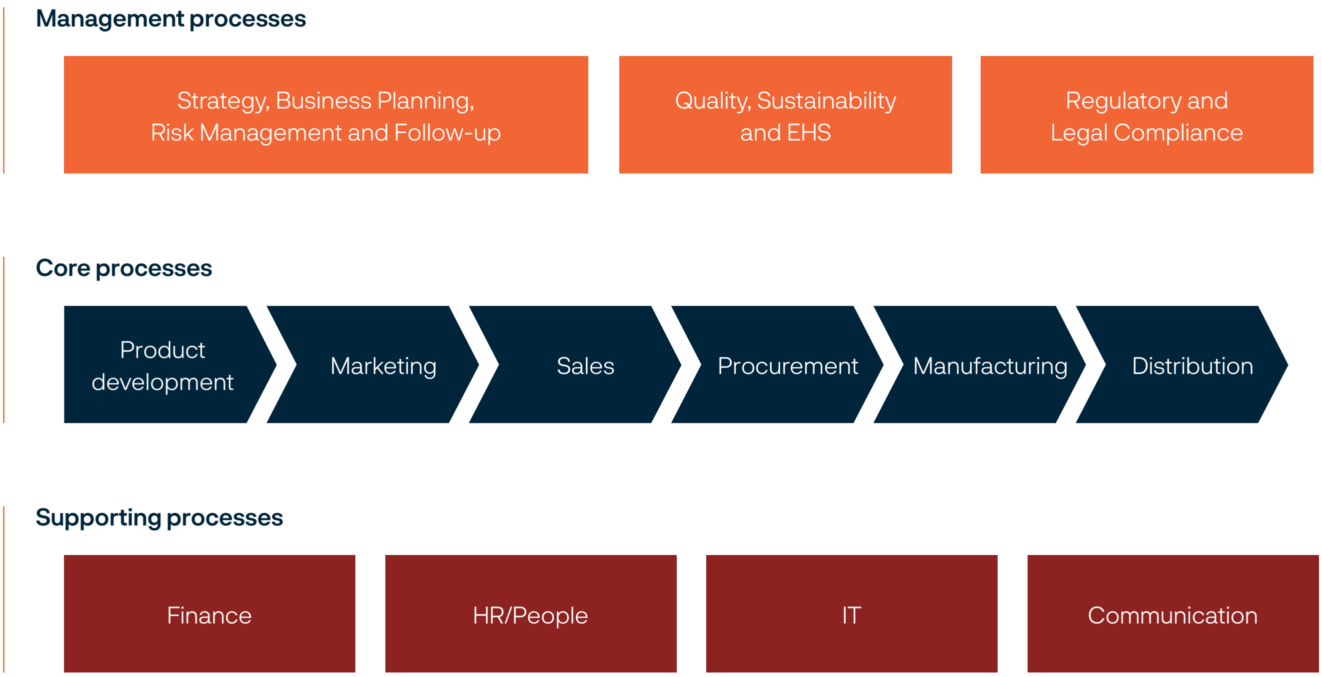
Corporate governance within Alleima

The governance of Alleima is based on the Swedish Companies Act, Nasdaq's Nordic Main Market Rulebook for Issuers of Shares and the Swedish Code of Corporate Governance (the "**Code**"), as well as other relevant Swedish and foreign laws and regulations. The Code is based on the "comply or explain" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation. Alleima will apply the Code without any deviation as from the listing on Nasdaq Stockholm.

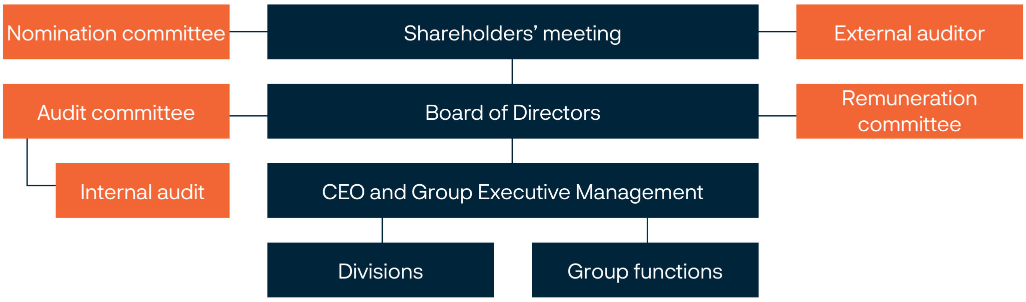
The Alleima Way

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

Alleima high-level process map



Corporate Governance Model



Ownership structure

As of June 30, 2022, Alleima's share capital amounted to SEK 250,877,184 represented by 250,877,184 shares. Upon distribution of the shares in Alleima to the shareholders of Sandvik and the subsequent listing of the Company's shares on Nasdaq Stockholm, the shareholder structure in Alleima will initially be identical to that of Sandvik, with the adjustment that five (5) shares in Sandvik equate one (1) share in Alleima. Sandvik had about 141,245 known shareholders as of June 30, 2022, and AB Industrivärden was the largest owner with about 13.6 percent of the share capital. About 41.7 percent of the total share capital was owned by investors outside of Sweden.

Shareholders' meetings

The General Meeting of shareholders is the highest decision-making body in Alleima. The Annual General Meetings of Alleima are being held annually before the end of June. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened when required. The General Meetings of Alleima can, according to the Articles of association, be held in Sandviken or Stockholm.

At the Annual General Meeting, the shareholders are given the possibility to exercise their voting rights in relation to, for example, confirmation of income statements and balance sheets, the disposition of the Company's profit or loss, discharge of liability for the members of the Board of Directors and the President and CEO, composition of the Nomination Committee, election of members of the Board of Directors (including the Chairman) and auditor, remuneration to the members of the Board of Directors and auditor, guidelines for remuneration to the President and CEO and other senior executives, and other matters stipulated in the Swedish Companies Act, the Articles of association, and, where applicable, the Code.

Right to attend General Meetings

All shareholders who are directly recorded in the Company's share register maintained by Euroclear Sweden six banking days prior to the General Meeting and who have notified the Company of their intention to participate in the General Meeting not later than the date indicated in the notice of the General Meeting, are entitled to attend the General Meeting and vote for the number of shares they hold.

In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the General Meeting. Shareholders should inform their nominees well in advance of the record date since voting registrations by nominees must be made no later than four banking days prior to the General Meeting to be taken into account.

Shareholders may attend Alleima's General Meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will normally be possible for shareholders to register for the General Meeting in several different ways, as indicated in the notice of the meeting.

Shareholder initiatives

Any shareholder of the Company who wishes to have a matter dealt with at a General Meeting must submit a written request to the Board of Directors to that effect. The request must have been received by the Company not later than seven weeks prior to the General Meeting or after such date, but in due time for the matter to be included in the notice of the General Meeting.

Nomination Committee

Under the Code, a company listed on Nasdaq Stockholm shall have a Nomination Committee, the purpose of which is to make proposals to the Annual General Meeting regarding electoral and remuneration issues and, where applicable, procedural issues for the nomination committee.

At the Extraordinary General Meeting held on February 14, 2022, the current instruction for Alleima's Nomination Committee was adopted to apply until the General Meeting resolves to adopt a new instruction. According to the current instruction, Alleima's Nomination Committee shall prepare proposals for the Chairman of the General Meeting, the number of members of the Board of

Directors, remuneration to each of the members of the Board of Directors, the composition of the Board of Directors and the board members to be proposed to be elected, the Chairman of the Board of Directors, where applicable, remuneration to the auditor and election of auditor, and, to the extent deemed necessary, proposal regarding amendments to the instruction.

The Nomination Committee shall be comprised of members appointed by each of the four largest shareholders in terms of votes and the Chairman of the Board of Directors (convener). The Nomination Committee has, in addition, the possibility to call in one co-opted member to the Nomination Committee from the board members if required. At the formation of the Nomination Committee, the shareholding in the Company, based on information from Euroclear Sweden on the last banking day of August and other reliable shareholder information which has been provided to the Company at such time, is to determine the largest shareholders in terms of votes. When determining which the four largest shareholders are in terms of votes a group of shareholders shall be considered as one owner if (i) they have been organized as a group in the Euroclear system or (ii) have made public and notified the Company that they have made a written agreement to take – through the coordinated exercise of voting rights – a common long-term view on the management of the Company. The composition of the Nomination Committee is to be announced as soon as it is appointed. The Chairman of the Nomination Committee is to be the member appointed by the largest shareholder in terms of votes. The mandate period of the Nomination Committee is until the composition of the next Nomination Committee is completed.

In the event that a member leaves the Nomination Committee prior to the work of the Committee having been completed, a new member appointed by the same shareholder may replace the leaving member, if deemed necessary by the Nomination Committee.

In the event that a shareholder that has appointed a member to the Nomination Committee significantly has reduced its holding of shares in the Company, the member in question may resign and, if deemed appropriate by the Nomination Committee, the shareholder next in line in terms of size may be provided an opportunity to appoint a new member. If the shareholding in the Company is otherwise significantly changed before the Nomination Committee's work has been completed, a change in the composition of the Nomination Committee may take place, in such way that the Nomination Committee deems appropriate.

The Company is to be able to pay reasonable costs connected to the work of the Nomination Committee. The Committee is not to receive any fees.

Board of Directors

The Board of Directors has the overall responsibility for Alleima's organization and administration.

Composition and independence

The Board of Directors of Alleima is comprised of six members without deputies, who are elected by the Annual General Meeting, and two ordinary members with two deputies, who are appointed by the Swedish employee organizations in accordance with Swedish labor law.

The Annual General Meeting elects the Chairman of the Board as well as the other members of the Board. Directly after the Annual General Meeting, the Board of Directors holds a meeting for formal constitution at which the members of the committees of the Board of Directors are elected, among other things. The Chairman of the Board of Alleima is Andreas Nordbrandt. Of all current members of the Board of Directors, only Göran Björkman is employed by the Company and member of the Group Executive Management.

According to the Code, a majority of the members of the Board of Directors appointed by the General Meeting must be independent in relation to the Company and the Group Executive Management. This does not apply for any employee representatives. To determine whether a member of the Board of Directors is independent, all circumstances should be considered that may put into question the independence of a member of the Board of Directors in relation to the Company or the Group Executive Management, for instance if the member of the Board of Directors was recently employed by the Company or an affiliated company. No more than one member of the Board of Directors elected by the General Meeting may be a member of the Group Executive Management of the Company or a subsidiary. At least two of the members of the Board of Directors that are independent in relation to the Company and the Group Executive Management must also be independent in relation to the major shareholders of the Company. To evaluate a board member's independence, the extent of the board member's direct or indirect relation to the larger shareholders should be taken into consideration. A major shareholder, according to the Code, is a shareholder that directly or indirectly controls 10 percent or more of the shares or votes in the Company.

The Board of Directors is considered to be in compliance with relevant requirements for independence. All members of the Board of Directors, save for Karl Åberg and Göran Björkman, have been considered independent. Karl Åberg has been considered independent in relation to the Company and the Group Executive Management, but not in relation to major shareholders of Alleima. Göran Björkman has been considered independent in relation to major shareholders of Alleima, but not in relation to the Company and the Group Executive Management.

Board Committees

According to the Swedish Companies Act and the Code, the Board of Directors shall institute an audit committee and a remuneration committee. The Company has established an Audit Committee and a Remuneration Committee. A majority of each Committee's members are independent in relation to the Company and the Group Executive Management. For the Audit Committee, at least one of the members who is independent in relation to the Company and the Group Executive Management is also to be independent in relation to the Company's major shareholders.

The major tasks of these committees are preparatory and advisory, but the Board of Directors may delegate decision-making powers on specific issues to the committees. The issues considered at committee meetings shall be recorded in minutes of the meetings and continuously reported to the Board of Directors. The members and Chairmen of the committees are appointed at the statutory meeting of the Board of Directors following election of members of the Board of Directors.

Audit Committee

The main tasks of the Audit Committee are to oversee the process of Alleima's financial reporting and internal control in order to secure the quality of the Group's external reporting. The Audit Committee is also tasked with overseeing the Group's compliance program, policy portfolio, sustainability reporting and supporting the Nomination Committee with proposals when electing external auditors. The Audit Committee currently consists of the following three members of the Board of Directors: Karl Åberg (Chairman), Claes Boustedt and Susanne Pahlén Åklundh. The external auditor report to the Committee at each ordinary meeting.

Remuneration Committee

One of the Remuneration Committee's primary tasks is to propose guidelines for the remuneration to the members of the Group Executive Management. The Committee also proposes changes in remuneration to the President and CEO for resolution by the Board of Directors, and reviews and resolves on changes in remuneration to other members of the Group Executive Management on proposal by the President and CEO. The Committee currently consists of the following two members of the Board of Directors: Andreas Nordbrandt (Chairman) and Kerstin Konradsson. At least two meetings are held annually and additional meetings are convened as needed.

Compensation to the Board of Directors

The Annual General Meeting determines the compensation to the Board of Directors for a period of one year until the end of the next Annual General Meeting. The compensation is distributed between the Chairman, other members of the Board of Directors and remuneration for committee work. No compensation is paid to the President and CEO and the employee representatives.

The Annual General Meeting 2022 resolved that the board fees for the period until the end of the Annual General Meeting 2023 should be SEK 1,350,000 to the Chairman of the Board of Directors and SEK 470,000 to each other member of the Board of Directors elected by the General Meeting. In addition, it was resolved that a fee of SEK 200,000 shall be paid to the Chairman of the Audit Committee and that a fee of SEK 100,000 shall be paid to each of the other committee members, while a fee of SEK 100,000 shall be paid to the Chairman of the Remuneration Committee and that a fee of SEK 70,000 shall be paid to each of the other committee members.

In addition, it was resolved on an Extraordinary General Meeting held on February 14, 2022, that fees shall be paid for the period from the election of each member of the Board of Directors in 2021 or 2022 until the Annual General Meeting 2022. The table below shows the retroactive board and committee fees from the election of each member of the Board of Directors until the Annual General Meeting 2022.

SEK	Function	Ordinary compensation	Compensation for committee work	Total compensation
Andreas Nordbrandt	Chairman	628,767	17,808	646,575
Claes Boustedt	Member	218,905	29,589	248,494
Kerstin Konradsson	Member	117,178	12,466	129,644
Susanne Pahlén Åklundh	Member	66,959	0	66,959
Karl Åberg	Member	218,904	59,178	278,082
Total compensation		**1,250,713**	**119,041**	**1,369,754**

The President and CEO and the Group Executive Management

The Group Executive Management currently includes the President and CEO and nine other members. The President and CEO is appointed by, and receives instructions from, the Board of Directors. The President and CEO, in turn, appoints other members of the Group Executive Management and is responsible for the ongoing management of the Group in accordance with the Board of Directors' guidelines and instructions. The Group Executive Management holds monthly meetings to review the previous month's results and to discuss strategic issues. The Group strategy is reviewed annually at a dedicated meeting. Key strategic initiatives are reviewed and followed up on in separate monthly meetings, including participants from the division management teams.

Remuneration guidelines

Alleima's current guidelines for remuneration of senior executives were adopted by an Extraordinary General Meeting held on May 9, 2022, and sets out the principles for remuneration of Alleima's Group Executive Management. The remuneration 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 salaries, variable remuneration, pension benefits and other benefits.

- Fixed salaries shall be competitive to attract and retain senior executives with the right competence for the respective positions. The salary level should be determined by comparing the salary to similarly complex positions within a defined peer group.
- Variable remuneration may include both short-term and long-term incentive programs and shall represent a significant portion of the total compensation of the Group Executive Management. Variable remuneration shall always be measured against pre-defined targets, designed to further the Group's long-term value creation, and pay-out shall be maximized to a pre-defined level.

  Variable share related remuneration
  Alleima may offer long-term share related or share price related remuneration. Such incentive programs are adopted by the General Meeting. The vesting period or the period from the commencement of a program to the date of acquisition of shares is to be no less than three years.

  Variable cash remuneration
  Alleima may offer short or long-term variable cash remuneration. The fulfillment of objectives for awarding such remuneration shall be measured over a period of one to three years. Such remuneration may not amount to more than 75 percent of the fixed annual salary per year. Variable cash remuneration shall be conditional upon the fulfillment of defined and measurable criteria. These criteria 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 Board of Directors and the Remuneration Committee shall establish the criteria. The criteria may be financial or non-financial, but shall always be related to business performance.
- Pension and benefits. For the President, the pension benefit shall be a defined contribution pension benefit and the pension premiums (including both defined benefit and defined contribution parts) shall not amount to more than 37.5 percent of the fixed annual salary. For other senior executives, pension benefits shall be defined contribution, unless they are covered by a mandatory collective defined benefit pension plan. The pension premiums shall not amount to more than 55 percent of the fixed annual salary. Exceptions to these main principles may be made, provided that the cost of such alternative schemes does not exceed the above mentioned cap. For senior executives located outside of Sweden, deviations may also be made if required by local law or established market practice. Other benefits may include, for example, life insurance, medical insurance and a company car benefit.

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. The Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters. This includes any resolutions to derogate from the guidelines.

Compensation to the members of the Group Executive Management

Remuneration to the members of the Group Executive Management consists of fixed salary, variable remuneration, pension and other benefits. In 2022, the Group Executive management will be offered three types of variable remuneration. First, the Group Executive Management's remuneration includes a short-term variable remuneration where the payment requires fulfillment of set financial targets regarding profitability, cash flow and growth, and is maximized to a highest possible proportion of the Group Executive Management member's fixed annual salary (40-70 percent). In 2022, no long-term share related or share price related incentive program can be implemented. Second, the Company has adopted a long-term cash-based incentive program that runs during

2022 as no long-term share related or share price related incentive program can be implemented in 2022. Payment within the incentive program is conditional on continued employment in Alleima for a three-year period until the end of 2024, after which any payment is made. The payment is conditional on the Group achieving a defined profitability target in 2022 and is limited to a maximum of 75 percent of the fixed annual salary for the President and CEO and 60 percent of the fixed annual salary for other members of the Group Executive Management. Third, the Company has decided to compensate the Group Executive Management and other program participants for loss of granted shares in Sandvik's long-term share-based incentive program for 2021. Sandvik's program is a three-year program where the program's outcome is determined after the end of the program's introductory year and where granted shares are awarded participants after the three-year period. With the separation of Alleima from the Sandvik Group, a large number of the shares in the program will lapse for persons who are employed by Alleima. The Company has therefore decided to compensate the participants with a cash amount corresponding to the value of the shares lapsed. Payment of the amount will take place in 2024, when the Sandvik program would have ended, provided that the participants are still employed by Alleima.

Remuneration to the President and CEO as well as the other members of the Group Executive Management in 2021 are presented by the table below.

SEK	Fixed salary	Annual variable salary[3]	Other benefits[4]	Long-term variable salary[5]	Pension costs[6]	Total
President and CEO	4,697,000[2]	2,296,544	80,864	1,197,437	1,714,449	9,986,294
Other members of the Group Executive Management[1]	17,909,122	5,755,829	659,479	3,425,379	5,821,542	33,551,633
Total	**22,606,122**	**8,052,373**	**740,343**	**4,622,816**	**7,535,991**	**43,537,927**

1) Nine persons in 2021.
2) Göran Björkman's fixed salary in 2021 amounted to SEK 4,620,000, the remaining amount relates to holiday pay, etc.
3) Amounts related to 2021 and scheduled to be paid in 2022.
4) Refers mainly to salary benefits and company car.
5) The amounts refer to changes in the cost allocation for the 2019, 2020, and 2021 long-term incentive programs for the members of the Group Executive Management at the end of the year.
6) Total provisions or accrued amounts for pensions and similar benefits after resigning from service to the current Group Executive Management amounted to SEK 8.3 million as of December 31, 2021.

For additional information, see "*Note 3 – Personnel information and remuneration of management*" on page F-55 in "*Historical financial information*".

Notice period and severance payment

Severance pay may be paid when employment is terminated by Alleima. The President and CEO and the other members of the Group Executive Management may have a period of notice of up to 12 months, in combination with severance pay corresponding to 6–12 months' fixed salary. When employment is terminated by the member of the Group Executive Management, the notice period may not exceed six months and no severance pay shall be paid. In case a member of the Group Executive Management is not entitled to severance pay, but is subject to a non-compete undertaking, the executive may instead be compensated for such a non-compete undertaking. Any remuneration paid as compensation for a non-compete undertaking shall not exceed 60 percent of the fixed salary at the time of notice of termination of the employment and shall not be paid for a longer period than 18 months. Fixed salary during the notice period together with any compensation for the non-compete undertaking shall not exceed an amount equivalent to the executive's fixed salary for 24 months.

Divisions

Alleima conducts its business operations through its three divisions: the Tube division, the Kanthal division and the Strip division. The divisions are accountable for their financial results, strategy execution and compliance with the Group's policy portfolio. Each division is headed by its Division President, supported by a management team, comprising the heads of each division's business units (sales and production units) as well as the heads of its staff functions.

Group functions

Alleima has six Group functions at Group level responsible for policy design and oversight within their respective area of expertise: Finance, Legal, HR, Communications, Strategy and M&A, and Strategic Research. Each Group function is headed by the function head, each a member of the Group Executive Management, often supported by a management team consisting of key members of the function head's staff.

External auditor

The Annual General Meeting in 2022 elected PricewaterhouseCoopers AB as the Group's external auditors for the period until the end of the Annual General Meeting 2023. PricewaterhouseCoopers AB provides an audit opinion regarding Alleima, the financial statements of its subsidiaries, the consolidated financial statements for the Group and the administration of Alleima. The auditors also conduct a review of the report for the third quarter.

The audit of the consolidated financial statements is conducted in accordance with the International Standards on Auditing (ISA). Legal entities outside of Sweden is audited as required by law or applicable regulations in the respective countries.

Internal control over financial reporting

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

Risk assessment and risk management

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

Control activities

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

Information and communication

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

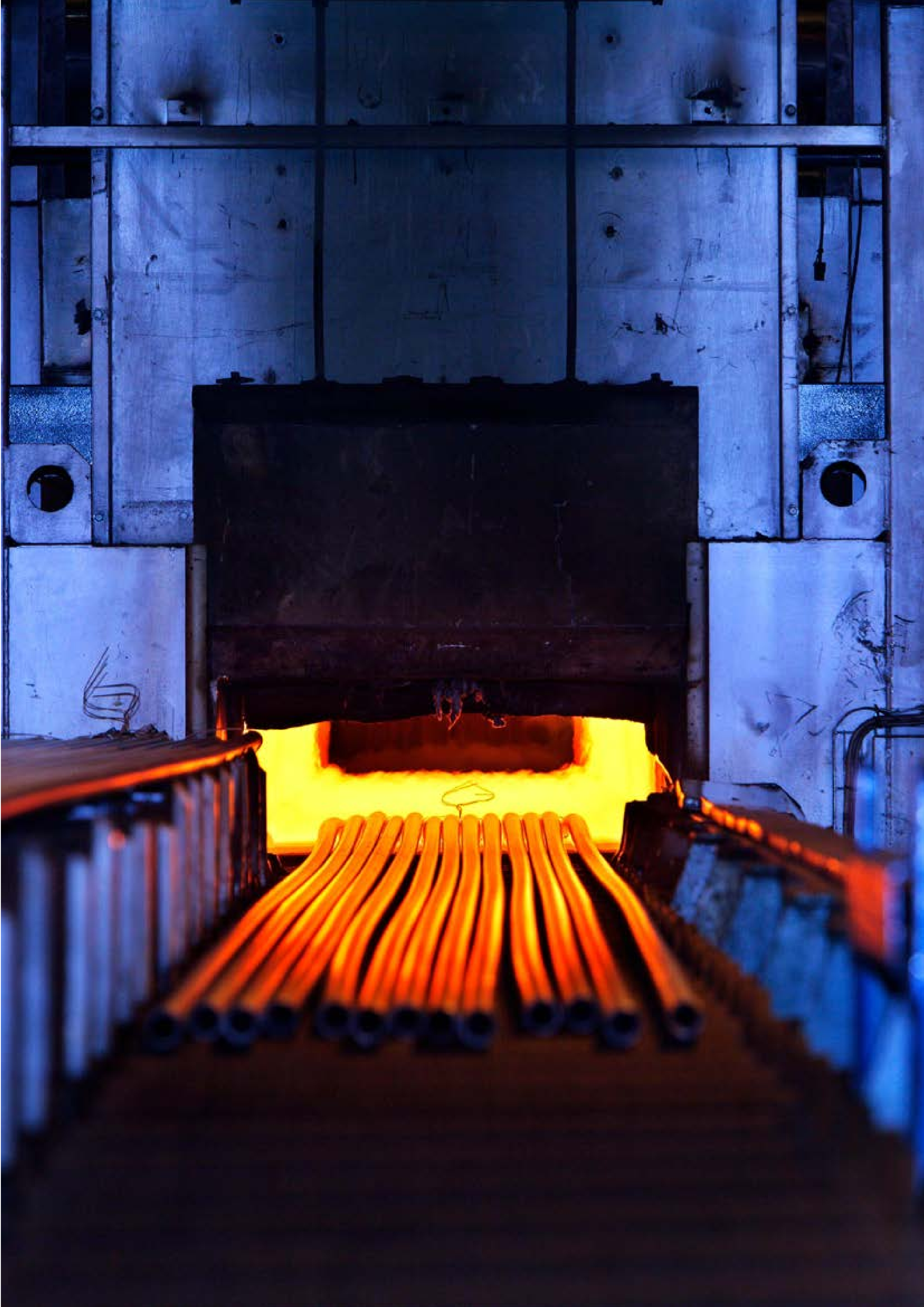
Monitoring and follow-up

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

Internal audit

The Group internal audit is an independent and objective assurance function with the purpose of ensuring that Alleima's operating model is designed and operating effectively. The function assists Alleima in accomplishing its strategic objectives by bringing a systematic, disciplined and risk based approach to evaluate and contribute to the effectiveness of Alleima's governance, risk management and internal controls. Moreover, the Group internal audit adds value to Alleima's operations by providing recommendations for possible improvements.

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



Share capital and ownership structure

Share information

According to Alleima's Articles of association, the share capital shall be not less than SEK 200,000,000 and not more than SEK 800,000,000, divided into not less than 200,000,000 shares and not more than 800,000,000 shares. As of June 30, 2022, and as of the date of this prospectus, the Company's registered share capital is SEK 250,877,184, represented by 250,877,184 shares, each with a quota value of SEK 1. For information regarding changes in the Company's share capital, see "*Share capital development*" below.

The shares in Alleima have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The shares are not subject to any restrictions on transferability. The rights of the shareholders may only be changed pursuant to the procedures set out in the Swedish Companies Act or the Articles of association.

Certain rights attached to the shares

General Meetings

Notice of General Meetings shall be published in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet and in a daily newspaper published in Sandviken or Gävle. To be entitled to participate in a General Meeting, the shareholder must be registered in the share register six banking days prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Voting rights

Each share in Alleima carries one vote at a General Meeting. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers. See "*Corporate governance–General Meeting*" for further information about the General Meetings in Alleima.

Preferential rights to new shares, etc.

Should the Company decide to issue new shares by way of a cash issue or a set-off issue, the holders of shares shall have the priority right to subscribe for new shares in proportion to their existing shareholdings (primary preferential right). Shares not subscribed for by primary preferential right shall be offered to all shareholders (subsidiary preferential right). If the number of shares available for subscription is insufficient for the subscription made under subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to their previous shareholdings and, if this is not possible, by the drawing of lots.

Should the Company decide to issue warrants or convertible bonds by way of a cash issue or a set-off issue, all shareholders shall have preferential right to subscribe for such warrants or convertible bonds.

The above does not constitute any restriction in the possibility to resolve on a cash issue or a set-off issue deviating from the shareholders' preferential rights.

If the share capital is increased by way of a bonus issue, new shares shall be issued in proportion to the previous number of shares. Previous shares shall thereby entitle the holder to receive new shares. This shall not constitute any restriction in the possibility to issue new shares by way of a bonus issue, following the necessary amendments to the Articles of association.

Dilution as a consequence of any share capital increases

Any share capital increases, including through directed issues, will result in a diluted ownership for shareholders who, for whatever reason, are not entitled to or cannot participate in such an issue. Any such share capital increases dilute the stakes in Alleima's share capital and voting rights held by existing shareholders at that time.

Rights to dividends and surplus in the event of liquidation

All shares in Alleima carry the same right to share in the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear Sweden. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations; and (ii) the Company's and the Group's consolidation needs, liquidity and position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to Alleima. Neither the Swedish Companies Act nor Alleima's Articles of association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders who are not tax resident in Sweden are normally subject to Swedish withholding tax. See "*Tax considerations*" for additional information.

Dividend history

No dividend has been paid to Sandvik by Alleima during the financial years 2019–2021.

For information on Alleima's dividend policy, please refer to "*Business description–Financial targets and dividend policy*".

Information on taxation

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Alleima.

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special rules apply to certain categories of tax payers and certain types of investment forms. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign tax rules and tax treaties. See also "*Tax considerations*".

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[1)]	49,000	–	50,000	50,000	1
2022	Directed share issue[1)]	250,827,184	250,827,184	250,877,184	250,877,184	1

1) On March 7, 2022, an Extraordinary General Meeting resolved on a share split and a directed share issue. The purpose of the share split and the directed share issue was to increase the share capital as well as the number of shares in Alleima to reflect the share capital structure of Sandvik (on the basis that five (5) shares in Sandvik entitle to one (1) share in Alleima) ahead of the separation of Alleima from Sandvik.

Ownership structure

As of the date of this prospectus, Alleima is a wholly-owned subsidiary of Sandvik. The ownership structure in Alleima will initially be identical to that of Sandvik on the record date for proposed distribution, with the adjustment that five (5) shares in Sandvik equate one (1) share in Alleima. The table below shows Alleima's ten largest shareholders, under the assumption that the distribution of shares in Alleima had been completed with June 30, 2022, as record date (with known changes thereafter) and with the adjustment that five (5) shares in Sandvik entitle to one (1) share in Alleima. As of that date, Sandvik had about 141,245 known shareholders.

Holder/nominee/custodian	Total number of shares	Shares and votes, %*)
AB Industrivärden	34,240,000	13.6
Alecta Pensionsförsäkring	11,395,236	4.5
Swedbank Robur Fonder	9,202,148	3.7
BlackRock	7,220,845	2.9
Lundbergföretagen AB	6,900,000	2.8
Vanguard	6,812,184	2.7
SEB Fonder	4,949,836	2.0
Columbia Threadneedle	3,802,868	1.5
Handelsbanken Fonder	3,693,191	1.5
Fidelity International (FIL)	3,614,429	1.4
Ten largest shareholders, total	**91,830,737**	**36.6**
Other shareholders	*159,046,447*	*63.4*
Total	**250,877,184**	**100.0**

Source: Modular Finance.

*) All shares in Alleima entitle to one vote at the General Meeting, which entails that there are no shares with different voting rights.

In Sweden, the lowest limit for disclosure of holdings (Sw. *flaggning*) is five percent of all shares or the voting rights of all shares.

Listing application

The Board of Directors of Alleima has applied for the listing of the Company's shares on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on August 2, 2022, to approve Alleima's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be August 31, 2022.

Central securities depository

The Company's shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (Sw. *lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). The register is operated by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for the shares is SE0017615644.

Shareholders' agreements, etc.

To the Board of Directors' knowledge, there are no shareholders' agreement or other agreements between shareholders in the Company intended to exercise joint control of the Company. Nor is the Board of Directors aware of any agreements which may result in a change to the control of the Company.

Information about public takeover bids and redemption of minority shares

Under the Swedish Stock Market (Takeover Bids) Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*), any person who does not hold any shares, or hold shares representing less than 30 percent of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market, and who through the acquisition of shares in such a company, alone or together with a closely related party, holds shares representing 30 percent or more of the voting rights, is obliged to immediately disclose the size of its holding in the company and, within four weeks thereafter, make an offer to acquire the remaining shares in the company (mandatory bid requirement).

A shareholder who directly, or through a subsidiary, holds more than 90 percent of the shares in a Swedish limited liability company is entitled to redeem the remaining shares in the company. Holders of the remaining shares are, correspondingly, entitled to have their shares redeemed by the majority shareholder. The procedure for such redemption of minority shares is regulated in the Swedish Companies Act.

Legal considerations and supplementary information

General corporate and group information

The legal name of the Company (and its commercial name) is Alleima AB (publ). Alleima's Swedish corporate ID No. is 559224-1433 and the registered office of the Board of Directors is situated in Sandviken, Sweden. The Company was incorporated in Sweden on October 7, 2019, and registered with the Swedish Companies Registration Office on October 28, 2019. The founder was Sandvik. The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) governed by the Swedish Companies Act. Alleima's LEI code is 529900EBHTYGLA6PGP77. The address to Alleima's website is www.alleima.com. The information on the website is not a part of this prospectus.

According to section 3 in the Articles of association, the object of the Company's business is (i) development, manufacturing, marketing and sale of steel and other metal and metal alloy products (including metal powder based products and metal powder), ceramic products, coatings and coating products and products for electric heating; (ii) development, marketing and sale of services related to such products or to development of and use of such products; (iii) possession of intellectual property rights and granting of various forms of licenses; (iv) ownership and management of properties and shares in subsidiaries and (v) other related activities.

Group structure and subsidiaries

Alleima is the ultimate parent company of the Group, which comprises approximately 45 legal entities in approximately 24 countries. The table below shows the most significant Group companies. Alleima has no holding in any associated company of significant importance for Alleima's financial position and results of operations. The companies in the table below whose name include "Sandvik" will change name to "Alleima".

Subsidiary	Country	Shares and voting rights, %
Alleima do Brasil Indústria e Comércio Ltda.	Brazil	100
Sandvik International Trading (Shanghai) Co., Ltd.	China	100
Sandvik Materials Technology (China) Co., Ltd.	China	100
Sandvik Chomutov Precision Tubes Spol. S.r.o.	Czech Republic	100
Sandvik Materials Technology France S.A.S.	France	100
Gerling Metallverarbeitung GmbH	Germany	100
Kanthal Germany GmbH	Germany	100
Sandvik Materials Technology Deutschland GmbH	Germany	100
Sandvik Materials Technology India Private Limited	India	100
Alleima Calimer S.R.L	Italy	100
Alleima Italia S.R.L.	Italy	100
Sandvik Materials Technology Japan KK	Japan	100
Sandvik Malaysia Sdn Bhd	Malaysia	100
Alleima Benelux B.V.	Netherlands	100
Sandvik Materials Technology Singapore Pte. Ltd.	Singapore	100
Sandvik Materials Technology Korea Co., Ltd.	South Korea	100
AB Sandvik Materials Technology (under name change to Alleima Tube AB)	Sweden	100
Alleima Treasury AB (publ)	Sweden	100
Kanthal AB	Sweden	100
Sandvik Materials Technology EMEA AB (under name change to Alleima EMEA AB)	Sweden	100
Sandvik Materials Technology Rock Drill Steel AB (under name change to Alleima Rock Drill Steel AB)	Sweden	90

Subsidiary	Country	Shares and voting rights, %
Sandvik Materials Technology StripTech AB (under name change to Alleima StripTech AB)	Sweden	100
Accuratech AG	Switzerland	100
Galvarex AG	Switzerland	100
Polyfil AG	Switzerland	100
Sandvik Materials Technology Santrade AG	Switzerland	100
Sandvik Materials Technology UK Ltd.	The United Kingdom	100
Kanthal Corp.	The United States	100
Pennsylvania Extruded Tube Co.	The United States	100
Sandvik Materials Technology LLC	The United States	100
Sandvik Special Metals LLC	The United States	100
Sandvik Thermal Process, Inc.	The United States	100
Alleima Precision Tube LLC	The United States	100
Thermaltek LLC (merged into Kanthal Thermal Process, Inc. as of July 1, 2022)	The United States	100

The spin-off from Sandvik

Background

During 2019-2022, Sandvik has undergone an intra-group restructuring in order to separate the business area Sandvik Materials Technology from the Sandvik Group and create a new group for the business area under the name Alleima. The separation has been effectuated by a series of corporate restructuring transactions where the entities, assets, employees, liabilities and operations have been transferred and consolidated in Alleima by way of share transfers, asset transfers, incorporations of new legal entities, demergers, corporate splits, dividend distributions, shareholder contributions and other similar measures.

In addition to the agreements described below, certain additional agreements have been entered into, or will be entered into prior to the date of distribution of the shares in Alleima, between the Group and the remaining Sandvik Group as part of the separation of Alleima from Sandvik and for purposes of ensuring that the Group and the remaining Sandvik Group can operate separately and in all material respects independently from each other (for example lease agreements, facility management agreements, IT agreements, license agreements and supply agreements)

The decision to separate Alleima from the Sandvik Group through a distribution to the shareholders of Sandvik was adopted by the Annual General Meeting of Sandvik held on April 27, 2022. For further information regarding the distribution of Alleima, see "*Information regarding the distribution of Alleima*".

Master Separation Agreement

Alleima and Sandvik have entered into a master separation agreement (the "**Master Separation Agreement**"), which governs and sets out the general separation principles as well as the overall allocation of liability between the Group and the Sandvik Group. In the Master Separation Agreement, Alleima and Sandvik acknowledge and agree that all separation measures and transfers have been carried out on an "as is" basis (Sw. *befintligt skick*) and that neither party or their respective affiliates give any representations or warranties in relation to such measures or transfers. Further, pursuant to the Master Separation Agreement, Alleima shall, as a general rule, indemnify and hold Sandvik harmless from any liability or loss caused by or relating to any past or present business of the Sandvik Materials Technology business area. Correspondingly, Sandvik shall, as a general rule, indemnify and hold Alleima harmless from any liability or loss caused by or relating to the remaining Sandvik business or certain other residual business conducted by Alleima historically. In relation to tax liabilities, there is a deviation from the foregoing described general principle, whereby the party formally responsible for the payment of tax relating to a tax issue shall be responsible (instead of applying the described indemnities). However, in the event and to the extent such tax issue arises as a consequence of any consolidated tax group or similar arrangement, the party to which such tax issue relates shall, as between Alleima and Sandvik, be responsible for such tax liabilities. The Master Separation Agreement becomes effective on the date of the distribution of the shares in Alleima to the shareholders of Sandvik, and will remain in force during a perpetual period of time, and neither party has a right to terminate the Master Separation Agreement.

Partnership agreement with Sandvik concerning rock drill steel products

Alleima and Sandvik have entered into a partnership regarding the supply of rock drill steel products ("**RDS Products**") to Sandvik. The production and sale of RDS Products is a business unit (the "**RDS Business**") that forms part of Alleima's business, with sales to several customers in the rock drilling steel market. In 2021, the

RDS Business accounted for eight percent of Alleima's revenues. Sandvik Mining and Rock Solutions ("**SMR**"), which is a business area within the remaining Sandvik Group, relies on the continued supply of RDS Products to secure its own production output. The RDS Business is conducted through Sandvik Materials Technology Rock Drill Steel AB (under name change to Alleima Rock Drill Steel AB) ("**RDSCo**"). The sale and delivery of RDS Products to SMR is governed by a supply agreement entered into on market terms between RDSCo and Sandvik Mining and Construction Tools AB. At the first day of trading in Alleima's shares on Nasdaq Stockholm, ten percent of the shares of RDSCo will be owned by Sandvik and the remaining shares will be owned by Alleima's wholly-owned subsidiary Sandvik Materials Technology EMEA AB ("**Alleima EMEA**"). The shares in RDSCo held by Sandvik are of a separate class and will not carry any right to dividend distributions. The joint ownership of RDSCo is governed by a shareholders' agreement entered into between Sandvik and Alleima EMEA. Alleima EMEA controls the RDS Business, but under the terms of the shareholders' agreement, Sandvik is, in addition to customary minority rights, afforded protective rights aimed at securing the long term delivery of RDS Products to Sandvik at certain quality levels agreed between RDSCo and Sandvik in the supply agreement.

The protective rights include certain veto rights in relation to board and shareholder resolutions, on matters that could impact RDSCo's viability to operate the RDS Business as a going concern, to take on additional business activities, or otherwise put the delivery of RDS Products to SMR at risk, such as a close-down or relocation of the RDS Business or its processes related to R&D, transfers, encumbrances or exclusive licensing of material assets/intellectual property from RDSCo, changes to RDSCo's articles of association and the issuance of shares to third parties. The potential exercise of such veto rights may limit or delay Alleima's opportunities to optimize RDSCo's production and costs as well as to fully explore its growth opportunities. A veto right in relation to a veto right matter will lapse with respect to a specific topic between 18 months and three years after it was first duly blocked by Sandvik at the relevant board or shareholders' meeting. Substantive protective rights afforded Sandvik are subject to Sandvik, with certain exceptions, continuing to purchase at least 60 percent of the Sandvik Group's annual aggregated need of hollow bar products from RDSCo under the RDSCo supply agreement.

The protective rights also include a call option entailing a right for Sandvik to acquire Alleima EMEA's shares in RDSCo in the event that, for example, RDSCo terminates the supply agreement with the Sandvik Group without cause or commits a material breach of the supply agreement, or in the event that a direct or indirect "change of control" occurs with respect to Alleima EMEA (i.e. if Alleima ceases to be able to, directly or indirectly, direct or control the management or policies of Alleima EMEA or in the event that a private or corporate person, who is not already a current major shareholder, as defined in the shareholders' agreement, at the time of the first day of trading in Alleima's shares on Nasdaq Stockholm gains control of at least 30 percent of the voting rights in Alleima). In the event that Sandvik were to acquire Alleima EMEA's shares in RDSCo pursuant to the call option in the shareholders' agreement, Alleima EMEA is, with certain exceptions, entitled to receive the fair market value of the shares held in RDSCo. Alleima has a right acquire all of Sandvik's shares in RDSCo at quota value in the event that Sandvik, with certain exceptions, purchases less than 51 percent of the Sandvik Group's annual aggregated need of hollow bar products. The shareholders' agreement includes certain transfer restrictions which, *inter alia*, entails that Alleima may not sell its shares without Sandvik's consent during a three year period following the first day of trading in Alleima's shares on Nasdaq Stockholm and that the shares thereafter must first be offered to Sandvik should Alleima wish to sell its shares (i.e. a right of first refusal), and that Sandvik may not, with certain exceptions, transfer its shares without Alleima's consent.

Agreements with Sandvik concerning supply of certain services

Alleima and Sandvik have entered into agreements concerning the supply of certain utilities (for example electricity and drinking water) (the "**Media Supply Agreements**"), agreements concerning the supply of facility management services, agreements concerning access to facilities on properties owned by Sandvik in Sandviken, Sweden, and lease agreements to ensure that each party will be able to continue to conduct its business at the site in Sandviken, Sweden, following the distribution and listing of Alleima (the "**Supply and Lease Agreements**"). The term of the Supply and Lease Agreements varies, but many of the agreements have an initial term of 25 years. With the exception of one lease agreement regarding premises for restaurant purposes and one lease agreement for archive purposes, all services and premises provided under the Supply and Lease Agreements will be provided by Alleima to Sandvik. Since Sandvik will be reliant on Alleima's supply of these services to conduct its business, the agreements contain certain liabilities and undertakings for Alleima. Under the Media and Supply Agreements, a party has right to compensation for loss due to the other party's gross negligence or intent and also right to compensation for direct loss due to the other party's negligence. Compensation for losses due to discontinuances in the media supply shall, as a main rule, be handled through each party's insurance coverage.

IT transitional services agreement

Alleima and Sandvik have entered into a transitional services agreement according to which the Group and Sandvik during a transitional period will provide each other a limited number of services in relation to IT systems and IT procedures (the "**TSA**"). The TSA will enter into force on the date of distribution of the shares in Alleima, and the Group and the remaining Sandvik Group are both service providers and service receivers under the TSA. The services covered by the TSA are services that the Group and the remaining Sandvik Group have been unable to separate prior to the separation of Alleima from the remaining Sandvik Group, and a transitional period is therefore needed in order to be able to find suitable replacement services. The term of the transitional services varies, but most of them have a term of 24 months and the services will at the latest end 42 months after the distribution of the shares in Alleima.

Transitional agreement for certain intellectual property rights

Alleima and Sandvik have entered into a transitional agreement concerning licensing of the "Sandvik" word mark and logotype as well as certain trademarks and domains, under which Alleima as licensee is granted a non-assignable, royalty-free and non-exclusive right to use these intellectual property rights relating to Sandvik for the purpose of enabling Alleima to, during a transitional period following the distribution of the shares in Alleima, use such intellectual property rights in accordance with past practices and within detailed and specified field of use. The licenses are, depending on the specific license and use, generally granted for a period of between six and 24 months (and in certain circumstances and for certain licenses for a longer period of time) from the date of the distribution of the shares in Alleima.

Pension liabilities

In several countries, Alleima has pension plans that were already detached from Sandvik before the separation. In some countries, however, there were pension structures linked to Sandvik which, with certain exceptions, were managed during 2019–2022 to separate them from Sandvik. As a general rule, Sandvik has not retained responsibility for defined benefit pensions related to Alleima. Instead, in the jurisdictions and under the pension plans where possible, liabilities attributable to Alleima's pension plans have been transferred to Alleima or settled by subscription of insurance.

Insurance

Certain insurances within Sandvik's existing insurance program, such as general and product liability insurance, have conditions that entail a certain amount of insurance coverage for the Group also after the distribution of the shares in Alleima (especially for claims for damages arising from events prior to the distribution of the shares in Alleima). The remaining Sandvik Group shall ensure that such existing insurance programs do not cease to provide applicable coverage for the Group after the distribution.

Material agreements

Presented below is a summary of material agreements entered into by Alleima during the past two years as well as other agreements entered into by Alleima which contain any obligation or entitlement that is material to Alleima (in both cases excluding agreements entered into in the ordinary course of business).

Please also refer to the agreements described in "*The spin-off from Sandvik*" above.

Acquisitions

During the financial years 2019–2022, Alleima has carried out acquisitions of Thermaltek Inc., Summerill Tube Corp., Accuratech Group, Gerling Metallverarbeitung GmbH and Pennsylvania Extruded Tube Co. (the remaining 30 percent of the shares that Alleima did not hold). See further "*Operational and financial review–Acquisitions and divestments*".

Legal and arbitration proceedings

Alleima operates in several countries and the Group is, within the ordinary course of business and from time to time, subject to legal disputes, claims and administrative proceedings. Other than as described below, Alleima has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Alleima is aware) which may have, or have had in the recent past, significant effects on Alleima's financial position or profitability.

A subsidiary of Alleima, AB Sandvik Materials Technology (to be renamed Alleima Tube AB), is subject to a legal proceeding in China where the subsidiary's Chinese customer is trying to have an arbitration award annulled. The arbitration award, which in 2021 was in favor of the subsidiary following an arbitration procedure initiated by the customer, held that the customer has breached the parties' contract and entitled the subsidiary to recognize an advance payment that the customer had paid to the subsidiary in 2011. If the arbitration award was to be annulled, it could result in a profit effect for the subsidiary of approximately SEK 50 million. Furthermore, another subsidiary of Alleima is currently subject to a claim from a customer regarding defects in delivered pipe products. The claim, which amounts to approximately EUR 4.4 million, is not yet the subject of legal proceedings.

Related-party transactions

See "*Note 27 – Related parties*" on page F-83 in "*Historical financial information*" for a description of the Group's transactions with related parties during the financial years 2019–2021.

In addition to the above and the transactions with Sandvik that have been carried out for transfer of assets and liabilities as described in "*Capitalization, indebtedness and other financial information–Transfer of assets and liabilities between Alleima and Sandvik*", the main related-party transactions between Alleima and Sandvik after June 30, 2022, have consisted of the sale of rock drill steel products from Alleima to Sandvik and the services exchanged between Alleima and Sandvik as a result of the separation (see the sales and supply agreements described under "*The spin-off from Sandvik*" above).

Other than what has been described above, no related-party transactions have occurred after June 30, 2022, which, as a single transaction or in their entirety, are material to Alleima.

For information on remuneration to the members of the Board of Directors and the Group Executive Management, see "*Corporate governance–Compensation to the Board of Directors*" and "*Corporate governance–Compensation to the members of the Group Executive Management*".

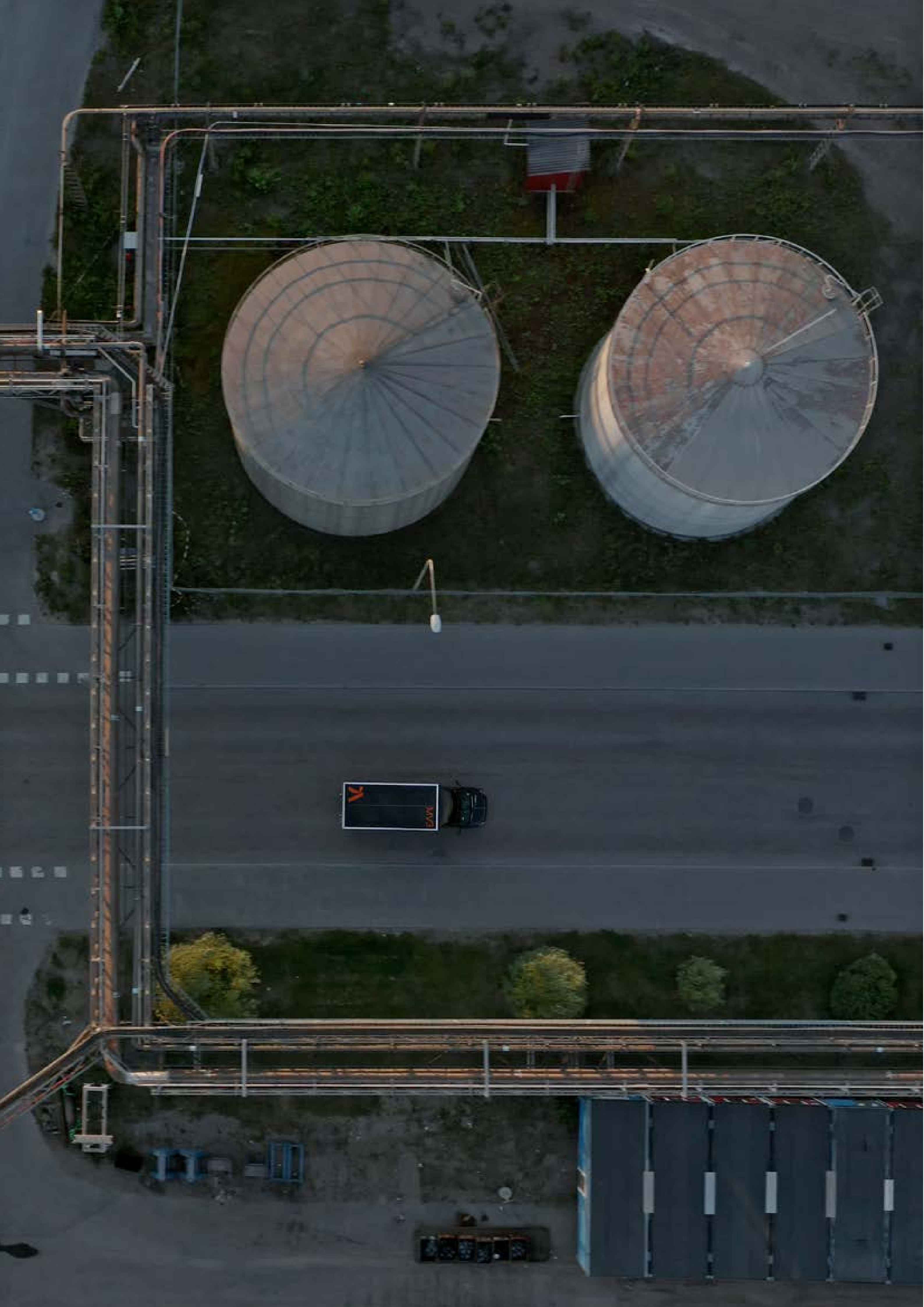
Advisors, etc.

Bank of America Europe DAC, Stockholm bankfilial ("**BofA Securities**") and Skandinaviska Enskilda Banken AB (publ) ("**SEB**") provide financial advice to Alleima in conjunction with the distribution and the listing on Nasdaq Stockholm. From time to time, BofA Securities (and its affiliates) and SEB (and its affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Alleima for which they have received, and may receive, compensation. Furthermore, SEB (and its affiliates) is a lender of loans granted to Alleima.

Mannheimer Swartling Advokatbyrå AB is Alleima's legal advisor as to Swedish law and Shearman & Sterling LLP is Alleima's legal advisor as to U.S. law in relation to the distribution and the listing of its shares on Nasdaq Stockholm.

Documents on display

Alleima's Articles of association and Certification of Registration are available in electronic form on the Company's website (www.alleima.com/en/investors/corporate-governance/).



Tax considerations

The following is a general description of certain tax considerations relating to the distribution of shares in Alleima to the shareholders of Sandvik. It does not purport to be a complete analysis of all tax considerations, neither in Sweden, the United States or elsewhere. The tax treatment of each individual shareholder depends on the shareholder's particular circumstances and the tax laws in the country where the shareholder is resident for tax purposes. Each shareholder should therefore consult its own tax adviser with regard to the specific tax consequences that may arise in the individual case. This summary is based upon the laws and regulations in effect as of the date of this prospectus and does not consider changes in laws or regulations effective, sometimes with retroactive effect, after such date.

Certain tax considerations in Sweden

The following is a summary of certain Swedish tax consequences that may arise from the distribution of shares in Alleima to shareholders of Sandvik. The summary is based on current legislation and only provide general information applicable to individuals and limited liability companies (Sw. *aktiebolag*) resident in Sweden for tax purposes, unless otherwise stated. The summary does not cover: (i) shares held by partnerships or as current assets in business operations (Sw. *lagertillgångar*); (ii) the specific rules concerning tax-exempt capital gains (including non-deductibility for capital losses) and dividends in the corporate sector in case shares are deemed to be held for business reasons under the Swedish participation exemption regime (Sw. *näringsbetingade andelar*); (iii) shares that are held in an investment savings account (Sw. *investeringssparkonto,*) or endowment insurance (Sw. *kapitalförsäkring*), which are both subject to notional taxation; or (iv) special tax rules applicable to certain investors (e.g. investment funds and insurance companies). The tax consequences for each individual shareholder will ultimately depend on the holder's particular circumstances. Each shareholder should therefore consult a tax adviser regarding the specific tax consequences that may arise in the individual case, including (but not limited to) the applicability and effect of foreign tax rules and tax treaties.

Individuals

Taxation of the distribution of Alleima

It is expected that the distribution of the shares in Alleima will fulfill the requirements set out in the so-called "Lex Asea" rules. The distribution of Alleima's shares to Sandvik's shareholders will therefore not trigger any immediate taxation. Shareholders in Sandvik entitled to participate in the distribution will have the tax basis in their Sandvik shares allocated among these shares and the shares received in Alleima. The allocation of the tax basis will be based on the change in value of the Sandvik shares due to the distribution of the shares in Alleima. Sandvik will request general guidelines from the Swedish Tax Agency (Sw. *Skatteverket*) concerning how this tax basis should be allocated and these guidelines will be published on the websites of Sandvik, Alleima and the Swedish Tax Agency as soon as possible.

Taxation of dividends with regard to Alleima shares

Dividend distributions pertaining to listed shares are taxed as capital income at a rate of 30 percent. A preliminary tax of 30 percent is withheld on dividends distributed to individuals tax resident in Sweden. The preliminary tax is withheld by Euroclear Sweden or, in respect of nominee registered shares, by the Swedish nominee.

Capital gains taxation upon disposal of Alleima shares

A sale or other disposal of listed shares will result in a taxable capital gain or a deductible capital loss. Capital gains are taxed as capital income at a rate of 30 percent. The capital gain or loss is generally calculated as the difference between the sales proceeds, reduced by sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the "average cost method" (Sw. *genomsnittsmetoden*). Alternatively, upon the sale of listed shares, the tax basis may be determined as 20 percent of the sales proceeds, after deducting sales costs, under the "standard method" (Sw. *schablonmetoden*). The acquisition cost, and thus the tax basis, for the shares received in Alleima through the distribution from Sandvik is calculated based on the general guidelines received from the Swedish Tax Agency (see "*Taxation of the distribution of Alleima*" above).

Capital losses can be fully offset against taxable capital gains on listed and non-listed shares and other listed equity-related securities with the exception of units in securities funds or special funds that consist solely of Swedish receivables (Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. This tax reduction is granted at 30 percent of the net loss that does not exceed SEK 100,000 and at 21 percent of any remaining net loss. An excess net loss cannot be carried forward.

Taxation upon the disposal of shares and fractions of shares in Alleima

The disposal of Alleima shares received will result in capital gains taxation. The same applies to shareholders who receive fractions of Alleima shares that are subsequently sold for their account. The capital gain or capital loss is calculated as the difference between the sales price, after deducting selling expenses, and the tax basis (consisting of, *inter alia*, the acquisition cost). The acquisition cost of the Alleima shares received by the distribution will be determined based on the general guidelines that the Swedish Tax Agency will render. The acquisition cost of each fraction of a Alleima share should be the corresponding portion of the acquisition cost of a Alleima share established on the basis of the Swedish Tax Agency's guidelines. Since the shares in Alleima will be listed on the stock market, the tax basis of these shares may alternatively be determined at 20 percent of the net sales revenue, using the standard method.

Limited liability companies

Taxation of the distribution of Alleima shares

Since it is expected that the distribution of the shares in Alleima will fulfill the requirements set out in the so-called "Lex Asea" rules the distribution will not give rise to any immediate taxation. Please refer to the corresponding section regarding individuals for the determination of tax basis in the Alleima shares.

Taxation of dividends and capital gains with regard to Alleima shares

For Swedish limited liability companies, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 20.6 percent. Capital gains and capital losses are calculated in the same manner as described above for individuals. Deductible capital losses on shares or other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances, such capital losses may also be offset against capital gains in another company in the same group, provided that the requirements for group consolidation (Sw. *koncernbidragsrätt*) are met. A capital loss that cannot be utilized during a given income year may be carried forward indefinitely and offset against taxable capital gains on shares and other equity-related securities during future income years.

Specific tax considerations for shareholders who are not tax residents in Sweden

Withholding tax on dividends

Since it is expected that the distribution of the shares in Alleima will fulfill the requirements set out in the so-called "Lex Asea" rules no Swedish withholding tax will be levied on the distribution.

Future dividend distributions received from Alleima will generally be subject to Swedish withholding tax. The withholding tax rate is 30 percent but it is often reduced for shareholders who are tax resident in countries with which Sweden has entered into a tax treaty. In Sweden, Euroclear Sweden or, for nominee registered shares, the nominee, carries out the withholding.

In the event that 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation upon disposal of Alleima shares

Shareholders who are not tax residents in Sweden and whose shareholding is not attributable to a permanent establishment in Sweden, are generally not subject to capital gains taxation in Sweden upon the disposal of shares. The shareholder may, however, be subject to taxation in their country of residence. Under a specific tax rule, individuals who are not tax residents in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries.

Certain U.S. federal income tax considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of shares of Alleima by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that receive Alleima's shares pursuant to the distribution by Sandvik of the Alleima stock (which we refer to herein as the "**Distribution**") and that will hold Alleima's shares as capital assets (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Alleima's shares by particular investors (including consequences under the alternative minimum tax and the Medicare tax on net investment income), and does not address any U.S. federal non-income (such as the estate or gift tax), state, local, non-U.S. or other tax laws. This summary also does not address all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, individual retirement accounts, and other tax-deferred accounts, tax-exempt organizations, dealers or traders in securities or currencies that use a mark-to-market method of accounting, persons who received Sandvik's shares from the exercise of employee share options or otherwise as compensation, investors that hold Sandvik's shares, or will hold Alleima's shares, as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, any entity or arrangement classified as a partnership for U.S. federal income tax purposes or investors therein, investors that own or will own (directly, indirectly or by attribution) 10 percent or more of the stock of Sandvik or Alleima, investors that hold Sandvik's shares, or will hold Alleima's shares, in connection with a trade or business conducted outside of the United States or U.S. Holders whose functional currency is not the U.S. dollar).

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Sweden (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

As used in this discussion, the term "**U.S. Holder**" means a beneficial owner of Sandvik's shares or Alleima's shares, as applicable, that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) in the case of a trust that was in existence on August 20, 1996, the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Sandvik's shares, or that will hold Alleima's shares, will depend on the status of the partner and the activities of the partnership. Partnerships holding Sandvik's shares or that will hold Alleima's shares, and partners in such partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Alleima's shares.

THIS SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF ALLEIMA'S SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Tax consequences of the Distribution

Distribution of Alleima's shares

Sandvik and Alleima intend to take the position that the Distribution should qualify under Section 355 of the Code as a tax-free transaction for U.S. federal income tax purposes. To qualify under Section 355 of the Code several requirements must be satisfied, including requirements that relate to the business reasons for engaging in the Distribution, the conduct of certain business activities by Sandvik and Alleima and certain plans or intentions of Sandvik and Alleima following the Distribution. U.S. Holders should be aware that neither Sandvik nor Alleima has requested or intends to request an opinion of counsel or a ruling from the U.S. Internal Revenue Services (the "**IRS**") with respect to the U.S. federal income tax treatment of the Distribution or any of the statements or conclusions expressed herein. There can be no assurance that the IRS will not take a contrary position to the views expressed herein or that a court in the event of litigation will not agree with a position of the IRS.

If the Distribution qualifies under Section 355 of the Code, a U.S. Holder of Sandvik shares generally should have the following tax consequences:

— such U.S. Holder recognizes no gain or loss, and have no income, upon the receipt of Alleima shares in the Distribution;
— the aggregate tax basis of the Sandvik shares immediately before the Distribution will be allocated between the Sandvik shares and the Alleima shares received in the Distribution, in proportion to their relative fair market values at the time of the Distribution; and
— such U.S. Holder's holding period in its Alleima shares should include such holder's holding period in its Sandvik shares on which the Distribution was made.

U.S. Holders that acquired different blocks of Sandvik shares at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period in, shares of Alleima distributed with respect to such blocks of Sandvik shares.

If, contrary to Sandvik and Alleima's position, the Distribution does not qualify under Section 355 of the Code, the Distribution will be treated as a taxable distribution of Alleima's shares to U.S. Holders of Sandvik shares. The amount of the distribution will be the fair market value of Alleima's shares at the time of the Distribution (as determined in USD), and this amount will be treated as a dividend to U.S. Holders to the extent of Sandvik current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of the distribution in excess of Sandvik's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in Sandvik's shares and thereafter as capital gain. As a non-U.S. corporation, Sandvik does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. Thus, if the Distribution is a taxable distribution, U.S. Holders therefore should assume that their receipt of Alleima's shares pursuant to the Distribution will be reported as ordinary dividend income. A U.S. Holder will have a tax basis in the Alleima shares equal to the fair market value of the Alleima shares at the time of the Distribution (as determined in USD). The dividend generally will be taxable to a noncorporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided Sandvik qualifies for the benefits of the Treaty and certain other requirements are met. The dividend generally will constitute non-U.S. source "passive" income for foreign tax credit limitation purposes.

U.S. Holders are urged to consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of their receipt of Alleima's shares pursuant to the Distribution.

Tax return requirements

Each U.S. Holder that, immediately before the Distribution, owns (i) at least 5 percent (by vote or value) of the total outstanding shares of Sandvik or (ii) securities of Sandvik with an aggregate tax basis of USD 1,000,000 or more must attach to such holder's U.S. federal income tax return for the year in which the Alleima shares are received a statement setting forth certain information related to the Distribution.

U.S. Taxation of Alleima's shares – Overview

Distributions with respect to Alleima's shares

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, distributions paid by Alleima with respect to Alleima's shares will be treated as a dividend to the extent the distribution is considered to be paid from Alleima's current or accumulated earning and profits (as determined for U.S. federal income tax purposes). The amount of any distribution that is in excess of Alleima's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in Alleima's shares and thereafter as capital gain. As a non-U.S. corporation, Alleima does not maintain calculations of its earnings and profits for U.S. federal income tax purposes. U.S. Holders therefore should assume that any distribution by Alleima with respect to its shares will be reported as ordinary dividend income.

Dividends paid by Alleima generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided (1) Alleima qualifies for the benefits of the Treaty, (2) Alleima is not a PFIC (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year and (3) certain holding period and other requirements are met. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from Alleima.

Dividends paid by Alleima in SEK will be included in a U.S. Holder's income in a USD amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the U.S. Holder, regardless of whether the SEK are converted into USD at that time. A U.S. Holder will have a basis in such SEK received equal to such USD value. Gain or loss, if any, realized on the sale or other disposition of such SEK generally will be U.S. source ordinary income or loss. If all SEK are converted into USD on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution.

Any dividends Alleima pays to U.S. Holders generally will constitute non-U.S. source "passive category" income for foreign tax credit limitation purposes. If any Swedish taxes are withheld with respect to dividends paid to a U.S. Holder with respect to Alleima's shares, subject to certain conditions and limitation (including a minimum holding period requirement), such taxes may be treated as non-U.S. taxes eligible for credit against such holder's U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct non-U.S. taxes, including any Swedish taxes withheld from dividends on Alleima's shares, in computing their taxable income, subject to generally applicable limitations under U.S. federal income tax law. An election to deduct non-U.S. taxes instead of claiming foreign tax credits applies to all non-U.S. taxes paid or accrued in the taxable year. If a refund of the tax withheld is available under the laws of Sweden or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends.

The rules relating to the determination of the foreign tax credit and the deduction of non-U.S. taxes are complex, and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit or deduction may be available in their particular circumstances.

Sale or other taxable disposition of Alleima's shares

Upon a sale or other taxable disposition of Alleima's shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on the sale or other taxable disposition and the U.S. Holder's tax basis in Alleima's shares (as initially determined under "Tax consequences of the Distribution – Distribution of Alleima's shares" above). Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for Alleima's shares exceeds one year. Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, generally is eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a sale or other taxable disposition of Alleima's shares for an amount in foreign currency generally will be the USD value of this amount on the trade date of the sale or other taxable disposition. On the settlement date, the U.S. Holder generally will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the USD value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized on such date.

Passive foreign investment company considerations

A foreign corporation will be classified as a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 percent of its gross income is "passive income" or (ii) at least 50 percent of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For purposes of the PFIC rules, "passive income" includes, *inter alia*, dividends, interest, rents, royalties or gains on the disposition of certain minority interests.

Based on the present nature of Alleima's activities and the present composition of its assets and sources of income, Alleima does not expect to be treated as a PFIC for its current taxable year. However, Alleima's possible status as a PFIC depends on the composition of its income and assets and the fair market value of those assets from time to time. This determination is made annually and cannot be completed until the close of a taxable year. Thus, no assurance can be given that Alleima is not or will not become a PFIC for any future taxable year.

If Alleima were characterized as a PFIC for any taxable year, U.S. Holders of Alleima's shares would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of Alleima's shares treated as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of such shares. U.S. Holders would also be subject to annual information reporting requirements. In addition, if Alleima were a PFIC in a taxable year in which it paid a dividend or the prior taxable year, such dividends would not be eligible to be taxed at the favorable rates applicable to qualified dividend income.

Information reporting and backup withholding

Dividend payments with respect to Alleima's shares and proceeds from a sale, exchange or redemption of Alleima's shares made within the United States or through certain U.S. related financial intermediaries may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are exempt from backup withholding should still complete IRS Form W-9 to avoid possible erroneous backup withholding. U.S. Holders of Alleima's shares should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against such holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Foreign financial asset reporting

Certain U.S. Holders may be required to comply with certain reporting requirements, including filing IRS Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as Alleima's shares), either directly or through certain financial institutions. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders should consult their own tax advisors regarding the application of these rules to their ownership of Alleima's shares.

Historical financial information

Financial information for H1 2022

Financial information for the financial years 2021, 2020 and 2019

Financial information for H1 2022

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

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

Financial overview

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

Notes to the reader: Adjusted EBITDA and adjusted operating profit (EBIT) excludes items affecting comparability (IAC) and metal price effects, see Note 2 and the description of Alternative Performance Measures on page 29-32 for further details. Definitions and glossary can be found on www.alleima.com/investors
1) Quarter is quarterly annualized and the annual number is based on a four quarter average. Tables and calculations in the report do not always agree exactly with the totals due to rounding. Comparisons refer to the corresponding period last year, unless otherwise stated. N/A = Not available.

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

CEO's comment

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

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

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

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

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

Göran Björkman, President and CEO

Market development and outlook

Market development

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

- The **Industrial segment** noted a solid demand in the beginning of the quarter, although a slight decrease was noted for low refined products in Europe towards the end of the period. The demand in Asia and North America was stable during the period and higher compared to last year.
- Demand in the **Chemical and Petrochemical segment** was solid, despite some negative impact from increased raw material prices and energy costs. Activity related to application tubing products in Asia remained high, driven by continued domestic demand.
- The **Oil and Gas segment** continued its recovery with a positive market sentiment and higher activity. The number of prospects continued to increase and several large orders related to both OCTG and umbilicas were received in the quarter, of which one major OCTG order to a value of SEK 219 million.
- The **Industrial Heating segment** noted an increased demand driven mainly by the semiconductor and glass market. The electrification initiatives progressed with continued interest among customers, supporting the long-term strategy.
- In the **Consumer segment,** the demand for compressor valve steel, razor blades, knife steel and appliance wire remained at high levels.
- Demand in the **Power Generation segment** was solid. Significant orders were received for nuclear tubes and pipe during the quarter. Activity levels in clean energy remain high with discussions progressing well in relation to future power projects.
- Demand in the **Mining and Construction segment** remained on par with the same period last year.
- In the **Transportation segment,** aerospace continued its recovery during the quarter, mainly driven by precision tubing for hydraulic systems. Demand in automotive was in line with the same period as last year, held back mainly by component shortages, and delays were noted for parts of the business.
- Demand in the **Medical segment** showed a continued strong momentum for all three divisions with strong growth in order intake.
- The **Hydrogen and Renewable Energy** segment, showed continued strong market momentum mainly related to the hydrogen segment (Hydrogen Refueling Stations) and coated strip steel for hydrogen fuel cells.

Year on year underlying demand trend

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

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

Outlook for the third quarter 2022

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

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

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

26%

Organic order intake growth

Order intake and revenues

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

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

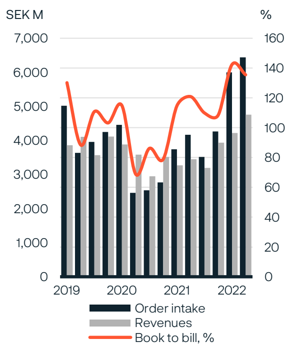
Acquisitions and divestments had a positive impact of 1% on order intake and revenues respectively, while **currency** had an impact of 6% on orders and revenues respectively. **Alloy surcharges** had a positive impact of 20% on order intake and 17% on revenues, mainly driven by increased nickel prices.

Order intake and revenue bridge

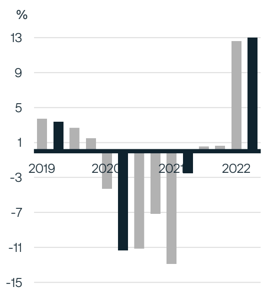
SEK M	Order intake	Revenues
Q2 2021	**4,165**	**3,449**
Organic, %	26	13
Acquisitions & divestments, %	1	1
Currency, %	6	6
Alloys, %	20	17
Total growth, %	55	38
Q2 2022	**6,440**	**4,757**

Change compared to the same quarter last year.

Order intake and revenues



Organic revenue growth



Earnings

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

Change compared to the same quarter last year.

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

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

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

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

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

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

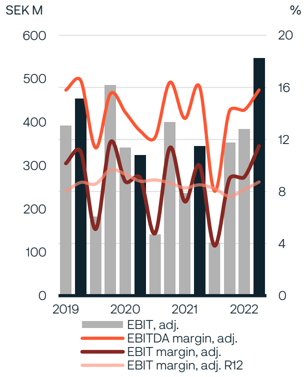
Profit for the period amounted to SEK 669 million (365), corresponding to earnings per share of SEK 2.67 (1.44). Adjusted profit for the period amounted to SEK 228 million (359) and adjusted earnings per share amounted to SEK 0.91 (1.42), see page 30 for further details.

Adjusted earnings per share

SEK

0.91

Adjusted EBITDA and Adjusted EBIT (%)



11.5%

Adjusted EBIT margin

Cash flow and financial position

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

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

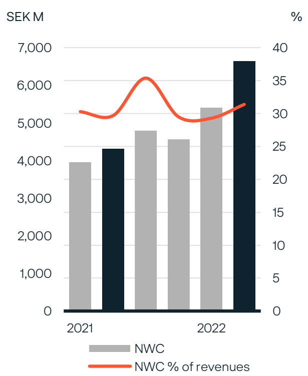
Investments in tangible and intangible assets (Capex) increased to SEK -115 million (-82), mainly due to lower than normal levels last year, corresponding to 64.8% (44.4) of scheduled depreciations and -2.4% (-2.4) of revenues in the quarter.

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

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

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

Net working capital



Net debt to Equity

Ratio

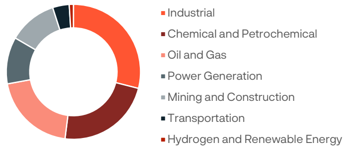
-0.01x

Free operating cash flow

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

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

Revenues per customer segment, full year 2021



Tube

Tube develops and manufactures seamless tubes and other long products in advanced stainless steels and special alloys used primarily in the customer segments of Industrial, Chemical and Petrochemical, Oil and Gas, Mining and Construction, Power Generation and Transportation. The offering also includes products and solutions for the growing Hydrogen and Renewable Energy segment.

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

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

Order intake and revenues

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

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

Earnings

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

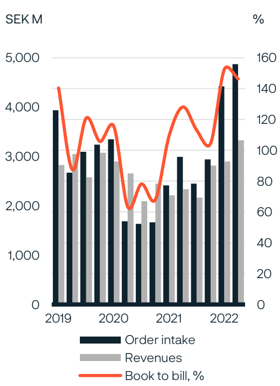
Other quarterly highlights

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

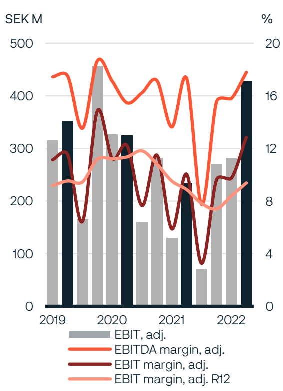
SEK M	Q2 2022	Q2 2021	Change %	Q1-Q2 2022	Q1-Q2 2021	Change %
Order intake	4,869	2,992	63	9,288	5,408	72
Organic growth, %	*32*	*79*	–	*46*	*10*	–
Revenues	3,329	2,336	43	6,226	4,546	37
Organic growth, %	*17*	*-13*	–	*16*	*-18*	–
Adjusted EBITDA	592	404	46	1,050	706	49
Margin, %	*17.8*	*17.3*	–	*16.9*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

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

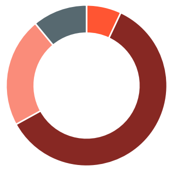
Order intake and revenues



Adj. EBITDA and Adj. EBIT (%)



Revenues per customer segment, full year 2021



Kanthal

Kanthal is a leading supplier of heating materials, focusing on heating alloys for industrial, appliance and thermocouple applications, and heating systems, including heating elements, heating modules and other products used in high temperature processes. The largest share of revenues is related to the Industrial Heating segment. The division also has an offering for ultra-fine wire for the Medical segment.

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

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

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

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

Order intake and revenues

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

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

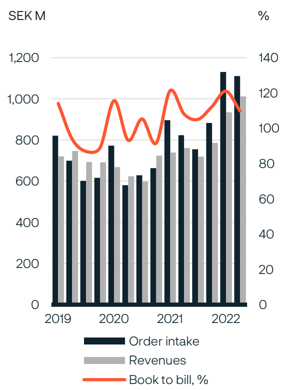
Earnings

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

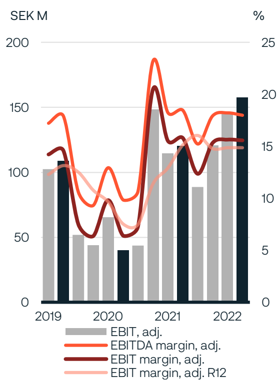
Other quarterly highlights

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

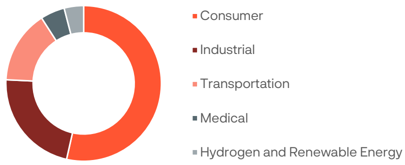
Order intake and revenues



Adj. EBITDA and Adj. EBIT (%)



Revenues per customer segment, full year 2021



Strip

Strip develops and manufactures a wide range of precision strip-steel products, such as razor blade steel and compressor valve steel, primarily for the Consumer, Industrial, Transportation (primarily automotive) and Medical customer segments. Through the Surface Technology business unit, the division is also exposed to the Hydrogen and Renewable Energy segment, through its offering of pre-coated strip steel for one of the most critical components in the hydrogen fuel cell stack – the bipolar plates.

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

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

Order intake and revenues

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

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

Earnings

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

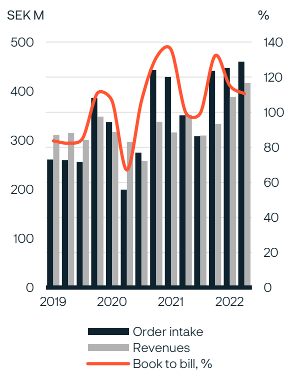
Other quarterly highlights

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

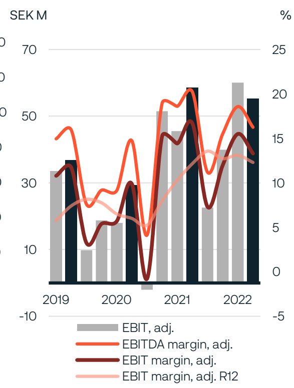
SEK M	Q2 2022	Q2 2021	Change %	Q1-Q2 2022	Q1-Q2 2021	Change %
Order intake	460	351	31	906	779	16
Organic growth, %	*20*	*82*	–	*7*	*51*	–
Revenues	416	351	19	804	667	21
Organic growth, %	*7*	*22*	–	*10*	*13*	–
Adjusted EBITDA	68	71	-5	139	130	8
Margin, %	*16.2*	*20.2*	–	*17.4*	*19.4*	–
Adjusted EBIT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

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

Order intake and revenues



Adj. EBITDA and Adj. EBIT (%)



Sustainability

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

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

Having an impact through our operations
- The 12-month-rolling Total Recordable Injury Frequency Rate (TRIFR) improved to 7.1 (8.2).
- The share of scrap metal input in steel manufacturing for the 12-months-rolling period amounted to 82.2% (81.7).
- Total greenhouse gas (GHG) emissions for the 12-month rolling period increased by 3% compared to the same period last year, and amounted to 125,000 tons, mainly driven by higher production levels. Relative to tons produced, the GHG emissions decreased by 14% versus a year ago.
- The share of female managers increased to 22.1% (20.0) at the end of the second quarter, corresponding to the highest share of female managers on record.

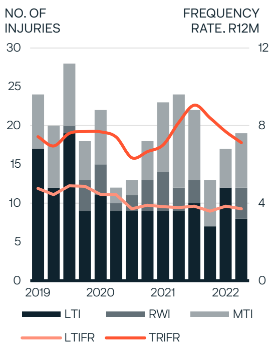
Definitions and glossary can be found on www.alleima.com/investors.

Sustainability overview

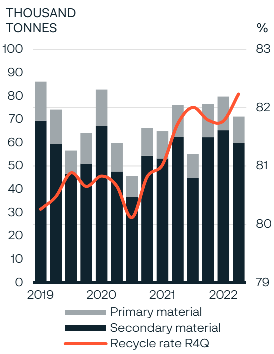
	Q2 2022	Q2 2021	Change, %	R12M, Q2 2022	R12M, Q2 2021
TRIFR [1]	7.2	9.4	-23.5	7.1	8.2
CO_2, thousand tonnes	32	32	0.2	125	122
Recycled steel, %	84.0	82.1	2.3	82.2	81.7
Share of female managers, %	22.1	20.0	10.4	-	-

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

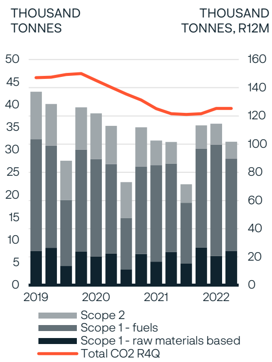
Health and safety – TRIFR



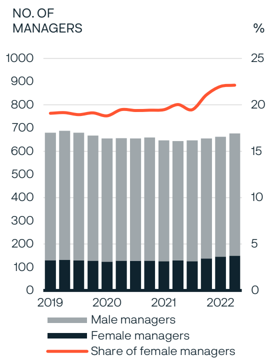
Recycled steel



GHG emissions



Share of female managers



First six months 2022

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

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

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

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

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

Adjusted EBIT increased by 60% to SEK 931 million (580) corresponding to a margin of 10.4% (8.6). The year-on-year development was attributable to higher revenues and an improved product mix, somewhat offset by higher costs for freight and energy and costs related to operating as a standalone company. Depreciation and amortization amounted to SEK -422 million (-404).

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

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

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

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

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

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

Significant events

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

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

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

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

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

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

Guidance and financial targets

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

Guidance

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

Financial targets

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

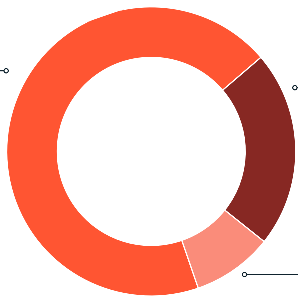
About us

Alleima is a world-leading developer, manufacturer, and supplier of high value-added products in advanced stainless steels and special alloys as well as products for industrial heating, operating with a global footprint. Based on close and long-term customer partnerships, Alleima advances processes and applications in the most demanding industries through materials that are lightweight, durable, corrosion-resistant and able to withstand extremely high temperatures and pressures.

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

Tube

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



Kanthal

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

Strip

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

Purpose

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

Values

We care > We deliver > We evolve

Business model

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

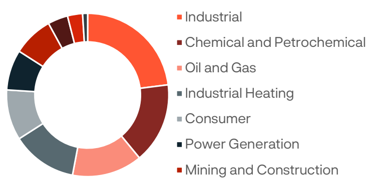
Strategy

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

Customer segments sales exposure

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

Revenues per customer segment, full year 2021



Other information

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

Covid-19 and the conflict in Ukraine
The market demand has now largely recovered from the decline related to the Covid-19 pandemic. Uncertanties in the economy caused by the Covid-19 pandemic and the conflict in Ukraine may however still be visible, and the constantly evolving nature makes it difficult to predict its ultimate adverse impact on Alleima. Alleima has no significant direct exposure to Russia and Ukraine. Alleima is impacted by longer lead times, indirect supply chain disruptions, higher freight and energy costs as well as raw material price inflation, with uncertainty regarding its ultimate length and trajectory. Consequently, the Covid-19 pandemic and the conflict in Ukraine continues to present uncertainty and risk and could have material adverse effects on revenues, cash flows, financial condition and results of operations.

Certification
The Board of Directors and the CEO certify that the six-month report gives a fair overview of the Parent Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

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

Andreas Nordbrandt
Chairman of the Board

Claes Boustedt
Board member

Kerstin Konradsson
Board member

Tomas Kärnström
Board member,
Employee representative

Mikael Larsson
Board member,
Employee representative

Susanne Pahlén Åklundh
Board member

Karl Åberg
Board member

Göran Björkman
President and CEO
Board member

Auditor's report

Alleima AB (publ) reg no 559224-1433

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

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

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

Stockholm, August 4, 2022

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Financial reports summary

The Group
Condensed combined income statement

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

1) Alleima has no potential dilution of shares

The Group
Condensed combined comprehensive income

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

The Group
Condensed combined balance sheet

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

The Group
Condensed combined cash flow statement

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

The Group
Condensed combined statements of changes in equity

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

The Parent Company

Condensed income statement

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

Condensed balance sheet

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

Order intake by division and region

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

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

Revenues by division and region

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

Quarterly by division

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

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

1) Internal transactions had negligible effect on division profits.

Notes

Note 1 | Accounting principles

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

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

In addition, Alleima has as of January 1, 2022 started to apply hedge accounting for derivatives that are used to hedge the Group's exposure to electricity price risk, and as of April 1, 2022 hedge accounting for derivatives that are used to hedge the exposure to gas- and metal price risk. Changes in the fair value of the electricity-, gas- and metal derivatives are recognised in Other comprehensive income and accumulated in the Hedge reserve within equity. Changes in fair value are subsequently reclassified to profit or loss in the same period as the Group reports the expense of the hedged consumption of electricity, gas and metal. Any ineffectiveness is recognised immediately in profit or loss.

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

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

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

IFRS 9 Financial Instruments is adopted, except regarding financial guarantees where the exception allowed in RFR 2 is chosen. Financial guarantees are included in contingent liabilities.

Internal loans are managed by the Group's Teasury function and all internal credit facilities are reviewed on regular basis. Internal loans are managed to collect contractual cash flows and is therefore designated as amortized cost. Impairment losses are calculated based on expected credit losses.

Note 2 | Adjustment items on EBITDA/EBIT

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

Note 3 | Taxes

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

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

Note 4 | Financial assets and liabilities

Financing
During Q2 2022, Alleima has established a commercial paper program with a framework amount of SEK 3 billion with the aim of being able to raise short-term financing. During the quarter, Alleima also entered into an agreement with a syndicate of lenders for revolving credit facilities of SEK 3 billion, of which a maximum of SEK 500 million can be used for a facility with short maturities. The credit can be drawn in a number of currencies and runs for five years (with two possibilities for extension). In addition, Alleima has entered into framework agreements on short-term financing. Alleima has not availed any of the credits.

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

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

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

Note 5 | Related party transactions

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

Alleima shareholder is Sandvik AB. Transactions with Sandvik Group are presented in the prospectus "Admission to trading of shares in Alleima AB on Nasdaq Stockholm" in Note 1 and in Note 27 in the combined financial statements. Where also remuneration to senior executives for Alleima is presented in Note 3. Between the Group's there are historical trade receivables and payables as well as cash pool and other short term liabilities. The short term loan has market interest rate and will be amortized before the listing. Transactions related to transfer of assets and liabilities as part of the formation of the Alleima Group between Sandvik group and Alleima Group have been classified as transactions with shareholders. The transactions with the shareholders that have been carried out via equity are presented in the Condensed combined statements of changes in equity. Alleima has also purchased services from the Sandvik Group such as IT services and administrative services.

During Q2 2022, the subsidiary Sandvik Materials Technology Rock Drill Steel AB (RDS) made a directed share issue to Sandvik AB regarding 10,000 B-shares in the company, which resulted in the majority owner Alleima now owning 90% of the shares in RDS, i.e. all A-shares, and Sandvik 10%. The Class B shares held by Sandvik are not subject to future dividends. According to agreement between the parties, Alleima has, subject to certain conditions, the right, but not the obligation to acquire, Sandvik's Class B shares at its quota value (SEK 2,778). Furthermore, Alleima has issued a call option to Sandvik, which can only be exercised if a few predetermined events occur and in the event that the call option is exercised, the purchase price shall be set at Fair Market Value. Alleima has in all previous periods presented prior to the rights issue consolidated RDS to 100%, i.e. without accounting for a non-controlling interest. In the new issue of Class B shares, Alleima will report in its consolidated financial statements a minority shareholding of SEK 2,778 corresponding to the issue proceeds that RDS received from Sandvik AB. No "profit share" belonging to the minority shareholder Sandvik AB will be reported in the future as Sandvik is not entitled to any dividend. This means that the minority share in equity will be SEK 2,778 in all future periods unless Alleima acquires Sandvik AB's B shares in accordance agreement or Alleima divests RDS at fair value according to the agreement's call option.

Note 6 | Equity

An extraordinary general meeting held on March 7, 2022, resolved on a directed share issue with right for the shareholder Sandvik AB, Reg. No. 556000-3468, to subscribe for 250,827,184 shares in Alleima AB and that all shares, in accordance with the terms and conditions in the general meeting's decision, have been subscribed for. Following the decision at an extraordinary general meeting, in March 2022, one existing share in Alleima AB was divided into fifty shares. Total number of shares after the split and the share issue amounted to 250,877,184.

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

Note 7 | Business acquisitions

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

In Q1 2022, Alleima completed the acquisition of the German based company Gerling GmbH, a precision tube engineering company serving multiple industries including the fast-developing hydrogen market. The offering includes innovative engineering solutions such as high-pressure control technology in hydrogen refueling stations. The company is reported in division Tube. Gerling GmbH is headquartered in Hörste, Germany, with around 75 employees. In 2021 Gerling GmbH had revenues of approximately SEK 118 million, with an EBIT margin neutral to Alleima. During the first six months of 2022 the company had external revenues of SEK 24 milion with an impact on Alleima profit for the period of SEK 5 million. Impact on Alleima earnings per share will initially be neutral. The acquisition was made through the purchase of 100% of shares and voting rights. Alleima assumed control over the operations upon the date of closing. No equity instruments have been issued in connection with the acquisition. The acquisition have been accounted for using the acquisition method. Intangible and tangible assets of SEK 48 million and goodwill of SEK 3 million has been recorded on the purchase. The purchase price allocation is still preliminary, changes may occur at a later stage.

Note 8 | Significant events after the quarter

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

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

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

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

Key ratios

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

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

Alternative Performance Measures

This interim report contains certain alternative performance measures that are not defined by IFRS. These measures are included as they are considered to be important performance indicators of the operating performance and liquidity for Alleima. They should not be considered a substitute to Alleima's financial statements prepared in accordance with IFRS. Alleima's definitions of these measures are described below, and as other companies may calculate non IFRS measures differently, these measures are therefore not always comparable to similar measures used by other companies.

Organic order intake and revenue growth
Change in order intake and revenues after adjustments for exchange rate effects and structural changes such as divestments and acquisitions and alloy surcharges. Organic growth is used to analyze the underlying sales performance in the Group, as most of its revenues are in currencies other than in the reporting currency (i.e. SEK, Swedish Krona). Alloy surcharges is used as an instrument to pass on changes in alloy costs along the value chain and the effects from alloy surcharges may fluctuate over time.

Adjusted EBITDA and adjusted operating profit (EBIT)
Alleima considers Adjusted EBITDA and Adjusted operating profit (EBIT) and the related margin to be relevant measures to present profitability of the underlying business excluding metal price effects and items affecting comparability (IAC).

Metal price effect is the difference between sales price and purchase price on metal content used in the production of products. Metal price effect on operating profit in a particular period arises from changes in alloy prices arising from the timing difference between the purchase, as included in cost of goods sold, and the sale of an alloy, as included in revenues, when alloy surcharges are applied. IAC includes capital gains and losses from divestments and larger restructuring initiatives, impairments, capital gains and losses from divestments of financial assets as well as other material items having a significant impact on the comparability.

Adjusted EBITDA and margin: Operating profit (EBIT) excluding depreciations, amortization of intangible assets, items affecting comparability and metal price effects. Margin is expressed as a percentage of revenues.
Adjusted operating profit (EBIT) and margin: Operating profit (EBIT) excluding items affecting comparability and metal price effects. Margin is expressed as a percentage of revenues.

Adjusted EBITDA and adjusted operating profit (EBIT)

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

Adjusted earnings per share

Alleima considers Adjusted earnings per share (EPS) to be relevant to understand the underlying performance, which excludes items affecting comparability and metal price effects between periods. Alleima has no potential dilution of shares.

Adjusted EPS: Profit/loss, adjusted for items affecting comparability and metal price effects, attributable to equity holders of the Parent Company divided by the average number of shares outstanding during the year.

Adjusted profit for the period and adjusted earnings per share

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

Net working capital (NWC) in relation to revenues and return on capital employed (ROCE)
Alleima considers NWC in relation to revenues for the quarter relevant as measure of both the Group's efficiency and its short-term financial health.

Net working capital (NWC): Total of inventories, trade receivables, account payables and other current non-interest-bearing receivables and liabilities, including those classified as liabilities and assets held for sale, but excluding tax assets and liabilities and provisions.
Net working capital (NWC) in relation to revenues: Quarter is quarterly annualized and year-to-date numbers are based on a four quarter average.

Alleima considers ROCE relevant to be useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments.

Capital employed: Total assets less non-interest-bearing liabilities (including deferred tax liabilities, excluding net cash pool balances Sandvik)
Return on capital employed (ROCE): Annualized Operating profit/loss plus financial income (excl derivatives), as a percentage of a four quarter average capital employed.

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

N/A=Not available

Free operating cash flow (FOCF)
Alleima considers free operating cash flow (FOCF) to be useful to provide an indication of the funds the operations generate to be able to implement strategic investments, make amortizations and pay dividends to the shareholders.

Free operating cash flow (FOCF): EBITDA adjusted for non-cash items plus the change in net working capital minus investments and disposals of tangible and intangible assets and plus the amortization of lease liabilities.

Net debt to Equity and Net debt to Adjusted EBITDA
Alleima considers both Net debt to Equity and Net debt to Adjusted EBITDA to be useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments. Net debt to Equity ratio is included in Alleima's financial targets.

Net debt: Interest-bearing current and non-current liabilities, including net pension liabilities and leases, less cash and cash equivalents

Financial net debt
Alleima considers financial net debt to be a useful indicator of the business's ability to pay off all debt, excluding pension liabilities and lease liabilities, at a certain point in time.

Financial net debt: Net debt, excluding net pension and lease liabilities.

Net debt to Equity and Net debt to Adjusted EBITDA

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

N/A=Not available

Shareholder information

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

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

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Financial calendar

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

Alleima

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Financial information for the financial years 2021, 2020 and 2019

Combined income statement

SEK M	Note	2021	2020	2019
Revenues	2	13,847	13,925	15,654
Cost of goods sold		−10,379	−11,424	−12,011
Gross Profit		**3,468**	**2,502**	**3,643**
Selling expenses		−952	−935	−1,160
Administrative expenses		−1,047	−816	−862
Research and development costs	5	−214	−202	−245
Other Operating income	6	266	119	133
Other Operating expenses	7	−141	−175	−66
Operating profit	2, 3, 4, 5, 8, 17	**1,379**	**492**	**1,444**
Financial income		390	212	1
Financial expenses		−263	−149	−432
Net financial items	9	**127**	**63**	**−431**
Profit after net financial items		**1,506**	**556**	**1,012**
Income tax	10	−278	−176	−345
Profit for the period		**1,228**	**380**	**667**
Profit for the period attributable to				
Owners of the parent company		1,205	390	663
Non-controlling interests		23	−10	4
Earnings per share (basic and diluted), SEK	**11**	**4.80**	**1.55**	**2.64**

Combined statement of comprehensive income

SEK M	Note	2021	2020	2019
Profit for the period		**1,228**	**380**	**667**
Other Comprehensive income				
Items that will not be reclassified to profit (loss)				
Actuarial gains (losses) on defined benefit pension plans		426	−125	−266
Tax relating to items that will not be reclassified		−100	26	51
Total items that will not be reclassified to profit (loss)		**326**	**−98**	**−215**
Items that may be reclassified to profit (loss)				
Foreign currency translation differences		−110	−9	29
Total items that may be reclassified to profit (loss)		**−110**	**−9**	**29**
Other Comprehensive income		**216**	**−107**	**−186**
Total comprehensive income		**1,445**	**273**	**481**
Total comprehensive income attributable to				
Owners of the parent company		1,397	283	477
Non-controlling interests		47	−10	4

Combined balance sheet

SEK M	Note	2021	2020	2019
Goodwill	12	1,352	1,234	1,324
Other intangible assets	12	123	127	129
Property, plant and equipment	13	7,251	7,165	7,484
Right-of-use assets	14	204	210	273
Non-current receivables	15	253	93	421
Deferred tax assets	10	218	456	378
Non-current assets		**9,401**	**9,285**	**10,009**
Inventories	16	5,372	4,296	4,876
Trade receivables	17	*2,532*	*1,856*	*2,435*
Income tax receivables	10	*101*	*52*	*14*
Other current receivables	18	*819*	*927*	*1,060*
Current receivables		3,452	2,835	3,510
Cash and cash equivalents		1,661	179	112
Current assets		**10,485**	**7,310**	**8,498**
Total assets		**19,886**	**16,595**	**18,506**
Share capital		0	0	0
Other paid-in capital		0	0	0
Translation reserve		47	20	29
Retained earnings		11,616	10,298	8,702
Equity attributable to owners of the parent company		**11,663**	**10,317**	**8,731**
Non-controlling interests		97	50	60
Total Equity	**19**	**11,761**	**10,368**	**8,791**
Provisions for pensions	20	*1,204*	*1,478*	*1,303*
Other non-current interest-bearing liabilities	21	*147*	*212*	*469*
Non-current interest-bearing liabilities		1,351	1,690	1,772
Deferred tax liabilities	10	*404*	*480*	*162*
Other non-current provisions	22	*300*	*308*	*210*
Other non-current liabilities	23	*136*	*48*	*64*
Non-current liabilities		840	836	436
Non-current liabilities		**2,191**	**2,526**	**2,207**
Loans	27	*1,620*	*2*	*5*
Other current interest-bearing liabilities	21	*71*	*242*	*3,270*
Current interest-bearing liabilities		1,691	245	3,276
Accounts payable		*2,128*	*1,192*	*1,330*
Advances from customers		*360*	*429*	*688*
Income tax liabilities	10	*123*	*83*	*41*
Other current provisions	22	*214*	*443*	*264*
Accrued expences	24	*1,138*	*1,079*	*1,057*
Other current non-interest-bearing liabilities	23	*280*	*231*	*851*
Current non-interest-bearing liabilities		4,243	3,457	4,232
Current liabilities		**5,934**	**3,701**	**7,508**
Total equity and liabilities		**19,886**	**16,595**	**18,506**

Combined statement of cash flows

SEK M	2021	2020	2019
Operating activities			
Operating profit	1,379	492	1,444
Adjustments for non-cash items			
Depreciation, amortization and impairment	743	790	1,003
Pensions	–18	–220	–343
Other non-cash items	–126	667	241
Paid interest	–218	–84	–80
Income tax paid	–189	–271	–125
Cash Flow from operating activities before changes in working capital	**1,571**	**1,374**	**2,140**
Changes in working capital			
Inventories	–933	432	–256
Accounts receivable	–589	498	–124
Other Receivable	270	219	159
Accounts payable	909	–108	–169
Other payables	–77	–744	–134
Changes in working capital	**–420**	**297**	**–523**
Cash flow from operating activities	**1,151**	**1,671**	**1,617**
Investing activities			
Acquisition of intangible assets	–23	–11	–4
Proceeds from sale of intangible assets	4	–3	0
Acquisition of tangible assets	–471	–505	–685
Proceeds from sale of tangible assets	54	47	99
Total acquisition of companies and shares, net of cash	–60	–90	–154
Proceeds from sale of companies and shares, net of cash	6	28	0
Other investments and financial assets	–17	1	–1
Cash flow from investing activities	**–507**	**–533**	**–745**
Financing activities			
Proceeds from loans	1,628	0	83
Repayment of loans	–85	–175	0
Amortization of lease liabilities	–76	–72	–91
Dividends paid	0	0	–2
Change in net Group cash pool	–31	–2,879	–4,861
Cash flow from financing activities	**1,436**	**–3,126**	**–4,870**
Net change in cash and cash equivalents	**2,080**	**–1,989**	**–3,999**
Cash and cash equivalents at beginning of year	179	112	8
Exchange rate differences in cash and cash equivalents	13	–14	–1
Other cash flow from transactions with shareholders	–611	2,070	4,104
Cash and cash equivalents at end of the period	**1,661**	**179**	**112**

Combined statement of changes in equity

SEK M	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interest	Total Equity
Equity at January 1, 2019	**0**	**0**	**0**	**3,771**	**3,771**	**58**	**3,829**
Changes							
Net profit	0	0	0	663	663	4	667
Other comprehensive income for the year, net of tax	0	0	29	−215	−186	0	−186
Total comprehensive income for the year	*0*	*0*	*29*	*449*	*477*	*4*	*481*
Dividends	0	0	0	0	0	−2	−2
Transactions with shareholders	0	0	0	4,483	4,483	0	4,483
Total transactions with owners	*0*	*0*	*0*	*4,483*	*4,483*	*−2*	*4,481*
Equity at December 31, 2019	**0**	**0**	**29**	**8,702**	**8,731**	**60**	**8,791**
Changes							
Net profit	0	0	0	390	390	−10	380
Other comprehensive income for the year, net of tax	0	0	−9	−98	−107	0	−107
Total comprehensive income for the year	*0*	*0*	*−9*	*292*	*283*	*−10*	*273*
Transactions with shareholders	0	0	0	1,303	1,303	0	1,303
Total transactions with owners	*0*	*0*	*0*	*1,303*	*1,303*	*0*	*1,303*
Equity at December 31, 2020	**0**	**0**	**20**	**10,298**	**10,317**	**50**	**10,368**
Changes							
Net profit	0	0	0	1,205	1,205	23	1,228
Other comprehensive income for the year, net of tax	0	0	−110	318	192	24	216
Total comprehensive income for the year	*0*	*0*	*−110*	*1,523*	*1,397*	*47*	*1,445*
Transactions with shareholders	0	0	137	−205	−51	0	−51
Total transactions with owners	*0*	*0*	*137*	*−205*	*−51*	*0*	*−51*
Equity at December 31, 2021	**0**	**0**	**47**	**11,616**	**11,663**	**97**	**11,761**

Notes

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

The combined 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 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 combined financial statements are presented on pages 76–78 in the prospectus. These financial statements were authorized for issue by the board of directors on August 4, 2022.

Accounting principles

Basis for preparation

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

IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to financial information prepared by aggregating financial information for entities under common control that do not meet the definition of a group according to IFRS 10 *Consolidated Financial Statements*. The combined financial statements are intended to present Alleima's historical financial information. One important requirement for the preparation of these combined financial statements is that all entities are under common control via Sandvik AB's ownership.

The formation of the Alleima Group comprised transactions between entities that are under common control. Since these transactions nor combined financial statements are covered by any IFRS standard, management should according to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* develop and apply an accounting policy that is, inter alia, relevant, and reliable. 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 represent in Sandvik AB's consolidated financial statements as from the date they became part of the Sandvik AB Group.

These combined financial statements are Alleima's first financial statements prepared in accordance with IFRS. IFRS 1 *First-time Adoption of International Financial Reporting Standards* does not involve any impact on the measurement of assets and liabilities, however Alleima Group has chosen, for the presentation of the financial statements, to apply the voluntary exception in IFRS 1 to reset translation differences to zero in the opening balance for 2019.

Considering that it was not only separate legal entities that were transferred as part of Alleima's formation, but also parts of legal entities, the following considerations were considered in the preparation of the combined financial statements to determine which assets, liabilities, revenues and expenses as well as cash flows that are included. The accounting principles set out below have been applied consistently to all periods presented and for all entities included in the combined financial statements.

Allocation of revenues and costs

The basis for allocating revenues and costs to Alleima has primarily been Sandvik's operating reporting. Sandvik has performed an internal cost allocation whereby central costs, inter alia the IT, Finance and HR functions as well as other employee costs, have been charged to each operating segment. As a result, related costs for the operating segments that have formed Alleima have been included in the combined financial statements.

Pension obligations

Pension obligations and related plan assets have been recognized in the combined financial statements based on the calculated obligations in accordance with IAS 19 *Employee Benefits* for the participants in the pension plans.

Financial expenses and capital structure

Financial expenses charged to Alleima entities are based on the actual borrowing and interest expenses owed to Sandvik's central treasury function for those entities that were separate legal entities in the historical periods and now form part of the Alleima Group. For legal entities that have been shared between Alleima and Sandvik operations which will continue to be part of the Sandvik AB Group no financial items have been included in the historical financial statements due to the unavailability to gather this information in a reliable manner.

The Alleima Group's historical capital structure is not necessarily representative of the capital structure for a stand-alone group.

Income tax

In the combined financial statements, tax is recognized based on the profit or loss generated by the entities included in the combined financial statements and is reported int the income statement except when the underlying transaction is reported in other comprehensive income or in equity. In those cases the related tax effect is also reported in other comprehensive income or in equity. Consistently with how group contributions received and granted are treated, tax and any related tax equalization have been recognized as transactions with shareholders.

Earnings per share

The calculation of earnings per share in these combined financial statements is based on Alleima's net profit for the year attributable to the parent company's shareholders, divided by the number of shares outstanding. Number of shares outstanding is calculated on the number of shares in Alleima that will be distributed. Please refer to Note 19 Equity for further information.

Transactions with shareholders

Group contributions and other transactions between Sandvik and Alleima without compensation have been accounted for as Transactions with shareholders in equity. Transactions with Sandvik in ordinary course of business have been disclosed as external. Further guidance is given in Note 27 Related parties.

Basis of measurement

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

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

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

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

Basis of consolidation

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

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

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Changes in accounting policies

IASB has published amendments of standards that are effective as of January 1, 2021 or later. The standards have not had any material impact on the financial reports.

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 function Strip shared by two individuals) that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business' result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

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

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

Revenue from goods and services

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

Allocation of transaction price

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

Variable consideration

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

Significant financing component

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

Cost to obtain a contract

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

Goods sold

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

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

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

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

Operating expenses

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

Cost of goods sold

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

Selling expenses

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

Administrative expenses

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

Other operating income and other operating expenses

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

Financial income and expenses

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

Income tax

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

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

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

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

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

Government grants

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

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

Intangible assets

Goodwill

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

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

Research and development

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

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

Other intangible assets

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

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

Amortization of intangible assets

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

The estimated useful lives are as follows:

— Trademarks	10 years
— Customer relationships	10 years
— Capitalized development costs	3–10 years
— Software for IT operations	3 years

Impairment and reversals of impairment

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

- Depreciated over the estimated useful lives
- Computer equipment is depreciated over 3–5 years using the reducing balance method

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) that need to be taken into consideration when a lease contract is recognized.

Alleima as a lessor

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

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

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

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

Inventories

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

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

Financial instruments

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

Recognition and derecognition

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

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

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

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

Classification and measurement

Financial assets, excluding derivatives, including equity and debt instruments. The Group classifies its financial assets as those to be measured at fair value, and those to be measured at amortized cost.

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

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

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

Financial liabilities

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

Financial instruments measured at fair value in the balance sheet

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

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

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

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

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

Measurements of fair value

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

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

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

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

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

Contract assets

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

Equity

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

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

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

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

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

Pensions

Defined-contribution plans

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

Defined-benefit plans

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

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

Warranties

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

Restructuring

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

Employee benefits

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

Environmental obligations

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

Site restoration

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

Legal disputes

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

Other obligations

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

Other liabilities

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

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

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

Contingent liabilities

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

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

Cash flow statement

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

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

Critical estimates and key judgments

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

Business combinations

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

Income tax

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

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

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.

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.

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

Environmental obligation is presented in Note 22 Other Provisions.

Note 2 Segment information

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

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

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

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

2.1 Information on business segments/divisions

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

2.1 Information on business segments/divisions

2020	Tube	Kanthal	Strip	Common functions	Unallo-cated	Elimina-tions	Group Total
Revenue							
External revenue	10,102	2,615	1,209	0			13,925
Internal revenue	273	198	20	–234		–257	0
Total	**10,375**	**2,812**	**1,229**	**–234**		**–257**	**13,925**
Adjusted EBITDA	**1,668**	**380**	**147**	**–262**			**1,933**
Adjusted EBIT	**1,093**	**298**	**97**	**–283**			**1,205**
Items affecting comparability	–290	–159	–13	–78			–540
of which impairments	*–42*	*–20*	*0*	*0*			*–62*
Metal price effects	–137	–35	0	0			–172
EBIT	**666**	**104**	**84**	**–361**			**492**
Net financial items							63
Earnings before tax							**556**
Other segment information							
Segment assets							
Fixed Assets	6,186	1,887	429	246	537		9,285
Inventory	3,087	825	385	–1	0		4,296
Accounts Receivable	1,275	376	157	0	48		1,856
Other Receivables	121	48	9	96	473		748
Segment liabilities							
Accounts Payable	–859	–191	–28	–62	–52		–1,192
Other Liabilities	–1,124	–224	–107	–225	–13		–1,693
Capital employed	**8,181**	**2,550**	**827**	**–3**	**747**		**12,302**
Net working capital	2,499	834	417	–192	461		4,019
Capital expenditure	–416	–73	–33	6	0		–516
Total depreciation & amortization	–626	–62	–50	–21	0		–760
Impairment losses	10	–40	0	0	0		–30
Other non-cash expenses	237	92	23	–50	217		519

2.1 Information on business segments/divisions

2019	Tube	Kanthal	Strip	Common functions	Unallo-cated	Elimina-tions	Group Total
Revenue							
External revenue	11,528	2,852	1,275	0			15,654
Internal revenue	291	93	25	0		−408	0
Total	**11,818**	**2,945**	**1,299**	**0**		**−408**	**15,654**
Adjusted EBITDA	**1,949**	**396**	**151**	**−166**			**2,331**
Adjusted EBIT	**1,290**	**307**	**99**	**−184**			**1,513**
Items affecting comparability	−268	13	−12	−76			−343
of which impairments	166	20	0	0			185
Metal price effects	212	66	−4	0			274
EBIT	**1,234**	**386**	**82**	**−259**			**1,444**
Net financial items							−431
Earnings before tax							**1,012**
Other segment information							
Segment assets							
Fixed Assets	6,488	2,035	447	258	781		10,009
Inventory	3,523	969	386	−1	0		4,876
Accounts Receivable	1,812	427	179	0	17		2,435
Other Receivables	152	53	13	89	669		976
Segment liabilities							
Accounts Payable	−961	−156	−38	−117	−59		−1,330
Other Liabilities	−1,511	−200	−92	−176	−518		−2,497
Capital employed	**9,197**	**3,043**	**897**	**−31**	**732**		**13,838**
Net working capital	3,014	1,093	447	−205	110		4,460
Capital expenditure	512	89	57	30	0		689
Total depreciation & amortization	−606	−70	−52	−18	0		−746
Impairment losses	−219	−38	0	0	0		−256
Other non-cash expenses	−49	−45	8	56	622		592

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

Revenue by country	2021	2020	2019
USA	2,939	3,765	3,273
Sweden	2,278	1,908	2,116
China	1,162	785	768
Germany	1,071	981	1,082
UK	901	1,293	2,124
Italy	571	482	768
Japan	523	515	582
India	426	393	450
France	315	294	510
South Korea	314	287	335
Other countries	3,349	3,224	3,645
Total	**13,847**	**13,925**	**15,654**

Non-current assets by country	2021	2020	2019
Sweden	5,848	6,037	6,335
USA	1,108	1,003	1,061
Czech Republic	582	538	508
Germany	315	284	291
Italy	173	171	172
Japan	170	171	186
India	150	78	98
UK	133	118	130
China	124	104	111
Netherlands	69	69	73
Other countries	260	165	244
Total	**8,930**	**8,736**	**9,210**

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

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

Segment 2020	Tube		Kanthal		Strip		Alleima	
Sales per customer segment	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**
Industrial	2,356	23%	192	7%	271	22%	2,818	20%
Chemical and Petrochemical	2,106	21%	0	0%	0	0%	2,106	15%
Oil and Gas	3,278	32%	0	0%	0	0%	3,278	24%
Industrial Heating	29	0%	1,563	60%	0	0%	1,592	11%
Consumer	0	0%	554	21%	664	55%	1,218	9%
Power Generation	967	10%	0	0%	0	0%	967	7%
Mining and Construction	866	9%	0	0%	0	0%	866	6%
Transportation	465	5%	0	0%	182	15%	647	5%
Medical	36	0%	306	12%	55	5%	397	3%
Hydrogen and Renewable Energy	0	0%	0	0%	37	3%	37	0%
Total sales	**10,102**	**100%**	**2,615**	**100%**	**1,209**	**100%**	**13,925**	**100%**

Segment 2019	Tube		Kanthal		Strip		Alleima	
Sales per customer segment	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**	**SEK M**	**Share of sales (%)**
Industrial	2,942	26%	218	8%	302	24%	3,462	22%
Chemical and Petrochemical	2,483	22%	0	0%	0	0%	2,483	16%
Oil and Gas	3,691	32%	0	0%	0	0%	3,691	24%
Industrial Heating	37	0%	1,731	61%	0	0%	1,768	11%
Consumer	0	0%	657	23%	663	52%	1,319	8%
Power Generation	837	7%	0	0%	0	0%	837	5%
Mining and Construction	895	8%	0	0%	0	0%	895	6%
Transportation	580	5%	0	0%	219	17%	799	5%
Medical	63	1%	247	9%	57	5%	367	2%
Hydrogen and Renewable Energy	0	0%	0	0%	33	3%	33	0%
Total sales	**11,528**	**100%**	**2,852**	**100%**	**1,275**	**100%**	**15,654**	**100%**

Note 3 Personnel information and remuneration of management

3.1 Average number of employees

	2021		2020		2019	
	Number	Women %	Number	Women %	Number	Women %
Sweden	2,878	19	2,957	18	3,229	18
Czech republic	581	19	635	19	649	19
Germany	245	18	240	15	245	15
Great Britain	126	15	133	15	140	14
France	60	34	88	32	98	30
Netherland	52	16	43	16	35	16
Rest of Europe	73	29	52	27	60	50
Total Europe	**4,014**	**19**	**4,147**	**18**	**4,455**	**19**
USA	619	23	622	24	654	22
Rest of North America	3	29	6	9	79	25
North America	**622**	**23**	**627**	**24**	**733**	**22**
India	266	4	266	4	271	4
China	219	31	210	30	205	30
Japan	63	27	64	23	67	17
Rest of Asia	45	35	44	38	45	43
Asia	**592**	**19**	**583**	**18**	**587**	**17**
Other	42	41	45	29	45	29
Total	**5,271**	**20**	**5,402**	**19**	**5,819**	**19**

3.2 Wages, salaries, other remuneration and social costs

	2021	2020	2019
Wages, salaries and other remuneration	2,662	2,609	2,914
Social costs	951	1,037	1,110
Total	**3,613**	**3,647**	**4,024**
Of which, pension costs recognized in social costs	*240*	*305*	*289*

3.3 Wages, salaries, other remuneration by market area

	2021	2020	2019
Sweden	1,655	1,507	1,714
Rest of Europe	432	508	553
Total Europe	**2,087**	**2,015**	**2,267**
North America	400	433	461
Asia	163	146	167
Other	13	15	19
Total	**2,662**	**2,609**	**2,914**
Of which, to Boards of Directors and presidents			
Salaries and other remuneration	95	80	106
Of which, variable salary	12	9	13

3.4 Gender distribution in senior management

Proportion of women, %	2021	2020	2019
Board of directors	0	N/A*)	N/A*)
Gender distribution in senior management	21	17	19
Other senior executives	32	30	29

*) Not applicable.

3.5 Remuniration and other benefits pertaining to 2021 expensed during the year, in SEK

Position	Fixed salary / Board fee	Annual variable salary[1)]	Other benefits[2)]	Long-term variable salary[3)]	Pension costs
Chairman of the Board	196,027[4)]				
Other Board Members	132,771[4)]				
President and CEO	4,697,000[5)]	2,296,544	80,864	1,197,437	1,714,449
Other senior executives[6)]	17,909,122	5,755,829	659,479	3,425,379	5,821,542
Total	**22,934,920**	**8,052,373**	**740,343**	**4,622,816**	**7,535,991**

1) Amount pertaining 2021 and expected to be paid in 2022.
2) Relates mainly to the fringe-benefit and company car.
3) The amounts pertain to changes in provisions made for the 2019, 2020 and 2021 LTI programs for the members of the senior management at year-end.
4) Relates to the period November 9 – December 31, 2021 for Chairman of the Board Andreas Nordbrandt and the board members Claes Bousted and Karl Åberg, the rest of the board members joined in 2022.
5) Göran Björkmans fixed salary 2021 amounted to 4,620,000, the remainder relates to holiday pay etc.
6) Relates to the following persons during 2021: Olof Bengtsson, Ulrika Dunker, Johanna Kreft, Mikael Blazqeuz, Tom Eriksson, Elja Nordlöf, Michael Andersson, Anders Björklund, Claes Åkerblom.

Remuniration and other benefits pertaining to 2020 expensed during the year, in SEK

Position	Fixed salary / Board fee	Annual variable salary[1)]	Other benefits[2)]	Long-term variable salary[3)]	Pension costs
President and CEO	4,270,000[4)]	682,500	80,864	970,349	1,200,212
Other senior executives[6)]	17,119,558	2,853,225	659,479	1,459,771	5,099,085
Total	**21,389,558**	**3,535,725**	**740,343**	**2,430,120**	**6,299,297**

1) Amount pertaining 2020 and expected to be paid in 2021.
2) Relates mainly to the fringe-benefit and company car.
3) The amounts pertain to changes in provisions made for the 2018, 2019 and 2020 LTI programs for the members of the senior management at year-end.
4) Göran Björkmans fixed salary 2020 amounted to 4,200,000, the remainder relates to holiday pay etc.
5) Relates to the following individuals during 2020: Olof Bengtsson, Anna-Karin Genschou (Jan), Ulrika Dunker (Feb-Dec), Johanna Kreft, Mikael Blazqeuz, Tom Eriksson, Elja Nordlöf, Michael Andersson, Nicklas Nilsson (Jan-Mar), Anders Björklund (April-Dec), Claes Åkerblom.
Pension cost relates to Olof Bengtsson, Ulrika Dunker (Feb-Dec), Johanna Kreft, Mikael Blazqeuz, Tom Eriksson, Michael Andersson, Anders Björklund (April-Dec), Claes Åkerblom.

Remuniration and other benefits pertaining to 2019 expensed during the year, in SEK

Position	Fixed salary / Board fee	Annual variable salary[1)]	Other benefits[2)]	Long-term variable salary[3)]	Pension costs
President and CEO	3,812,500[4)]	971,661	80,864	1,360,947	1,055,804
Other senior executives[6)]	14,966,493	2,776,679	399,655	3,410,937	3,281,173
Total	**18,778,993**	**3,748,340**	**480,519**	**4,771,885**	**4,336,977**

1) Amount pertaining 2019 and expected to be paid in 2020
2) Relates mainly to the fringe-benefit and company car.
3) The amounts pertain to changes in provisions made for the 2017, 2018 and 2019 LTI programs for the members of the senior management at year-end.
4) Göran Björkmans fixed salary 2019 amounted to 3,750,000, the remainder relates to holiday pay etc.
5) Relates to the following individuals during 2019: Olof Bengtsson (Dec), Claes Åkerblom, Anna-Karin Genschou, Johanna Kreft, Mikael Blazqeuz, Tom Eriksson, Elja Nordlöf, Michael Andersson, Nicklas Nilsson, Anders Björklund (Jan-Oct).
Pension cost relate to Johanna Kreft, Mikael Blazqeuz, Tom Eriksson, Michael Andersson, Anders Björklund (April-Dec), Claes Åkerblom.

Alleima guidelines for the remuneration of senior executives

Alleima's guidelines for the remuneration of senior executives was adopted by an Extraordinary General Meeting in Alleima on May 9, 2022, in accordance with the proposal by the Board of Directors.

Scope of the guidelines

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

Types of remuneration

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

Fixed salary

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

Variable remuneration

Variable share related remuneration

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

Variable cash remuneration

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

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

Special arrangements

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

Right to withhold or reclaim remuneration

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

Pension benefits

For the President, the pension benefit shall be a defined contribution pension benefit and the pension premiums (including both defined benefit and defined contribution parts) shall not amount to more than 37.5 percent of the fixed annual salary. For other senior executives, pension benefits shall be defined contribution, unless they are covered by a mandatory collective defined benefit pension plan. The pension premiums shall not amount to more than 55 percent of the fixed annual salary.

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

Other benefits

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

Termination of employment

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

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

Consideration of remuneration to the Company's employees

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

The decision-making process to determine, review and implement the guidelines

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

Decisions on remuneration to the President are taken by the Board of Directors, based on proposals from the Remuneration Committee, and decisions on remuneration to the other senior executives are taken by the Remuneration Committee. Adjustments to local rules Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Derogation from the guidelines

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

Long-term incentive program (LTI)

Sandvik's share-based incentive program 2018-2021

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

Sandvik AB's Annual General Meetings 2018-2021 resolved, at the suggestion of Sandvik AB's Board of Directors, to introduce for each year a performance share program for a maximum of 350 senior executives and key employees in the Sandvik Group, of which approximately 40 within Alleima, divided into four categories.

To participate, each individual program requires its own investment.

All participants in the programs have invested in Sandvik shares ("**investment shares**"), up to the equivalent of 10 percent of the fixed annual salary before tax at the time of the investment.

In the long-term incentive programs for 2018-2021, the Sandvik shares (the "**Performance Shares**") may be allotted, provided that certain performance targets have been met. The maximum number of performance shares that can be allotted for each acquired investment share depends on which category the participant belongs to.

The final number of performance shares allotted to participants for each acquired investment share is dependent on the development of adjusted earnings per share for the Sandvik Group during the financial year in which the investment shares were acquired, compared with adjusted earnings for the previous fiscal year.

Performance shares in the LTI 2018 program were allotted because the performance targets were met. Performance shares were partially allotted in the LTI 2019 program because the performance targets were met to some extent. No performance shares were allotted for LTI 2020 because the performance targets were not met.

Performance shares under 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 participant with a cash amount corresponding to the value of the forfeited shares. Payment of the amount will be made in 2024, when the Sandvik program would have ended, provided that the participant is still employed in Alleima.

Alleima's reported costs for the LTI programmes amount to SEK 18.1 million, SEK 12.6 million and SEK 20.4 million respectively. Costs for senior executives are shown in the column Long-term variable salary in the tables above.

Note 4 Fees and remuneration to auditors

	2021	2020	2019
PwC			
Audit fees	–9	–7	–9
Audit activities other than the audit assignment	0	0	0
Tax consultancy services	0	0	0
Other Services	0	0	0
Total	**–9**	**–7**	**–9**
Other Audit firms			
Audit fees	0	–1	–1
Audit activities other than the audit assignment	0	–1	–3
Tax consultancy services	–1	–3	–3
Other Services	0	0	0
Total	**–1**	**–5**	**–6**

Note 5 Research, development and quality assurance

	2021	2020	2019
Expenditure for			
Research and development	–214	–202	–245
Quality assurance	–238	–251	–281
Total	**–451**	**–454**	**–526**
of which expensed, total	–451	–454	–526
of which expensed relating to research and development	–214	–202	–245

Note 6 Other operating income

Other operating income amounted to SEK 266 million (119 (133)). The amount is mainly related to reimbursement of premiums for Contract Group Health Insurance SEK 85 million and profit from foreign exchange SEK 55 million.

For 2020 the amount is mainly related to realized hedges of SEK 36 million and profit from foreign exchange of SEK 37 million.

For 2019 the amount is mainly related to currency exchange gain from operating receivables and liabilities of SEK 20 million, gain on disposal of tangible fixed assets of SEK 26 million and other items with currency components of SEK 24 million.

Note 7 Other operating expenses

Other operating expenses amounted to SEK –141 million (–175 (–66)). Main part is related to Capital loss from divestment of assets amounts SEK –32 million and other operation non-financial costs to SEK –41 million.

For 2020 the main part is currency exchange loss from operating receivables and liabilities of SEK –131 million.

For 2019 the main part is related to realized hedges of SEK –44 million.

Note 8 Operating expenses

	2021	2020	2019
Cost of goods and material	–5,004	–5,381	–5,945
Employee benefit expense	–3,613	–3,648	–4,024
Depreciation and amortization	–842	–838	–839
Inventory obsolescence provision	–16	–53	–95
Impairment losses and reversal impairment losses, non-current assets	99	48	–163
Impairment losses, doubtful receivables	–2	–11	–5
Other expenses[1)]	–3,354	–3,669	–3,273
Total	**–12,732**	**–13,552**	**–14,343**

1) Mainly related to purchases of services and consumables.

Note 9 Net financial items

	2021	2020	2019
Interest income	5	2	0
Dividend	0	0	0
Other investments including derivatives			
Net gain on remeasurements of financial assets/liabilities	385	210	0
Other financial income	1	0	0
Financial income	390	212	1
Interest expense	−80	−122	−228
Other investments including derivatives			
Net loss on remeasurements of financial assets/liabilities	−181	−25	−201
Other financial expenses	−1	−2	−2
Financial expenses	−263	−149	−432
Net financial items	**127**	**63**	**−431**

Note 10 Income tax

Recognized in profit and loss

Income tax expense for the year	2021	2020	2019
Current tax	−176	−277	−207
Adjustment of taxes attributable to prior years	−8	33	10
Total current tax expense	**−184**	**−244**	**−197**
Deferred taxes relating to temporary differences and tax losses carried forward	−94	68	−148
Total tax expense	**−278**	**−176**	**−345**

Reconciliation of the Group's tax expense

Alleima's recognized tax expense for the year amounted to SEK 265 million (176 (293)) or 18.5% (31.7 (34.1)) of profit after financial items.

	2021		2020		2019	
	SEK M	%	SEK M	%	SEK M	%
Profit after financial items	1,506		556		1,012	
Weighted average tax based on each country's tax rate	−370	*−24.6*	−127	*−22.8*	−304	*−30.0*
Tax effect of						
Non-deductible expenses	−5	*−0.3*	−24	*−4.3*	−8	*−0.8*
Tax-exempt income	11	*0.7*	1	*0.2*	2	*0.2*
Adjustments relating to prior years' current tax expenses	−8	*−0.5*	33	*5.9*	10	*1.0*
Revaluation of temporary differences	139	*9.2*	15	*2.7*	25	*2.5*
Effects of tax losses carried forward, net	−29	*−1.9*	−2	*−0.4*	3	*0.3*
Other	−17	*−1.1*	−72	*−12.9*	−73	*−7.2*
Total recognized tax expense	**−278**	***−18.5***	**−176**	***−31.7***	**−345**	***−34.1***

The weighted average tax rate for Sandvik Material Techology calculated in accordance with the statutory tax rates in each country is 24.6% (22.8 (30.0)).

Due to the commissionaire agreement between Sandvik AB and Alleima no deferred tax asset has been reported on the loss made by Alleima in 2019. After considering this tax effect (SEK 78 million), the weighted average tax rate was 22.3% instead of 30.0%.

Tax items attributable to Other comprehensive income

	2021			2020			2019		
	Before tax	Tax	After tax	Before tax	Tax	After tax	Before tax	Tax	After tax
Actuarial gains/losses attributable to defined-benefit pension plans	426	−100	326	−124	26	−98	−266	51	−215
Foreign currency translation differences	−110	–	−110	−9	–	−9	29	–	29
Other comprehensive income	**316**	**−100**	**216**	**−133**	**26**	**−107**	**−237**	**51**	**−186**

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:

	2021			2020			2019		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	4	−19	−15	4	−13	−9	18	−1	17
Property, plant and equipment	139	−632	−493	87	−566	−479	78	−101	−23
Financial non-current assets	31	−53	−22	59	−50	9	53	−94	−41
Inventories	90	−3	87	44	0	44	41	0	41
Receivables	3	−97	−94	1	−28	−27	1	0	1
Pensions	169	−9	160	81	−6	75	88	0	88
Interest-bearing liabilities	121	0	121	175	0	175	129	0	129
Non Interest-bearing liabilities	75	0	75	95	0	95	36	−17	19
Other	−28		−28	2	−1	1	–	–	0
Tax losses carried forward	22		22	92	–	92	–	−15	−15
Total	**626**	**−812**	**−186**	**640**	**−664**	**−24**	**444**	**−228**	**216**
Offsetting within companies	−408	408	0	−184	184	0	−66	66	0
Total deferred tax assets and liabilities	**218**	**−404**	**−186**	**456**	**−480**	**−24**	**378**	**−162**	**216**

Unrecognized deferred tax assets

The Group has additional tax losses carried forward of SEK 37 million (57 (297)). The main part relates to revaluation and expiry of tax losses in prior years in China and 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
2026 or later	37
Total	**37**

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 13 million (18 (79)).

Change of deferred tax in temporary differences an unused tax losses

	2021	2020	2019
Balance at the beginning of the year, net	−24	216	276
Recognized in profit and loss	−94	86	−148
Recognized in other comprehensive income	−100	26	51
Translation differences	−1	−8	−2
Withdrawal from the Commission’s structure, Sweden	–	−459	–
Acquisitions	−3	–	–
Other *)	36	133	39
Balance at end of year, net	−186	−24	216

*) Transfer of assets and liabilities between Alleima and non-Alleima entities. No reconciliation difference occur on a consolidated Sandvik Group level.

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

	2021	2020	2019
Income tax liabilities	−123	−83	−41
Income tax receivables	101	52	14
Net tax liabilities/receivables	**−22**	**−31**	**−27**

Note 11 Earnings per share

Basic earning per share, SEK	2021	2020	2019
Earnings per share	4.80	1.55	2.64

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

	2021	2020	2019
Profit for the year attributable to the owners of the Parent Company	1,205	390	663
Total number of ordinary shares, in thousands	250,877	250,877	250,877
Weighted average number of shares outstanding during the year, basic	250,877	250,877	250,877

The calculation of earnings per share in these combined financial statements is based on Alleima's net profit for the year attributable to the parent company's shareholders, divided by the number of shares outstanding. Number of shares outstanding is calculated on the number of shares in Alleima that will be distributed.

Note 12 Intangible assets

	Internally generated intangible assets					Aquired intangible assets						
	Capitalized R&D expenditures	IT software	Patents and licenses	Other	Subtotal	Capitalized R&D expenditures	IT software	Patents, licenses, trademarks etc.	Goodwill	Other	Subtotal	Total
Cost												
At January 1, 2019	213	282	0	52	**547**	28	84	4	1,224		**1,340**	**1,887**
Additions					**0**		6				**6**	**6**
Business combinations					**0**				154		**154**	**154**
Divestments and disposals				−3	**−3**						**0**	**−3**
Scrapping	−54	−98			**−152**	−9	−12				**−21**	**−173**
Reclassifications	−3			13	**10**						**0**	**10**
Transalation differences for the year				1	**1**		1		23		**24**	**25**
At December 31, 2019	**156**	**184**	**0**	**63**	**403**	**19**	**79**	**4**	**1,401**	**0**	**1,503**	**1,906**

	Internally generated intangible assets					Aquired intangible assets						
	Capitalized R&D expenditures	IT software	Patents and licenses	Other	Subtotal	Capitalized R&D expenditures	IT software	Patents, licenses, trademarks etc.	Goodwill	Other	Subtotal	Total
Accumulated amortizations and impairment losses												
At January 1, 2019	160	247	0	28	**435**	10	45	4	0	0	**59**	**494**
Scrapping	−51	−98		−3	**−152**	−9	−12				**−21**	**−173**
Impairment losses					**0**				77		**77**	**77**
Reclassifications	11				**11**						**0**	**11**
Amortizations for the year	15	9	0	4	**28**	4	10	0			**14**	**42**
Translation differences for the year	0			1	**1**		1		0		**1**	**2**
At December 31, 2019	**135**	**158**	**0**	**30**	**323**	**5**	**44**	**4**	**77**	**0**	**130**	**453**
Net carrying amount at December 31, 2019	**21**	**26**	**0**	**33**	**80**	**14**	**35**	**0**	**1,324**	**0**	**1,373**	**1,453**
Cost												
At January 1, 2020	156	184	0	63	**403**	19	79	4	1,401	0	**1,503**	**1,906**
Additions		11			**11**		1				**1**	**12**
Business combinations					**0**				−6	27	**21**	**21**
Divestments and disposals					**0**		−1		−77		**−78**	**−78**
Scrapping	−1				**−1**		−12				**−12**	**−13**
Reclassifications					**0**		3	−3			**0**	**0**
Transalation differences for the year	−13	−2		−3	**−17**	0	3	0	−84	−3	**−85**	**−102**
At December 31, 2020	**142**	**193**	**0**	**60**	**396**	**19**	**73**	**1**	**1,234**	**24**	**1,350**	**1,746**
Accumulated amortizations and impairment losses												
At January 1, 2020	135	158	0	30	**323**	5	44	4	77	0	**130**	**453**
Divestments and disposals					**0**		−1		−77		**−78**	**−78**
Scrapping	−1				**−1**		−9	−4			**−13**	**−14**
Impairment losses					**0**						**0**	**0**
Reclassifications					**0**		2				**2**	**2**
Amortizations for the year	10	7	−2	5	**20**	4	12			3	**19**	**39**
Translation differences for the year	−13	0	0	−3	**−15**	0	−2	1	0	0	**−2**	**−17**
At December 31, 2020	**131**	**165**	**−2**	**32**	**327**	**9**	**46**	**1**	**0**	**3**	**58**	**385**
Net carrying amount at December 31, 2020	**11**	**28**	**2**	**28**	**69**	**10**	**27**	**0**	**1,234**	**21**	**1,292**	**1,361**

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

Intangible assets

	Amortization for the year is included in the following lines in the income statement		
	2021	**2020**	**2019**
Cost of gods and services sold	–14	–13	–17
Selling expenses	–3	–3	–2
Administrative expenses	–17	–14	–7
Research and development expenses	–6	–9	–15
Total	**–40**	**–39**	**–42**

	Impairment losses/reversal of impaiment losses per line in the income statement		
	2021	**2020**	**2019**
Cost of goods and services sold			–77
Research and development expenses	–6		
Total	**–6**	**0**	**–77**

Impairment tests of goodwill as stated above, the carrying amount of goodwill in the consolidated balance sheet is SEK 1,352 million (1,234 (1,324)), essentially related to a number of major business combinations.

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

Year	Tube	Kanthal	Strip	Total
2019	3	1,321	0	1,324
2020	10	1,223	0	1,234
2021	9	1,343	0	1,352

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

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

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

Past assumptions have been impacted by Covid-19 with lower margins and revenues, but current margins are on normalized levels for the CGUs.

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

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

The pre-tax discount rates used for Alleima are:

Year	Tube	Kanthal	Strip
2019	10.0%	10.0%	10.0%
2020	10.2%	10.2%	10.2%
2021	8.5%	8.8%	8.9%

The specific risks of the CGU have been adjusted for future cash flow forecasts. The impairment testing of goodwill performed at year end 2021 did not indicate any impairment requirements. Sensitivity in the calculations implies that the goodwill value would be maintained even if the discount rate was increased by 2 percentage points or if the long-term growth rate was lowered by 2 percentage points. The goodwill value would also be maintained, given an operating margin drop 2 percentage points.

Note 13 Property, plant and equipment

	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2019	5,369	13,265	1,276	1,086	7	21,003
Additions	80	135	16	478	17	726
Divestments and disposals	−201	−105	−17	−135	−1	−459
Scrapping	−8	−311	−43			−362
Reclassifications	19	885	52	−754	−1	201
Translation differences for the year	47	105	8	16		176
At December 31, 2019	**5,306**	**13,974**	**1,292**	**691**	**22**	**21,285**
Accumulated depreciations and impairment losses						
At January 1, 2019	2,731	9,636	932	0	0	13,299
Divestments	−198	−71	−17			−286
Scrapping	−8	−295	−43			−346
Impairment losses		86				86
Reclassifications	−3	205	17			219
Depreciations for the year	157	497	60			714
Translation differences for the year	26	83	6			115
At December 31, 2019	**2,705**	**10,141**	**955**	**0**	**0**	**13,801**
Net carrying amount at December 31, 2019	**2,601**	**3,833**	**337**	**691**	**22**	**7,484**

	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2020	5,306	13,974	1,292	691	22	21,285
Additions	22	56	6	404	17	505
Business combinations	8	15	2	2		27
Divestments and disposals	−12	−121	−24	−5	−5	−167
Scrapping	−7	−191	−22	−2		−222
Reclassifications	32	188	81	−406	−23	−128
Transalation differences for the year	−135	−300	−27	−36		−498
At December 31, 2020	**5,214**	**13,621**	**1,308**	**648**	**0**	**20,802**
Accumulated depreciations and impairment losses						
At January 1, 2020	2,705	10,141	955	0	0	13,801
Divestments	−5	−105	−17			−127
Scrapping	−6	−179	−22			−207
Impairment losses, net	0	−48				−48
Reclassifications	−16	−111	−5			−132
Depreciations for the year	151	507	60			718
Translation differences for the year	−106	−244	−18			−368
At December 31, 2020	**2,723**	**9,961**	**953**	**0**	**0**	**13,637**
Net carrying amount at December 31, 2020	**2,491**	**3,660**	**355**	**648**	**0**	**7,165**

	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construc-tions in progress	Other	Total
Cost						
At January 1, 2021	5,254	13,521	1,273	658	12	20,718
Additions	3	56	14	388	10	471
Business combinations	21	20	1	0		41
Divestments and disposals	−167	−130	−10	−11	−2	−319
Scrapping	−36	−201	−43	−10		−289
Reclassifications	22	286	126	−424	−4	5
Transaction with owners	223					223
Translation differences for the year	117	294	25	24	2	461
At December 31, 2021	**5,437**	**13,846**	**1,386**	**625**	**18**	**21,311**
Accumulated depreciations and impairment losses						
At January 1, 2021	2,781	9,853	919	0	0	13,553
Divestments	−140	−113	−9			−262
Scrapping	−35	−189	−41			−265
Impairment losses, net	−6	−98	0	−1		−105
Reclassifications	214	−25	15			204
Depreciations for the year	149	506	65		0	721
Transaction with owners	−107					−107
Translation differences for the year	71	236	14			321
At December 31, 2021	**2,929**	**10,170**	**963**	**−1**	**0**	**14,060**
Net carrying amount at December 31, 2021	**2,509**	**3,676**	**423**	**626**	**18**	**7,251**

Tangible assets

	Depreciation for the year is included in the following lines in the income statement		
	2021	**2020**	**2019**
Cost of goods and services sold	−686	−681	−680
Selling expenses	−12	−10	−15
Administrative expenses	−11	−14	−17
Research and development expenses	−13	−13	−2
Total	**−721**	**−718**	**−714**

	Impairment losses/reversal of impaiment losses per line in the income statement		
	2021	**2020**	**2019**
Cost of goods and services sold	104	48	−130
Selling expenses	1	0	
Administrative expenses	1	0	44
Total	**105**	**48**	**−86**

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, wharehouse, office premises, certain office equipment and vehicles. The average rental period for the facilities is 5-10 years and 3-5 years for office equipment and vehicles.

Accumulated acquisition cost	**Land and buildings**	**Plant and machinery**	**Fixture and fittings**	**Total**
At January 1, 2019	178	93	35	306
Additions	27	11	13	52
Remeasurements	–2	–1	2	–2
Reclassifications	0	0	–1	–1
Translation differences for the year	1	0	0	1
At December 31, 2019	**203**	**103**	**49**	**356**
Depreciation and impairment losses				
Depreciation for the year	33	30	16	80
Impairment losses	5	0	0	5
Divestments and disposals	0	0	–1	–1
Translation differences for the year	0	0	0	–1
At December 31, 2019	**37**	**30**	**15**	**83**
Net carrying amount at December 31, 2019	**166**	**73**	**34**	**273**

Accumulated acquisition cost	**Land and buildings**	**Plant and machinery**	**Fixture and fittings**	**Total**
At January 1, 2020	203	103	49	356
Additions	32	6	12	50
Remeasurements	–3	0	–2	–6
Divestments and disposals	–31	–16	–7	–54
Reclassifications	–1	–55	55	–1
Translation differences for the year	–11	–1	–3	–15
At December 31, 2020	**190**	**38**	**106**	**333**
Depreciation and impairment losses				
At January 1, 2020	37	30	15	83
Depreciation for the year	35	28	17	80
Reversal of impairment losses	–3	0	0	–3
Divestments and disposals	–12	–16	–6	–34
Reclassifications	1	–24	25	2
Translation differences for the year	–3	0	–1	–4
At December 31, 2020	**56**	**18**	**50**	**124**
Net carrying amount at December 31, 2020	**134**	**20**	**55**	**210**

Accumulated acquisition cost	Land and buildings	Plant and machinery	Fixture and fittings	Total
At January 1, 2021	190	38	106	333
Additions	36	3	23	63
Remeasurements	−5	2	0	−4
Business combinations	9	0	1	10
Divestments and disposals	−24	−1	−17	−41
Reclassifications	3	0	−1	−1
Translation differences for the year	6	0	2	8
At December 31, 2021	**212**	**43**	**114**	**368**
Depreciation and impairment losses				
At January 1, 2021	56	18	50	124
Depreciation for the year	41	9	28	79
Divestments and disposals	−24	0	−17	−41
Remeasurements	1	1	−2	0
Reclassifications	1	1	−2	0
Translation differences for the year	2	0	1	3
At December 31, 2021	**76**	**28**	**60**	**164**
Net carrying amount at December 31, 2021	**136**	**15**	**53**	**204**

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

Impairment losses/Reversal of imparment losses per line in the income statement

	2021	2020	2019
Cost of goods sold	0	3	−5
Selling expenses	0	0	0
Administrative expenses	0	0	0
Research and Development expenses	0	0	0
Total	**0**	**3**	**−5**

Depreciation per line in the income statement

	2021	2020	2019
Cost of goods sold	−53	−59	−56
Selling expenses	−16	−13	−16
Administrative expenses	−9	−8	−9
Research and Development expenses	0	0	0
Total	**−79**	**−80**	**−80**

Amounts recognized in the income statement

SEK M	2021	2020	2019
Depreciations for the year	−79	−80	−80
Impairment losses / reversal of impairment losses	0	3	−5
Interest expenses related to lease liabilities	−5	−6	−7
Expenses for low value assets	−10	−18	−24
Expenses for short-term leases	0	−2	−6
Expenses related to variable lease expenses not included in the lease liability	0	0	0
Total amounts recognized in the income statement	**−94**	**−104**	**−123**
The total cash outflow for leases during the year	**−76**	**−72**	**−91**

Alleima as a lessor

The Group holds no financial leases.

Alleimas operational lease mainly consists of two facility related lease contracts of which one was part of a facility acquired 2021 from Sandvik AB.

Future minimum lease payments under non-cancelable operational lease contracts was SEK 271 million (82 (94)) as per December 31, 2021.

Operating leases

	2021	2020	2019
Within one year	42	23	19
Between one and five years	115	59	75
Later than five years	114	0	0
Net carrying amount	**271**	**82**	**94**

Note 15 Non-current receivables

Non-current receivables	2021	2020	2019
Derivatives designated as hedging instruments	168	38	19
Funded pension plans	57	19	184
Other non-interest-bearing receivables	22	7	15
Other interest-bearing receivables	6	28	202
Total	**253**	**93**	**421**

Note 16 Inventories

	2021	2020	2019
Raw materials and consumables	1,623	1,216	1,750
Work in progress	1,672	1,373	1,689
Finished goods	2,077	1,707	1,437
Total	**5,372**	**4,296**	**4,876**

Note 17 Trade receivables

2019	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, %	0.4	1.2	2.9	5.0	14.3	31.2	91.4	1.2
Gross carrying amount – trade receivables	1,998	356	46	27	16	11	11	2,465
Loss allowance	–7	–4	–1	–1	–2	–4	–10	–30
Reported value	**1,991**	**352**	**45**	**26**	**13**	**8**	**1**	**2,435**

2020	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	1.6	4.6	7.4	11.5	42.4	88.7	1.4
Gross carrying amount – trade receivables	1,652	142	48	11	7	7	13	1,882
Loss allowance	–5	–2	–2	–1	–1	–3	–12	–26
Reported value	**1,647**	**140**	**46**	**10**	**6**	**4**	**2**	**1,856**

2021	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	181–360 days past due	More than 360 days past due	Total
Expected loss rate, %	0.3	1.0	3.2	7.6	8.5	48.6	93.5	1.3
Gross carrying amount – trade receivables	2,274	190	43	13	15	16	14	2,565
Loss allowance	–7	–2	–1	–1	–1	–8	–12	–33
Reported value	**2,267**	**188**	**42**	**12**	**14**	**8**	**2**	**2,532**

Age analysis of trade receivables

2021	Gross	Loss allowance	Net carrying amount
Current receivables	2,274	–7	2,267
Past due receivables 0–3 months	246	–4	242
Past due receivables 4–12 months	31	–9	22
Past due receivables >12 months	14	–12	2
Total	**2,565**	**–33**	**2,532**

Note 18 Other current receivables

	2021	2020	2019
Contract assets	38	16	35
Derivatives designated as hedging instruments	321	177	80
Other non interest bearing receivables	441	713	932
Other interest bearing receivables	0	0	1
Advances to suppliers	19	21	13
	819	**927**	**1060**

Note 19 Equity

On December 31, 2021 Alleima's share capital amounted to SEK 50,000 distributed among 1,000 shares. In calculating earnings per share for historical periods, the number of shares have been based on the number of shares in Sandvik AB as of April 27, 2022, the date of the decision made by the shareholders in Sandvik AB to distribute one share in Alleima per five shares in Sandvik AB. Such number of shares was 250,877,184 and has been applied for all periods presented.

Reserves

Consolidated equity includes certain reserves which are described below.

Translation reserves

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

Non-controlling interest

Non-controlling interest amounted to SEK 97 million (50 (60)) and refers to the subsidiary Pennsylvania Extruded Tube Co, USA in which the non-controlling interest holds a 30 percentage share.

Other transactions with shareholders

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

	2021	2020	2019
Effective tax adjustment	37	70	53
Capital contribution	16,700	0	5,732
Dividends	−642	−779	−788
Acquisition and divestment	−14,819	2,865	−672
Share based compensation	−2	−9	2
Transfer of assets and liabilities without consideration[1)]	−1,325	−843	156
Total	**−51**	**1,303**	**4,483**

1) Transfer of assets and liabilitites without consideration consists of economic activities that have been carved out from companies under common control.

Note 20 Provision for pensions and other non-current benefits

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

Sweden

The Swedish pension plan is funded through a foundation and is based on salary at the time of retirement. It is partly closed for new participants, meaning that only new employees born prior to 1979 have the option of joining the plan. Employees born after 1979 are encompassed by a defined contribution plan. There are no funding requirements for the defined benefit plan. Pension payments to retirees are made directly from Alleima, the company has the opportunity to request reimbursement for pension payments made which have been secured by the pension fund. The total value of Alleima's assets held by the foundation was SEK 1,117 million (955), which was SEK 126 million (–4) higher 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 2021, Alecta reported a preliminary plan surplus of 172 percent (148).

The Alleima Group's share of Alecta's saving premiums is 0.02 percent, the total share of active members in Alecta is 0.17 percent. For 2022, the expected contribution to Alecta is SEK 19 million (23).

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 20 million (19). This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2 percent of the Group's pension liability in Sweden.

US

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

Germany

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

Other

Other countries have no material defined benefit pension plans.

Risks and cash flows

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

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

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

Plan assets

The fair value of plan assets on December 31, 2021 included loans of SEK 0 million (0) to Alleima companies.

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, 2019	**Sweden**	**US**	**Germany**	**Other**	**Total**
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	2,082	222	193	114	2,610
– of which for actives	*1,008*	*54*	*71*	*114*	*1,248*
– of which for vested deferreds	*565*	*22*	*21*	*0*	*608*
– of which for retirees	*509*	*146*	*100*	*0*	*754*
Plan assets	895	223	101	291	1,510
Total surplus/(deficit)	–1,187	1	–92	177	–1,100
Other pension provisions					*–20*
Total Net liability					**–1,120**
Provision for pensions					–1,303
Overfunded pension plans recognized as asset, non-current receivable					184
Funding level, %	43	101	52	255	58
Average duration of the obligation, years	24	11	8		22
Amounts included in the income statement/Other comprehensive income					
Current service cost	–53	–1	–3	–7	–64
Net interest	–21	0	–1	1	–22
Remeasurements	–271	–7	–10	23	–266
Total expense for defined benefits (pretax)	–346	–8	–14	17	–351
Amounts included in the cash flow statement					
Contributions by the employer	0	–5	–5	0	–10
Benefits paid	–36	0	–4	0	–41
Settlements paid	0	0	0	0	0
Major assumptions for the valuation of the liability					
Life expectancy, years[1)]	23	21	22		
Inflation, %	1.75	2.5	2.0		
Discount rate, % (weighted average)	1.75	3.1	1.3		
Future salary increase, % (weighted average)	3	3	3		

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

Information by country December 31, 2020	Sweden	US	Germany	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	2,316	208	180	76	2,781
– of which for actives	*1,130*	*48*	*63*	*69*	*1,311*
– of which for vested deferreds	*671*	*21*	*21*	*7*	*719*
– of which for retirees	*516*	*139*	*96*	*0*	*751*
Plan assets	955	203	97	91	1,346
Total surplus/(deficit)	−1,361	−5	−84	15	−1,435
Other pension provisions					*−24*
Total Net liability					**−1,459**
Provision for pensions					−1,478
Overfunded pension plans recognized as asset, non-current receivable					19
Funding level, %	41	98	54	120	48
Average duration of the obligation, years	24	11	9		22
Amounts included in the income statement/Other comprehensive income					
Current service cost	−77	−1	−3	1	−79
Net interest	−20	0	−1	0	−21
Remeasurements	−114	−7	2	−6	−125
Total expense for defined benefits (pretax)	−211	−8	−1	−5	−226
Amounts included in the cash flow statement					
Contributions by the employer	0	0	−5	−3	−8
Benefits paid	−37	0	−4	−1	−42
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	1.75	2.25	2		
Discount rate, % (weighted average)	1.5	2.2	1		
Future salary increase, % (weighted average)	3	3	3		

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

Information by country December 31, 2021	Sweden	US	Germany	Other	Total
Amounts included in the balance sheet					
Present value of funded and unfunded obligations	2,149	245	184	165	2,743
- of which for actives	*953*	*72*	*68*	*162*	*1,256*
- of which for vested deferreds	*703*	*20*	*18*	*3*	*744*
- of which for retirees	*492*	*153*	*98*	*0*	*743*
Plan assets	1,117	244	103	163	1,626
Total surplus/(deficit)	−1,032	−2	−81	−10	−1,125
Other pension provisions					*−22*
Total Net liability					**−1,147**
Provision for pensions					−1,204
Overfunded pension plans recognized as asset, non-current receivable					57
Funding level, %	52	99	56	99	59
Net liability for medical plans		30			30
Average duration of the obligation, years	23	12	8		20
Amounts included in the income statement/Other comprehensive income					
Total (Current) service cost	−64	−2	−2	−10	−78
Net interest	−20	0	−1	0	−21
Remeasurements	376	36	0	14	426
Total expense for defined benefits (pretax)	291	33	−3	5	326
Amounts included in the cash flow statement					
Contributions by the employer	0	0	1	−3	−2
Benefits paid, net	−38	0	−5	0	−43
Major assumptions for the valuation of the liability					
Life expectancy, years[1]	23	21	22		
Inflation, %	1.75	2.25	2		
Discount rate, % (weighted average)	2	2.7	1.1		
Future salary increase, % (weighted average)	3	3	3		

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

	2021	2020	2019
Opening balance, January 1	2,781	2,610	2,247
Service cost	74	85	64
Past service cost	4	−6	
Intragroup transactions (Sandvik)	38	−25	−89
Interest cost	43	46	52
Contributions by plan participants	2	2	1
Benefits paid	−60	−63	−70
Remeasurements loss/(gain) arising from:			
– Financial assumptions	−278	137	361
– Demographic assumptions		−3	−5
– Experience adjustments	44	32	32
Acquisition through business combination	60	0	
Exchange differences	35	−34	16
Closing balance, December 31	**2,743**	**2,781**	**2,610**

Reconciliation of change in the fair value of plan assets

	2021	2020	2019
Opening balance, January 1	1,346	1,510	1,378
Interest income	22	25	31
Intragroup transactions (Sandvik)	21	–188	–25
Contribution by the employer	2	8	10
Benefits paid directly by employer	43	42	41
Settlements paid by employer	0	0	0
Contributions by plan participants	2	2	1
Benefits paid	–60	–63	–70
Return on plan assets, excl amount included in interest	192	41	122
Acquisition through business combination	35	0	0
Exchange differences	23	–31	22
Closing balance, December 31	**1,626**	**1,346**	**1,510**

	2021	2020	2019
Actual return on plan assets	214	66	153
Consolidation ratio for funded plans, %	63	54	62
Consolidation ratio for all plans including unfunded	59	48	58
Estimated contributions for the next year	53		

Sensitivity analysis, change in provision

(net)	Sweden	US	Germany
Life expectancy, +1 year	101	6	5
Discount rate -50 bps	265	7	15
Inflation rate + 50 bps	262	5	–33

Class of assets in %	2021	2020	2019
Interest bearing securities	29	30	34
Shares	29	28	29
Properties	21	20	18
Other	13	16	11
Cash and cash equivalents	8	6	8
of which assets without quoted prices	*37*	*55*	*80*

Note 21 Other interest-bearing liabilities

	2021	2020	2019
Non-current liabilities			
Lease liabilities	133	148	202
Other	14	64	266
Total	**147**	**212**	**469**
Current liabilities			
Lease liabilities	67	60	65
Cash pool liabilities, Sandvik	0	31	2,911
Other	4	151	294
Total	**71**	**242**	**3,270**

Other consist mainly of loans from Sandvik in years 2019 and 2020.

Changes in liabilities arising from financing activities

		Cash flow		Non-cash flow changes				
	Jan 1, 2019	New loans	Amortization	Reclassification	New leases	Currency/FX	Other	Dec 31, 2019
Interest-bearing non-current liabilities	63	83	0	107	–	4	10	266
Interest-bearing current liabilities	384	–	0	–107	–	21	0	299
Lease liabilities	–	–	–91	–1	357	2	1	268
Change in net Group cash pool	7,772	–	–4,861	–	–	–	–	2,911
Dividends paid	–	–	–2	–	–	–	–	–
Total	**8,219**	**83**	**–4,953**	**–1**	**357**	**27**	**11**	**3,744**
			–4,870					

		Cash flow		Non-cash flow changes				
	Jan 1, 2020	New loans	Amortization	Reclassification	New leases	Currency/FX	Other	Dec 31, 2020
Interest-bearing non-current liabilities	266	0	0	–32	–	–17	–154	64
Interest-bearing current liabilities	299	0	–175	32	–	–4	0	153
Lease liabilities	268	–	–72	1	46	–9	–25	209
Change in net Group cash pool	2,911	–	–2,879	–	–	–	–	31
Total	**3,744**	**0**	**–3,126**	**1**	**46**	**–30**	**–179**	**457**
			–3,126					

		Cash flow		Non-cash flow changes				
	Jan 1, 2021	New loans	Amortization	Reclassification	New leases	Currency/FX	Other	Dec 31, 2021
Interest-bearing non-current liabilities	64	12	0	–62	–	2	0	14
Interest-bearing current liabilities	153	1,616	–85	64	–	1	–126	1,624
Lease liabilities	209	–	–76	0	56	5	7	200
Change in net Group cash pool	31	–	–31	–	–	–	–	0
Total	**457**	**1,628**	**–193**	**2**	**56**	**8**	**–119**	**1,838**
			1,436					

Note 22 Other provisions

	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2020	32	406	50	191	6	66	751
Provisions made during the year	35	48	75	46	3	6	212
Provisions used during the year	−24	−197	−36	−25	0	−53	−335
Unutilized provisions reversed during the year	0	−97	0	−26	−1	−2	−126
Reclassifications	0	0	1	0	0	0	1
Business combinations	0	0	0	0	0	0	0
Translation differences	1	6	1	0	0	1	11
Balance at December 31, 2021	**45**	**166**	**91**	**186**	**8**	**18**	**514**
of which current	*30*	*162*	*4*	*4*	*4*	*10*	*214*
of which non-current	*14*	*4*	*87*	*182*	*4*	*8*	*300*

	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2019	11	206	49	184	8	18	474
Provisions made during the year	23	381	29	59	2	64	559
Provisions used during the year	0	−168	−23	−2	0	−12	−205
Unutilized provisions reversed during the year	0	−7	−4	−2	0	0	−14
Reclassifications	0	−3	0	−41	0	0	−45
Business combinations	0	0	0	0	0	0	0
Translation differences	−2	−3	−1	−5	−4	−3	−18
Balance at December 31, 2020	**32**	**406**	**50**	**191**	**6**	**66**	**751**
of which current	*16*	*359*	*2*	*5*	*1*	*59*	*443*
of which non-current	*16*	*47*	*48*	*186*	*4*	*6*	*308*

	Warranties	Restructuring	Employee benefits	Environ-mental obligations	Legal disputes	Other obligations	Total
Balance at December 31, 2018	8	322	43	128	6	14	522
Provisions made during the year	0	340	27	67	2	16	452
Provisions used during the year	2	−393	−23	−48	−1	−4	−467
Unutilized provisions reversed during the year	0	−67	0	−4	0	−9	−80
Reclassifications	0	0	0	42	0	0	42
Business combinations	0	0	0	0	0	0	0
Translation differences	1	3	1	−1	0	1	5
Balance at December 31, 2019	**11**	**206**	**49**	**184**	**8**	**18**	**474**
of which current	*0*	*206*	*4*	*42*	*2*	*10*	*264*
of which non-current	*10*	*0*	*44*	*142*	*6*	*7*	*210*

Note 23 Other non interest-bearing liabilities

	2021	2020	2019
Other non-current liabilities			
Derivatives designated as hedging instruments	138	48	64
Other	–1	0	0
Total	**136**	**48**	**64**
Other current liabilities			
Derivatives designated as hedging instruments	70	47	97
Other	210	184	755
Total	**280**	**231**	**851**

Note 24 Accrued expenses

SEK M	2021	2020	2019
Personnel related	801	708	790
Other accrued expenses	338	371	267
	1,138	**1,079**	**1,057**

Note 25 Contingent liabilities and pledged assets

Contingent liabilities	2021	2020	2019
Bills discounted	6	7	11
Total	**6**	**7**	**11**

Pledged assets

At the end of 2021, there is SEK 13 million (0 (0)) in pledged collateral and refers in its entirety to loans relating to machines for which the assets themselves have been pledged as collateral.

Note 26 Financial risk management

Financial assets and liabilities by valuation category

	Fair value through profit or loss			Amortized cost			Total carrying amount		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Financial assets									
Trade receivables	–	–	–	2,532	1,856	2,435	2,532	1,856	2,435
Other receivables	–	–	–	323	711	1,074	323	711	1,074
Derivatives	489	215	99	–	–	–	489	215	99
Cash and cash equivalents	–	–	–	1,661	179	112	1,661	179	112
Total financial assets	**489**	**215**	**99**	**4,516**	**2,745**	**3,621**	**5,005**	**2,960**	**3,720**
Financial liabilities									
Borrowings	–	–	–	1,620	2	5	1,620	2	5
Derivatives	208	95	160	–	–	–	208	95	160
Accounts payable	–	–	–	2,128	1,192	1,330	2,128	1,192	1,330
Other liabilities	–	–	–	785	1,067	5,182	785	1,067	5,182
Total financial liabilities	**208**	**95**	**160**	**4,534**	**2,261**	**6,517**	**4,742**	**2,356**	**6,678**

The carrying amounts are considered to represent a good approximation of the fair values due to the short durations.

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 objectives of the function are to contribute to the creation of value by managing the financial risks to which the Group is exposed to during the ordinary course of business, and to optimize the Group's finance net.

In addition, the Group Treasury Function handles and manages the Group's financing and liquidity risks as well as supporting Group companies with loans, deposits, foreign exchange and commodity hedging transactions through the internal banking operation from the office in

Stockholm, Sweden. Group Treasury also advises Group companies on financial matters, trade finance solutions as well as credit management solutions. The function is also responsible for the Group's bank account and payment infrastructure and manages the financial risks associated with the Group's defined-benefit pension plans.

Alleima only accepts financial counterparties with a solid credit rating and financial position.

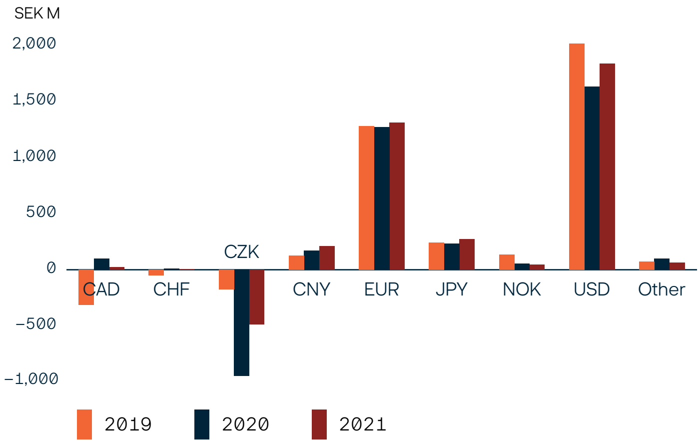
Currency risk – Transaction exposure

Risk

Transaction exposure occurs when sales and purchases are made in two different currencies which affect profit for the year and from financial assets and liabilities denominated in another currency than the entities functional currency.

Alleima's annual transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the counter-value in the exporting companies' local currencies, and measured at the average exchange rate, amounted to SEK 3,260 million (3,314 (1,759)) in 2021. The most important currencies for one year of exposure are shown in the following diagram.

Exposure
Net flow in foreign currency



Comments

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

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

A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments and bank account balances in accordance with guidelines set in the Group's finance policy. In addition, major project orders are currency hedged to protect the gross margin. Under the finance policy, the CFO has a mandate to hedge the annual transaction exposure. At year-end, the total hedged amount was SEK 1,277 million. The average duration for the hedged volume of foreign currency was 9 months. Unrealized gains/losses from outstanding currency contracts for hedging of future net flows amounted to SEK -30 million. This amount consists of SEK -15 million in gains/losses related to contracts maturing in 2022 and SEK -15 million in gains/losses related to contracts maturing in 2023 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 weakens, except CZK that strengthens, by 5 percent for the exposure currencies, total operating profit over a 12-month period would change by approximately SEK –219 million (–339 (-223)), assuming that the composition is the same as it was at year-end.

Sensitivity analysis by currency

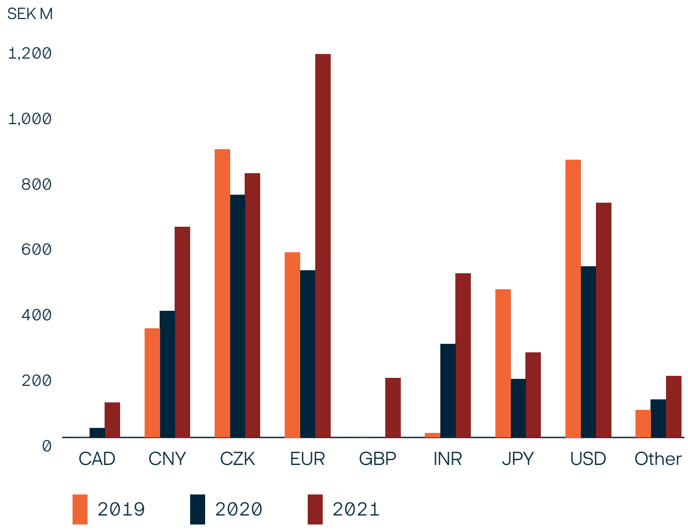
CAD	CHF	CZK	CNY	EUR	USD	ZAR	Other	Total
–1	0	–24	–11	–66	–92	0	–25	–219

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, the Group's net assets in subsidiaries in local currencies amounted to SEK 4,576 million (2,769 (3,164)).

Exposure
Net assets by foreign currency



Comments

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

If exchange rates were to change by 5 percent in an unfavorable direction the net effect on other comprehensive income would be approximately SEK –229 million (–138 (–158)). This net effect primarily comprises translation exposure in equity.

Sensitivity analysis by currency

CNY	CZK	EUR	GBP	INR	JPY	USD	Other	Total
–32	–40	–59	–9	–25	–13	–36	–15	–229

Interest rate risk

Risk

Interest rate risk is defined as the risk 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.

Exposure

If market rates were to rise by 1 percentage point across all terms, in relation to loans for which the interest rate will be reset during the coming year, interest costs would be impacted by SEK –16 million.

Comments

The Group's interest-rate risk arises mainly in connection with borrowing. The Group CFO has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 36 months. The average fixed-interest term on Alleima's borrowing was 1 month at year-end.

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

Liquidity and refinancing risk

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.

Comments

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). As at December 31, 2021, the Group's capital employed, excluding cash and cash equivalents, was SEK 13,142 million 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 16,063 million. The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 3,985 million. 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 828 million.

Alleima has a revolving credit facility of SEK 3,000 million maturing in 2026. Alleima's financing strategy is to achieve a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk.

Credit risk

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

	2021	2020	2019
Trade receivables	2,532	1,856	2,435
Cash and cash equivalents	1,661	179	112
Unrealized net gains on derivatives	428	25	36
Other receivables	3	0	1
Total	**4,624**	**2,060**	**2,584**

Comments

Alleima has entered into agreements with the banks that are most important to the Company, 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 Company's counterparty exposure to the financial sector is limited to the unrealized net gains that arise in derivative agreements, and investments and bank balances. As at December 31, the value of these amounted to SEK 428 million (25 (36)).

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, was SEK 2,532 million (1,856 (2,435)) while SEK 33 million (26 (30)) 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 6 million (8 (4)) corresponding to 0.04% of sales.

Raw materials price risk

Risk

Alleima's financial risks related to raw materials are primarily concentrated to nickel, electricity and gas. The price risks associated with these are partially hedged through the signing of financial contracts. 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 60 million (60 (60)) on an annual basis, based on the prevailing conditions at year-end 2021.

Exposure

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.

For Alleima, the electricity price is continuously hedged through derivatives. Electricity consumption at these units normally totals around 600 GWh. The hedging horizon at year-end was about 22 months' (22 (18)) expected consumption.

Comments

Net total consumption of nickel amounted to about 13,600 metric tons during the year.

At year-end, the volume of hedged nickel inventory was 1,067 metric tons. The market value of commodity derivatives entered into was SEK 10 million.

The volume of electricity hedged with derivatives was 1,121 GWh (1,405 (1,239)) at year-end. The market value of these derivative contracts amounted to SEK 287 million (–13 (15)).

The volume of gas hedged with derivatives was 175 GWh year-end. The market value of these derivative contracts amounted to SEK 61 million.

Pension commitments

Risk

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

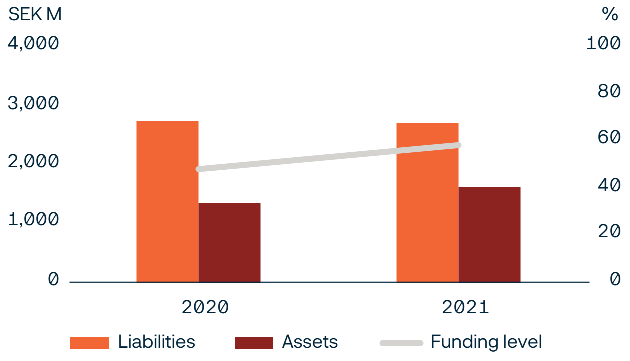
Exposure

The Group-funded pension liability has an average duration of 20.2 years. The allocation to interest-bearing assets is 37 percent 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 296 million.

29 percent of the pension portfolio is invested in equities. A 20 percent movement in the equity portfolio would result in a change in market value of SEK 93 million. If the life expectancy assumptions increase by one year, the pension liability would rise by 4.1 percent which corresponds to SEK 112 million. The calculated total loss

potential for one year (pension risk), based on stress tests, is on aggregate SEK 345 million.

Development of pension liability and assets



Comments

In 2021, the pension assets totaled SEK 1,622 million (1,353) and the corresponding pension liability amounted to SEK 2,740 million (2,781), which is equal to a funding level of 59 percent (49). The return on Alleima's pension assets was 11.8 percent during the year (3.0). In addition, Alleima has unfunded pension commitments of SEK 214 million.

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

Alleima has a supply chain finance programme where the company obtains extended payment terms. The standard payment terms for the program are 120 days in exchange for the provider to discount the invoices within 10 to 15 days. Alleima bears no costs for the program. The suppliers can join or leave the program at no cost. At the end of 2021, the total debt in the programme was SEK 651 million (141) and the extended payment period averaged 74 (64) days.

Note 27 Related parties

Transactions with shareholders

Alleima's shareholder is Sandvik group. Between the Group's there are historical trade receivables and payables as well as cash pool and other short term liabilities. Accounts receivable and liabilities have ongoing payment terms. The short-term loan runs at market rate and will be repaid before listing.

For basis for preparation of the Combined Financial Statments please refer to Note 1. Transactions related to transfer of assets and liabilities as part of the formation of the Alleima Group between the Sandvik Group and the 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 Combined Statement of Changes in Equity. The Group has also purchased services from the Sandvik Group such as IT services and administrative services. In the combined financial statements, accounts receivables and accounts payables include receivables and payables that will be collected and paid by another Group entity than the entity included in the combined financial statements.

The table below summarizes Alleimas's transactions wih the Sandvik Group.

	2021	2020	2019
Revenue	442	327	375
Purchased services[1]	–286	–248	–259
Financial cost	–9	–93	–198
Derivatives	–172	210	–15
Closing Balance:			
Net cash pool liability	0	31	2,911
Accounts Payable	86	52	59
Short term loans from Sandvik	1,618	0	0
Other short term liabilities	2	9	518
Long term loans from Sandvik	0	0	0
Receivables	96	521	687
Derivatives net asset/liability (–)	0	133	–76

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

Compensation to key management personnel

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

Note 28 Business combinations

The acquisitions of business combinations executed in 2019, 2020 and 2021 are set out below. Annual revenue and number of employees reflect the situation at the date of the respective transaction.

Division/ Cash Generating Unit	Company/Unit	Country	Acquisition date	Annual revenue	No. of employees
Kanthal	Thermaltek	USA	December 31, 2019	USD 13 million in 2018	30
Tube	Summerill Tube Corporation	USA	January 14, 2020	SEK 100 million in 2018	45
Kanthal	Accuratech Group	Switzerland	October 4, 2021	SEK 75 million in 2020	50

All acquisitions above were cash settled and were made through the purchase of 100% of shares and voting rights or through the purchase of the net assets of the acquired operations. The Group received control over the operations upon the date of closing the acquisition.

No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method. Any adjustments to the values of Accuratech Group are not expected to be material.

Fair value recognized in the Group

	Thermaltek			Summerill Tube Corporation
	2019	2020	Change	2020
Intangible assets	–	139	139	36
Property, plant and equipment	–	3	3	24
Inventories	–	10	10	39
Receivables	–	8	8	17
Other liabilities and provisions	–	– 4	– 4	– 26
Deferred tax assets/liabilities, net	–	–	–	–
Net identifiable assets and liabilities	**–**	**156**	**156**	**90**
Goodwill and surplus values	154	–	– 154	–
Purchase consideration	**– 154**	**– 156**	**– 2**	**– 90**
Transaction expenses	–	– 2	– 2	0
Net cash outflow	**– 154**	**– 158**	**– 4**	**– 90**

In December 2019, the division Kanthal acquired privately owned Thermaltek Inc., a manufacturer of high temperature furnace systems and metallic heating elements headquartered in North Carolina, USA. Goodwill of SEK 139 million was recorded on the purchase. The fair value of the acquisitions made during 2019 have changed due to the establishment of final purchase price agreement during 2020.

In January 2020, the division Tube acquired Summerill Tube Corporation, a manufacturer of high precision tubes. Since 1892 it has delivered seamless and welded tubing in stainless steels and nickel alloys to various high demanding industries including aerospace, transportation and chemical. Intangible assets of SEK 27 million and goodwill of SEK 9 million was recorded on the purchase. The deal has a limited impact on earnings per share from the start. The goodwill is deductible for tax purposes.

In October 2021, the division Kanthal acquired Accuratech Group, a niched medical wire forming and component manufacturer. Intangible and tangible assets of SEK 43 million and goodwill of SEK 68 million were recorded on the purchase. The deal has a limited impact on earnings per share from the start and will be EBIT margin neutral for Alleima. The goodwill is not deductible for tax purposes.

Contributions from companies acquired in 2019, 2020 and 2021

	2019	2020	2021
Contributions as of acquisition date			
Revenues	—	79	25
Profit/loss for the year	—	3	–3
Contributions if the acquisition date would have been 1 January			
Revenue	126	79	107
Profit/loss for the year	27	3	7

Note 29 Divestments

The divestments of business executed in 2020 are set out below. There were no divestments during 2019 and 2021.

Division	Company/Unit	Divestment date	Annual revenue	No. of employees
Tube	Sandvik Powder Solution Business	April 6, 2020	SEK 68 million in 2019	30

Divestments

In April 2020, the divestment of Sandvik Powder Solutions Business for powder-based HIP products to Metal Technology Co Ltd (MTC) was completed but the transaction had no major impact on Alleima. Goodwill related to the divested operations was impaired by SEK –77 million in 2019, see Note 12 Intangible assets.

Assets and liabilities included in divestments 2020

	Sandvik Powder Solution Business
Intangible assets	77
Property, plant and equipment	21
Right of Use Assets	8
Inventories	41
Receivables	13
Other current assets	2
Interest-bearing liabilities	–9
Other liabilities and provisions	–50
Deferred tax assets/liabilities, net	4
Net identifiable assets	**107**
Gain/loss on divestments of business	–79
Consideration received after divestment costs	**28**
Less: Cash and cash equivalents in the divested entities	0
Impact on the Group's cash and cash equivalents, divested operations	**28**

Note 30 Government grants

Alleima has received various forms of governtment grants in countries where the Group operates of SEK 6 million (103) during 2021. The grants have been recognized as a reduced cost to which the grant is attributable to. The main part is related to personnel costs.

The majority of the grants have no unfulfilled conditions of contingencies attached to the grants.

Note 31 Events after the close of the period

In Q1 2022, Alleima completed the acquisition of the German-based company Gerling GmbH, a precision tube engineering company serving multiple industries including the fast-developing hydrogen market. The offering includes innovative engineering solutions such as high-pressure control technology in hydrogen refueling stations. The company is reported in division Tube. Gerling GmbH is headquartered in Hörste, Germany, with around 75 employees. In 2020 Gerling GmbH had revenues of approximately SEK 90 million, with an EBIT margin neutral to Alleima. During the first six months of 2022 the company had revenues of SEK 24 million with an impact on Alleima profit for the period of SEK 5 million. Impact on Alleima earnings per share will initially be neutral. The acquisition was made through the purchase of 100 percent of shares and voting rights. Alleima assumed control over the operations upon the date of closing. No equity instruments have been issued in connection with the acquisition. The acquisition has been accounted for using the acquisition method. Intangible and tangible assets of SEK 48 million and goodwill of SEK 3 million has been recorded on the purchase. The purchase price allocation is still preliminary, changes may occur at a later stage.

On January 28 and March 9, 2022 Sandvik announced that the Sandvik Board of Directors had appointed Kerstin Konradsson and Susanne Pahlén Åklundh as new members of the Alleima Board of Directors. With these appointments, the Alleima Board of Directors is now complete.

On February 16, 2022 it was announced that Alleima received a major order for advanced tubes for the energy segment. The order was booked in the first quarter of 2022 and is valued to approximately SEK 800 million, with deliveries scheduled between 2023 and 2025.

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

On March 23, 2022 the Sandvik Board of Directors decided to propose the distribution and listing of Sandvik Materials Technology (Alleima) to the Annual General Meeting and on the Annual General Meeting, which took place on April 27, 2022, the shareholders resolved to approve the Board of Directors' proposal. The listing is planned to take place on the Nasdaq Stockholm Exchange on August 31, 2022, and is expected to meet the Lex Asea requirements. Sandvik has also decided that Alleima will be the new name of the Group.

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

During Q2 2022, the subsidiary Sandvik Materials Technology Rock Drill Steel AB (RDS) made a directed share issue to Sandvik AB regarding 10,000 B-shares in the company, which resulted in the majority owner Alleima now owning 90 percent of the shares in RDS, i.e. all A-shares, and Sandvik 10 percent. 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 value. Alleima has in all previous periods presented prior to the rights issue consolidated RDS to 100 percent, i.e. without accounting for a non-controlling interest. In the new issue of Class B shares, Alleima will report in its consolidated financial statements a minority shareholding of SEK 2,778 corresponding to the issue proceeds that RDS received from Sandvik AB. No "profit share" belonging to the minority shareholder Sandvik AB will be reported in the future as Sandvik is not entitled to any dividend. This means that the minority share in equity will be SEK 2,778 in all future periods unless Alleima acquires Sandvik AB's Class B shares in accordance with agreement or Alleima divests RDS at fair value according to the agreement's call option.

During Q2 2022, Alleima has established a commercial paper program with a framework amount of SEK 3 billion with the aim of being able to raise short term financing. During the quarter, Alleima also entered into an agreement with a syndicate of lenders for revolving credit facilities of SEK 3 billion, of which a maximum of SEK 500 million can be used for a facility with short maturities. The credit can be drawn in a number of currencies and runs for five years (with two possibilities for extension). In addition, Alleima has entered into framework agreements on short-term financing. Alleima has not availed any of the credits.

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

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

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

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

The market demand has now largely recovered from the decline related to the Covid-19 pandemic. Uncertainties in the economy caused by the Covid-19 pandemic and the conflict in Ukraine may however still be visible, and the constantly evolving nature makes it difficult to predict its ultimate adverse impact on Alleima. Alleima has no significant direct exposure to Russia and Ukraine. Alleima is somewhat impacted by longer lead times, indirect supply chain disruptions, higher freight and energy costs as well as raw material price inflation, with uncertainty regarding its ultimate length and trajectory. Consequently, the Covid-19 pandemic and the conflict in Ukraine continues to present uncertainty and risk and could have material adverse effects on Alleima's revenue, cash flows, financial condition and results of operations.

Further information regarding Alleima's development after the end of the financial year can be found in the Company's interim report for the period January 1 to June 30, 2022, which can be found on pages F-2–F-34.

Independent Auditor's report

To the Board of Alleima AB (publ), corporate identity number 559224-1433

Report on the combined financial statements

Opinions

We have audited the combined financial statements of Alleima AB (publ) for the period of three financial years ending 31 December 2021. The combined financial statements of the Group are included on pages F-35–F-86 in this document.

In our opinion, the combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and present fairly, in all material respects, the combined financial position of the group as of 31 december 2021, 31 december 2020 and 31 december 2019 and its combined financial performance and combined cash flow for each of the three financial years ending 31 December 2021 in accordance with IFRS, as adopted by the EU.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and 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 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 appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the combined financial statements and that they give a fair presentation 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, The Board of Directors and the Managing Director are responsible for the assessment of 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 basis of accounting is however not applied if the Board of Directors and the Managing Director intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the combined financial statements 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
— Obtain an understanding of the Group's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the

going concern basis of accounting in preparing the combined financial statements. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our ur opinion about the combined financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Stockholm 4 August 2022

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

Glossary

Product	Definition
Bars	Stainless steel cast as a round bar for machining in a wide range of grades, including duplex and super-duplex stainless steel.
Billets	Steel cast in compact round shape. Available in a wide range of materials, such as stainless steels, duplex stainless steels and nickel alloys.
Bipolar plates	Bipolar plates (BPPs) are used to assemble individual PEM fuel cells into a fuel cell stack and provide flow channels for the gaseous fuel (hydrogen) and air.
Bloom	Steel cast in compact square shape. Available in a wide range of materials, such as stainless steels, duplex stainless steels and nickel alloys.
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.
Composite tubing	Composite tube (compound tube) suitable for applications where the conditions outside and inside the tube require material properties that cannot be met by one material only. The composite tube consists of two different alloys metallurgically bonded together to achieve good thermal transfer properties. One alloy is used to withstand corrosion, while the other is often an approved pressure vessel material.
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).
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-wallet stainless steel bar often used for machining components.
Ingots	Ingots are a mass of steel that has been cast into a size and shape (such as a bar, plate, or sheet) that is convenient to store, transport, and work into a semi-finished or finished product.
Kanthal® APM	Kanthal® APM is an advanced powder-metallurgical, dispersion-strengthened, ferritic iron-chromium-aluminum alloy (FeCrAl alloy) for use at temperatures up to 1,425 degrees Celsius (2,600 degrees Fahrenheit). 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-molybdenum alloy (FeCrAlMo alloy) recommended for continuous use up to 1,250 degrees Celsius (2,280 degrees Fahrenheit) in oxidizing and reducing environments.
OCTG	Oil Country Tubular Goods (OCTG) refers to the casing, tubing, piping and pipelines used in the petroleum industry.
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 depths, where thinner walls and high strength are required.

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