July 21, 2023

Interim report

Second quarter 2023

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

Speak Up

Göran Björkman
President & CEO

Q2 highlights

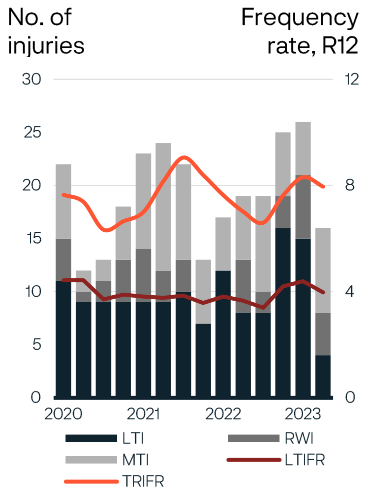
Strong revenue growth and a continued solid order backlog
— Organic order intake growth of -4% for the rolling 12-months period
— High comparables and mixed market demand
— Solid backlog provides confidence for near-time deliveries
— Revenues increased by 18% organically, driven by growth in all three divisions

Improved earnings
— Higher revenues and positive product mix
— Successful price increases fully offsetting cost inflation
— Adjusted EBIT margin of 11.4% vs. 11.5% last year

Consistent strategy execution
— Breakthrough SMR order
— Completed the acquisition of Söderfors Steel
— Solid momentum in Kanthal's Industrial Heating and Medical business

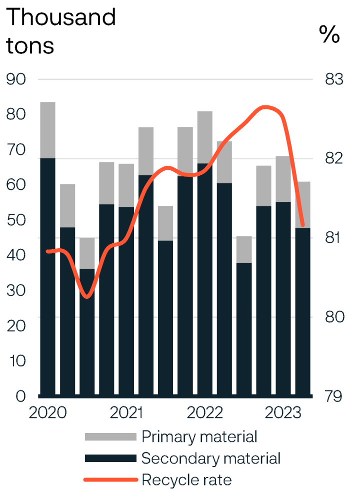
Leading sustainability
Making impact through our operations

- Focus on improving safety performance
- Share of recycled steel remains high
- Continued reduction of Greenhouse gas emissions
- Increased share of female managers



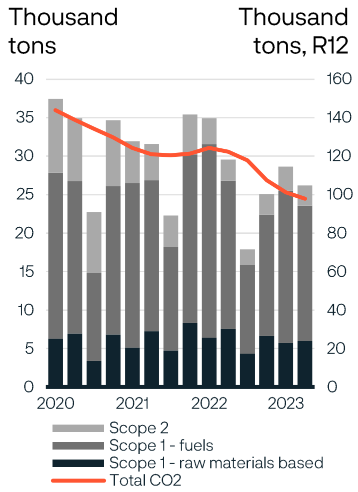
Health and safety

- The 12-month rolling Total recordable injury frequency rate, TRIFR, was 8.0 (7.0). The quarterly outcome improved to 5.7 (7.0).



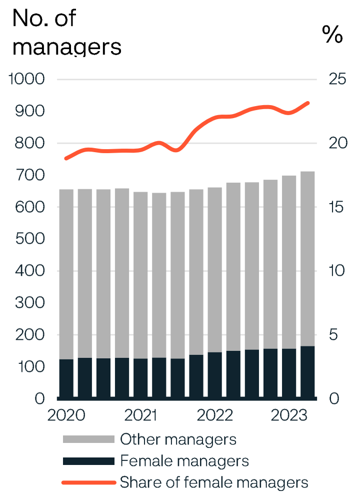
Recycled steel

- Share of recycled steel in the steel manufacturing amounted to 81.2% (82.2) for the 12-month rolling period. The quarterly figure declined to 78.4% (83.5), due to the product mix.



GHG emissions

- R12M GHG emissions amounted to 98 kton (122), a reduction of 20%. Emissions for the quarter decreased 12% to 26 kton (30).



Share of female managers

- The share of female managers increased to 23.1% (22.1) in the quarter.

Towards a more sustainable offering

Making impact through our products

— Industrial heating solutions for product applications such as solar, lithium-ion battery manufacturing and steel production

— Breakthrough order to supply steam generator tubes for Small Modular Reactors (SMR)


Solar panels


Lithium-ion battery


Steam generator tubes

Market development

- Lower demand in some customer segments, somewhat mitigated by long-term trends and underlying tailwinds
- Demand in Asia increased while it declined in North America and Europe

Perceived year on year underlying market demand trend, % of revenues full year 2022

	INDUSTRIAL	OIL AND GAS	CHEMICAL AND PETROCHEMICAL	INDUSTRIAL HEATING	CONSUMER
Year on year underlying demand trend	↘	↗	↘	→	↘
% of Group revenues 2022	25%	17%	16%	12%	10%

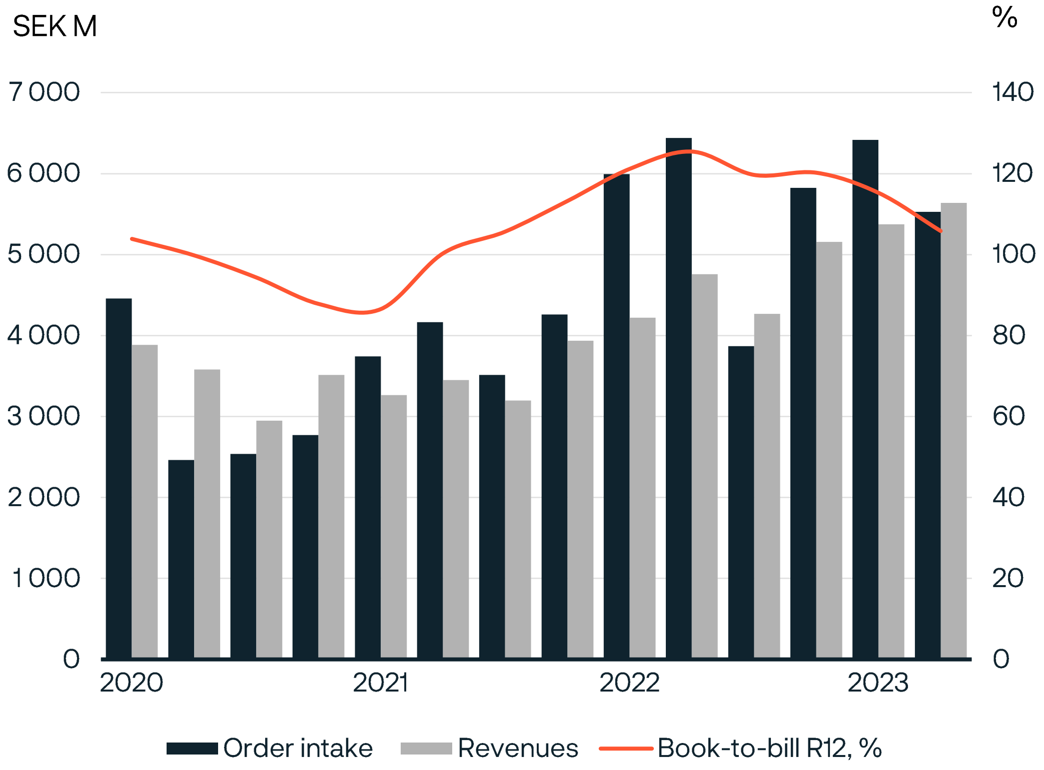
	MINING AND CONSTRUCTION	POWER GENERATION	TRANSPORTATION	MEDICAL	HYDROGEN & RENEWABLE ENERGY
Year on year underlying demand trend	→	→	↗	↗	→
% of Group revenues 2022	7%	5%	4%	3%	1%

Order intake and revenues

Order intake
Reported (SEK M)
5,526

Revenues
Reported (SEK M)
5,638

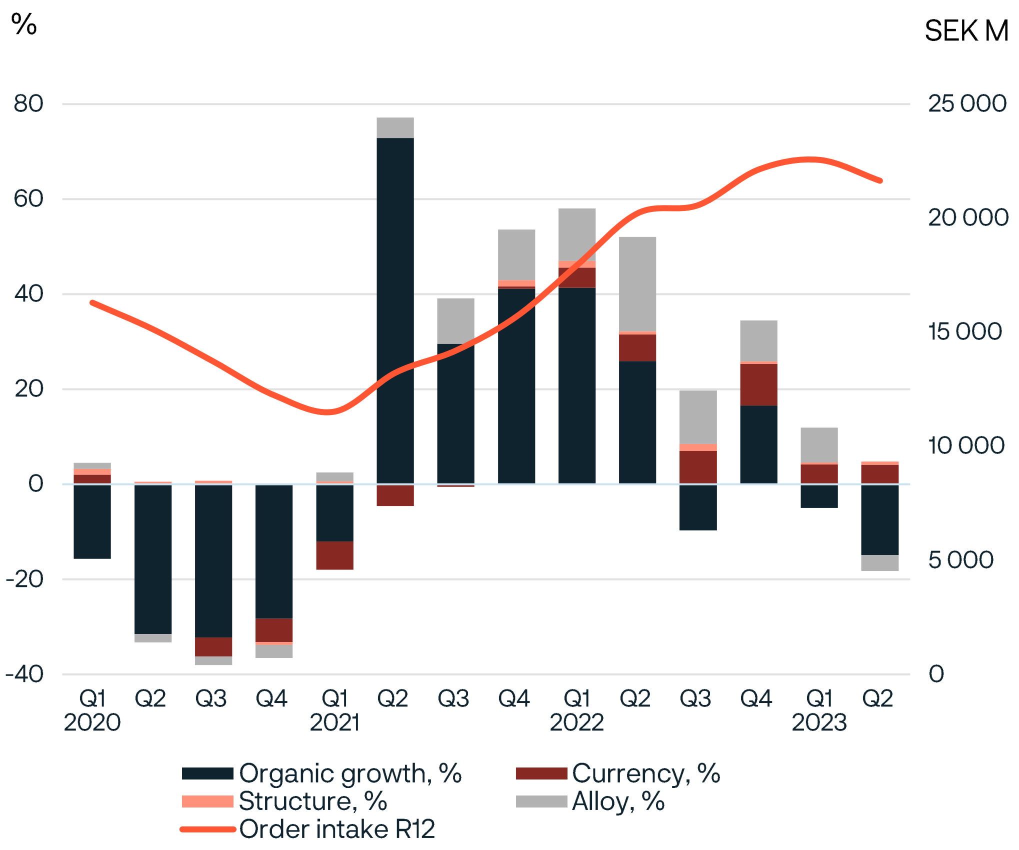
Order intake and revenues



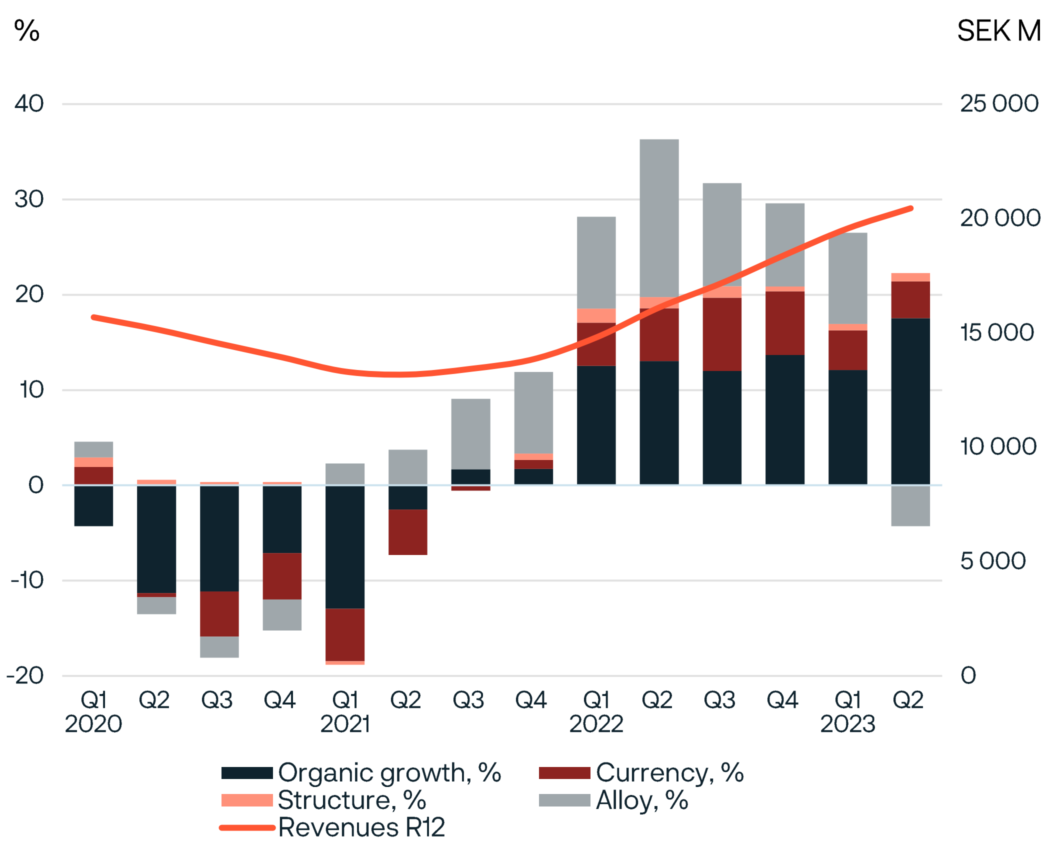
- Organic order intake growth of -4% for rolling 12 months
- Organic order intake growth of -15%
- Organic revenue growth of 18%
- Book-to-bill of 98% in Q2 and 106% R12M
- Order backlog is continued solid

Order intake and revenue growth

Order intake



Revenues



Earnings

Adjusted EBIT at SEK 642 million (547)

- Margin 11.4% (11.5)
  - Higher revenues, an overall positive product mix, and price increases which offset cost inflation
  - Temporary performance and productivity issues and negative mix effects
  - Under absorption effects due to lower production volumes and reduction of inventory

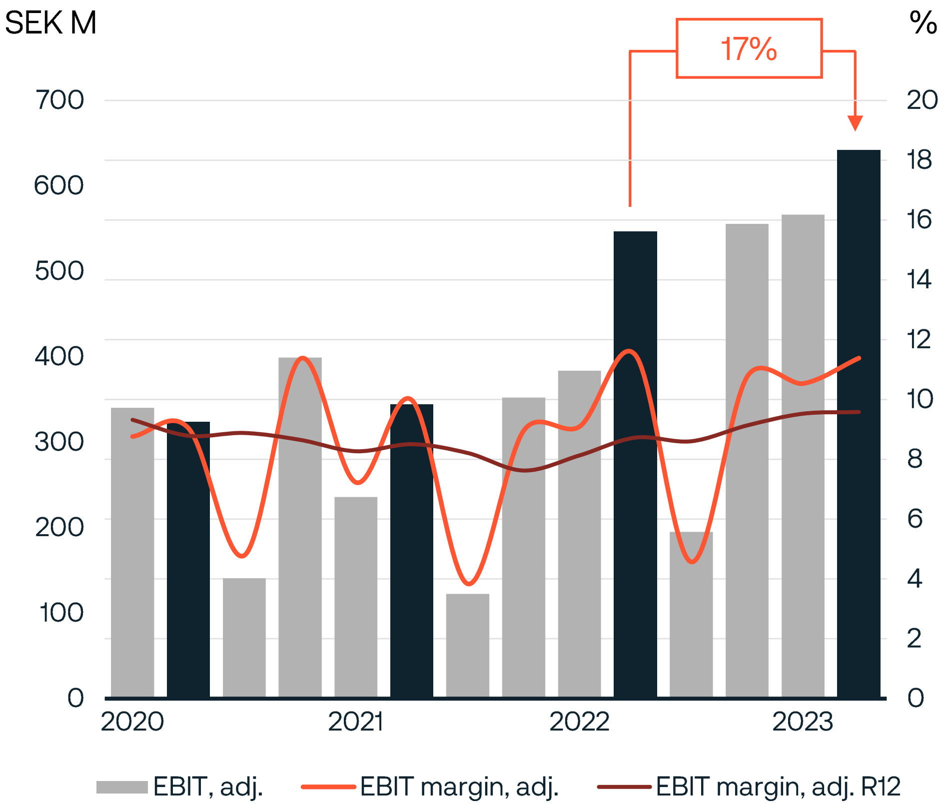
Reported EBIT at SEK 350 million (1,106)

- Margin of 6.2% (23.3)
  - Metal price effects of SEK -293 million (649) and IAC of SEK 0 million (-89)

Free operating cash flow of SEK 72 million (81)

- Higher accounts receivable and lower accounts payable, partly offset by reduced inventory
- Normally seasonally stronger cash flow in the second half of the year

Adjusted EBIT, %



Tube

Strong revenue growth in a softer market

- Continued subdued demand for low-refined products to the Industrial segment
- Lower order intake for application tubing to the Chemical and Petrochemical segment in NAM and Europe
- Continued strong Oil and Gas momentum with three major orders of SEK 830 million
- Strong demand in the Transportation segment
- Organic revenue growth of 20%, the backlog remains solid

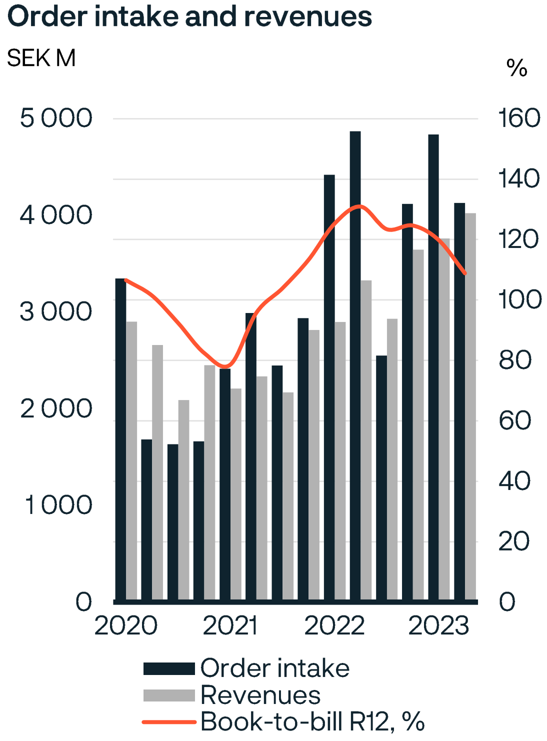
Adjusted EBIT margin at 11.4%

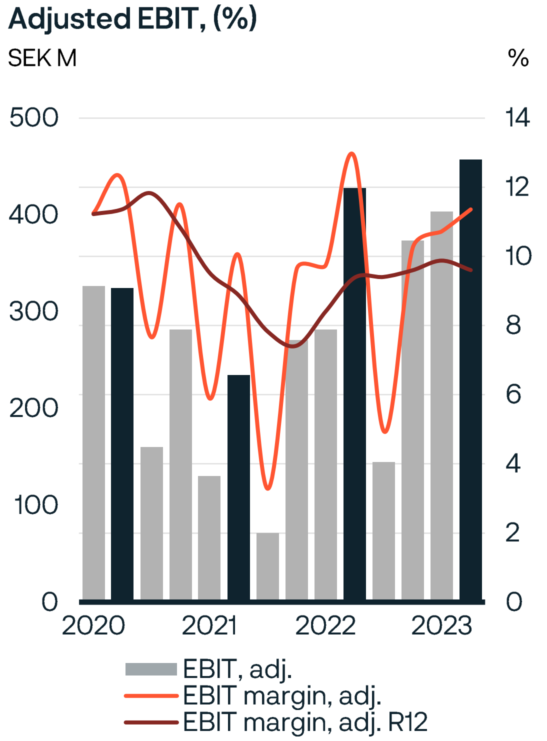
- Higher revenues and price increases which more than compensated cost inflation
- Temporary performance and productivity issues in Power Generation and Transportation segments
- Under absorption from lower production volumes and improved inventory efficiency

Strategy execution

- Closed the acquisition of the Söderfors Steel production facility

SEK M	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022
Order intake	4,129	4,869	8,966	9,288
Organic growth, %	*-16*	*32*	*-10*	*46*
Revenues	4,025	3,329	7,787	6,226
Organic growth, %	*20*	*17*	*17*	*16*
Adj. EBIT	457	428	861	710
Margin, %	*11.4*	*12.9*	*11.1*	*11.4*





Kanthal

SEK M	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022
Order intake	1,066	1,111	2,337	2,242
Organic growth, %	*-4*	*5*	*-3*	*5*
Revenues	1,179	1,012	2,374	1,947
Organic growth, %	*15*	*3*	*13*	*5*
Adj. EBIT	227	158	423	304
Margin, %	*19.3*	*15.6*	*17.8*	*15.6*

Continued momentum

- Stable development on high level in Industrial Heating, with significant project orders
- Strong momentum in the Medical segment, order intake growth below LY due to timing of orders
- Yoy order intake decline within the Consumer segment
- Organic revenue growth of 15%, with broad-based positive development across the division in all regions
- Another quarter of record-high revenues in Medical

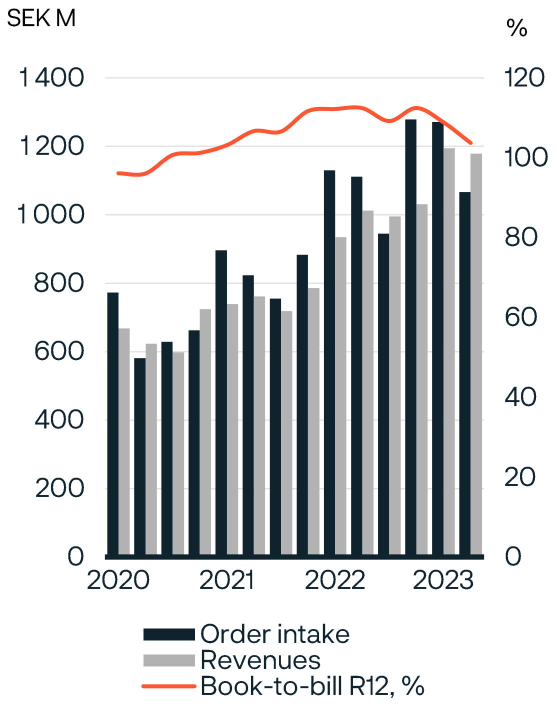
Adjusted EBIT margin at strong 19.3%

- Increased revenues and a strong product mix
- Price increases compensating cost inflation

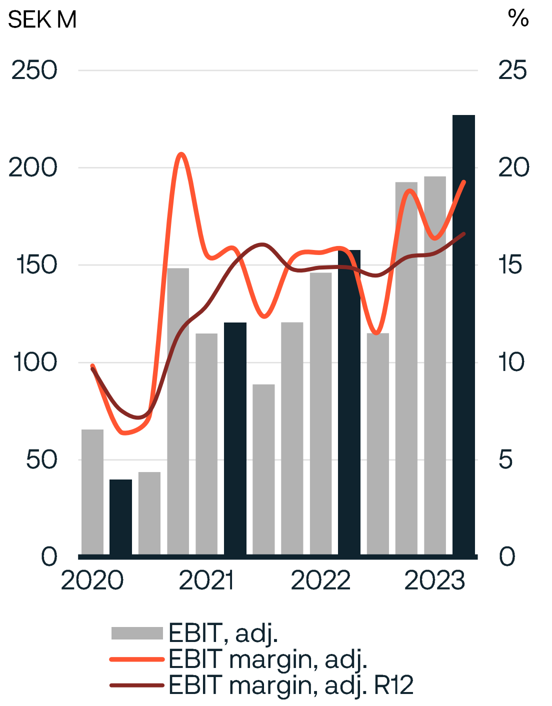
Initiative to meet growing demand

- Kanthal is expanding the current premises in Walldorf, Germany, to meet the growing demand for electrification across targeted segments

Order intake and revenues



Adjusted EBIT, (%)



Strip

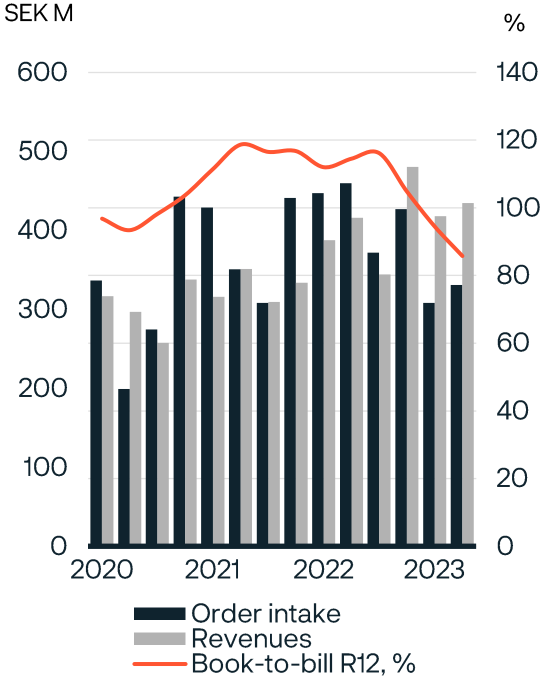
Continued soft market demand
- Order intake declined in all regions for the Consumer segment
- High stock levels at customers
- Demand was slightly higher than last year within the Medical segment
- Organic revenue growth of 1%

Adjusted EBIT margin of 10.0%
- Continued under absorption effects from lower production volumes
- Negative revenue mix
- Mitigating actions to adjust capacity and reduce costs are ongoing

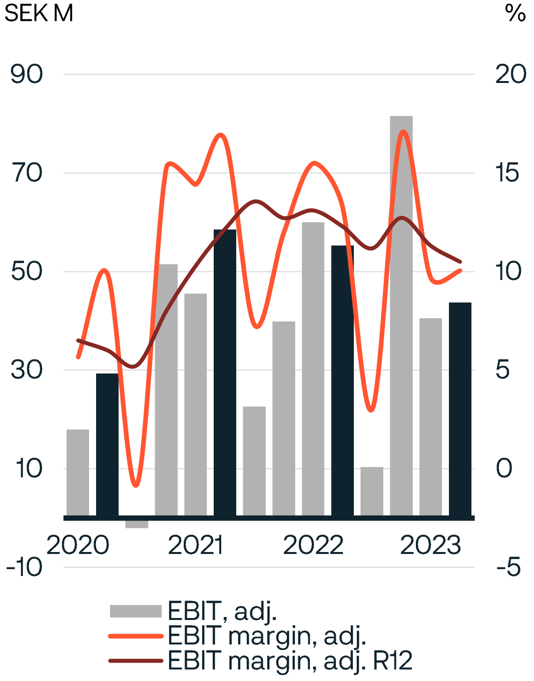
New product applications
- Received precision strip steel orders for two new medical applications

SEK M	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022
Order intake	331	460	639	906
Organic growth, %	*-30*	*20*	*-32*	*7*
Revenues	435	416	853	804
Organic growth, %	*1*	*7*	*1*	*10*
Adj. EBIT	44	55	84	115
Margin, %	*10.0*	*13.3*	*9.9*	*14.3*

Order intake and revenues



Adjusted EBIT, (%)



Olof Bengtsson
CFO

Financial summary

SEK M	Q2 2023	Q2 2022	Change %	Q1-Q2 2023	Q1-Q2 2022	Change %
Order intake	5,526	6,440	-14	11,942	12,436	-4
Revenues	5,638	4,757	19	11,014	8,946	23
Adj. EBIT	642	547	17	1,209	931	30
Adj. EBIT margin, %	*11.4*	*11.5*	-	*11.0*	*10.4*	-
Metal price effects	-293	649	-	186	975	-81
Items affecting comparability	0	-89	-	0	-164	-
EBIT	350	1,106	-68	1,395	1,741	-20
EBIT margin, %	*6.2*	*23.3*	-	*12.7*	*19.4*	-
Net financial items	-39	-171	-77	-37	-99	-63
Normalized tax rate, %	*25.4*	*32.5*	-	*24.2*	26.8	-
NWC, % [1]	*33.2*	*31.6*	-	*34.5%*	*31.9%*	-
Free operating cash flow	72	81	-11	476	28	1,631
ROCE excl. cash, % [2]	*11.1*	*17.8*	-	*11.1%*	*17.8%*	-
Adj. EPS, diluted	1.79	0.91	97	3.54	2.28	55

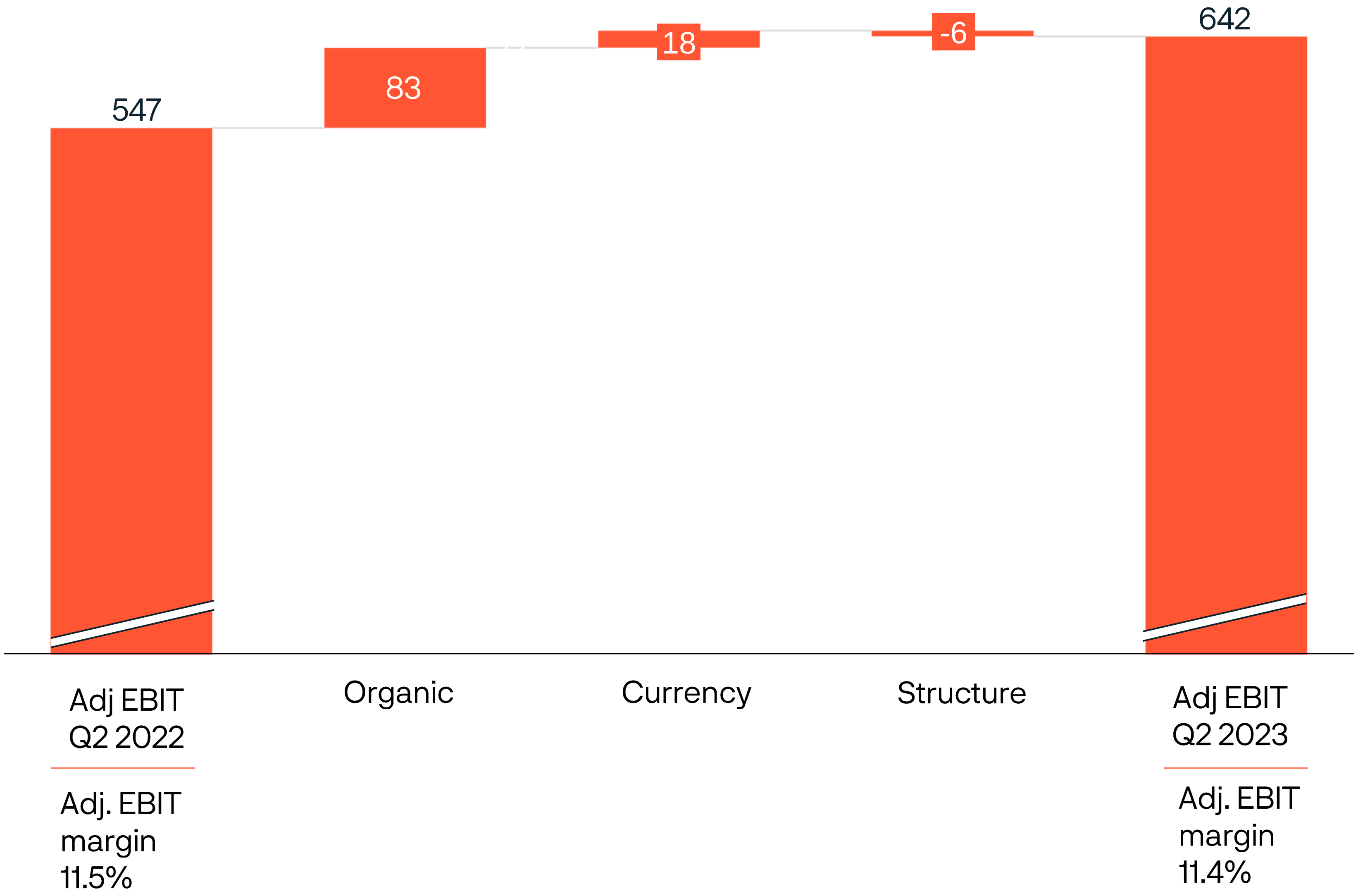
1) Quarter is quarterly annualized and the annual number is based on a four quarter average.
2) Based on rolling 12 months and a four-quarter average.

SEK M	Order intake	Revenues
Q2 2022	6,440	4,757
Organic, %	-15	18
Structure, %	1	1
Currency, %	4	4
Alloys, %	-3	-4
Total growth, %	-14	19
Q2 2023	5,526	5,638

Change compared to the same quarter last year

- Strong revenue growth
- Negative alloy effect in the bridge
- Improved adj. EBIT from volume, price and product mix
- Slightly negative margin development yoy
- Tax in H2 in the lower range of full year guidance of 24-26%
- Adjusted EPS increase of 97%

Bridge analysis, adjusted EBIT



Note: Structure includes SEK 0 million contribution from acquisitions and SEK -6 million of M&A cost

Leverage: +10%

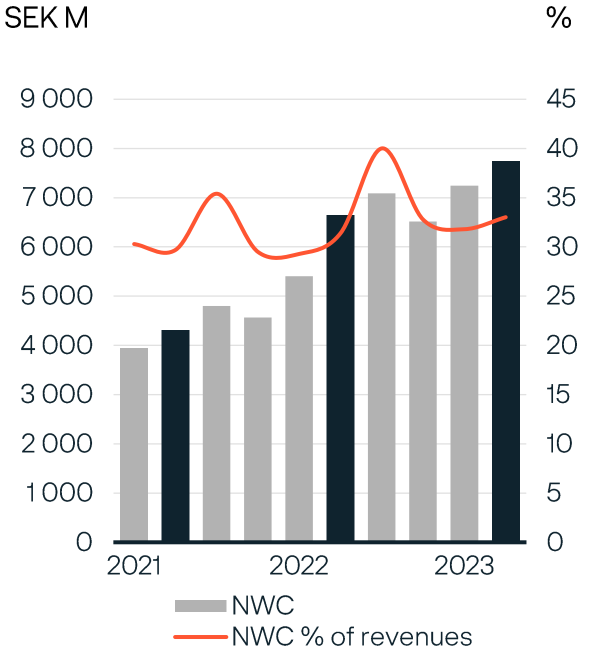
- Positive organic development driven by volume, price and mix
- Slight margin decline
  - Temporary performance and productivity issues and negative mix effects
  - Under absorption effects due to lower production volumes and reduced inventory
- Electricity grants in Sweden of SEK 38 million
- FX had a positive impact of SEK 18 million yoy
- M&A cost of SEK -6 million

Capital efficiency

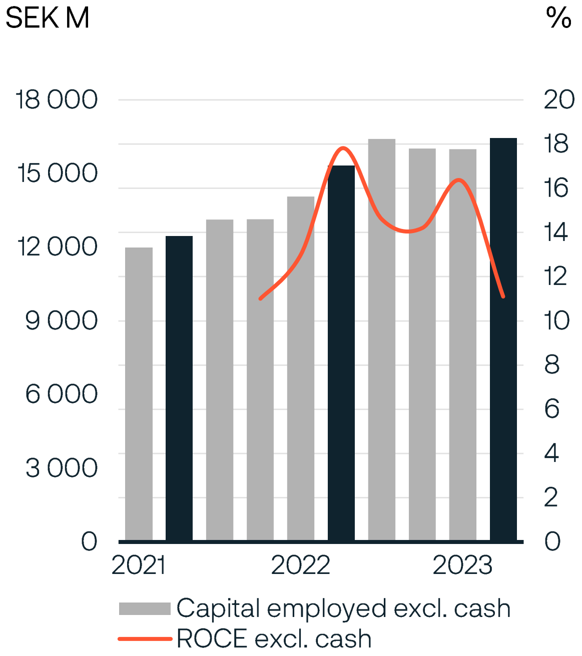
— Net working capital increased to SEK 7,738 million (6,641)
— NWC in relation to revenues up to 33.2% (31.6)

— Capital employed excl. cash increased to SEK 16,446 million (15,311)
— ROCE excl. cash decreased to 11.1% (17.8) in the quarter

Net working capital



Capital employed excl. cash



Note: Based on rolling 12 months and a four-quarter average.
Historical ROCE excl. cash figures are not available prior to Q4 2022.

Cash flow

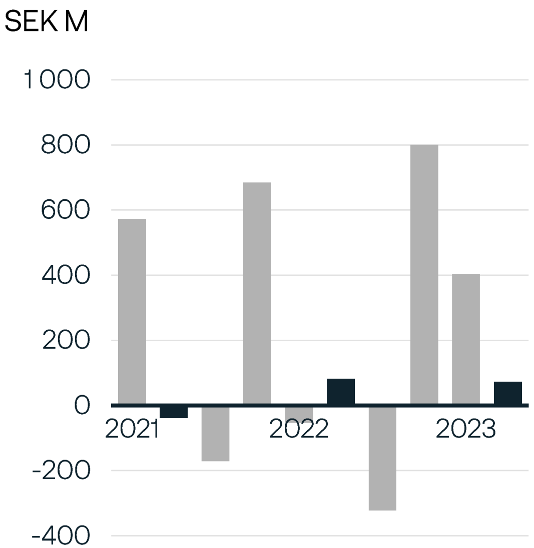
- Cash flow from operating activities amounted to SEK 111 million (1)
- Free operating cash flow decreased to SEK 72 million (81)
  - EBITDA impacted by higher underlying earnings but offset by negative metal price effects
  - Capex on normalized level

Free operating cash flow

SEK M	Q2 2023	Q2 2022	Q1-Q2 2023	Q1-Q2 2022
EBITDA	572	1,310	1,835	2,162
Non-cash items	-13	-54	-24	-59
Changes in working capital	-310	-1,038	-1,012	-1,851
Capex[1]	-150	-115	-267	-182
Amortization, lease liabilities	-27	-22	-55	-43
Free operating cash flow[2]	**72**	**81**	**476**	**28**

1) Including investments in tangible and intangible assets of SEK -151 million (-116) for Q2 2023 and SEK -268 million (-190) Q1-Q2 2023.
2) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

Free operating cash flow quarterly



Capital structure

- Net debt/equity ratio well below target
- Payments of dividends SEK -351 million and payments of acquisitions
- Net pension liability increase due to decreased long term discount rates in Sweden
- Unutilized revolving credit facility of SEK 3 billion

Net Pension liabilities		Leasing liabilities (IFRS16)		Other cash less liabilities		Net debt
SEK M 569	+	SEK M 395	−	SEK M 516	=	SEK M 448

Net debt/ Equity

0.03x

Net debt/ Adjusted EBITDA rolling 12 months

0.16x

Guidance ahead of the quarter and outcome

	Outcome Q2 2023	Guidance ahead of Q2 2023
Capex (Cash)	SEK -150 million in Q2	Approximately SEK 800 million in FY 2023
Currency translation and transaction effect	SEK 78 million	SEK 100 million in Q2
Total currency effect	SEK 18 million	-
Metal price effect	SEK -293 million	SEK -200 million in Q2
Tax rate, normalized	24.2% Q1-Q2 2023	24-26% in FY 2023

Guidance Q3 2023 and FY 2023

Capex (cash)
— Estimated to approximately SEK 800 million for 2023

Currency effects
— Based on currency rates at the end of June 2023, it is estimated that transaction and translation currency effects will have a positive impact of about SEK 50 million on operating profit (EBIT) for Q3 2023, compared to the corresponding period last year

Metal price effects
— In view of currency rates, inventory levels and metal prices at the end of June 2023, it is estimated that there will be a negative impact of approximately SEK -300 million on operating profit (EBIT) for the third quarter of 2023

Tax rate
— The normalized tax rate is estimated to 24-26% for 2023

Outlook for the third quarter 2023

- While market demand was mixed during the quarter, underlying megatrends are expected to continue to mitigate the impact of uncertainties in the macroeconomic environment throughout the year.
- With our strong backlog, we are confident in our near-term deliveries. We remain cautious regarding the impact from cost inflation and under-absorption of cost from lower production volumes in certain areas.
- The product mix is expected to be similar to the second quarter.
- Orders, revenues and adjusted margin in the third quarter are normally lower than in the second quarter based on seasonal trends due to summer shut-downs.
- Cash flow is normally higher in the second half of the year compared with the first half.

Summary

- Strong revenue growth
- Solid backlog
- Continued momentum from underlying tailwinds
- Softer market conditions in some segments
- Successful price execution
- Consistent strategy execution towards profitable growth
- Focus on continued improvements and commercial excellence

Q&A

Thank you

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