October 17, 2022

Interim report

Third quarter 2022

Alleima

Safety first

At Alleima our objective is zero harm to our people, the environment we work in, our customers and our suppliers.

Protective equipment

Emergency number

Psychological safety

First aid kit

Emergency exit

Alarm

Assembly point

Health & well-being

Göran Björkman
President & CEO

Q3 highlights

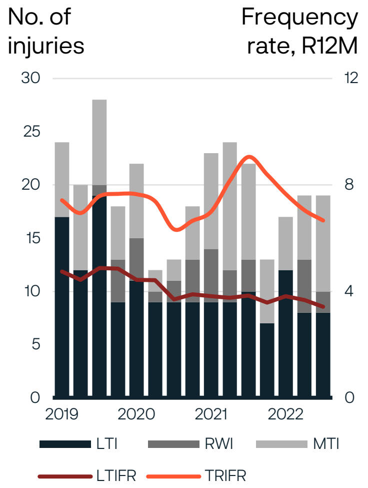
Short-cycle demand decline and a solid backlog
— Subdued demand in the short-cycle business
— Continued positive order intake growth in several customer segments
— Organic order intake of -10%
— Revenues grew 12% organically and the backlog is solid

Earnings in line with normal seasonality
— Adjusted EBIT margin of 4.6% vs. 3.8% last year
— Improved product mix and positive contribution from FX
— Higher cost for freight and energy diluting margins

Successful listing on Nasdaq Stockholm
— Launch of new brand was well received
— Strong execution on our sustainability agenda

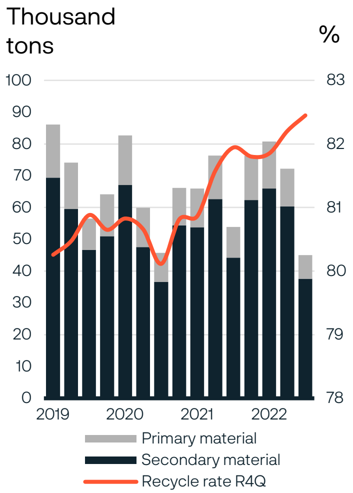
Leading sustainability
Making impact through our operations

- Improved safety performance
- Higher share of recycled steel
- Significant reduction of Greenhouse Gas emission
- Record-high share of female managers



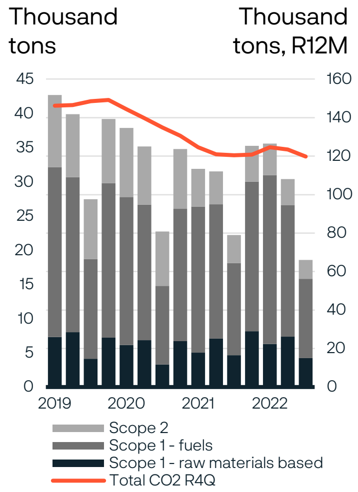
Health and safety - TRIFR

- The rate of Total Recordable Injuries improved to 6.7 (9.0).



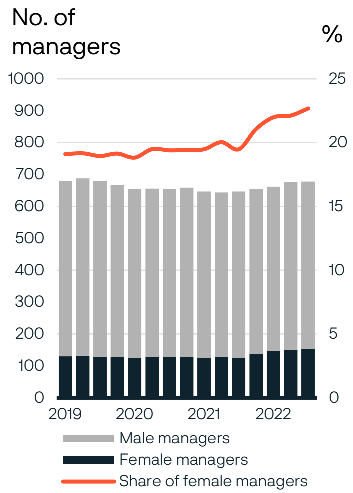
Recycled steel, %

- The share of recycled steel increased to 83.0% (82.0) for the quarter



GHG emissions

- Total GHG emission decreased to 19kton (22). Relative to produced tons, annualized GHG emissions decreased by 11% year on year.



Share of female managers

- The share of female managers increased to 22.7% (19.5)

Towards a more sustainable offering
Making impact through our products

- The solar energy industry is one underlying demand driver to the Hydrogen and Renewable Energy segment
- Tube orders for polysilicon production, the upstream of solar photovoltaic panels, were received, in the high-temperature alloy Sanicro 31HT
- The customer uses this alloy in the final stages of polysilicon production in their growth investments
- Alleima's products enable high polysilicon performance and purity, which is essential for the solar industry where the high-temperature strength and smooth inner surface roughness of our tubes are a prerequisite
- Alleima is contributing to the green energy transition

Polysilicon is a key raw material in the production of photovoltaic (PV) panels, with global demand trending as per the growth of the PV market.

Market development

— Several customer segments remained positive or stable
— Weakened demand for the short-cycle business in all regions
— Uncertainties in the macro environment remained

Q3 2022 year on year underlying demand trend, % of revenues full year 2021

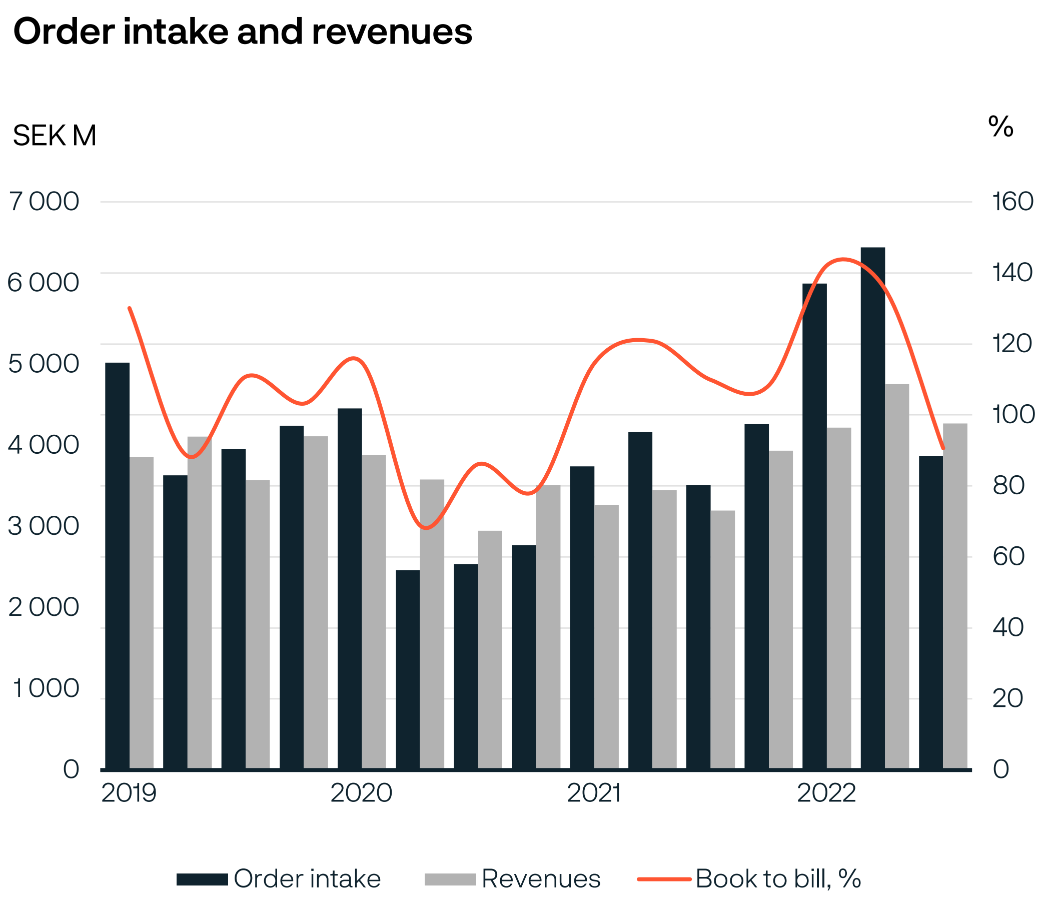
	INDUSTRIAL	CHEMICAL AND PETROCHEMICAL	OIL AND GAS	INDUSTRIAL HEATING	CONSUMER
Year on year underlying demand trend	↘	→	→	↗	↘
% of Group revenues 2021	24%	16%	14%	13%	10%

	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%

Order intake and revenues

Order intake
Reported (SEK M)
3,869

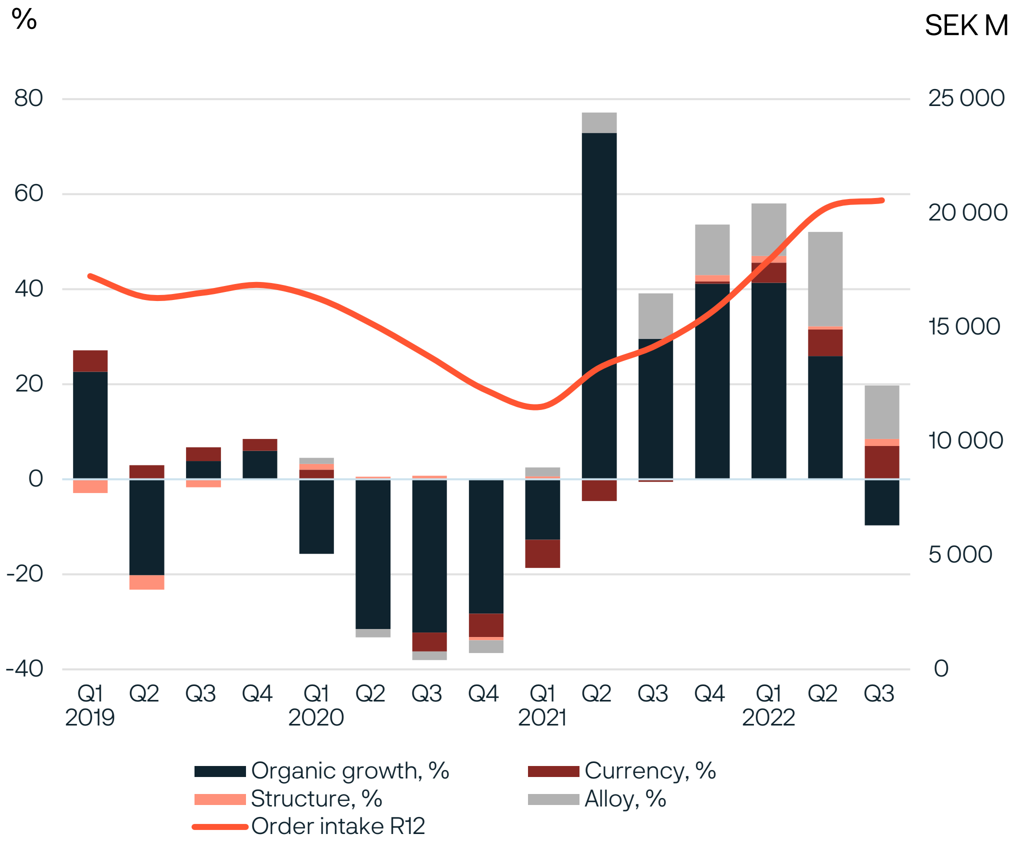
Revenues
Reported (SEK M)
4,270



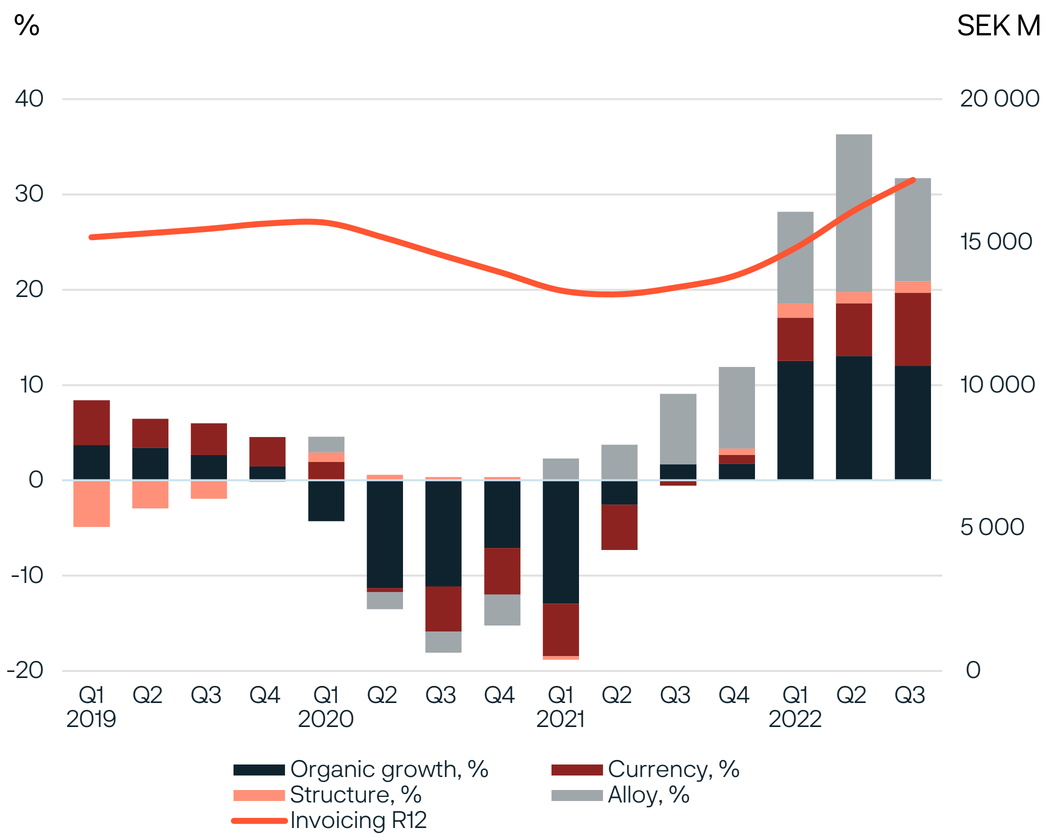
- Organic order intake growth of -10%
- Revenues increased organically by 12%
- Book-to-bill of 91%
- Backlog remained solid

Order intake and revenue growth

Order intake



Revenues



Note: 2019 organic growth numbers include alloys for both order intake and revenues

Earnings

Adjusted EBIT at SEK 195 million (123)

- Margin 4.6% (3.8), in line with normal seasonality
- Supported by higher volumes and favorable product mix
- FX had a positive impact of SEK 99 million
- Cost inflation in freight and energy diluting impact on margin
- Total price increases compensating cost inflation
- Underabsorption related to decreased inventories
- Negative effects from fire in the steel mill
- Alloys diluted margins by 40 bps

R12 M adjusted EBIT margin 8.6% (8.2)

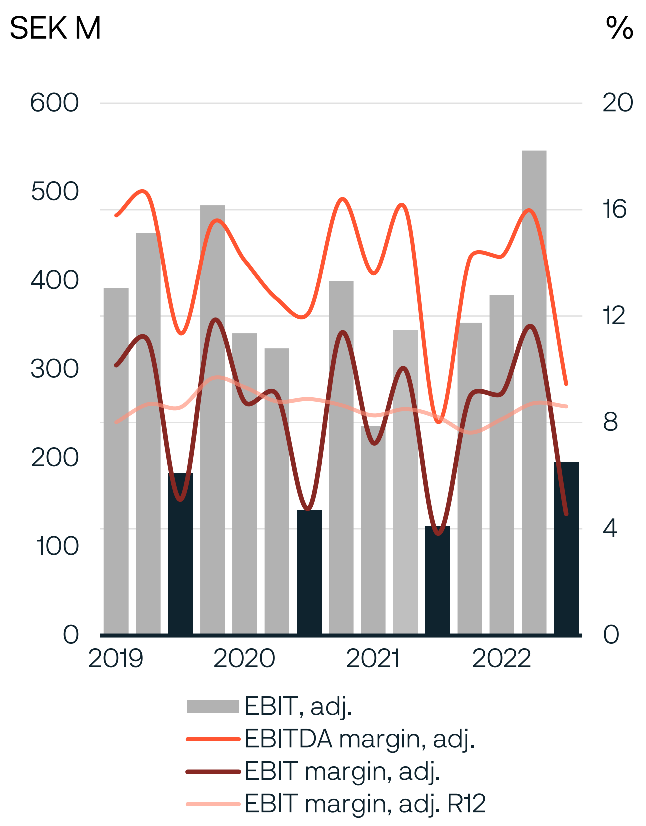
Reported EBIT at SEK -26 million (295)

- Including metal price effects of SEK -131 million (190) and IAC of SEK -90 million (-18)
- Margin of -0.6% (9.2)

Adjusted EBITDA at SEK 403 million (257)

- Margin 9.4% (8.0)

Adjusted EBITDA and Adjusted EBIT, %



Tube

SEK M	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Order intake	2,552	2,449	11,840	7,857
Organic growth, %	*-16*	*38*	*27*	*17*
Revenues	2,931	2,169	9,157	6,715
Organic growth, %	*13*	*-4*	*15*	*-14*
Adj. EBIT	145	71	855	436
Margin	*4.9*	*3.3*	*9.3*	*6.5*

Organic order intake growth of -16%

— Decline in low-refined and short-cycle long products in the Industrial segment

— Other segments noted positive yoy organic growth, such as Power Generation, Transportation, Oil & Gas as main drivers

— High level of activity in the Oil and Gas sector, but project awards are being delayed related to umbilicals

— Organic revenue growth of 13%, mainly driven by application tubing (Chemical and Petrochemical) and umbilicals (Oil and Gas)

Adjusted EBIT margin at 4.9%

— Positive contribution from revenue mix due to umbilicals

— FX had a positive impact of SEK 92 million

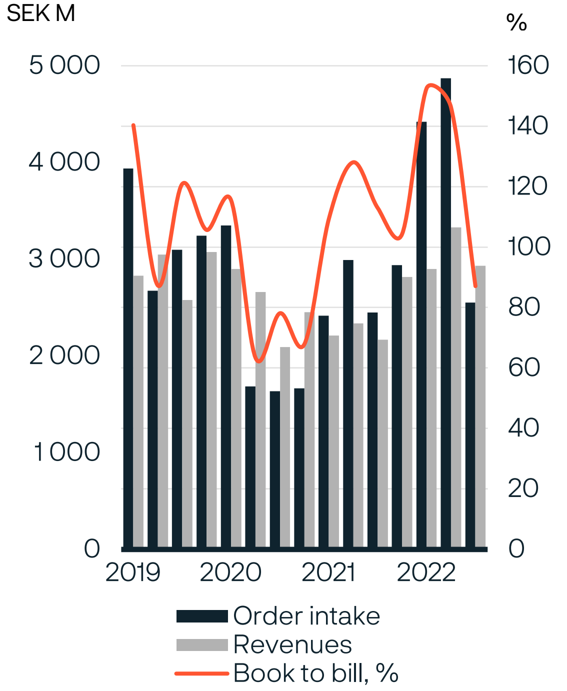
— Underabsorption related to decreased inventories

— Negative effects from fire in the steel mill

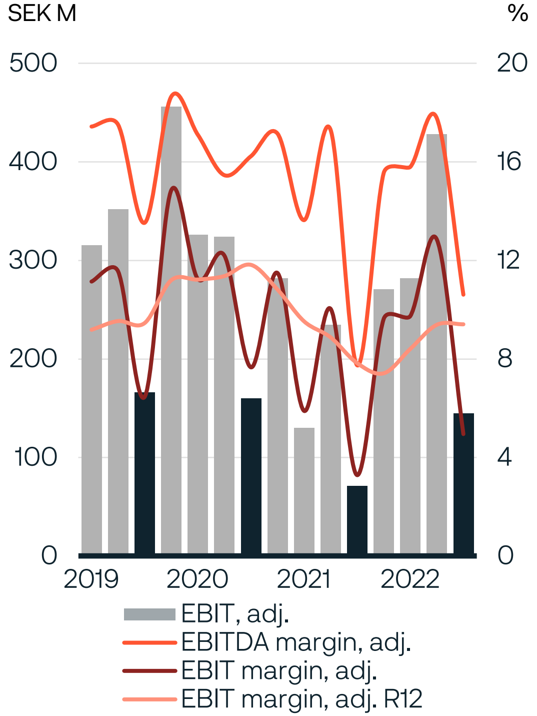
Gearing up for the future

— Expansion of the Mehsana mill in India to meet increasing demand for application tubing products

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)



Kanthal

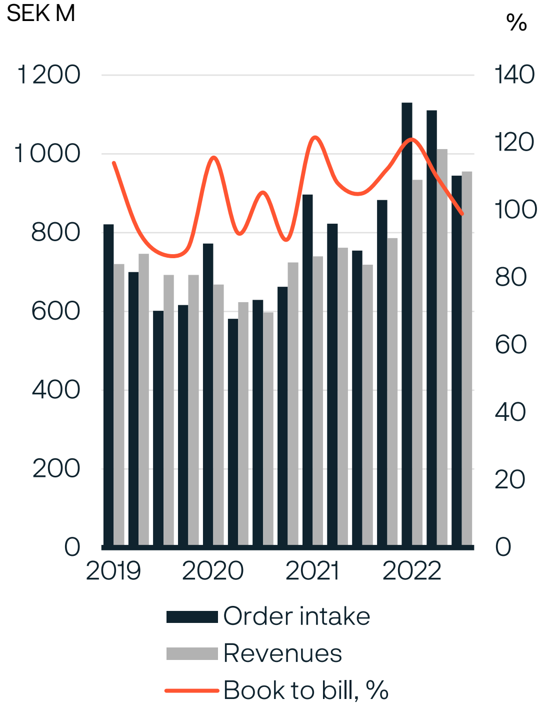
Organic order intake growth of 2%
— Solid demand in industrial heating with strong development and several large project orders
— Lower demand for heating materials related to Consumer and Industrial segments
— Organic revenue growth of 12% with broad based positive development and record-high revenues for the Medical segment

Adjusted EBIT margin at 11.6%
— Slightly negative contribution from revenue mix due to higher share of heating materials
— FX had a positive impact of SEK 9 million

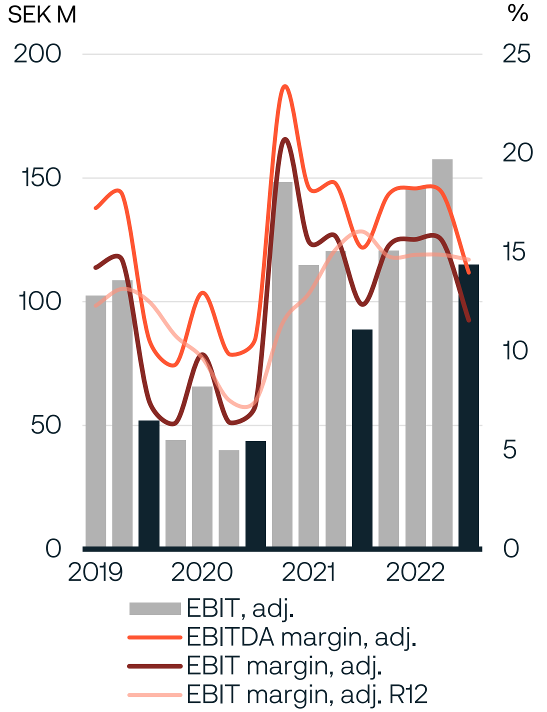
Significant reduction of climate footprint
— 100% fossil free electricity in India

SEK M	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Order intake	945	755	3,187	2,474
Organic growth, %	*2*	*16*	*4*	*30*
Revenues	995	719	2,942	2,221
Organic growth, %	*12*	*17*	*7*	*21*
Adj. EBIT	115	89	419	324
Margin	*11.6*	*12.4*	*14.2*	*14.6*

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)



Strip

Organic order intake growth 10%

- Coated strip steel from Surface Technology for the Hydrogen and Renewable Energy segment driving organic order intake
- Demand in Consumer segment slowed for compressor valve steel and knife steel
- Industrial and Medical segments remained solid
- Organic revenue growth of 3% y driven by razor blade and spring knife steel to the Consumer segment

Adjusted EBIT margin of 3.0%

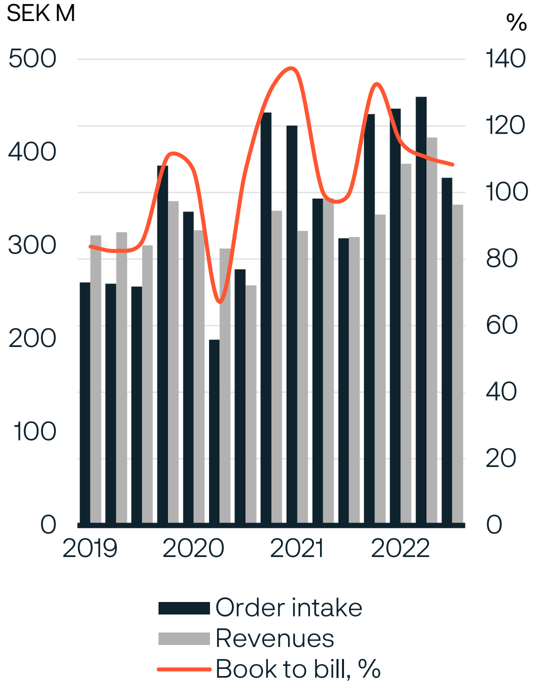
- Negative revenue mix
- Increased production cost
- Slow ramp up after summer stops
- Starting to see price increases compensate for cost inflation, but still diluting margins

Footprint optimizations

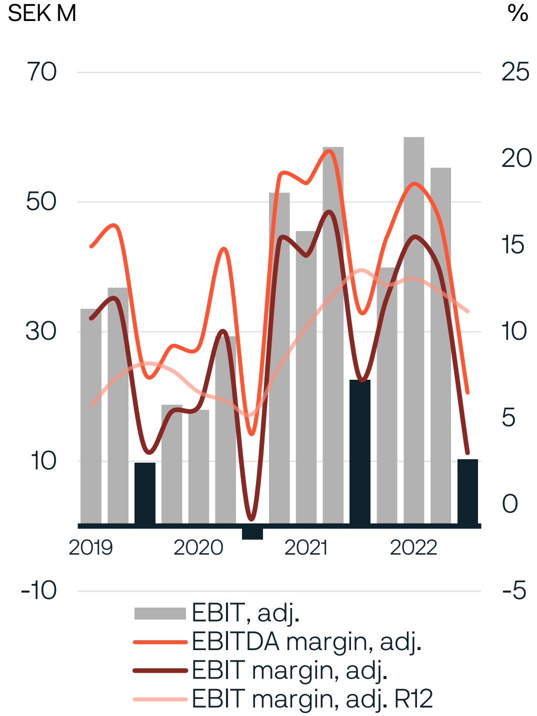
- Relocated service center in North America will enable better customer service and shorter lead times

SEK M	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Order intake	372	308	1,278	1,087
Organic growth, %	*10*	*8*	*7*	*36*
Revenues	344	309	1,148	976
Organic growth, %	*3*	*16*	*8*	*14*
Adj. EBIT	10	23	126	127
Margin	*3.0*	*7.3*	*10.9*	*13.0*

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)



Olof Bengtsson
CFO

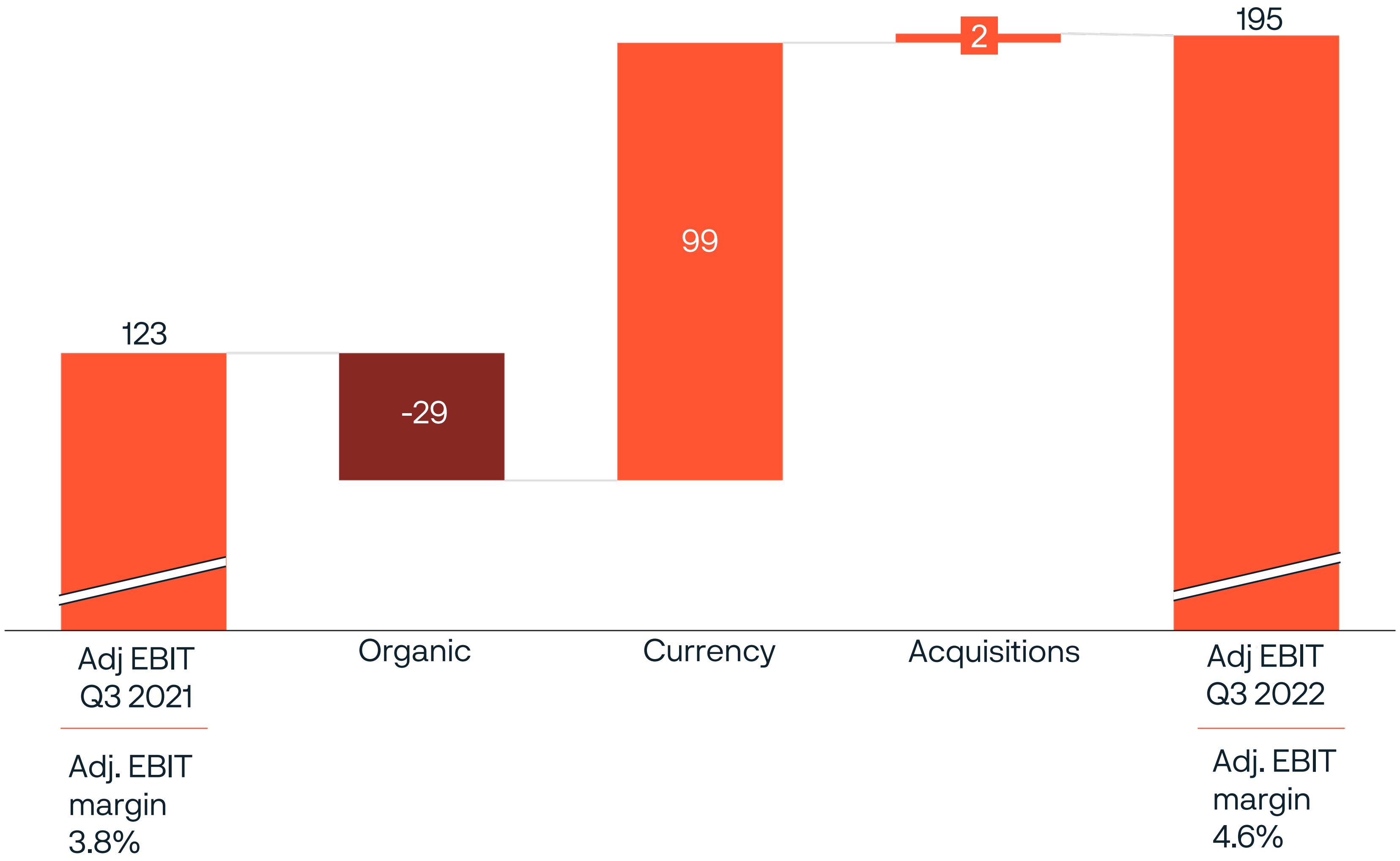
Financial summary

SEK M	Q3 2022	Q3 2021	Change %	Q1-Q3 2022	Q1-Q3 2021	Change %
Order intake	3,869	3,512	10	16,305	11,419	43
Revenues	4,270	3,197	34	13,246	9,912	34
Adj. EBITDA	403	257	57	1,756	1,253	40
Adj. EBITDA margin, %	*9.4*	*8.0*	-	*13.3*	*12,6*	-
Adj. EBIT	195	123	59	1,126	703	60
Adj. EBIT margin, %	*4.6*	*3.8*	-	*8.5*	*7.1*	-
Metal price effects	-131	190	-	844	359	-
Items affecting comparability	-90	-18	-	-254	-75	-
EBIT margin, %	*-0.6*	*9.2*	-	*12.9*	*10.0*	-
Net financial items	-187	77	-	-286	-16	-
Normalized tax rate, %	-	-	-	*26.3*	*26.4*	-
NWC, %	40.2	35.6	-	33.2	N/A	-
Free opeating cash flow	-323	-172	88	-295	361	-
ROCE, %	*-0.5*	*8.7*	-	*13.6*	*N/A*	-
Adj. EPS	0.07	0.53	-86	2.35	2.23	6

SEK M	Order intake	Revenues
Q3 2021	3,512	3,197
Organic, %	-10	12
Structure, %	1	1
Currency, %	7	8
Alloys, %	11	11
Total growth, %	10	34
Q3 2022	3,869	4,270

Change compared to the same quarter last year

Bridge analysis, Adjusted EBIT



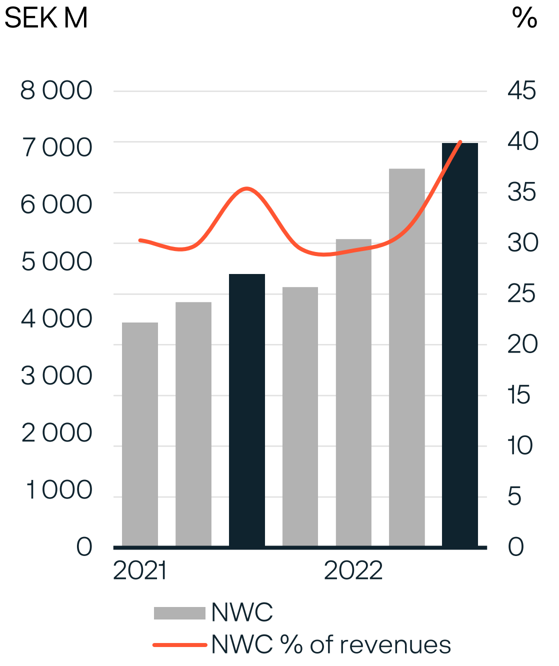
Leverage:
N/A

Capital efficiency

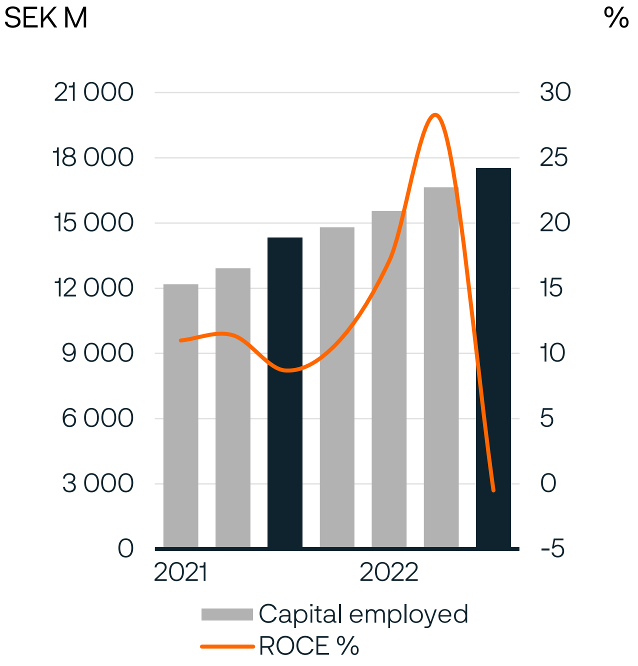
- Net working capital increased to SEK 7,091 m (4,798)
  - Due to payments of raw material purchases made during the second quarter, when metal prices were high
  - Relation to revenues up to 40.2% (35.6)

- Capital employed increased to SEK 17,496 m (14,326)
- ROCE declined to -0.5% (8.7)
  - Seasonally low earnings, negative metal price effects and IAC

Net working capital



Capital employed



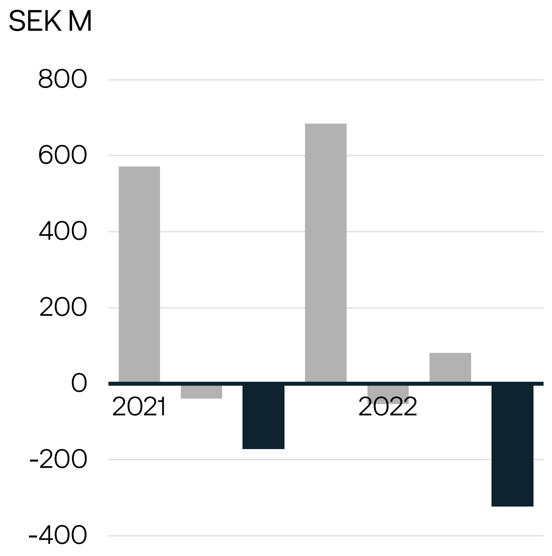
Cash flow

- Cash flow from operations amounted to SEK -297 million (-263)
- Free operating cash flow decreased to SEK -323 million (-172) due to increased NWC, attributable to payments of raw material purchases made during the second quarter, when metal prices were high
- Cash flow expected to improve sequentially in the fourth quarter

Free operating cash flow

SEK M	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021
EBITDA	182	429	2,345	1,525
Non-cash items	-91	24	-151	-103
Changes in working capital	-241	-512	-2,093	-775
Capex	-155	-97	-337	-233
Amortization, lease liabilities	-17	-15	-60	-52
Free operating cash flow	**-323**	**-172**	**-295**	**361**

Free operating cash flow quarterly



Capital structure

- Strong financial position
- Unutilized revolving credit facility of SEK 3 billion
- Pension liabilities mainly in Sweden

Pension liabilities
SEK M
492

+

Leasing liabilities (IFRS16)
SEK M
216

−

Other cash less liabilities
SEK M
384

=

Net debt
SEK M
325

Net debt/
Equity
0.02x

Net debt/
Adjusted EBITDA
rolling 12 months
0.14x

Guidance and outcome

	Outcome Q3 2022	Guidance ahead of Q3 2022
Capex (Cash)	SEK 155 million in Q3 SEK 337 million year to date	Below SEK 650 million in FY 2022
Currency translation and transaction effect	SEK 94 million	SEK 140 million in Q3
Total currency effect	SEK 99 million	-
Metal price effect	SEK -131 million	SEK -200 million in Q3
Tax rate, normalized	26.3% year to date	24-26% in FY 2022

Guidance Q4 2022 and FY 2022

Capex (cash)

— Estimated to below SEK 600 million for 2022

Currency effects

— Given currency rates at end of September 2022 the effect on operating profit from transaction and translation would be SEK +100 million for Q4 2022

Metal price effects

— Given currency rates, stock levels and metal prices at the end of September 2022, it is estimated that effect on operating profit in Q4 2022 will be SEK -150 M

Tax rate

— The normalized tax rate is estimated to 24-26% for 2022

Outlook for the fourth quarter

- The market sentiment is mixed going into the fourth quarter, while the momentum is positive for parts of the business, there are also increased uncertainties due to inflationary pressure and impact from energy supply issues and prices, impacting our customers, mainly in Europe.
- Demand is expected to continue to be subdued for the short-cycle Industrial segment and Consumer segment in the near-term.
- The product mix going into the fourth quarter is expected to be similar to that in the third quarter.
- Orders, revenues and adjusted margin in the fourth quarter are normally higher than in the third quarter, based on seasonal effects.
- Cash flow is expected to improve sequentially.

Summary

- Listing on Nasdaq Stockholm
- Slowed short-cycle demand and increased uncertainties
- Positive sentiment among several customer segments
- Solid backlog
- Margins in line with seasonality, weak leverage
- Sustainable customers segments generating business

Q&A

Thank you

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