Metal powders are everywhere in our modern society

ANNUAL AND SUSTAINABILITY REPORT 2024

Höganäs
POWDER THAT EMPOWERS®

HÖGANÄS » INSIDE

From our homes to our offices via our transport and grocery stores

About Höganäs

Höganäs is a global leader in the market for ceramic and metal powders for industrial applications. Founded in 1797, we have been through many changes in our history, and we continue to evolve to better meet the needs of tomorrow. The Höganäs vision – driving positive change through material innovation – is something that influences everything we do, and our ambition is to be the globally preferred partner for sustainable powder materials.

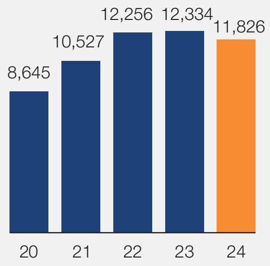
Our five divisions serve customers in a wide range of industries, such as aerospace, construction, energy production, medical and processing. Our most important end-market is automotive.

Höganäs is owned by Lindéngruppen and FAM. Read more about the industries we serve, our products and solutions, and our expertise at www.hoganas.com

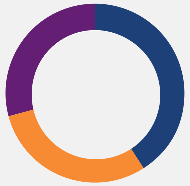
2024 in brief

Markets were stable for most of 2024 and while our production volumes were flat compared to 2023, we improved our result mostly due to improvements in product mix. We also made progress in electric automotive drivetrains, taking our first major business for both soft magnetic materials and regular metal powder materials. Improving safety has been a major focus throughout the year and resulted in that we managed to reduce our Total Recordable Injury Frequency by half.

Turnover (SEK M)



Sales per region



Number of recordable injuries

31

2023 (65)

READ MORE ON PAGE 44

Emissions scope 1–2, reduced by

45%

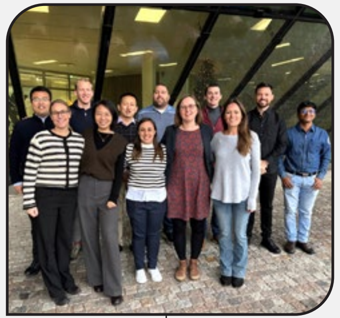
since 2018

READ MORE ON PAGE 31

Key events of the year

APRIL

Honoured as PARTNER OF THE YEAR by Mitsubishi Heavy Industries



APRIL

GLOBAL SAFETY WEEK arranged for fifth year running

OCTOBER

Höganäs awarded ENVIRONMENTAL STRATEGY PRIZE

MARCH
- Alvier PM Technology is closed down

APRIL
- Talent development programme starts

JUNE
- Two wind turbines purchased in India

JULY
- Product-specific carbon footprints available for a wide range of materials produced in Sweden

SEPTEMBER
- Höganäs awarded EPMA distinguished service award and EPMA PM components award

OCTOBER
- New bonded mix solution Starmix® Nova launched

Positive despite market downturn

Markets in 2024 remained stable overall compared with 2023, though we experienced a slowdown towards the end of the year. In this environment, we sustained our production volumes while achieving a slight improvement in results, primarily driven by product mix improvements.

We hope to continue to drive product mix improvements by continuously offering our customers new value-added materials, such as the new bonded mix, Starmix Nova, that we launched in the autumn. The Coating & Brazing Technology division in particular has an exciting pipeline of product launches.

We also secured our first major business in the electric automotive drivetrain, both for our soft magnetic materials and in powder metallurgy for non-magnetic components. The teams in the Electro Magnetic Materials division and Powder Metallurgy Technology division have done an excellent job to begin establishing Höganäs as a partner in the supply-chain for electric drivetrains, just as we are in the combustion engine supply-chain.

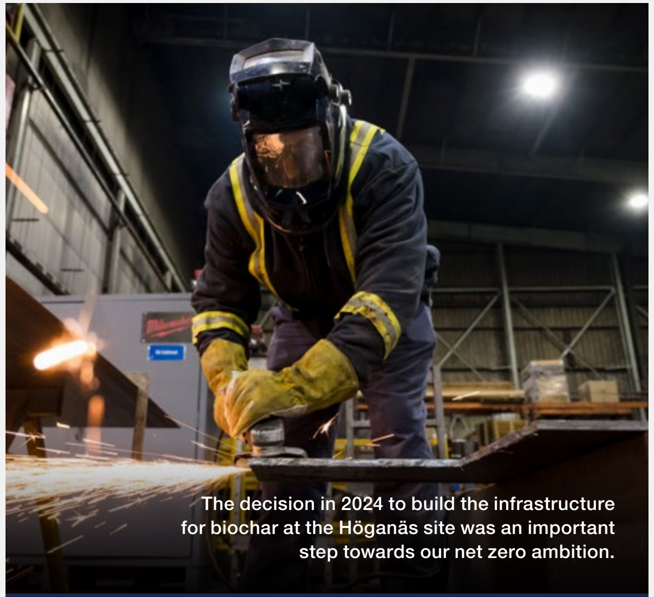
Remarkable safety improvement

Health and safety has been a big focus in 2024 and will continue to be so in the years to come. Since our safety record had plateaued in recent years, we needed to raise safety awareness to a new and significantly higher level. The outcome for 2024, where our Total Recordable Injury Frequency declined from 15 to 7 – a remarkable improvement – suggests that we are on the right path. Credit for this goes to the entire organisation. Strengthening our safety culture is a collective effort, built through daily discussions and a shared commitment to prioritising safety.

Encouraged by the significant improvement in 2024, we will continue to work systematically to improve our performance further. One of the first steps we took during the year was to start developing group-wide safety standards,

Henrik Ager, CEO

We secured our first major business in the electric automotive drivetrain.



The decision in 2024 to build the infrastructure for biochar at the Höganäs site was an important step towards our net zero ambition.

Focus ahead

In 2025, we will continue to execute on our strategy.

- Continued improvements in health & safety
- Settle into our new organisation and fast decision making
- Exploit growth opportunities
- Continue to execute our climate roadmap

which will serve as a group-wide best practice for our production sites to benchmark themselves against. The standards are being developed in collaboration between multiple stakeholders and subject matter experts within Höganäs and it is great to see the commitment and energy everyone is putting in.

On health, we are starting to work more systematically with both the physical and psychological aspects of it. The specifics naturally vary from site to site, but the essence is to encourage and to make room for our co-workers to take care of themselves in the hope that it will lead to increased well-being.

Faster decision making

Taking care of each other through health and safety is one part of a well-functioning company. To empower and encourage people to take initiatives, make decisions and drive change is another. This was the logic behind the reorganisation we carried out in 2024, where we created five global divisions, each with full responsibility and independent profit and loss accountability. With the five divisions, all our product and application areas will get focus from dedicated teams across the organisation, ensuring expertise and collaboration at every level.

The change was designed and implemented in a short time frame without lost focus on our customers or our business. For this, everyone involved deserves praise. Our ambition is to increase our pace of execution by creating an organisation that makes more and faster decisions. This and a greater sense of ownership for business results will also create a work environment that is even more stimulating and fun to work in.

Implementing the new organisation and reporting structures is a first step, but there is still work to be done in realising the benefits. These will come gradually as everyone finds effective ways to work in the new set-up.

We have continued to strengthen our central IT infrastructure and advance digitalisation across both operations and administration. Moving forward, we aim to modernise our Operational Technology (OT) environment, scale up data analytics and AI solutions, and ensure that digital initiatives deliver tangible business value, positioning Höganäs as a leader in industrial digitalisation.

Climate decisions in Höganäs

During the year, we made two key decisions regarding our sponge iron production facility in Höganäs. The first was to proceed with an investment in infrastructure for biochar at the site, enabling the production of sponge powder with near-zero direct emissions and helping our customers reduce the carbon footprint of their products. To further advance our transition towards more sustainable production, we have also launched two parallel research and development projects. The first aims to maximise the use of biochar in the reduction process, while the second explores alternative technologies for fossil-free reduction.

The transition to electric drivetrains in the automotive industry has slowed down compared with what we anticipated a few years ago. But we are still convinced that the future of automotive is battery electric drivetrains. For Höganäs, this means that we can pursue development of both sustainable production processes and new materials and applications while generating robust financial results.

There is a lot happening in sustainability, not least the preparations for CSRD reporting. But we also see that customers are increasingly putting value on sustainability in their purchasing decisions. Of course this is after they have ensured that we offer world-class products at a competitive price. Since sustainability driven market transformation is also embedded in our product development process, sustainability is both a way of differentiating ourselves even further and about building a business with robust, future proof end-markets.

Positive outlook

As we conclude 2024 and look to 2025 and beyond, we see exciting growth opportunities for all our divisions that we, with our new organisational set-up, are well-equipped to exploit. The markets may be going through a downturn in the short-term, but we feel positive about the medium- and long-term future. With this, I would like to thank all co-workers, customers, partners and owners for yet another good year. I am looking forward to more.

Henrik Ager
CEO

An industry leader on the path to net zero

The effects of human caused climate change are becoming more evident by the day with 2024 breaking heat records, with global temperatures 1.60 degrees Celsius above pre-industrial levels[1]. The urgency to act is increasing.

At the same time, there is a sense out there that the green transition is stalling. We see it in slowing growth in demand for electric vehicles as well as in changes in political rhetoric. But reality often disrupts these narratives, be it with wildfires, floods or storm damage, and the cost of inaction far exceeds the cost of taking action. And as time passes, the industrial capital stock needs to be replaced with investment in new equipment. Companies that choose not to also invest in reducing their environmental footprint, will be left behind.

Our strategy at Höganäs takes this into account. This is why we keep on working to lower our emissions while directing new product and business development towards more sustainable products and end markets. This will build a stronger Höganäs for the future.

Sustainability is not just about climate change. As we saw when we completed our double materiality assessment, many of the issues are interlinked and need to be dealt with together. Emission of greenhouse gases for example, does not just affect the climate, it also has biodiversity implications. The root cause of most of our scope 3 emissions is the use of virgin materials which are linked to local pollution and may also be linked to human rights issues.

Addressing these impacts means engaging more deeply with our suppliers and we are starting to add resources, such as a social impact specialist, to do so on a broader range of issues. Using more secondary materials is perhaps the most efficient way of both lowering our climate footprint and foregoing the negative impacts of extracting new materials from the earth's crust. And we are talking with both suppliers and customers to that end - see the case on page 11.

As for our own processes, we made the decision to build biochar infrastructure for our iron sponge process in Höganäs to initially replace 20 percent of the fossil coal we use with biochar. This was the largest single decision made from our Climate Roadmap during the year, but not the only one. The roadmap consists of site- and product-specific plans and our engineers are working every day to find new and better solutions.

A source of pride for Höganäs in 2024 is how we have improved our safety record. Having had a plateauing performance for a couple of years, we all decided that this was not good enough, and have worked with determination to raise our own and our co-workers' safety awareness to a new and higher level. With the safety standards that are being developed, I am hopeful that we will continue to improve.

This report is a first step towards CSRD reporting, but we are not there yet. We will continue to prepare for next year and, more importantly, focus on reducing our negative impacts while maximising our positive ones. We have made progress this year and with everyone working towards the same end, we will build a strong and sustainable Höganäs.

Catharina Nordeman
Vice President Group Sustainability, Höganäs AB

Many of the issues are interlinked and need to be dealt with together.

1 Copernicus Climate Change Service, https://climate.copernicus.eu/global-climate-highlights-2024

Strategy

Our market

Höganäs produces ceramics and metal powders, and competes with both other powder suppliers and manufacturing techniques in a wide range of applications. The industry is affected by broad economic trends including the climate transition and the electrification it brings.

OUR PRODUCTS

Metal powders serve as the basis for powder metallurgy, a broad and versatile range of production techniques that can cost-efficiently produce components with tailored properties and complex shapes[1].

The automotive industry drives material innovation, with metal powder applications expanding rapidly.

Höganäs also provides metal powders for a wide range of advanced applications. Surface coating enhances the durability of components; additive manufacturing (3D printing) enables the production of complex and lightweight structures for industries such as aerospace and medical technology; soft magnetic composites support more efficient electromagnetic designs contributing to the development of next-generation electric motors.

In the energy sector, Höganäs' powders contribute to fuel cell and battery technologies. Metal powders are essential in hydrogen production, fuel cell electrodes, and battery components. In pharmaceutical and healthcare, Höganäs' metal powders contribute to advanced formulations and manufacturing processes.

Höganäs continuously develops and expands its product range to help customers in multiple industries to increase efficiency, sustainability and performance.

1 https://www.epma.com/what-is-pm/

OUR INDUSTRY

Manufacturing of ceramics and metal powders is part of the powder metallurgy industry, complementing equipment and tooling manufacturers as suppliers to final component producers. A range of processes are employed in producing the powders to give them the desired properties, including solid state reduction, atomising, annealing and mixing. Efficient production and technically advanced products are keys to competitive advantages in the industry.

As the industry evolves, sustainability and resource efficiency play an increasingly important role. Advances in production methods aim to reduce energy consumption, minimise waste, and support circular material flows.

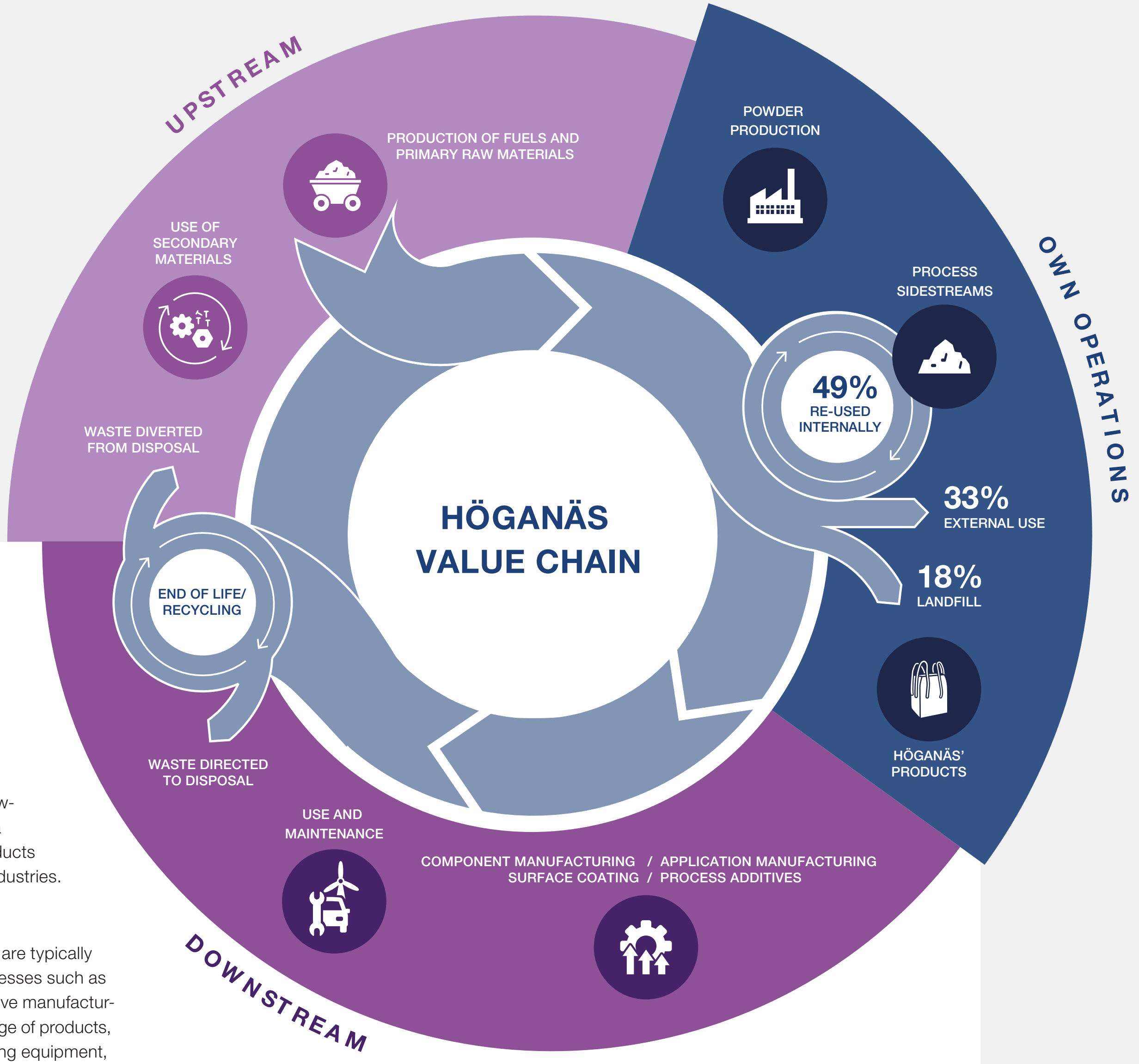
Digitalisation and automation are also transforming powder production, enabling higher precision, improved consistency, and data-driven control.

MARKET TRENDS

In the face of rapid urbanisation and the escalating climate crisis, Höganäs is navigating significant market trends. The surging demand for electric vehicles and advances in additive manufacturing technology highlight a shift towards more sustainable and advanced manufacturing practices. Höganäs' commitment to high-performance, sustainable metal powder solutions aligns with these global shifts, ensuring its pivotal role in driving the industry forward. This strategic alignment positions Höganäs at the forefront of the industry's evolution, ready to lead the transition towards a more sustainable and technologically advanced future.

Value chain

We are committed to reinforcing positive impact related to our business while reducing the negative impact from activities throughout our value chain. We do this by for example choosing materials and production methods with lower environmental footprint, increasing circularity, and managing health and safety, human rights issues and business ethics.



Upstream

The most significant industry upstream in Höganäs' value chain is the mining and metals industry as we purchase ferrous and non-ferrous metals, minerals and reduction agents. This means that the environmental and social impacts associated with this industry are part of our value chain.

As recycled materials, scrap, have a lower environmental footprint than virgin materials, we are working to increase the share of scrap in our production processes. Our commitment to circularity includes ensuring the recyclability of our own products and reclaiming of excess materials from our customers' manufacturing processes.

We had 512 suppliers (556) of direct materials and 5,797 suppliers (5,900) of indirect materials, transportation, and other services in 2024.

Own operations

Höganäs operations include five core production processes that generate greenhouse gas emissions (see the Climate section on page 28 for more information), mainly because of the materials used contain carbon of fossil origin. Our Climate Roadmap includes activities to replace these materials as much as possible with renewable alternatives.

Our processes produce sidestreams, residuals from the processes, such as slag and filter dust. These are valuable materials that can be largely used internally or have uses in other industries. What cannot be used is sent to landfill or safe destruction.

Our production capacity is currently 500,000 tonnes of powder per year. We work closely with our customers and tailor the properties of our powders to their specific needs. This has resulted in a large product portfolio with more than 3,500 products that are used in applications in a wide range of industries.

Downstream

We have 3,000 customers in 75 countries. These are typically component or parts manufacturers that use processes such as pressing and sintering, surface coating and additive manufacturing. The components are then used in a broad range of products, including cars, aircraft, buses, refrigerators, heating equipment, cutting blades, turbines and lifts. Our most important end-market is the automotive industry where a significant part of our current business relates to the internal combustion engine.

HÖGANÄS INSIDE

Finding high-alloy scrap

A significant share of Höganäs' upstream scope 3 emissions comes from the purchase of non-ferrous metals. One pathway to reducing these emissions and reaching net zero is to increase the use of recycled and secondary materials. To achieve this, Höganäs needs to find sustainable sources for purchasing.

"Our high-alloy products go into many very demanding applications, for example in gas turbine engines and other high-temperature, corrosive environments. This means that we have very high demands on the raw materials we use," says Robert Frykholm, Manager Sustainable Processes at Höganäs.

Höganäs has worked to increase the share of secondary materials used in its processes for a long time, and has been making steady progress. In 2024, at Group level, 94 percent of purchased metallic materials in the melting processes came from secondary sources.

"We have made good progress, especially for the low-alloy processes and materials, and for some high-alloy materials such as iron and cobalt based materials. But the task gets more difficult the further we get. Our process engineers are vital to ensure that new materials can be used. We also communicate with customers to get acceptance to use scrap, and requalify products when needed," says Frykholm.

"One obstacle is the market availability of scrap qualities that meet the requirements for Höganäs' high-alloy materials," says Håkan Hellberg, Director Strategic Sourcing at Höganäs.

There are three main ways to address this problem according to Hellberg: 1) challenge the current chemical requirements of Höganäs products; 2) identify and establish refining opportunities in the market; and 3) form partnerships and use suppliers' experience to identify opportunities.

"We have an open dialogue with a few selected suppliers to identify opportunities together. Since our suppliers have a much broader knowledge and access to different scrap markets, prepping them with Höganäs' requirements gives them a better understanding and increases their chances to find sources matching our needs," he says.

Balancing these activities, keeping a close eye on the scrap markets on the one hand and challenging our processes and chemical requirements on the other, will be a continued focus for many years, expects Hellberg.

"Working closely with our suppliers is fundamental to make progress on our sustainability journey and is a continuous long-term process," he concludes.

Robert Frykholm
Manager Sustainable Processes

Håkan Hellberg
Director Strategic Sourcing

Strategic priorities

Our 2030 strategy will position Höganäs as the globally preferred partner for sustainable powder materials.

Our current business is heavily exposed to the internal combustion engine, which will be phased out as the automotive industry is electrified. At the same time, our customers in all industries are increasingly demanding that we conduct our business sustainably, including reducing our carbon footprint.

To achieve this, we are guided by our vision of driving positive change through material innovation. Höganäs has always fostered a culture of innovation, and we will continue leveraging our expertise to develop sustainable, efficient and profitable solutions that benefit our stakeholders and society, creating meaningful change for a better future.

Reaching our strategic objective of becoming the globally preferred partner for sustainable powder materials means not only supporting but actively driving the transition to more environmentally friendly applications across industries. To secure this position, we have identified key strategic focus areas at a group level to guide our efforts. A crucial part of this transformation is maintaining sustainable, world-class operations with a strong commitment to achieving net zero emissions in our own production while continuously improving efficiency and resource management.

At the same time, we are strengthening our role in the electric vehicle industry, positioning Höganäs as a key player in the electric drivetrain value chain. Our focus includes powder metallurgy for reduction gearboxes, soft magnetic composite powders for electric motors, and iron powder for LFP (lithium, iron, phosphate) and LFMP (lithium, iron, manganese, phosphate) batteries, while also exploring opportunities in energy storage solutions.

Our long-term success depends on customer growth and profitability, which we secure by working closely with customers across industries to develop tailored solutions that support their needs and business goals through our decentralised organisation. To ensure we remain at the forefront of the industry, we are also developing new growth engines, identifying and investing in emerging opportunities in all divisions. We are building a fast, decentralised organisation that brings decision-making closer to customers, enabling quicker responses to market changes. This empowers teams, fosters innovation, and strengthens ownership, creating a more dynamic and engaged workforce.

Underpinning all these efforts are four fundamental pillars that serve as the foundation for our operations. A strong health and safety culture ensures that our employees work in a safe and supportive environment. Our commitment to a sustainable transition drives our efforts to reduce our carbon footprint and develop environmentally responsible solutions. Operational excellence remains a priority, with continuous improvements in efficiency and innovation ensuring that we remain competitive. Finally, our competence and capabilities drive our progress. By investing in our people, knowledge and technologies, we continue to build world-leading expertise that strengthens our position in material innovation.

Our divisions

PMT
Powder Metallurgy Technology

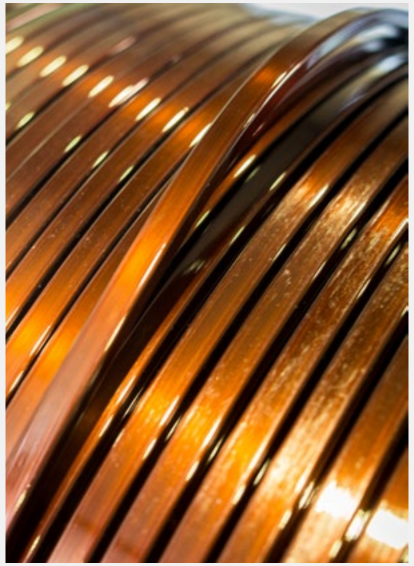
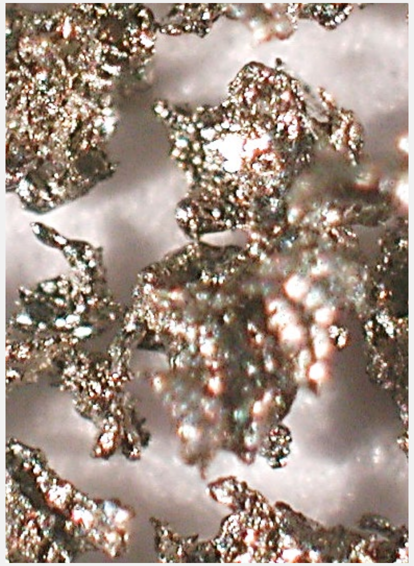
EMM
Electro Magnetic Materials

CBT
Coating & Brazing Technologies

ACT
Additive & Ceramic Technologies

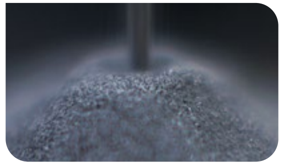
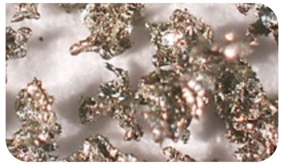
MCE
Metal Consumables & Elements



READ MORE ON THE FOLLOWING PAGE

Product offerings, application areas and key industries per division

	Division	Products	Applications	Key industries	Key manufacturing technologies
	**PMT** Powder Metallurgy Technology	Atomised iron, sponge iron, Astaloy® (pre-alloyed powders), Distaloy® (diffusion bonded powders), mixed base (iron powders mixes)	Gears, transmission, clutches, sprockets, variable valve timing (VVT) parts, shock absorbers, bearings, valve guides, batteries	Automotive and e-mobility, energy and thermal management, processing industry	Pressing and sintering, casting, metal injection moulding (MIM), sinter braze
	**EMM** Electro Magnetic Materials	Soft magnetic powder composite iron, nickel and cobalt, with unique 3D flux properties and flexible opportunities	Electric motors, inductors, axial flux motors, passive components, voltage conversion DC/DC reactors for hybrid and electric cars, electric chargers for plug-in and electric vehicles, cooling water pumps, other auxiliary actuators	Inductors for power voltage, HVAC compressors, fan and pump drives	Pressing and heat treatment
	**CBT** Coating & Brazing Technologies	Iron, nickel and cobalt based metals and alloys, including MCrAlY, zirconium, chromium, aluminium and titanium based oxidepowders, and tungsten, chromium and titanium based carbide powders	Gas turbines, wind and hydro power turbines, fuel cells, electrolyser, landing gears, aero engines, brake discs, valve stems, hydraulic cylinders, boiler tubes, rolls, food processing equipment, gate and ball valves, mud motor rotors	Energy, aviation, automotive, general industry including mining, construction, paper, print, steel, oil, gas	Thermal spraying, laser cladding, Plasma Transferred Arc (PTA), welding, brazing
	**ACT** Additive & Ceramic Technologies	Nickel, titanium, aluminium, iron, copper, boron and other ceramics and metal powders and pastes for additive manufacturing, fuel cells and non-oxide ceramic powders	Airframe components, heat exchangers, automotive – camshafts, gears, drive wheels, gas turbines – burners, ducts, blades, airbags, and personal protective armour	Fuel cells, aerospace, orthopaedic implants, heat exchangers, gas turbines, automotive, dental	Additive manufacturing, powder bed fusion, directed energy deposition, binder jetting and coldspraying
	**MCE** Metal Consumables & Elements	Atomised iron, sponge iron, glidcop, stainless steel, rhenium	Welding consumables, metal refining/alloying, brake pads, oxygen absorbers, hand and body warmers, abrasive tools, polymer filters, electronic components, soil and water treatment	Construction, consumer goods, food and health, metals and mining, automotive, electronics, general industry	Chemical, metallurgical and filtration

Sustainability agenda

Our sustainability agenda and Climate Roadmap are integrated parts of our business plan. We have a clear focus on developing products that contribute to society's climate transition and transforming our own operations to reach net zero, all while conducting our business sustainably in all other aspects.

Priorities in 2024 include continued preparations for the CSRD reporting framework, including an EU taxonomy assessment and conducting a Double Materiality Analysis – see page 19 for more information. We are also continuing our in-depth sustainability dialogues which are now supported by a social impact specialist. Improving our safety record has been a continued focus. We have reworked and extended our safety framework to include global safety standards that are currently under development – read more on page 41. Work is also continuing on the initiatives specified in our Climate Roadmap, including an investment decision to replace 20 percent of fossil coal with biochar in Höganäs' sponge iron powder production in Sweden, continuing exploring a new fossil-free sponge iron production process and increasing the share of secondary material globally.

Principles for sustainable products

The products we sell have many inherent benefits. Powder metallurgy has a lower material and energy use per kilogram of finished product compared with competing production techniques[1]. Powder-based surface coating techniques increase product lifespan and performance by improving resistance to heat, wear and corrosion.

We aim to improve on these benefits by applying a lifecycle perspective to fulfil our four key principles (see sidebar) for sustainable products. Qualitative sustainability assessments are part of the start-up of all new pre-studies and projects for both product and process development, as well as in investment pre-studies and projects. Our sustainable product principles also guide our five divisions in identifying business opportunities and direction of product development.

In applying these principles, we have identified three key enablers.

1. **Market transformation**, where foresight into sustainability driven market transformation guides the types of solutions we focus on developing.
2. **Conscious material selection**, where insights about impacts and sustainability requirements across the full lifecycle are used.
3. **Constructive partnerships**, where our relationships with customers, suppliers and other actors are organised around what is needed to achieve our objectives.

Lifecycle assessments

To complement our qualitative sustainability assessment, we compile and share high-quality sustainability data on our products using Life Cycle Assessment (LCA). All relevant flows of raw materials and energy during processing, as well as emissions, sidestreams and waste, are taken into consideration.

We develop detailed, product-specific cradle-to-gate environmental impact assessments to ensure quality and consistency. Our plan is to cover all our sites by 2027, working systematically to ensure harmonisation across sites and LCA practitioners. As a first step, the assessments at the Swedish sites have been reviewed by an independent external party.

Customers, such as automotive component manufacturers, are approached to collaborate on LCAs, extending our cradle-to-gate assessments beyond our gate to include data on our customers' application of products. Our current ambition is to conduct two customer projects per year, which we have achieved in 2024.

1 https://www.epma.com/powder-metallurgy-economic-advantages

Product sustainability principles

1) NET ZERO EMISSIONS
– eliminate dependence on fossil carbon sources and move towards net zero.

2) FIT FOR CIRCULARITY
– enable circular material flows throughout the value chain.

3) RESOURCE PRODUCTIVE
– efficient and effective solutions creating value for industry and society.

4) SAFE AND ETHICAL
– cause no harm to people or the environment throughout the value chain.

Sustainability targets and results

The tables summarise our sustainability targets, the progress we made in 2024, and whether we are on track to achieve each target.

- On track
- Concern
- Deviation

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

7.0 (15)

TARGET: < 10 TRIFR FOR EMPLOYEES

WHY IS THIS RELEVANT? Care for our co-workers is at the heart of our values at Höganäs, and we are reducing injuries year by year. In 2024, we reduced injuries by 52 percent compared with the previous year.

FEMALE CO-WORKERS

18% (17%)

TARGET: 20% FEMALE CO-WORKERS BY 2026

WHY IS THIS RELEVANT? Working to increase gender diversity in a male dominated industry will contribute to a work environment where both women and men feel welcome. We see a slow but steady progress towards our target.

SCOPE 1-2, CARBON INTENSITY INDEX

72% (75%)

TARGET: 0% BY 2030

WHY IS THIS RELEVANT? Limiting global warming is one of the most pressing issues of our time. Companies that reach net zero in own operations first will have competitive advantage. Our progress is in line with our Climate Roadmap.

SCOPE 3 UPSTREAM, CARBON INTENSITY INDEX

101% (97%)

TARGET: 70% BY 2030

WHY IS THIS RELEVANT? Reducing emissions in our supply chain will strengthen both Höganäs and our suppliers[1]. A temporary increase is seen in 2024.

SEE COMMENT ON PAGE 31

PROCESS RESIDUALS PUT TO USE

82% (78%)

TARGET: 95% BY 2026

WHY IS THIS RELEVANT? Finding alternative uses for what would otherwise be treated as waste saves virgin materials and increases circularity. Development is going in the right direction, but too slowly.

1 Höganäs report scope 3 emissions in accordance with the GHG protocol:
Category 1. Purchased goods and services
Category 2. Capital goods
Category 3. Fuel- and energy-related activities
Category 4. Upstream transportation and distribution
Category 5. Waste generated in operations
Category 6. Business travel
Category 7. Employee commuting

Sustainability statement

Sustainability statement

Basis for preparation

This report presents the sustainability performance of Höganäs Holding AB (Höganäs Group hereinafter defined as the Group) in 2024. It has been approved by the Höganäs Board of Directors.

The report has been inspired by CSRD (Corporate Sustainability Reporting Directive) but is not fully compliant with it. The content has as much as possible been structured and aligned with the ESRS standards (European Sustainability Reporting Standard) and is in accordance with the Swedish Annual Accounts Act's (Årsredovisningslagen) requirements for disclosure of non-financial information.

The report covers material impacts, risks and opportunities in the Höganäs value chain, see pages 21-24, and the company's management of them. Value chain metrics that include estimations are limited to scope 3 greenhouse gas emissions, and see page 31 for more information.

The previous report was published on 31 March, 2023, and the reporting is annual. There are no significant changes in reporting content other than this being a combined Annual and Sustainability Report structured with inspiration from CSRD and the accompanying ESRS.

As the operational responsibility for the Höganäs Group is delegated to Höganäs AB's Board of Directors, the Sustainability Report focuses on Höganäs AB and its subsidiaries. Höganäs Group is privately owned by FAM (50 percent) and Lindéngruppen (50 percent) and the owners are represented on Höganäs AB's Board of Directors.

The data presented includes all companies within the Höganäs Group, with its headquarters located in Höganäs, Sweden, and its subsidiaries. The list of entities included in the consolidated financial statements is found in note 13 on page 91. Any exceptions are commented on.

A new sustainability reporting system was introduced in 2024. During the transfer from the previous system, the historical data was reviewed which led to the discovery of minor errors that we have now corrected. These have been noted in the respective tables and summarised in the table on page 52.

Some information is incorporated into the Sustainability statement by reference, namely the strategy section starting on page 8. It describes Höganäs' business model, value chain and strategy that relates to sustainability matters.

External audit

This report has not been subject to an external audit by third party. However our external auditors have performed a limited assurance of some sustainability KPI's which are further described on page 53.

The auditor's report on the statutory sustainability report is stated on page 54.

Impacts, risks and opportunities

Overview

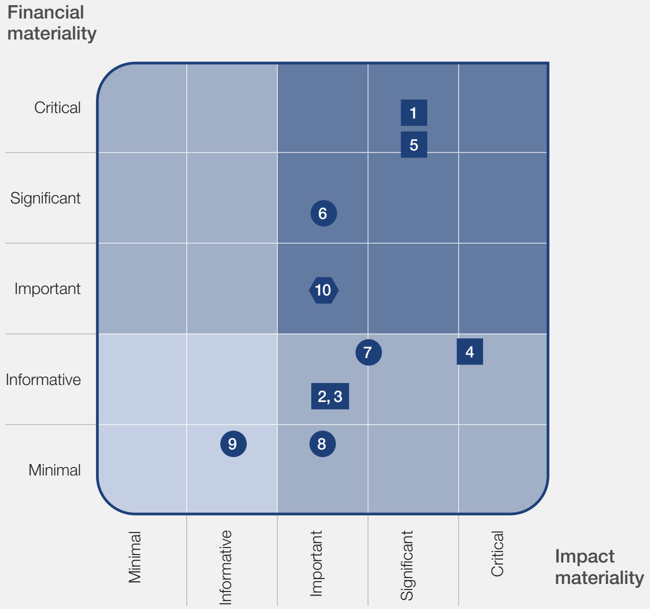
We performed a double materiality analysis in 2024 and found that nine out of ten topics in the ESRS are material to Höganäs. Our most material topics relate to our own processes and use of resources. This is closely interconnected with our value chain and in particular the operations and resilience of our suppliers, which in turn reflects the potential of the circular economy to increase our positive and reduce our negative impact. The transition towards a more sustainable business results in both financially material risks and opportunities especially within the climate and circular economy field. A detailed description of each material impact, risk and opportunity can be found on page 21.

Double materiality methodology

Understanding the context

Our activities and business relationship throughout the value chain as well as contextual information, such as regulations, were analysed to identify stakeholders and impacts. Special attention was paid to identify impact hotspots. From this, together with a benchmarking against relevant peers, a long list of potentially material topics was developed.

Previous materiality assessments, desktop research, workshops with and information from relevant subject area experts within Höganäs as well as from stakeholders, were all inputs to the process.



1. Climate change
2. Pollution
3. Water and marine resources
4. Biodiversity and ecosystems
5. Resource use and circular economy
6. Own workforce
7. Workers in the value chain
8. Affected communities
9. Consumers and end-users
10. Business conduct

- Environment
- Social
- Governance

- Double material
- Material
- Not material

Nine out of ten topics in the ESRS framework are material to Höganäs.

Climate change, resource use and circular economy, own workforce and business conduct are double material.

Stakeholder engagement

We regularly engage with our stakeholders to inform ourselves on their expectations. The contacts follow a stakeholder engagement plan that ensures that all relevant stakeholder groups are recognised according to their needs at least every third year. The information and views gathered are taken into account as we work to reach our business and sustainability targets. While expectations and the form of relationship differ from stakeholder to stakeholder, a good communication and understanding with each is necessary for the long-term health of our business.

Scoring

Impact materiality

Actual negative impacts were scored on their severity, which includes factors scale, scope and irremediability. For positive actual impacts, only scale and scope were assessed as irremediability is not applicable. For potential impacts, the factor likelihood was also assessed. For potential negative impact on human rights, severity took precedence over likelihood.

Financial materiality

Risks and opportunities were scored on factors likelihood and magnitude of the financial effects, in the short-, medium- and long term.

Thresholds

Each factor was scored on a pre-defined 1-5 scale. The results were tallied to classify each impact, risk and opportunity on a five-step scale: minimal, informative, important, significant or critical. All impacts, risks and opportunities (IRO) classified as important or above were deemed material.

Validation and approval

The scoring of material impacts, risks and opportunities was validated by the Group Management and approved by the Board of Directors.

Stakeholder	Engagement
Höganäs' board	Board meetings, audit committee meetings and ad hoc dialogues on a need basis.
Customers and customers' customers	Continuous customer dialogues and semi-annual customer surveys.
Suppliers, workers in the value chain	Frequently recurring interviews and evaluations, supplier questionnaires and, in the future, supplier audits.
Financial institutions	Regular contacts.
Co-workers	Employee surveys, performance evaluations and discussions, team meetings and forums with union representatives.
Union representatives	Board meetings, negotiations, works councils and continuous dialogues.
Potential co-workers	Trainee programmes and employer branding towards relevant university graduates.
Local authorities	Regular contacts as part of local engagement and development committees, and as required to fulfil legal obligations.
Neighbours	Public consultation meetings and information through official website, social media, participation in public debate and open days-events.
Local communities	Partnerships through non-profit projects and contributions through in-kind and monetary support.
Industry organisations	Active participation in organisations' programmes.
Academia	Research projects and various partnerships.
NGOs (Non-Governmental Organisations)	Various partnerships.
Nature	Silent stakeholder, although Höganäs continuously assesses its impact.

We regularly engage with our stakeholders to inform ourselves on their expectations.

Material impacts, risks and opportunities

The following tables list the impacts, risks and opportunities that we have deemed material in our double materiality assessment. For more information on our management of these impacts, see the Strategy section on page 8 and the section for each topic respectively.

Environment

E1. Climate

	Impacts	Description
Climate change mitigation		
Negative Own operations Actual	Scope 1 emissions	Höganäs emits greenhouse gases in scope 1 from use of carbon containing process materials such as coke, anthracite, limestone and electrodes. See page 29 for more information on our main processes.
Negative Own operations Actual	Scope 2 emissions	Greenhouse gas emissions from purchased energy produced with fossil fuels. From 2023, these are close to zero. See page 29 for more information.
Negative Value chain Actual	Scope 3 emissions	Upstream value chain emissions originates primarily from production and transportation of raw materials. Downstream emissions are not yet quantified but contain energy intensive processes such as pressing and sintering, surface coating and additive manufacturing.
Energy		
Negative Own operations Actual	Energy use	Energy intensive production processes both in our own operations and in our value chain.

	Risks	Description
Climate change mitigation		
Own operations	Transition cost	Investments and costs associated with reducing or eliminating emissions from processes and transport are high and might not be covered by an increase in customers' willingness to pay.
Own operations	Reputation	Failure to reduce emissions might lead to loss of credibility and being perceived as less relevant in terms of societal development.
Own operations	End-markets	The phase-out of the internal combustion engine and phase-in of battery electric vehicles will impact volumes and product mixes. See strategy 2030 on page 12 for more information.
Value chain	Market disruption	Geopolitical changes might cause market disruptions affecting supply chains and logistics.
Climate change adaptation		
Value chain, including own operations	Extreme weather events	Extreme weather events as flooding might lead to unplanned stops in production or transportation. A stop somewhere in the value chain might have repercussions both up- and downstream. Most of Höganäs' sites are situated in low risk areas.
Value chain	Rising sea levels	Rising sea levels might affect the viability of production sites. Höganäs' sites are located in low-risk areas.
Energy		
Value chain, including own operations	Energy prices and availability	Availability and price of energy might fluctuate due to political or geopolitical reasons and downtime in our own energy production.

Cont. E1. Climate	Opportunities	Description
Climate change mitigation		
Own operations	First mover advantage	Höganäs' ambition is to lead the industry and become the first supplier to meet customer demand with near-zero greenhouse gas emissions powders.
Own operations	Automotive electrification and energy storage	Developing and offering products that support the electrification of the automotive industry as well the emergence of battery energy storage.
Energy		
Own operations	Energy efficiency	Working systematically to increase energy efficiency will lower our costs.

E2. Pollution

	Impacts	Description
Pollution of air		
Negative Own operations Actual	Stack and fugitive emissions	Stack and fugitive emissions to the air from our operations may affect air quality and may also accumulate in soil and water.
Pollution of water		
Negative Own operations Actual	Substances discharged to water	In water atomisation, water is in contact with metals, mostly iron. The water is purified and recirculated into the process. When the concentration of impurities becomes too high, some water is, after treatment, bled into the recipient and fresh water is withdrawn to dilute the concentration.
Negative Value chain Actual	Drainage and leakages	The mining industry can have significant impact on water due to tailings, leakages, acid rock drainage, disturbance of the hydrological cycle and rainfall spreading pollutants downstream.
Pollution of soil		
Negative Value chain Actual	Spills and leakages	Mining activities have inherent significant impact on soil due to spills, leakages and handling of tailings with high content of metals and other residuals. Common pollutants include heavy metals, oil, and nitrogen from explosives.
Substances of concern and very high concern		
Negative Value chain	Chemical use	Potential risk that hazardous chemicals are not used responsibly in the value chain. Possibly lower risk within EU due to stricter legislative demands and controls.
Negative Own operations Actual	Own operations	Some chemicals and substances used in our processes are subject to restrictions due to legislation.

E3. Water & marine resources

	Impacts	Description
Water		
Negative Value chain Actual	Water use and changes in water systems	The mining industry impacts water systems through water use and has significant dependencies related to water and water flow maintenance.

E4. Biodiversity

	Impacts	Description
Direct impacts on drivers of biodiversity loss		
Negative Own operations Actual	Climate change	Our emissions of greenhouse gases contribute to climate change.
Negative Value chain Actual	Climate change	Greenhouse gas emissions in our value chain contribute to climate change.
Negative Own operations Actual	Emissions to air and soil	Stack and fugitive emissions to air, and spills and leakages to soil.
Negative Value chain Actual	Land use and pollution	The mining industry impacts through pollution and land use.
Impacts on the state of species		
Negative Value chain Actual	Loss of habitats due to land use	The mining industry impacts through pollution and land use.
Impacts on the extent and conditions of ecosystems		
Negative Value chain Actual	Changes to landscape and pollution	The mining industry impacts through pollution and land use.
Impacts and dependencies on ecosystem services		
Negative Value chain Actual	Water and land use	See E3. Water & marine resources
Negative Value chain Potential	Biomass exploitation, deforestration, loss of habitats	Harvesting biomass for biochar production may cause loss of biodiversity and ecosystems in the long-term.

E5. Resource use and circular economy

	Impacts	Description
Resource inflows, including resource use		
Negative Own operations Actual	Use of finite resources	A significant share of Höganäs resources are finite and extracted from the earth's crust. Use of reduction agents causes greenhouse gas emissions.
Resource outflows related to products and services		
Positive Value chain, downstream Actual	Resource efficiency	Powder metallurgy is resource and energy efficient compared with other production techniques. Several of Höganäs' products, especially surface coatings products, contribute by default to increased end-product durability and repairability.
Waste		
Negative Value chain Actual	Extractive industry residuals	Mining for metals and reduction agents and extraction of fossil fuels have significant environmental impact, including generation of waste such as rock, tailings and slag.

	Risk	Description
Resource inflows, including resource use		
Value chain	Competition for secondary materials	Limited access and price increases for secondary materials due to higher demand.
Own operations	Competition for secondary materials	Inability to secure a sufficient supply of biochar due to immature value chain. High demand for biofuels and biochar might lead to high prices and cost increases compared with using fossil fuels.
Resource outflows related to products and services		
Own operations	Raw material restrictions	Challenges related to choice of raw materials and development of new products that comply with legislative demands.

	Opportunity	Description
Resource outflows related to products and services		
Own operations	Product development	Develop products for more efficient production methods, for customer applications that are more durable, repairable and reusable.
Value chain	Secondary biomass sources	Biochar costs would be reduced if waste from saw-, pulp- and paper mills could be used to a greater extent.

Social

S1. Own workforce

	Impacts	Description
Working conditions		
Negative Own operations Actual	Work-related ill-health and injuries	Working close to hot surfaces with heavy manual handling, machinery and moving equipment present a high-risk environment for work-related injuries and fatalities. Exposure to hazardous materials, gases and particles might also have a long-term negative impact on co-workers' health.
Positive Own operations Actual	Improved standard of living	Negotiation of fair wages in collective bargaining agreements. Right to fair living wages and other labour terms guaranteed in Höganäs' Code of Conduct.

	Risk	Description
Other work-related rights		
Own operations	Data breaches	Breaches of personal data access could lead to significant fines. Ransomware and similar or sharing of data with unauthorised personnel could lead to significant costs for restoring data and system security.

	Opportunity	Description
Working conditions		
Own operations	Communication	Good communication will reduce risks of conflict and improve productivity. It will also improve working conditions and increase both co-worker job satisfaction and our attractiveness as an employer.
Own operations	Safe workplaces	Well managed safety routines reduce and safeguard the risk of our employees being injured. They may become a competitive advantage in recruiting employees and attracting customers.
Own operations	Scheduling	Successful management of scheduling and working hours to our co-workers' benefit will strengthen our employer brand and reduce the cost of employee turnover.
Equal treatment and opportunity for all		
Own operations	Career development	Personal development and fulfilment are some of the strongest forces to motivate, attract and retain co-workers.
Own operations	Diversity	Inclusion and representation of individuals from a variety of backgrounds, experiences and perspectives improve problem solving, decision making and increase employee engagement.

S2. Workers in value-chain

	Impacts	Description
Working conditions		
Negative Value chain Potential	Freedom of association at risk	Indirect impact through suppliers in risk countries where freedom of association and collective bargaining are not always offered and even restricted by law, and where social dialogue and works councils are not part of normal company practices.
Negative Value chain Potential	Hazardous working conditions	Production of some raw materials involve health and safety risks that include fatalities. Risks are especially high in tiers 2 and 3 nickel and cobalt mining, and in extraction of rare earth elements.
Equal treatment and opportunity for all		
Negative Value chain Potential	Unjust labour terms, discrimination and harsh treatment	All employees may not receive equal pay for equal work or have access to training. Workplaces may not be inclusive towards people with disabilities. Harassment and discrimination are risks, especially within artisanal and small-scale mining.
Negative Value chain Actual	Tradition or biases counteracting diversity	Höganäs' supply chain consists mainly of male dominated industries. However, many companies in the mining sector are actively focusing on diversity and to avoid biases.
Other work-related rights		
Negative Value chain Potential	Forced labour and child labour	Child labour could potentially occur in the supply chain and mining industry. Systems to identify risks related to working conditions are in place and supplier evaluations and in-depth sustainability dialogues could mitigate the impact and/or generate positive impact.

S3. Affected communities

	Impacts	Description
Communities' economic, social and cultural rights		
Negative Value chain Potential	Water use and pollution	Excessive water use and pollution at a mine or production site could potentially lead to local water shortages, which could impact availability of food, water and sanitation in local communities.
Negative Value chain Potential	Land use	Land-related impact where mining activities claim land that communities use for agriculture, fishing, hunting, pasture grounds or for recreational purposes. Closely linked to pollution and water use.
Rights of indigenous peoples		
Negative Value chain Potential	Violations of people's rights	Not obtaining free and informed consent from local communities prior to expansion or openings may impinge on indigenous people's right to self-determination.

Governance

G1. Business conduct

	Impact	Description
Corporate culture		
Positive Own operations Actual	Positive influence	Adherence to Höganäs' values and principles has a positive influence on business partners, co-workers and society. All co-workers get training in our Code of Conduct, our values and norms for behaviour. Non-compliance is met with decisive action.
Positive Value chain Actual	Positive influence	Implementation of our Supplier Code of Conduct and risk assessment for all suppliers to mitigate potential negative impacts. Further improved through supplier in-depth sustainability dialogues.
Protection of whistleblowers		
Negative Own operations and value chain Potential	Protection of whistle-blowers	Lack of trust and unwillingness to report if whistleblowers do not feel protected, despite adequate guidelines.
Corruption and bribery		
Negative Value chain Potential	Complicity	Höganäs has a complex supply chain and operations in countries with an elevated risk of corruption. Preventing corruption is crucial to uphold democracy and creating stable companies and institutions.

	Risk	Description
Corporate culture		
Own operations	Increased compliance costs	New legislation such as CSDDD and CSRD may lead to increased costs for monitoring supplier impacts.
Corruption and bribery		
Own operations	Fines, loss of reputation	An individual may knowingly or unknowingly be involved in corruption, which can lead to prosecution, fines or jail for individuals and loss of reputation for Höganäs.

	Opportunity	Description
Corporate culture		
Own operations	Strong culture	Our norms attract people who fit into our culture and share our values. This may lead to lower staff turnover and improved business performance.
Own operations	Protection of whistle-blowers	The opportunity for both external and internal stakeholders to anonymously raise any concern, empowers individuals to make themselves heard.

Our values have a positive influence on business partners, co-workers and society.

Our Supplier Code of Conduct mitigates potential negative impact in the value chain.

Our sustainability governance is based on internationally agreed principles such as the UN Sustainable Development Goals.

Governance

Responsibility for sustainability related matters lies with the Board of Directors (BOD), the company's highest governing body. The operational work is delegated through the CEO, who the BOD appoints, to Group Management and from there further down in the organisation.

The Vice President Group Sustainability and the Group Sustainability Function support the identification, development and implementation of sustainability related targets and objectives throughout the organisation. Group Sustainability hosts several cross-functional working groups to ensure sharing of knowledge and best practices, policy compliance and progress towards set targets.

This work is supported by a yearly cycle that covers two workstreams: one for production of the Annual Report; and one to systematically cover the annual review processes of targets, action plans, stakeholder dialogues and double materiality analysis required by CSRD and to drive improvements.

Highlights include a Group Management review of sustainability objectives in September-October which are then communicated as inputs to the Divisions' business plan reviews. The BOD approves the business plans and receives regular updates on progress towards set targets and discusses them at each BOD meeting. In April each year, Group Sustainability also presents an in-depth review of the past year's sustainability performance, as well as updates on stakeholder dialogues and impacts, risks and opportunities. If there is a need, part of the presentation may include education on specific topics.

Sustainability risks are integrated into the Group's Risk Management Framework – see more on page 60. Relevant policies, certifications and legal statements are available at www.hoganas.com

Group Management is covered by an incentive scheme based on operating profit and sustainability related targets – see page 63 in the Board of Directors' report for information.

Höganäs works with due diligence to ensure that negative impacts on human rights, climate and environment in the value chain are identified and proactively managed. The company follows the recommended steps in the OECD's Due Diligence Guidelines for Responsible Business.

Board procedures, selection and evaluation

Members of the BOD are appointed by the General Meeting and proposed by the Nomination Committee which consists of representatives from the owners. The Nomination committee meets annually or as needed to evaluate the BOD's work and its composition.

Input to the Nomination Committee comes from the annual evaluation of the BOD that is led by the Board Chair. Board members' competences on sustainability matters are part of the criteria assessed by the Nomination Committee.

The BOD's Rules of Procedure require members to inform the Chair about circumstances that may affect either their personal interests or those of a company with which they have an affiliation, and not to participate in handling such matters. This obligation to refrain from involvement has no influence on the requirements for a quorum when passing resolutions. Board members are also obliged to declare engagements with any company other than Höganäs.

Business dealings between the company and governing bodies or related parties are to be conducted on the same terms and conditions as with independent third parties.

Management philosophy

Our sustainability governance is based on internationally agreed principles and objectives such as the UN Sustainable Development Goals and the 10 Principles of the UN Global Compact, as well as national and regional legislation. In addition, the Höganäs vision and our management philosophy, Team Höganäs, as well as our Code of Conduct, guide us on how to act in different situations.

EU Taxonomy

The EU Taxonomy Assessment, as required by the CSRD, was initiated in 2024. One economic activity has been identified as eligible for Höganäs: Climate Change Mitigation (CCM) 3.9 Manufacture of Iron and steel. The manufacturing of all iron-based products containing at least 50 percent iron falls within this economic activity.

To align with the EU Taxonomy Technical Screening Criteria, manufacturing needs to substantially contribute to Climate Change Mitigation (CCM), to Do No Significant Harm (DNSH) to the other five environmental objectives and to meet the Minimum Safeguards.

To meet the Substantial Contribution criteria, one of the following thresholds that are relevant to Höganäs' manufacturing processes, must be met:

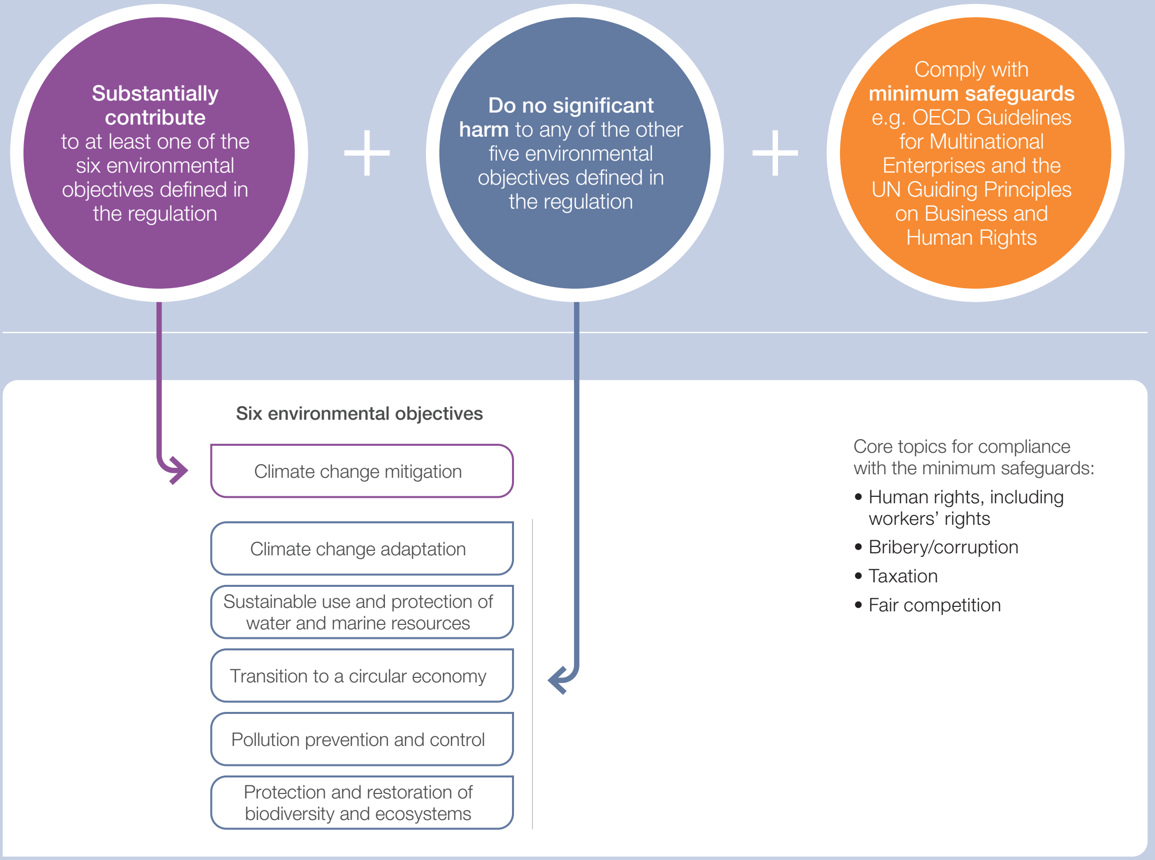
- The GHG emissions from the manufacturing process for EAF produced low-alloy steel does not exceed 0.209 tCO_2e/t product
- The percentage of steel scrap relative to product output is not lower than 90 percent for EAF producing carbon steel/low-alloy steel

The ongoing alignment assessment has concluded that the production of EAF produced low-alloy steel in Halmstad (Sweden), Stony Creek (US), Mogi das Cruzes (Brazil) and Ahmednagar (India) could meet the criteria for Substantial Contribution to Climate Mitigation.

The four relevant environmental objectives for DNSH assessment are Climate change adaptation, Sustainable use and protection of water and marine resources, Pollution prevention and control, and Protection and restoration of biodiversity and ecosystems. The initial assessment process has identified actions needed in 2025, including carrying out climate risk and vulnerability assessments and to review the Environmental Impact Assessments.

Minimum Safeguards criteria are fulfilled for all the Höganäs Group. The Minimum Safeguards stipulate following the OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

EU Taxonomy - Alignment criteria



Wind turbines in India

HÖGANÄS INSIDE

In 2020, Höganäs launched its climate roadmap that would bring emissions to net zero. For purchased energy in scope 2, this means sourcing electricity for every production site and office from fossil-free sources. In India, Höganäs decided to build its own production capability. With plans over three years in the making, two 1.25 MW wind turbines started producing electricity in March 2024.

"Once we got approval from head office for our plans to generate our own electricity, we started to explore options. One was to work together with a partner, but that proved difficult at that time. So, we settled on acquiring the land and building the wind turbines ourselves," says Sharad Magar, Director of Manufacturing at Höganäs in India.

The process of acquiring the land and getting the right permits took over a year. Once that was settled, the choice fell on two pre-owned 1.25 MW turbines with residual life of 10 years.

"We decided to go for the cheaper option as we wanted to test our hypothesis and gather experience. It also made the payback time for the project just 18 months, with the electricity produced and the appreciation in land value," says Magar.

The wind turbines cover around 15 percent of the company's total energy needs in India. Another 70 percent will be covered by a 7.5 MW solar park that is expected to come online and produce electricity in 2025. Höganäs partners with a reputable solar company for the project and will retain 26 percent ownership.

"We retain a minority share in the solar project, but enough to claim ownership. That will bring our own generation to around 85 percent of our needs, including a negligible contribution from our rooftop solar. To get the remaining 15 percent, we have several options. One is to upgrade our wind capacity with newer and more efficient turbines," says Magar.

The Group-wide target of using 100 percent fossil-free electricity by 2024 was reached in 2023. In addition to building production capacity, Höganäs purchases electricity with Guarantees of Origin and makes Power Purchase Agreements.

Sharad Magar
Director of Manufacturing

Overview
Strategy
Sustainability statement
Basis for preparations
Impacts, risks and opportunities
Governance
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Climate and biodiversity
Pollution and use of water
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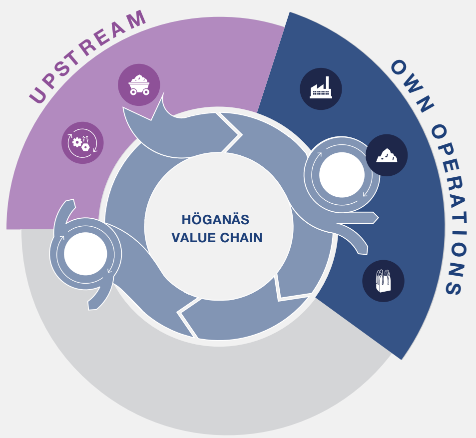
Workers in the value chain
Social/Governance
Business conduct and affected communities
Methodology for GHG emissions calculations
Corrections to previously reported data
Auditor's Reports on sustainability
Financials and notes

Climate and biodiversity

IMPACTS, RISKS AND OPPORTUNITIES



UPSTREAM

- Greenhouse gas emissions from production and transportation of raw materials.
- Land use and emissions to air, soil and water negatively affect biodiversity.
- Risks include geopolitical and extreme weather events, rising sea levels and energy prices disrupting operations.

OWN OPERATIONS

- Energy dependent production processes that emit greenhouse gases due to materials and fossil fuels used.
- Emissions of greenhouse gases and pollutants to air, soil, and water negatively impact biodiversity.
- Risks, in addition to those described in the value chain, include transition costs, reputation and changes in end-markets. Opportunities include first mover advantage in new end-markets.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions

Höganäs aims to lead the industry with an ambitious plan to reach net zero climate impact. Our targets were validated by the Science Based Targets Initiative in 2023:

- Target: 51 percent reduction in scope 1-2 by 2030
- Target: 30 percent reduction in upstream scope 3 by 2030
- Target: net zero across the value chain by 2040

In addition, we have bold climate ambitions that go beyond the Science Based Targets:

- Ambitions: Scope 1 and 2, net zero by 2030
- Ambitions: Upstream scope 3, net zero by 2037

Strategy & policies

Our strategy relating to climate change is two-pronged. Firstly, as climate change mitigation is the main driving factor behind the decline of our current internal combustion engine business, we are working to establish ourselves as a supplier in the electric automotive value chain. See our general Strategy on page 8 and Climate Risks & Opportunities in this section for more information. Secondly, we are working on delivering on our net zero ambitions using our Climate Roadmap.

For scope 1-2, four main pathways have been identified to reduce emissions: replace fossil-based coke and anthracite with biochar; replace natural gas with biogas, other fossil fuels with biofuels and electrify where appropriate; buy fossil-free electricity; and enhance energy efficiency. Local action plans that will bring us to a 90 percent reduction have been developed and are currently being implemented with progress tracked and followed up regularly. To get all the way to net zero, permanent removal technologies such as carbon capture and storage (CCS) need to be deployed for the remaining emissions from our production processes, or through negative emission rights, provided that such options are available.

For scope 3, there are three main pathways: increase the use of secondary materials; choose raw materials produced with a lower carbon footprint; and move over to raw materials with inherently lower carbon footprint. To make headway, we are reaching out to suppliers and customers. When switching to new materials, determining the technical feasibility in our own processes is only halfway there. Materials with the right properties need to be sourced in sufficient quantities from suppliers and changes need to be approved by customers. End-users in some industries, such as aerospace, automotive, or medical technology, may demand that products must be requalified if input materials are changed. Succeeding will therefore require close cooperation both upstream and downstream in our value chain.

Our Environment and Climate Policy that is approved by the Board of Directors, governs how we approach both climate change and other environmental impacts caused by water use, emissions and waste generated in our operations. It states our ambition of being a sustainability leader in our industry and that we work systematically to reduce our negative impacts and to aim for a positive impact in our downstream value chain by providing relevant products and services.

All our sites work systematically with energy efficiency as part of management systems certified according to ISO 14001. During 2024, Höganäs received the ISO 50001 certification for all three production facilities in North America, which means that 9 out of 10 energy intensive sites are certified according to ISO 50001.

Our climate ambitions go beyond our Science Based Net Zero Targets that were validated in 2023, which aim for net zero across our value chain by 2040 and include both near- and long-term absolute reduction targets.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Actions & resources

Scope 1-2

Local action plans that will reduce our emissions by more than 90 percent have been developed and are currently being implemented with progress tracked and followed up regularly.

The sponge iron process

The Höganäs site in Sweden, has a process for reducing iron ore with carbon to a sponge iron powder. In 2024, after years of development work and successful tests, the Board of Directors decided to invest in the necessary infrastructure to replace 20 percent of the fossil carbon in the reduction mix with biochar by 2026. This includes storage silos for the biochar, transport infrastructure and a modified feed for the plant. Getting to 100 percent biochar will require both further process development and supply chain development as the volumes of biochar needed are currently not available on the market.

The second part of the Board's investment decision was to continue exploring possibilities to develop a new fossil-free process for sponge iron powder. The decision follows small-scale tests that have been conducted with promising results. Further testing will be made, and if successful, the process development will continue step by step. Decisions regarding additional investments will be made once sufficient proof of concept has been established.

Fossil-free electricity

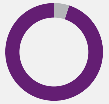
When possible, Höganäs purchases electricity with Guarantees of Origin or signs Power Purchase Agreements with producers of fossil-free electricity. When this is not possible, Höganäs builds its own power production. See case about wind turbines in India on page 27.

Scope 3

Supplier engagement

In 2024, we began to systematically reach out to suppliers to initiate in-depth sustainability dialogues on performance. In addition to their environmental performance and climate mitigation plans, other relevant sustainability considerations, such as working conditions and human rights, are naturally included. Using this process, we anticipate having addressed the suppliers representing most of our scope 3 emissions from direct materials, see the Targets & Metrics section on page 31. The supplier engagements are part of our Responsible Sourcing Programme, read more on page 45.

Our processes

Relative emissions per scope	Core process	Sources of emissions	Mitigation activities, scope 1	Mitigation activities, scope 2 and 3
	**Sponge iron**	High direct emissions from metallurgical coke, anthracite, and natural gas. Some emissions from other process materials such as slag formers.	Use of biochar as a reduction agent and biogas. Permanent carbon removal for remaining emissions from raw materials.	Fossil-free electricity. Lowered upstream emissions from input materials.
	**Iron powder atomising**	High indirect emissions from alloying elements and primary raw materials. Direct emissions from slag formers, fossil anthracite, natural gas and electrodes.	Use of biochar and biogas. Permanent carbon removal for the remaining emissions from raw materials.	Fossil-free electricity. Increased use of secondary iron and use of alloying elements with lower carbon footprint.
	**Iron powder annealing**	Indirect emissions from upstream processes and alloying elements. Direct emissions from natural gas for process heating and furnace atmosphere	Use of biogas, electrification or plasma heating.	Fossil-free electricity. Lowered emissions from upstream processes and alloying elements.
	**Iron powder mixing**	Indirect emissions due to alloying elements and additives.	No direct emissions.	Fossil-free electricity. Lowered emissions from upstream processes, alloying elements, and additives.
	**High-alloy atomising**	High indirect emissions due to refined raw materials and use of electricity. Direct emissions from natural gas.	Electrification, energy efficiency and bio-based fuels.	Fossil-free electricity. Increased use of secondary high-alloy materials. Lowered emissions from upstream processes and alloying elements.

Scope 1
Scope 2 – Emissions are too low to be visible in the circles above
Scope 3

READ MORE ABOUT OUR WORK TO REDUCE SCOPE 3 EMISSIONS ON PAGE 11

Our scope 1 and 2 emissions have decreased by 45 percent in absolute tonnes and by 28 percent in carbon intensity compared with 2018.

Secondary raw material

As primary raw materials have a large environmental impact, we also work to increase the share of secondary or recycled materials as part of addressing our upstream scope 3 emissions. For information, see the Resource use and circular economy section on page 37.

Permanent removals

Höganäs investigates opportunities and monitors the development and applicability of CCS (Carbon Capture and Storage). We are also investigating how we can use slags from our own operations to capture carbon. In 2024, no large-scale carbon removal processes were running.

Biodiversity

Our impact on biodiversity comes from greenhouse gas emissions and other pollutants generated by our operations and in our value chain, as well as from the extractive industries' use of land and water. As we use more biomass, the effects of that needs to be monitored and potential negative impact prevented. In addition to the measures described in this section and the Pollution section aimed at reducing emissions, we manage these through our Responsible Sourcing Programme. Read more on page 45.

While primarily regarded as material in our upstream value chain, we do act to understand and improve ecosystems around our sites. For example, we break up hard surfaces where they are not needed, leave lawns un-mowed and help support local bird life. We have also concluded a project in Höganäs, Sweden, to monitor our impact on the ecosystem surrounding our site using satellite photos, proving its feasibility for monitoring all our own and our suppliers' sites.

Targets & metrics

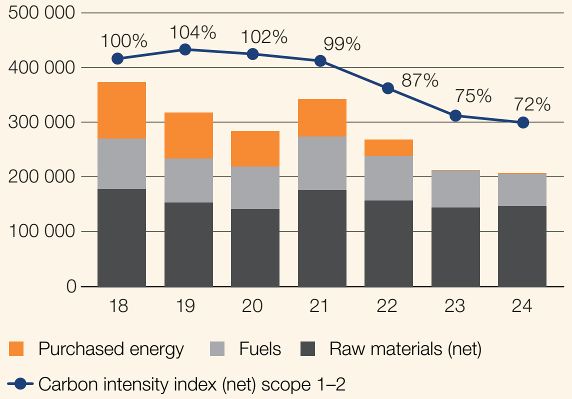
Greenhouse gas (GHG) emissions

Our accelerated ambitions are to reach net zero in our own operations scope 1-2 by 2030 and to reach net zero in our upstream value chain (upstream scope 3) by 2037. Our gross target for scope 1-2 is 95 percent reduction compared with 2018 baseline year. For scope 3, we have not yet specified a gross reduction ambition, but we are in the process of collecting the information necessary to do so. See scope 3 Supplier engagement in the Actions & Resources section on page 29.

These absolute reduction ambitions go beyond our Science Based Net Zero Targets[1] that were validated in 2023 as being in line with the Paris Agreement. We measure our greenhouse gas emissions using the standards from Greenhouse Gas Protocol. We measure emissions in scope 2 target using the market-based method, with 2018 as our baseline year.

1) Overall net zero target: Höganäs commits to reach net zero GHG emissions across the value chain by 2040 from a 2018 base year. Near-term targets: Höganäs commits to reduce absolute scope 1 and 2 GHG emissions by 51 percent by 2030 from a 2018 base year. Höganäs also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, and business travel by 30 percent within the same timeframe. Long-term targets: Höganäs commits to reduce absolute scope 1, 2 and 3 GHG emissions by 90 percent by 2040 from a 2018 base year. The targets boundary includes land-related emissions and removals from bioenergy feedstocks.

GHG emissions scope 1 and 2, tonnes CO_2e



Carbon intensity index for 2023 has been adjusted from 72 percent to 75 percent to account for correction of reported figures for production volume, emissions from raw materials, and carbon in sidestreams – page 52.

Direct emissions, scope 1, tonnes CO_2e	2024	2023	2022	2021	2018
Emissions from fuels as CO_2e	59,100	68,000	80,800	97,600	91,700
Carbon in raw materials as CO_2e	158,000	155,400*	172,000	192,200	194,600
- Carbon in waste as CO_2e	–8,900	–9,300	–12,500	–10,700	–14,100
- Carbon in sidestream materials as CO_2e	–1,400	–1,000*	–1,100	–3,800	–1,300
- Carbon in products as CO_2e	–100	–100	–100	–100	–100
Total scope 1, fuels and raw materials	**206,700**	**213,000**	**239,100**	**275,200**	**270,800**
Emissions from biogenic fuels CO_2e	24,300	8,100*	500	200	600
Emissions from biogenic raw materials CO_2e	0	1,400	-	-	-

Indirect emissions from purchased energy, scope 2, tonnes CO_2e	2024	2023	2022	2021	2018
Total scope 2, Market based (actual emissions from own choices)	1,000	900	30,600	67,900	103,700
Location based (GHG emission from residual mix comparison)	94,200	92,100	84,900	90,000	141,400
GHG emissions not emitted by choosing fossil free energy (compared to location based emissions)	93,200	91,200	54,300	22,100	37,800
Total CO_2 emissions as tonnes CO_2e (scope 1 and scope 2)	**207,700**	**213,900**	**269,700**	**343,100**	**374,500**

Comments on outcome: Scope 1 and 2 emissions have decreased by 45 percent in absolute tonnes and by 28 percent in carbon intensity compared with 2018 (base year). Besides lower production volumes, the transition to fossil-free electricity and increased use of biofuels have contributed the most to this reduction. The reduction of emissions from fuels in 2024 compared with 2023 is explained by the increase in biogas use in Höganäs.

*Due to change of reporting system, historical data has been reviewed and some minor errors have been discovered and corrected, see page 52.

Indirect emissions from upstream activities, scope 3, tonnes CO_2e	2024	2023	2022	2021	2018
1. Purchased goods and services	299,500	315,800*	334,300	413,500	436,600
3. Fuel & energy related activities	35,300	37,500*	38,000*	42,500	35,600
4 Upstream Transportation	42,600	38,100	43,500	55,700	50,000
6. Business travel	2,400	1,600	1,500	1,600	6,100
Categories 2, 5, and 7	61,000	24,800	23,100*	20,400*	35,300
Total scope 3, upstream	**440,800**	**417,800**	**440,400**	**533,700**	**563,600**
Total emissions (scope 1, 2 and 3)	**648,500**	**631,700**	**710,100**	**876,800**	**938,100**

Comments on outcome: Scope 3 emissions have decreased by 22 percent in absolute tonnes compared with 2018, primarily due to the replacement of primary materials with secondary and the confirmation that the copper we use is sourced from secondary scrap materials. The increase in Category 6 is due to a revised calculation method. The construction of a new production facility in China lead to a temporary increase of 36,000 tonnes in Category 2, leading to an increase of carbon intensity index from 97 percent in 2023 to 101 percent in 2024.

*Due to a change of reporting system, historical data has been reviewed and some minor errors have been discovered and corrected – page 52.

Energy

Energy efficiency is prioritised in all our operations and our target is to become 1 percent more energy-efficient each year. Energy-efficiency is measured in MWh per produced tonne.

Our energy use consists of fuels and electricity. The fossil fuels we use are natural gas (for industrial heat in our core processes and hydrogen production), liquified petroleum gas (LPG), diesel and petrol. We also use some biofuels for our vehicles and biogas for production.

Residual heat from our production sites in Halmstad and Höganäs, Sweden, is utilised by being supplied to external parties as district heating. With its new solar panels, Höganäs' plant in Busan, Korea, is the first within the company to run 100 percent on renewable energy from solar panels. Our site in Ath, Belgium, both uses and sells surplus electricity from its solar parks, and our site in Ahmednagar, India, uses electricity from its windmills.

Climate risks & opportunities

See Impacts, risks and opportunities on page 19 for a more detailed risk description. More information on our risk management process, see page 60.

Physical risks

- Extreme weather events
- Rising sea levels

Höganäs production sites are situated in low-risk areas, and consequently the costs associated with climate adapting these sites are low. Risks may be present in the value-chain, both up and downstream, where stops in production can affect Höganäs ability to deliver and earn revenue.

Transition risks

- Transition costs
- Reputation
- End-markets
- Market disruption
- Availability and price of energy

Höganäs invests significant amounts in research and equipment to develop sustainable production processes, including using more recycled materials. Operating costs for these new processes may be higher, due to higher energy prices and higher material costs.

Höganäs long-term revenues are dependent on finding sustainable end-markets. Failure to reduce emissions might lead to lower credibility for Höganäs, which could impact revenues.

Opportunities

- First mover advantage
- Automotive electrification and energy storage
- Energy efficiency

We are working to reduce our emissions alongside our customers and customers' customers in the automotive industry. Developing relevant products with lower inherent environmental and social impact is a great opportunity to grow our business. Becoming more energy efficient will reduce our operating costs.

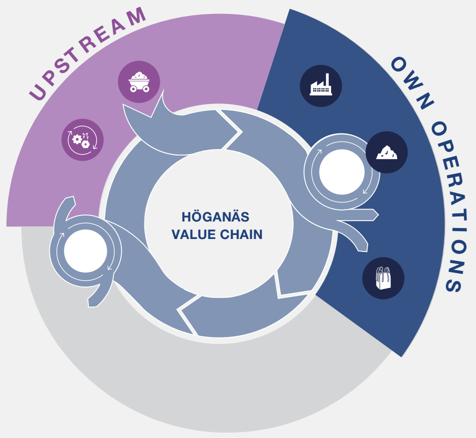
Energy use within the organization in MWh	2024	2023	2022	2021	2018
Non-renewable fuels	288,600	339,900	410,900	495,300*	465,800*
Renewable fuels	82,300	27,200*	1,600*	700	2,600
Total energy use from fuels	**370,900**	**367,100**	**412,500**	**496,000**	**468,400**
Purchased electricity, residual mix	0	0	301,000	441,000	530,700
Purchased electricity, renewable	159,700	165,700*	124,200	46,600	28,500
Purchased electrcity, nuclear	240,400	235,800*			
Purchased heat, steam or cooling	7,300	6,700	4,300	5,300*	4,100
Total purchased energy	**407,400**	**408,200**	**429,500**	**492,900**	**563,300**
Self generated energy from renewable sources	6,700	3,500	3,700	600	100
Renewable energy sold	–1,100	–1,400	-	-	-
Total energy use	**783,900**	**777,400**	**845,700**	**989,500**	**1,031,800**

Comments on outcome: Total energy usage increased in line with production volume, keeping energy intensity unchanged from 2023. Own production of renewable electricity rose by 37 percent (including sold). The use of renewable fuels such as biodiesel, bioethanol and biogas increased, with biogas accounting for the majority of the rise.

*Due to a change of reporting system, historical data has been reviewed and some minor errors have been discovered and corrected – see page 52.

Pollution and use of water

IMPACTS, RISKS AND OPPORTUNITIES



UPSTREAM

- The mining industry pollutes water and soil around the mines due to tailings, spills and leakages. It also has significant dependencies, impacts and risks related to water and a potential negative impact from mishandling chemicals.

OWN OPERATIONS

- Stack and fugitive emissions from our production processes are emitted to the air.
- Our water atomisation process emits some pollutants to water.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions

Höganäs seeks to minimise negative impact through a systematic approach to continuous improvements at each site.

Strategy & policies

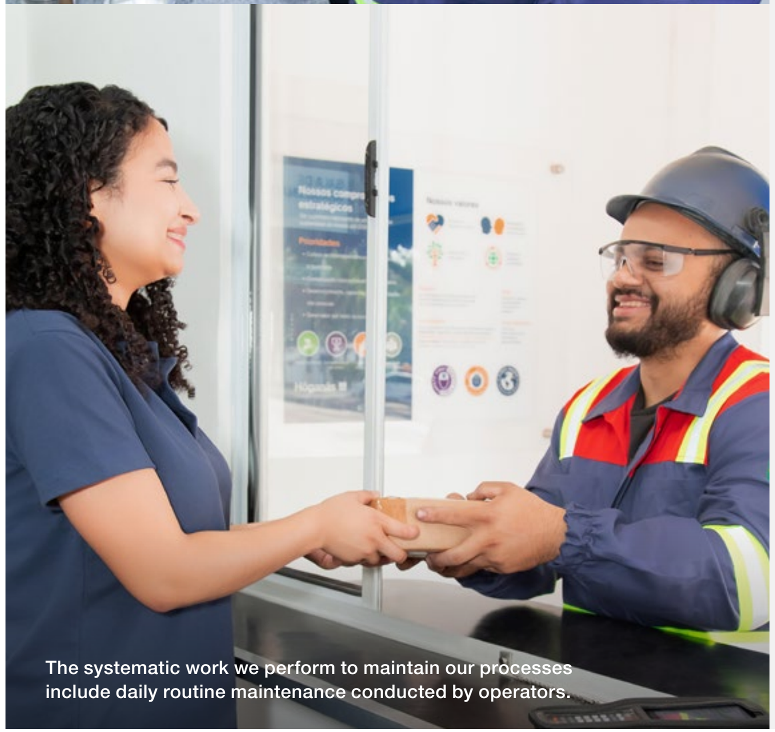
We seek to minimise our negative impact by applying the precautionary principle, using the best available technologies, and creating stable processes. All production sites have environmental management systems and are, except for three smaller units, third-party certified according to the ISO 14001 standard. In addition, all sites are subject to authority control and have obtained the necessary environmental permits. The permits required differ between countries, but all are renewed at fixed intervals. Höganäs regards them as minimum requirements for environmental management.

Chemicals are used on site only after being approved through internal risk assessments. The process includes publishing safety data sheets on Höganäs' intranet and conducting necessary training of users. Inventories of chemicals are regularly checked as part of our internal audit programme. We have procedures in place to substitute chemicals with less harmful alternatives.

The relevant policy for this area is our Environmental and Climate Policy that is approved by the Board of Directors.

Our value chain's impact is managed through our Responsible Sourcing Programme and in-depth sustainability dialogues.

Stable processes are essential for avoiding unplanned production stops that may result in increased emissions, spills or leakages.



The systematic work we perform to maintain our processes include daily routine maintenance conducted by operators.

Actions & resources

Robust processes

Stable processes are essential for avoiding unplanned production stops that may result in increased emissions, spills or leakages. The systematic work we perform to maintain our processes include:

- Daily routine maintenance conducted by operators.
- Scheduled maintenance by local teams.
- A ‘Loss Prevention Manual’ where loss prevention and risk management procedures are outlined as part of the overall management system.
- Comprehensive risk analyses concerning molten metal and reactive chemicals for each type of chemical and piece of equipment being used.

Air pollution measures

Air emissions include both stack and fugitive emissions. To minimise stack emissions, all large point sources are equipped with filters. Local environmental control programmes typically include monitoring emissions such as nitrogen oxides (NOx), sulphur oxides (SOx), metals residues and other substances of concern, depending on the type of process.

To prevent fugitive emissions, raw materials and products (metal powders) are handled in closed systems when possible. Slag handling though, including sorting and transporting to internal storage or landfills, is generally carried out in the open air. Precautions to reduce dust, such as watering, is in place at all sites where slag is produced as a by-product.

Water use and treatment

We use water for cooling, atomisation, dust binding and slag quenching. The single largest water use is for cooling, where we mainly use seawater, in closed systems through heat exchange. The water is circulated many times before being returned in the same condition as it was taken.

In the atomisation process, water is used to atomise molten steel in a controlled water jet process. The water is treated, cooled and mostly recycled within the process.

Water for dust binding and slag quenching is to a large extent evaporated. Remaining contaminated water is treated in wastewater facilities operated by either Höganäs or a third party to meet environmental quality standards before being discharged.

Supply chain engagement and secondary raw materials

Our Responsible Sourcing Programme is our main tool for managing the impact from our upstream value chain – read more in the Workers in the value chain section on page 45. In 2024, we began to systematically reach out to selected suppliers to initiate in-depth sustainability dialogues on performance – see the Climate section on page 29 for more information.

Another important action to reduce pollution from our value chain is to use more secondary materials. For more information, see the Resource use and circular economy section on page 37.

Targets & metrics

Höganäs seeks to minimise negative impact through a systematic approach to continuous improvements. Due to significant local differences in circumstances and impact, all sites are expected to form their own relevant pollution reduction targets and action plans. During 2024 five minor environmental incidents were reported to the local authorities in accordance with local regulations. Investigations have been carried out and all cases are handled and closed.

Air emissions

Methodology

Air emissions are calculated based on local monitoring carried out to cover the needs for function control and compliance with environmental permit limits. As a result, not all sites report on all substances and the consolidated figures may therefore not cover all actual emissions.

Air emissions, tonnes	2024	2023	2022	2021	2020
Nitrogen oxides (NOx)	100	110	120	120	100
Sulphur oxides (SOx)	30	30	40	30	30
Carbon monoxide (CO)	110	130	150	140	100
Non-methane volatile organic compounds (NMVOC)	10	10	10	10	8
Ammonia (NH3)	<1	<1	<1	<1	<1

Metal and dust emissions to air	2024	2023	2022	2021	2020
Iron (Fe), kg	6,990	6,770	6,960	8,680	8,500
Chromium (Cr), kg	6,680	7,080	7,270	7,630	6,500
Zinc (Zn), kg	2,380	1,660	1,280	1,170	1,400
Nickel (Ni), kg	490	560	610	680	500
Copper (Cu), kg	90	90	100	90	70
Lead (Pb), kg	150	70	70	60	60
Cadmium (Cd), kg	10	10	10	10	10
Mercury (Hg), kg	4	5	5	2	2
Total dust, including metals to air, tonnes	62	62	64	68	60
PM10, tonnes	36	36	36	39	30
Arsenic (As), kg	2	2	2	1	1
Cobalt, kg	10	10	10	20	10
Hazardous air pollutants (HAP), tonnes	6.1	7.7	8.0	8.4	-

Comments on outcome: Air emissions remain stable within normal variations, except for zinc and lead. The increased values for these elements are due to changes in the raw material mix.

Water use

Methodology

We monitor discharges of metals into the water and measure other substances of concern according to our control programmes and local environmental permits. As a result, not all sites report on all substances and the consolidated figures may therefore not cover all actual discharges. In many cases monitored substances are below the detection limits. Total water discharges are calculated on local monitoring results based on site specific circumstances and demands for compliance with environmental permit limits.

Water withdrawal, thousand cubic meters	**2024**	**2023**	**2022**	**2021**	**2020**
Total volume of water withdrawn	6,500	7,200	7,700	8,300	6,300
of which Seawater	3,500	3,400	3,300	4,400	3,800
of which Freshwater	3,000	3,800	4,400	3,900	2,500
Total water discharges	5,900	6,500	6,900	7,600	5,700
Total water consumption	**600**	**700**	**800**	**700**	**600**
of which water consumption in areas of material water risk	*30*	*30*	*40*	*70*	*30*
Total water intensity (cubic meters per million EUR, net revenue)	**576**	**588**	**617**	**664**	**631**

Comment on outcome: Water consumption is at a stable level. Both water withdrawal and discharges are slightly lower. This is primarily explained by the closure of our plant in Buch, Switzerland, a lower water demand at our plant in Stony Creek, US.

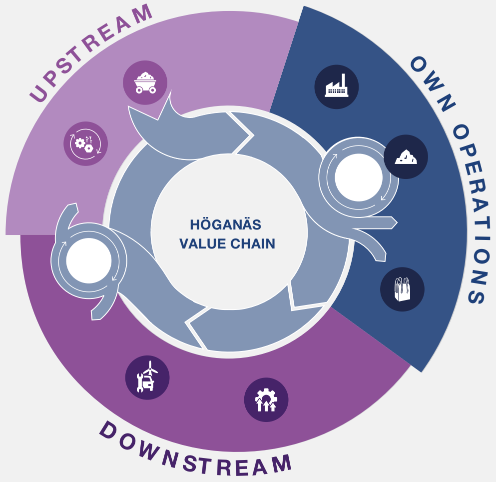
Discharges of substances to water, kg	**2024**	**2023**	**2022**	**2021**	**2020**
COD (Chemical Oxygen Demand)	7,700	9,690	10,330	8,040	7,650
O&G (Oil and grease)	180	370	500	430	350
N-tot (Nitric nutrients)	460	330	370	380	270
TS (Total Solids (TSS+TDS))	7,510	6,300	6,550	6,470	8,140

Metal discharges to water, kg	**2024**	**2023**	**2022**	**2021**	**2020**
Iron (Fe)	480	940	2,140	1,030	550
Zinc (Zn)	80	60	100	110	70
Nickel (Ni)	50	20	60	60	110
Copper (Cu)	80	60	70	50	10
Chromium (Cr)	10	10	20	20	50
Lead (Pb)	10	10	10	10	10
Cobalt (Co)	5	10	10	4	20
Arsenic (As)	< 1	2	1	1	1
Cadmium (Cd)	1	1	1	< 1	< 1
Mercury (Hg)	-	-	-	< 1	< 1
Molybdenum (Mo)	10	20	20	20	30

Comment on outcome: Substance discharges are mostly related to cubic metre water flow and stay at a relatively stable level. The decrease in iron is due to an installation of a new wastewater treatment tank at our facility in Stony Creek, US.

Resource use and circular economy

IMPACTS, RISKS AND OPPORTUNITIES



UPSTREAM

- The extractive and metal industries produce waste.
- Risks and opportunities relate to access to secondary raw materials, biofuels and biochar.

OWN OPERATIONS

- Höganäs uses finite virgin resources.
- Risks and opportunities include sourcing of materials (see upstream), and product development.

DOWNSTREAM

- Powder metallurgy uses less resources and energy compared with other production techniques.
- Surface coatings enhance durability and product lifespan while reducing resource consumption through functional optimisation.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions

Höganäs aims to increase the share of secondary materials and to find alternative uses for by-products.

- Target: 95 percent of process residuals put to use by 2026

Strategy & policies

We aim to increase our use of secondary materials as the inherent environmental footprint is lower. In 2024, we were at 56 percent of the total ingoing raw materials. In some processes the share is as high as 95-99 percent of the ingoing metallic raw materials. To increase the use of secondary material, we collaborate with our customers to challenge current products, allow for wider specifications in the products we supply to them, and, if necessary requalify products. We also work with suppliers to encourage a higher degree of secondary materials in their product inflows.

Powder metallurgy has many inherent benefits, such as lower material and energy use per kilogram of finished product compared with other production techniques. The advantages of metal powders are especially pronounced from a resource perspective in surface coatings as they increase product lifespan and performance by improving resistance to heat, wear and corrosion. See the Strategy section on page 8 for more information about the application areas we target and our sustainable product development.

Höganäs aims to increase the share of secondary material and to find alternative uses for sidestream products.

In 2024, we began to systematically reach out to suppliers to initiate in-depth sustainability dialogues.

Actions & resources

Supply chain engagement and secondary raw materials

In 2024, we began to systematically reach out to suppliers to initiate in-depth sustainability dialogues on performance. See the Climate section on page 29 for more information.

Increasing the share of secondary materials

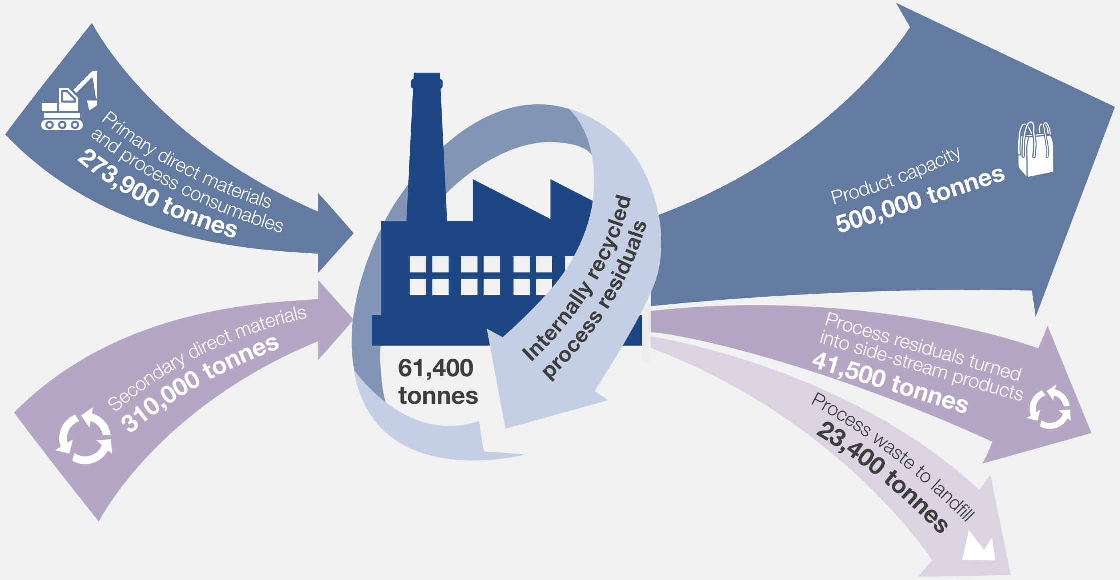
We are continuously working to increase the share of secondary materials we use. Our Purchasing department leads this work and has been making good progress for low-alloy steel and some high-alloy materials such as iron and cobalt based alloys. For other high-alloy materials, availability of scrap is an obstacle. This is addressed in three ways: 1) challenge the current chemical requirements of Höganäs products; 2) identify and establish refining opportunities in the market; and 3) form partnerships and use suppliers' experience to identify opportunities. Read more in our case about high-alloy scrap on page 11.

Principles for sustainable products

The principles for sustainable products are used in our development process. Read more about the principles on page 15. A sustainability assessment is part of the start-up of all new pre-studies and projects for both product and process development, as well as in investment pre-studies and projects. This includes circular economy considerations such as developing products that can be recycled without degradation and reclaiming excess materials from our customers' manufacturing operations. See the Strategy section on page 8 for more information.

Promotion of sidestream products

We are actively promoting the use of our process residuals as side-stream products. For example, three of our different types of slags are marketed as Petrit® and are registered under REACH in the EU. One example of use is man-made reefs containing our slags, see the case on page 50 for more information.



Target & metrics

Primary materials

The primary raw materials used are extracted from the earth's crust and have a relatively large environmental impact. These materials, in terms of volumes, are mostly iron ore, limestone and fossil process coal or coke. We use smaller volumes of primary alloying metals such as nickel, chrome and molybdenum. Even though small in volumes, they have significant environmental and climate impact. Using secondary or recycled materials limits the negative impact on the environment and our ambition is to use more of such materials.

The past five years have seen steadily increasing use of secondary materials, and as a result of deliberate choices significant shares of primary ferrous materials such as DRI, HBI and pig iron have been replaced by scrap. The next challenge will be to find secondary materials that can replace ferroalloys and non-ferrous alloying elements.

Process residuals and sidestream products

We are actively promoting the use of our process residuals as sidestream products. For example, of our different types of slags, three are marketed as Petrit® and are registered under REACH in the EU. In 2024, 82 percent (78) of our process residuals were diverted from disposal, with the remaining 18 percent (22) sent to landfill. From 2024, the environmental authorities issued a permit to re-use our process residuals in Brazil, which increased total process residuals used to 95 percent (36).

In 2024, 42,000 tonnes (37,000) or 33 percent (30) of Höganäs' total residual materials were repurposed by external partners. The residuals figure for 2023 has been recalculated, as more material was extracted from our landfill mining and sold to external partners.

Raw materials, tonnes	2024	2023	2022	2021	2020
Secondary materials, metal scrap	310,000	304,000	314,000	332,000	267,000
Ferrous and ferroalloys	153,000	159,000	185,000	242,000	191,000
Graphites, coke and anthracites	49,000	48,000**	52,000	65,000	46,000
Slagforming agents and minerals	27,000	26,000	29,000	33,000	26,000
Non-ferrous metals	11,000	11,000	12,000	15,000	12,000
Organic	2,200	2,100	2,500	3,400	2,900
Other non-metals	700	1,000	600	-	-
Process gases*	31,000	18,000**	28,000	-	-
Total	**583,900**	**569,100**	**623,000**	**690,000**	**545,000**
Part secondary materials, %	56	55	53	48	49

*Process gases is a sum of argon, hydrogen, nitrogen, oxygen and ammonia used at Höganäs sites.

**Due to a change of reporting system, historical data has been reviewed and some minor errors have been discovered and corrected – see page 52.

Process residuals, tonnes	2024	2023	2022	2021	2020
Process residuals directed to disposal (waste)					
to external landfill (56% non-hazardous)	4,300	7,200	11,700	13,900*	6,800
to internal landfill (100% non-hazardous)	18,900	19,600	23,200	22,400	16,800
to incineration with energy recovery	0	0	0	100	100
to other disposal operations	200	0	0	0	0
Process residuals directed to disposal, total (91% non-hazardous)	**23,400**	**26,800**	**34,900**	**35,900**	**23,700**
Process residuals diverted from disposal (sidestream products)					
to external recipient for recycling	24,300	14,200	12,300	9,700	19,900
to external recipient for use	17,200	23,100	25,400	31,900	15,700
to internal recipient within Höganäs Group	4,000	4,200	2,500	13,100	4,000
to internal re-use	46,700	44,400	54,700	63,400	52,300
to internal use	6,100	4,700	3,100	-	-
to internal recycling	4,600	5,300	500	-	-
Process residuals diverted from disposal (87% non-hazardous)	**102,900**	**95,900**	**98,500**	**118,100**	**91,900**
Internal mining	300	5,900	27,900	-	-
Part process residuals put to use, %	81	78*	74	77	80
Part put to use incl. internal mining, %	82	83*	95	-	-

*Due to a change of reporting system, historical data has been reviewed and some minor errors have been discovered and corrected – see page 52.

Non-process waste

Non-process waste refers to all residual materials that are not a direct result of our production processes.

The main part, 91 percent, that is classified as non-hazardous, consisted of for example plastics, paper, food scraps and wood pallets.

The remaining 8 percent, classified as hazardous, consisted of for example construction materials, chemical residues and filters. 65 percent of all non-process waste was diverted from disposal through recycling, re-use or recovery activities.

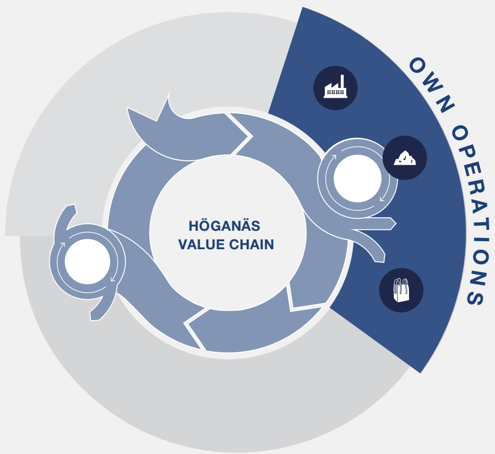
Packaging materials

Reliable data on packaging material in tonnes is not available due to insufficient registrations of weight of purchased items. Work is ongo-ing to find a solution.

Non-process waste	Domestic waste (non-process waste)		General plant waste (non-processed waste)		Packaging waste (non-processed waste)		
Destination, tonnes	**Hazardous**	**Non-Hazardous**	**Hazardous**	**Non-Hazardous**	**Hazardous**	**Non-Hazardous**	**Total**
Incineration (with energy recovery)	0	70	70	220	0	120	480
Incineration (without energy recovery)	0	1	20	1	0	60	82
Landfill	0	270	20	250	0	0	540
Other disposal operations	0	0	2	4	0	0	6
Preparation for re-use	0	80	1	0	0	140	221
Recycling	5	20	130	640	10	960	1,765
Other recovery operations	0	0	5	10	0	0	15
Total	**5**	**440**	**248**	**1,125**	**10**	**1,270**	**3,098**

SOCIAL
Own workforce

IMPACTS, RISKS AND OPPORTUNITIES



OWN OPERATIONS
- Höganäs operates in heavy industry where health and safety risks are prevalent.
- Höganäs offers good working conditions and fair wages.
- Risks include data breaches. Opportunities include several aspects of working conditions and equal treatment and opportunity for all.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions
Höganäs aims to create a safe, diverse and healthy work environment, free from all kinds of discrimination.
- Target: Zero accidents
- Target: Total Recordable Injury Frequency Rate (TRIFR) below 6 for employees, contractors and visitors by 2027
- Target: 20 percent female co-workers by 2026
- Target: 35 percent female executive managers by 2026

Strategy & policies
Höganäs aims to provide a safe, healthy, diverse and inclusive workplace, free from all kinds of discrimination. We seek to promote our co-workers' general well-being and to build a strong culture, guided by our values and capabilities. The aim is to attract, develop and retain co-workers who thrive at Höganäs and will enable us to reach our targets and ambitions.

Höganäs signed UN Global Compact in 2017 and we have since then aligned our business with its 10 principles, including in the areas of human rights, labour, environment and anti-corruption, and we have been a signatory since 2017. Two main documents guide our day-to-day business: The Code of Conduct that details our guiding principles and our approach to human rights, labour standards, wages, collective bargaining agreements, environmental protection and business conduct; and Team Höganäs, our blueprint for building a winning organisation, that outlines our vision, values and way of working. These documents are supported by an Occupational Health and Safety Policy, which is available in eight languages and explains how to apply our principle 'we work safely – or not at all' in daily operations. The policy also covers management of psycho-social and stress-related risks.

All co-workers are encouraged to report violations of laws or our Code of Conduct in accordance with local procedures or through the whistleblower function on our website. Read more on page 46 and 49.

Our values
- We focus on customer success
- We create long-term value
- We respect and believe in each other
- We lead sustainable change

Leadership capabilities

A Höganäs leader drives
- Collaboration
- Performance
- Development
- Change

in a safe and sustainable way

Employee capabilities

A Höganäs employee demonstrates
- Collaboration
- Performance
- Development
- Change

in a safe and sustainable way

Actions & resources

Safety first

With our motto, Safety First, we aim to build a strong safety culture where dialogue and risk-elimination are key, and the main rule is to never compromise on safety. A range of actions and routines supports this effort.

To maintain high risk awareness, work instructions include risk exposures, and all co-workers receive mandatory health and safety training adapted to their job roles, in addition to the general safety training that is part of the introduction for new employees. Besides mandatory training, we spread knowledge through our best practice groups, thematic safety conferences, workshops, videos, booklets and guiding tools. To support dialogues, a range of tools such as Safety Toolbox, safety maturity assessments and safety dialogue maps are available.

Health and safety committees exist at different levels in our organisation and include both production and administration types of departments. The meeting frequency can vary between countries and sites, but the minimum frequency is to meet four times a year.

All our 15 production sites are certified according to the ISO 45001 Occupational Health and Safety Standard (OH&S), and all offices have an OH&S management system.

A global incident and risk reporting system is used by all co-workers to report incidents including accidents, near misses and risk observations. The reporting system logs root cause analyses, investigations and actions taken.

Global health & safety standards

The work of developing global standards to serve as minimum requirements for health and safety subject areas began in 2024. The purpose is to ensure that learning from an incident somewhere is applied everywhere, therefore serving as a tool to systematically improve our health and safety performance.

The standards are being developed by groups of subject area experts from across the organisation – one group per standard. Involving many people and providing opportunities for many to contribute serves to 1) improve the quality of standard and, 2) increase acceptance and adherence to the standards once they are being implemented. How our sites adhere to the standards will be audited by a Höganäs network of Health & Safety managers starting in 2027.

Diversity & inclusion

Embracing diversity and inclusion enhances our problem-solving and decision-making processes by bringing diverse perspectives, ensuring every voice is heard. Additionally, it broadens our access to a more extensive talent pool. During 2024, we have continued our work within diversity and inclusion. Strategic direction has been developed, outlining what we aim to achieve within diversity and inclusion, what success looks like, and a plan for how to get there. In addition, all managers have undergone training on unconscious bias.

Living our values

Every year, co-workers can nominate teams or individuals to the Living our Values award. This is an annual award for recognising excellent performance that strengthens the implementation of our values and demonstrates what they mean in our day-to-day work.

Programmes for people development

The ‘Grow with Höganäs’ framework for career and competence development was introduced in 2023. It outlines various growth opportunities, career paths and the professional development process at Höganäs. The purpose is to strengthen our employer brand by providing clarity for both current and potential co-workers on how they can grow and develop at our company. There are several development programmes running, many of them regional and local.

A global talent development programme was introduced in 2024 with 12 participants, seven men and five women representing various competences and geographies, with proven track record at Höganäs. The programme will continue to accept 8-12 people annually to safeguard our talent pipeline for future strategic positions.

People management

In 2024, Höganäs started the journey to implement a global people management system that will go live in the first quarter of 2025. It supports multiple people management processes and will ensure consistent quality comparable data. Our learning platform, Höganäs Academy, will be integrated into the system.

Adequate wages

Höganäs aims to pay market-based and fair living wages at all sites globally. In the Code of Conduct it is clearly stated that Höganäs must comply with all legal and contractual requirements on wages and fringe benefits. Negotiation of fair wages is part of the collective bargaining agreements.

Collective bargaining

We ensure fair treatment, equal pay, and compliance with national labour laws across all operations. We support freedom of association and collective bargaining, protected by law in all our operating countries. Where no union is present, we negotiate with elected employee representatives or encourage direct communication between employees and management. All employees receive written contracts in a language they understand. In the US, blue-collar terms are set through collective agreements, and in Japan, contracts are in English with verbal translations provided as needed.

Social protection and work-life balance

Höganäs provides health insurance for all employees, with family coverage included in some countries. We also offer occupational health services for all co-workers, promote health-focused activities, and encourage a healthy work-life balance. Work-life balance significantly affects an individual’s mental and physical well-being and can enhance overall satisfaction and productivity. As part of the Quarterly Team Check-In, Höganäs’ global feedback tool, employees are asked the question: “By the end of the workday, do you have energy left for personal activities?” On a scale of 1 to 4, the organisation’s average score is 3.3, which is considered a positive result.

We also offer retirement and pension plans tailored to local legal requirements, market standards, and practices.

Family-related leave

All our sites provide family-related leave in accordance with social policy and collective bargaining agreements, ensuring alignment with the national regulatory requirements of the countries in which they operate, or offer better conditions for the employees. In India, where Höganäs employs around 85 individuals, statutory paternity leave is not mandated. However, since 2020, we have provided seven days of paternity leave and encourage all male employees to take advantage of this benefit. During 2024, 96 percent of all employees where entitled to family related leave. Of these, 27 percent of females and 17 percent of the males took parental leave.

Targets & metrics

About our employees

Gender is an important aspect of diversity and Höganäs operates in an industry that traditionally has been male dominated. By 2026, we aim to increase the share of female co-workers to 20 percent, and the share of female executive managers to 35 percent.

Höganäs employees	Female	Male	Other	Not reported	Total
FTEs, number	392	1,855	0	0	2,247
Recruited, number	31	101	0	0	132
Left the company, number	28	167	0	0	195
Employee turnover rate 2024, %	7%	9%	-	-	-

Number of employees per gender (headcount, end of reporting period)

	Female	Male	Other	Not reported	Total
	409	1,856	0	0	2,265

Employees per country according to gender (headcount, end of reporting period)

Countries	Female	Male	Other	Not reported	Total
Sweden	174	619	0	0	793
Germany	72	375	0	0	447
US	42	310	0	0	352

Employees per type of employment according to gender (headcount, end of reporting period)

Type of employment	Female	Male	Other	Not reported	Total
Number of employees	409	1,856	0	0	2,265
Full-time position	361	1,811	0	0	2,172
Part-time position	48	45	0	0	93
Permanent employed	396	1,829	0	0	2,225
Temporary employed	12	33	0	0	45
Non guaranteed hours employees	0	0	0	0	0

Employees per type of employment according to region (headcount, end of reporting period)

Type of employment	EMEA	APAC	AMERICAS	Total
Number of employees	1,495	286	484	2,265
Full-time position	1,403	285	484	2,172
Part-time position	92	1	0	93
Permanent employed	1,457	283	485	2,225
Temporary employed	42	3	0	45
Non guaranteed hours employees	0	0	0	0

Age group, %	2024	2023	2022
< 30 years old	11	11	13
30-50 years old	52	53	52
>50 years old	37	36	35

Female per level	2024, number	2024, %	2023, %	2022, %
Co-workers	409	18	17	17
All managers	70	20	19	18
Executive managers (tier 0-2)	20	38	29	29
Group Management team	2	20	17	18
Board of Directors	3	25	30	27

Compensation and wages

Collective bargaining agreements	Collective bargaining coverage: Employees - EEA	Collective bargaining coverage: Employees - Non-EEA	Social dialogue: Workplace representation (EEA)
0-19%			
20-39%			
40-59%			
60-79%		Americas	
80-100%	Germany, Sweden		Germany, Sweden

Comment on outcome: In 2024, 88 percent (81) of our employees were covered by collective bargaining agreements.

People development

Number of training hours	2024	2023	2022	2021	2020
Training provided to: female	6,530	6,270	7,279	3,023	3,257
Training provided to: male	46,867	43,550	43,771	30,609	23,022
Training provided to: other	0	0	0	0	0
Training provided to: not reported	0	0	0	0	0
Average number of training hours per employees (headcount)	24	22	22	15	11
Average number of training hours per male	25	23	22	-	-
Average number of training hours per female	16	16	18	-	-
Employees working in functions-at-risk, covered by anti-corruption training, %	34	-	-	-	-

Comment on outcome: Mandatory training has so far been registered automatically in our system, whereas voluntary training is mostly not registered. This explains why male co-workers appear to receive more training, as most of the mandatory training is related to positions in production where most employees are male.

Our change in the HR system affects the outcome on anti-corruption training, making it incomplete for 2024. However, this will be resolved in 2025 when e-learning in our new HR system will be available. In total, 34 percent of our employees working in at-risk functions had anti-corruption training during 2024. Höganäs´ annual performance and development dialogues with managers are mandatory, and quarterly follow-ups are strongly recommended. In 2024, most sites met this requirement, covering more than 90 percent of employees, with nine sites achieving 100 percent compliance.

Health and safety

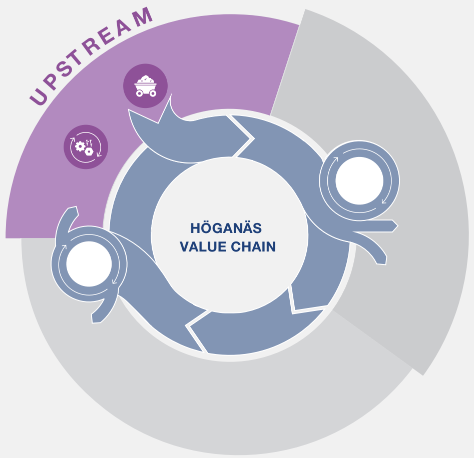
Health and safety performance, co-workers and other workers	2024	2023	2022	2021	2020
Number of recordable injuries	31	65	71	61	80
Number of high-consequence work-related injuries	0	0	1	0	0
Number of lost-time injuries	18	31	30	22	24
Number of days lost	307	706			
Number of fatalities	0	0	0	0	0
Lost-time injuries frequency per million hours worked	4.1	7.2	6.9	5.0	6.0
Total recordable injury frequency per million hours worked	7	15	16	14	20
Sick leave rate, %	3.6	3.5	4.1	3.7	3.8

Comments on outcome: In 2024, we achieved a reduction of the total number of work-related injuries, aligning with our objective to reduce work-related injuries and cases of ill health to zero. 'Safety first' sums up our aim to create a solid safety culture, where dialogue and risk-elimination are key, and where the main rule is to never compromise on safety. A new Group standard for reporting injuries and illnesses was introduced in 2024 to ensure correct reporting.

The total recordable injury frequency is calculated by multiplying the total recordable injuries by one million and dividing by the total actual working hours. The calculation methods and parameters are continuously being developed, and from 2025, entrepreneurs and contractors will also be included in our reporting of injuries. Our target for total recordable injury frequency is 6.0 by 2027, and in 2024 we reached 7.0 (15), which is a 52 percent reduction compared with 2023.

Workers in the value chain

IMPACTS, RISKS AND OPPORTUNITIES



UPSTREAM

Höganäs' suppliers are found in various sectors, with a large part in the mining and metals industry with:

- potential negative impacts that relate to health and safety, freedom of association, equal pay, diversity and inclusion, discrimination, harassment, forced labour and child labour.
- actual negative impact that relate to gender diversity as the mining industry is male dominated.

Höganäs can have a:

- positive impact by setting high standards for corporate citizenship for suppliers and following up through in-depth sustainability dialogues.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions

Höganäs aims to provide safe and healthy workplaces for workers across the value chain, guaranteeing rights at work and a fair wage that meets their basic needs.

- Target: All key suppliers rated as good or excellent in evaluations under the Responsible Sourcing Programme

Strategy & policies

Höganäs is aligned with the 10 principles of the UN Global Compact, including the areas of human rights, labour, environment, and anti-corruption. We have been a signatory since 2017.

Our Responsible Sourcing Programme is governed by our Responsible Sourcing Policy, our Supplier Code of Conduct and our Conflict Minerals and Cobalt Policy.

The purpose is to guide suppliers to compliance with international principles, such as the UN Global Compact and its related conventions, and legal frameworks related to human rights, anti-corruption and conflict minerals. The programme includes a governance structure and a compliance organisation, with clearly defined roles and responsibilities, as well as procedures for escalation to senior management.

Actions & resources

Responsible Sourcing Programme

Supplier onboarding

Before onboarding new suppliers, compliance with our commitments and policies is assessed via a supplier questionnaire. Our policy is to only approve suppliers that can ensure that they and their suppliers adhere to internationally agreed principles and relevant legal frameworks, and transparently show evidence of compliance when requested to do so.

Supplier risk assessments

Risks related to suppliers are assessed based on geography, industry, previous performance and each supplier's own self-assessment regarding compliance with our Supplier Code of Conduct and other applicable policies. If risks or non-compliances are detected, the first step is dialogue with the supplier to determine whether there are opportunities to mitigate risks and improve performance. If there are not, or if the supplier is unwilling to improve, cooperation with the supplier will be terminated as a last resort.

Supplier engagement

In 2024, we began to systematically reach out to suppliers to initiate in-depth sustainability dialogues on performance such as working conditions, human rights, and carbon dioxide emissions. This process will provide us with Insights into the challenges and risks of our value chain. This work is supported by a Social Impact Specialist from Group Sustainability.

In the future, the Responsible Sourcing Programme and in-depth supplier dialogues will be complemented by audits performed either by Höganäs or a third party. These will include interviews with workers in our supply-chain. Topics such as environmental and safety performance, working conditions, human rights and social responsibility will be included.

Conflict minerals

The suppliers relevant to conflict minerals and cobalt are evaluated annually through an in-depth questionnaire based on the Responsible Mining Initiative framework.

We source only from metal suppliers that are listed as responsible by the European Commission, the Responsible Minerals Initiative or have had their due diligence practices audited by a third party against a standard aligned with OECD Guidance, which means they can prove that their material originates from responsible smelters.

Whistleblowing

All co-workers, suppliers, customers, partners and neighbours are encouraged to report incidents or increased risks concerning corruption, or violations of laws or our Code of Conduct in accordance with local procedures or through the whistleblower function on our website. Höganäs' reporting system is operated by a third party, to ensure that anyone can report anonymously and confidentially in any language via phone or a website. When a case or incident is reported, a transcript is sent by the third party to a designated external lawyer and the chairman of the audit committee. These recipients will then assign the investigation to a person with sufficient mandate, who is not involved in the reported matter. Read more in the Governance section on page 49.

Targets & metrics

Our target is that all of our key suppliers will be rated as good or excellent in the evaluations performed under our Responsible Sourcing Programme.

In 2024, there were no reported incidents with suppliers related to the right to freedom of association, collective bargaining, child labour or forced labour.

Key suppliers

Key suppliers, direct material	2024	2023
Total key suppliers direct material	229	268
Key suppliers 'good' rating	181	210
Key suppliers 'excellent' rating	1	-

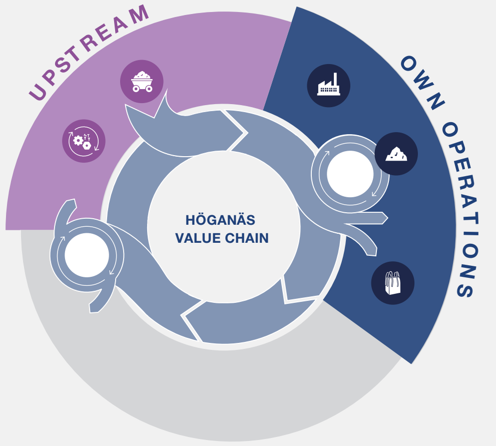
Comments on outcome: There is a natural fluctuation in the number of key suppliers each year. The important thing is that the percentage rated as good or excellent increases. In 2024, 80 percent (78) were assessed as good or excellent.

Höganäs aims to provide safe and healthy workplaces for workers across the value chain.

SOCIAL / GOVERNANCE

Business conduct and affected communities

IMPACTS, RISKS AND OPPORTUNITIES



UPSTREAM

- Extractive industries and other manufacturing industries in our supply chain may impact the local community negatively, for example through pollution or human rights violations.
- Höganäs has a positive impact by working with suppliers to reduce their negative impact and drive improvements.

OWN OPERATIONS

- The values and principles in the Höganäs Code of Conduct positively affects our business relationships and communities.
- RIsks include compliance costs and corruption. Opportunities include a strong culture and whistleblower protection to encourage and empower the individual to speak up.

SEE THE COMPLETE VALUE CHAIN ON PAGE 10

Ambitions

We hold ourselves and our business partners to high ethical standards to ensure that we contribute to a better society for all, including affected communities. Höganäs has zero tolerance of corruption and aims to work with suppliers to improve their performance.

Strategy & policies

Our Code of Conduct outlines how we should interact with our stakeholders, such as business partners, owners, co-workers, children and the surrounding communities. It reflects our commitment to human rights principles including children's rights, our zero-tolerance approach to corruption and applies to all co-workers and all people acting on behalf of Höganäs.

We aim to build a winning culture based on an inclusive work environment where everyone feels comfortable sharing their perspective, providing feedback and speaking up. Our values and leadership capabilities are important tools for doing this – see Our workforce section on page 41 for more information.

Our Responsible Sourcing Programme encompasses steering documents that, together with our Anti-Bribery Policy, guides Höganäs and our suppliers to stay compliant with international principles such as UN Global Compact and its related conventions, and legal frameworks related to human rights, anti-corruption and conflict minerals. The programme includes a governance structure and a compliance organisation, with clearly defined roles and responsibilities, as well as procedures for escalation to senior management. The steering documents include our Supplier Code of Conduct, as well as our Conflict Minerals and Cobalt Policy.

We prioritise local suppliers – more than half of our raw materials are sourced locally within the country of operation. Services such as maintenance, consultancy and contracting are sourced near our operations when possible.

Actions & resources

Responsible Sourcing Programme

Many aspects of our impact on local communities are managed through our Responsible Sourcing Programme – see Workers in the value-chain on page 45 for more information.

Whistleblowing

All suppliers, customers, partners and neighbours can use the whistleblowing function on our website to report violations of our policies and laws. Read more on page 46 and 49.

Anti-corruption training

General training is available as part of the onboarding and the introduction to the Höganäs Code of Conduct and specific training is offered on an ad hoc basis. In 2025, a new training programme will be launched to increase general awareness about bribery and corruption risks and how to act. As part of this programme a new e-learning will be made available throughout Höganäs, starting with a targeted campaign towards white-collar managers in functions facing risks exposed to bribery or corruption. Continuous training will then be ensured, in accordance with the programme both on a regular basis and through risk based ad hoc training.

In 2025, a new training programme will be launched to increase general awareness about bribery and corruption.

Tax

Höganäs aims to avoid transactions that can be considered tax evasion.

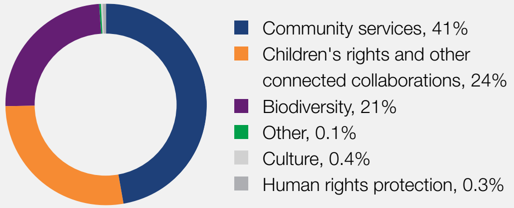
Local community engagement

We encourage dialogue with those who live close to our premises and all production sites have grievance mechanisms in place, where local representatives respond to questions and complaints.

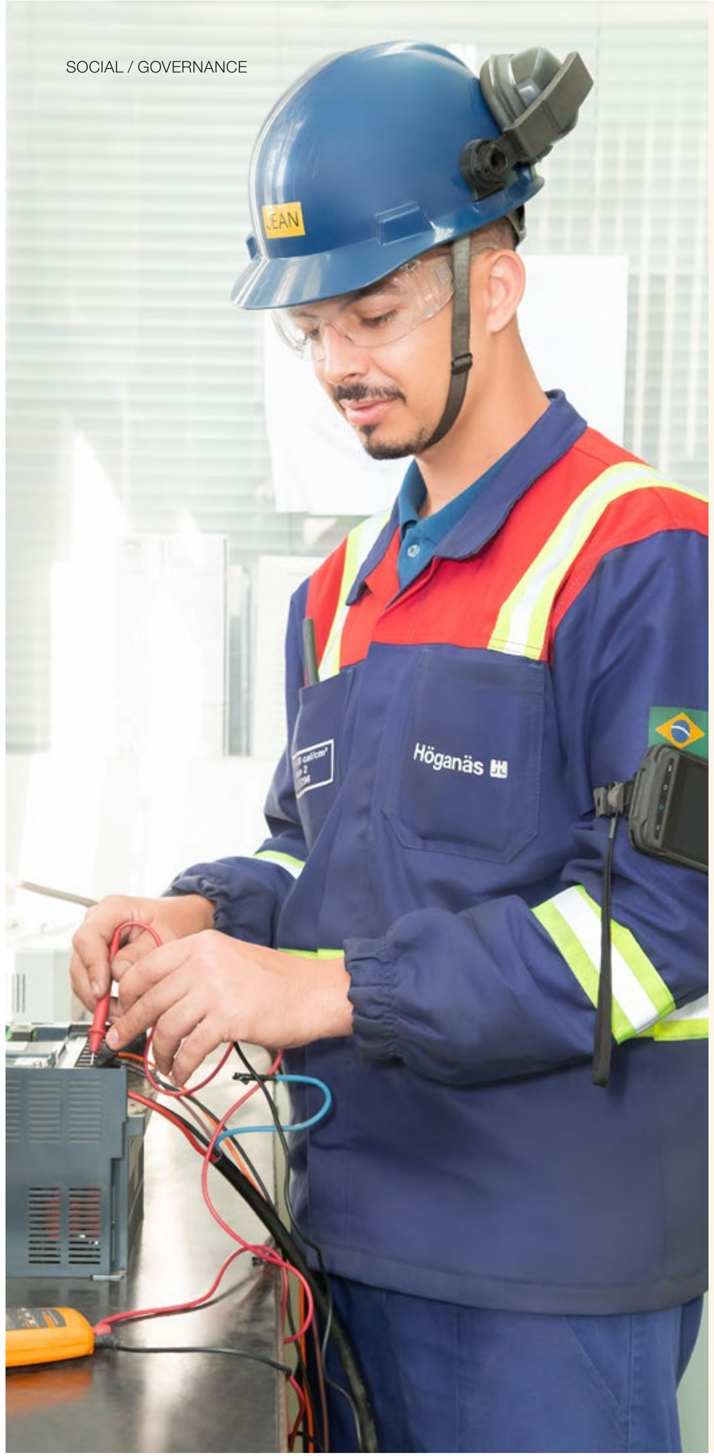
All our production sites should engage with local communities according to our Sponsorships and Donations Directive and to prioritise in accordance with local circumstances. The directive is designated to ensure that all funds are used ethically and according to the intended purpose.

Höganäs in India supports the development of the village Waghluj. The development programme covers five aspects: land, water, plants, animals and people. Due to climate change, rainfall and temperature patterns in the region are changing and there are more droughts. The project has successfully halted the water leakage from the dams and built water reservoirs in the surrounding hills. This reduces the risk of heavy rain washing soil and plants off the hillside.

COMMUNITY CONTRIBUTIONS



Voluntary community contributions and sponsorships are decided by each local operation according to our guidelines for sponsorships and donations. The largest parts are directed towards well-being and youth empowerment.



Targets & metrics

Affected communities

Höganäs has not yet set targets to manage impacts relating to affected communities. We will explore options for doing so in 2025.

Our supply chain

In 2024, we had 512 suppliers (556) of direct materials and around 5,797 suppliers (5,900) of indirect materials, transportation, and other services in 2024. Our total spend on external suppliers was SEK 9,196 million (9,784).

We take our responsibility to safeguard our customers' data and privacy seriously and have policies, routines and systems in place. During the year, we have had no reported breaches of privacy or data losses.

Incidents and whistleblowing

Discrimination in any form, be it based on sexual orientation, gender expression or anything else, is prohibited and co-workers are encouraged to report it. In 2024, one case of discrimination was reported, that is currently being processed. No incidents related to corruption or human rights were reported.

During 2024, 15 (4) new cases were reported through our whistle-blowing function addressing various topics such as complaints about inappropriate leadership, unjustified warnings, disrespectful behavior, unjustified travel, sharing of sensitive information, possible conflict of interest and allegations relating to breaches of anti-bribery policy.

Two of the cases were related to how we ensure protection of personal data and adherence to GDPR. These cases have been investigated, assessed and handled in accordance with established procedures, in case of suspected personal data protection incidents.

The remaining cases have been handled according to procedures and are now closed. Two of them were found to be of concern. In the remaining cases, it has either not been possible to initiate further investigations or investigations have not confirmed any violations of laws or the Code of Conduct.

In the first case of concern, individuals were involved in a situation not aligned with the Höganäs Code of Conduct and anti-bribery policy, but not violating national law. They received warnings. The second case was about a manager behaving disrespectfully towards an employee. The matter was settled amicably and in good faith, between the manager and employee.

Payment practices

Payment practices	2024
Average time to pay an invoice (days)	32
Percentage of payment aligned with standard payment terms, %	76

Comments on outcome: The average number of days to pay an invoice is calculated using the formula: Number of invoices * number of days until paid / total amount of invoices. Only companies using the global ERP system are included in the analysis. Invoices dated within FY2024 are included. An invoice is marked as overdue if any part remains unpaid beyond the due date.

HÖGANÄS INSIDE

By-products are restoring coral reefs on the Swedish west coast

Slag from Höganäs operations is being used in a project to restore coral reefs on the west coast of Sweden. A total of 132 star-shaped structures, weighing 600 kg each, are being placed at six sites in Kosterfjorden-Väderöfjorden.

"Coral reefs are the seas' most biodiverse environments. We've had several live coral reefs along the west coast before, most of which have now been destroyed. By placing artificial reef structures, we hope to restore these valuable environments," says Anita Tullrot, Manager for the project Life Lophelia at the Västra Götaland County Administrative Board.

Behind the design of the reef structures are several years of research. The cold-water coral *Lophelia pertusa* thrives in strong currents but because the larvae are swept away on flat sea bottoms, they need something protruding to attach to. After experimenting in special aquariums, the researchers settled on the star-shaped structure to which slag from Höganäs has been attached. The slag is a by-product from Höganäs' production of metal powder.

"Our slag contains lime and other minerals and has proved to be useful for this," says Björn Haase, Manager of Non-Metal products at Höganäs.

"The slag is also full of small cavities where the larvae can find shelter and attach. We have tested several materials and found that they are attracted by slag in particular," says Ann Larsson, a researcher at the University of Gothenburg.

The six sites where the structures are placed are protected from fishing, including trawling and crab and lobster cages. It is also prohibited to anchor. *Lophelia pertusa* is slow growing, and the process to establish live coral reefs is expected to take a long time. Researchers will follow the development by filming every three years.

"We have given the coral larvae the best conditions possible. My hope is that we will see live corals on the reefs within five years. They will be a boost for many different species, both sedentary and mobile, and increase the biodiversity in the area," says Anita Tullrot.

Björn Haase
Manager Non-Metal Products

Methodology for GHG emissions calculations

Höganäs reports its Greenhouse Gas (GHG) emissions according to the organisational control approach. This includes operations at all Höganäs' sites (including headquarters, warehouses, production units, R&D, laboratories and offices). Höganäs consolidates emissions for public reporting on a Group level.

Only carbon dioxide (CO_2) emissions are reported in scope 1. Based on estimations, emissions from the gases CH_4 and N_2O, HFCs, PFCs, SF_6 and NF_3 are considered insignificant, and therefore excluded. These other greenhouse gases are however included in scope 2 and 3 and expressed as CO_2e.

Scope 1 and 2 are calculated according to the GHG Protocol – Corporate Accounting and Reporting Standard. Scope 3 is calculated according to the GHG Technical Guidance for Calculating scope 3 Emissions. The tables below show the reporting categories included in the calculation, the type of emission factors and data used. A recalculation is performed every fifth year or if a significant change to data, inventory boundaries, or methods triggers recalculation. The threshold for a recalculation is 5 percent per scope.

Reporting categories	Calculation method and emission factors used
SCOPE 1	
Fuels for production, internal transport vehicles and directly controlled auxiliary use	Combustion emissions. Calculated based on consumption. Emission factors are local or default emission factors from ENS (the Danish Energy Agency). We use emission factors from ENS because we buy a big part of our natural gas for the Swedish operations from Denmark and ENS updates their emission factors yearly.
Material used in furnace processes	Emissions calculated based on carbon content and mass balance where the remaining carbon content in output materials are deducted from the carbon content in incoming materials.
SCOPE 2	
Electricity	**Location based** Regional 2023 International Energy Agency (IEA) CO_2e emission factors. **Market based** Supplier-specific emission factors if available. Where no supplier-specific emissions factor is available, regional residual fuel mixes have been used. For markets where residual fuel mix factors are not available, emission factors for regional production mixes are used. Emission factors in scope 2 do not include emissions associated with transmission and distribution losses. These are reported in scope 3.
Heating and Cooling	Emissions are calculated on activity data and supplier-specific emission factor if available. Where no supplier-specific emission factor is available, emission factors from DEFRA Conversion Factors 2023 or alternatively Swedenergy (Energiföretagen) Environmental Values District Heating, 2022 (Sweden)[1] are used.
SCOPE 3	
Category 1 Purchased goods and services	Cradle-to-gate emissions for purchased goods and services are not included. Emission factors from Ecoinvent 3.7.1 (2013). Otherwise, supplier-specific or global average data is used. The scope 3 emissions for our raw materials and consumables are calculated on a volume basis, using the amounts consumed annually during production. The emissions originating from other items (representing less than 20% of total spend of total purchased goods) are calculated according to the spend-based method using DEFRA emission factors.
Category 2 Capital goods	Cradle-to-gate emissions for capital goods. Emissions have been calculated from spend, with an inflation factor of 11.3% applied to the 2011 emission factor values related to the Construction Process in Exiobase 3.

1) https://www.energiforetagen.se/statistik/fjarrvarmestatistik/miljovardering-av-fjarrvarme/

Reporting categories	Calculation method and emission factors used
Category 3 Fuel and energy related activities	Upstream emissions of purchased fuels and energy. Calculated using average upstream emission factors for fuels and energy from DEFRA 2023, T&D losses included.
Category 4 Upstream transportation and distribution	Calculated according to the distance-based method. Lifecycle emission factors from DEFRA 2024, EFDB, EPA, EcoTransIT, NTM and CCWG.
Category 5 Waste generated in operations	Calculated according to the waste-type-specific method using emission factors from DEFRA 2023.
Category 6 Business travel	For 2018–2021 emissions related to business travel are allocated based on a study carried out by Höganäs in 2010 and extrapolated for further years based on pro rata basis on actual travel expenses. For 2022–2024, compiled business travel data from the Swedish and North American travel agencies for air, rail and car rentals have been used. The volume of business travel in private vehicles is collected from 'Aditro' travel expenses. The combined US and Sweden data is extrapolated pro rata to estimate the Group emissions in category 6 using emission factors from DEFRA 2024.
Category 7 Employee commuting	Emissions related to employee commuting are calculated on the basis of the number of employees commuting to work, weeks worked per year (47), days commuting per week (5 for blue collar and 3.5 for white collar), commuting distance covered (30 km) and using reference WTW EFs from DEFRA 2024 for 60% average car (unknown fuel), 30% local bus, and 10% electric car.
Category 9, 10, 11 and 12 Downstream transportation and distribution, processing of sold products, use of sold products, and end of life treatment	In line with the GHG Protocol Scope 3 Standard for intermediate products with various end uses (Section 6.4), categories 9, 10, 11 and 12 are excluded from the GHG inventory and the target boundary.
Category 8, 13, 14 and 15 Upstream leased assets, downstream leased assets, franchises and investments	Höganäs does not have any leased assets, or any downstream leased assets or franchises,or has investments or otherwise acts as financial provider outside the value chain, meaning that the categories 13, 14 and 15 are not applicable.
Biogenic CO_2 emissions Emissions from the use of biobased fuels and materials	Biogenic CO_2 emissions from use of biofuels and biocarbon. Calculated based on supplier-specific data and emission factors from DEFRA 2023.

Corrections to previously reported data

	Year	Previous value	Corrected value	Unit	Comment	Page in report
Energy use						**32**
Renewable fuels	2022	1,900	1,600	MWh	Hot water consumption moved to “Self-generated heating sold” (264 MWh).	32
Renewable fuels	2023	27,700	27,245	MWh	Hot water consumption moved to “Self-generated heating sold” (245 MWh).	32
Non-renewable fuels	2018	464,200	465,800	MWh	LPG from two sites not reported.	32
Non-renewable fuels	2021	495,200	495,300	MWh	Petrol from one site was not reported.	32
Purchased heating	2021	5,800	5,300	MWh	Typing error discovered.	32
Purchased electricity, renewable	2023	167,700	159,700	MWh	Reporting error of electricity from one site.	32
Purchased electricity, nuclear	2023	228,000	240,400	MWh	Reporting error of electricity from two sites.	32
Emissions from scope 1 & 2						
Carbon in raw materials	2023	147,600	155,400	tonnes CO_2e	Change of raw material led to missing 2,500 tonnes of Anthracite (7,880 tonnes CO_2).	31
Emissions from renewable fuels	2023	900	8,100	tonnes CO_2e	Halmstad biogas was missing due to calculation error in previous reporting system.	31
Carbon in sidestream	2023	3,800	1,000	tonnes CO_2e	TK-slag in Höganäs was taken from landfill mining and not to external recipient.	31
Emission from scope 3						
Category 1 Process gases	2023	4,685	3,089	tonnes CO_2e	Wrongly reported nitrogen 32,000 t in one site.	31
Category 3 Fuel and energy related activities	2022	32,700	38,000	tonnes CO_2e	Reporting error, missing formulas in previous reporting system.	31
Category 3 Fuel and energy related activities	2023	36,700	37,500	tonnes CO_2e	Reporting error for electricity from two sites.	31
Category 2, 5 & 7	2021	2,653	7,039	tonnes CO_2e	Calculation error in previous reporting system for category 5. Added 4,400 tonnes CO_2 2021.	31
Category 2, 5 & 7	2022	2,464	5,904	tonnes CO_2e	Calculation error in previous reporting system for category 5. Added 3,400 tonnes CO_2 2022.	31
Materials						
Nitrogen (Processing gases)	2023	51,000	18,000	tonnes	Wrongly reported nitrogen 32,000 tonnes in one site.	39
Coke and Anthracite	2023	47,000	48,000	tonnes	Anthracite missing, 2,500 tonnes.	39
Waste and sidestreams						
Landfill – off site	2021	13,400	13,900	tonnes	Calculation error in previous reporting system.	39
Put to use, without landfill mining	2023	79	78	%	4,263 tonnes TK-slag in Höganäs was landfill mining.	39
Put to use, with landfill mining	2023	80	83	%	4,263 tonnes TK-slag in Höganäs was landfill mining.	39

Auditor's Limited Assurance Report on Höganäs Holding AB's Sustainability KPIs 2024

To Höganäs Holding AB, org.nr 556915-6655.

Introduction

We have been engaged by Group Management of Höganäs Holding AB to undertake a limited assurance of Höganäs Holding AB's Sustainability KPIs, as stated below, in their sustainability report 2024:

- CO_2 emissions (scope 1), page 31
- CO_2 emissions (scope 2), page 31
- CO_2 emissions (scope 3), page 31
- Total Recordable Injury Frequency (TRIF), page 44

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability KPIs in accordance with the applicable criteria. The criteria consists of Höganäs Holding AB's own accounting principles which are further described on page 51 in the Sustainability Report. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material mis-statements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on specific KPIs based on the limited assurance procedures we have performed. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted limited assurance procedures in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making enquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. A limited assurance engagement has a different focus and a considerably smaller scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Höganäs Holding AB according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability KPIs.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the specific KPIs are not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Malmö 1 April 2025

Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the Swedish language original shall prevail.

Auditor's report on the statutory Sustainability Report

This is a literal translation of the Swedish original report

To the General Meeting of the shareholders in Höganäs Holding AB, corporate identity number 556915-6655.

Engagement and responsibility

The Board of Directors is responsible for the statutory Sustainability Report for the year 2024, and it has been prepared according to the Annual Accounts Act and in accordance with the older wording that applied before 1 July 2024.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 – the auditor's opinion regarding the statutory Sustainability Report. This means that our examination of the statutory Sustainability Report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory Sustainability Report has been prepared.

Malmö 1 April 2025

Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant

Financial information

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Board of Directors' Report

The Board of Directors of Höganäs Holding AB, corporate identity number 556915–6655, registered in Sweden with its registered office in Höganäs and address SE-263 83 Höganäs, hereby presents its Annual Report for the 2024 financial year. The results of operations in the year and the financial position of the parent company and the Group are presented in the Board of Directors' Report and in the subsequent income statement, statement of comprehensive income and statement of financial position and the parent company's income statement, statement of comprehensive income and balance sheet, together with notes and comments.

Business summary

Höganäs is the world's leading producer of metal powders and has approximately 3,000 customers in 75 countries around the world. Founded in 1797, Höganäs is a global leader in the market for ceramic and metal powders and has a yearly production capacity of 500,000 tonnes. Höganäs' vision is to drive positive change through material innovation and its ambition is to become the globally preferred partner for sustainable powder materials. The Group's strength lies in the diversity of backgrounds, perspectives and experiences, and its commitment to promoting equality. Höganäs works with customers to develop solutions for automotive components, electric motors, brazing, surface coating, welding and additive manufacturing. Höganäs has 15 production plants worldwide, around 2,300 employees and is owned by Lindéngruppen and Wallenberg-owned FAM.

By utilising the unlimited possibilities of Höganäs powders, resource efficiency can be increased and in turn lead to positive change. With dedicated employees at all levels of the organisation, Höganäs continues to redefine the possible. Höganäs will continue to develop "powder that empowers".

Global macro trends, such as sustainability, digitalisation, AI and custom manufacturing, contribute to today's business and create new opportunities for the future. The ongoing electrification in the automotive industry in particular presents challenges, as a large proportion of Höganäs' current sales are focused on combustion engines. At the same time, electrification creates new opportunities, where Höganäs offers products for customers' electrification applications.

Organisation

A reorganisation was carried out in the spring, when the Group went from being organised in continents and product areas to consisting of five global divisions where Höganäs' global markets report to the respective division.

Powder Metallurgy Technologies (PMT) – includes powders and solutions for sintered components. This area has long been Höganäs' core business and continue to be a very important part of operations. A growth area within PMT is batteries; battery technology is expected to play a key role for metal powder manufacturers in the future.

Electro Magnetic Materials (EMM) – includes soft magnetic materials and vehicle electrification solutions. As a result of the major changes in the electrification of the automotive industry, Höganäs can contribute to more sustainable and efficient electric vehicles. Alvier Mechatronichs sells engineering and design services to the automotive industry to expand the market for metal powders in electric vehicles. They also develop powders for batteries. ZeBeyond develops software that assists manufacturers by making data-driven decisions.

Metal Consumables & Elements (MCE) – includes solutions for welding and metallurgy, such as powder cutting, friction, hot polymer filtration. The division has good growth potential and a clear ambition to expand through customised solutions.

Coating & Brazing Technologies (CBT) – includes the technical segments of surface coating, such as thermal spraying and overlay welding, and high temperature brazing. Höganäs sees great potential here and aims to increase its market share in this segment.

Additive & Ceramic Technologies (ACT) – works with powders and solutions for additive manufacturing (3D printing), as well as advanced ceramic powders, metal injection moulding and hot isostatic pressing. This segment constitutes a limited part of Höganäs' operations. However, it has good potential, especially in the growing market for 3D printing.

At Group level, there are the central functions Finance & IT, Legal, Strategy, Sustainability, Health & Safety and HR & Communication.

Development of the Group's operations, earnings and position

Net sales

The Group's Net sales are on par with the previous year and amounted to SEK 11,826 million (12,334). 412,000 tonnes (415,000) were produced during the year; a decrease of 0.7 percent. The lower volume had a negative impact on Net sales, as did a stronger currency and lower metal prices. This was offset in part by a positive product mix. The market and demand were restrained in light of the relatively high interest rate situation and macroeconomic unrest.

APAC was the Group's largest market at 41.3 percent (40.1) of sales, followed by the Americas at 30.3 percent (31.3) and EMEA at 28.4 percent (28.6). APAC gained volume, especially SPA (South Pacific Asia), where there is evidence of a global transfer of vehicle production. The Americas lost volume through a weaker automotive market. In terms of volume, EMEA was stable and maintained volumes year-on-year.

Overall, the Group's volumes decreased with the exception of Coating & Brazing Technologies (CBT), +3 percent and Metal Consumables & Elements (MCE), +2 percent. While volumes were down 0.8 percent, Group Net sales were down –4.1 percent as a result of additional effects from a stronger Swedish krona and lower metal prices. Due to its size, Electro & Mechanical Technologies in particular contributes to this picture.

Items affecting comparability

Items affecting comparability during the year amounted to SEK –2 million net and consisted of liquidation loss of SEK –12 million in connection with the closure of Höganäs' Russian operations and a positive earnings effect of SEK 10 million from the closure of Swiss operations, Alvier PM-Technology.

In the previous year, the Group had negative items affecting comparability of SEK –139 million, due to the closure of the Metasphere business in Luleå (SEK –51 million) and impairment of intangible assets (SEK –88 million).

EBITDA

EBITDA before items affecting comparability amounted to SEK 1,624 million (1,494). The EBITDA margin before items affecting comparability was 13.7 percent (12.1).

Operating income

The Group's operating income increased to SEK 1,059 million (716) or 9.0 percent (5.8) of Net sales. Adjusted for items affecting comparability, operating income amounted to SEK 1,061 million (855), corresponding to a margin of 9.0 percent (6.9). The main reasons for the higher underlying result are positive metal and mix effects and exchange rate effects as well as improved production efficiency. However, these effects were offset by the lower volumes for the year and slightly higher overheads.

Selling expenses, administrative expenses and research and development expenses amounted to SEK 1,434 million (1,447), a decrease of SEK 13 million. This decrease was driven mainly by a one-off effect of fully depreciated intangible assets of SEK –96 million in 2023, but was offset by general wage increases, higher freight costs and higher inflation.

Other operating income and expenses amounted to SEK 41 million (–49) net and consisted of the remeasurement of pension liabilities at Alvier PM-Technology (SEK 21 million), capital gains on the sale of non-current assets (SEK 14 million), government grants (SEK 14 million) and liquidation losses attributable to the Group's Russian subsidiary (SEK –12 million).

The previous year consisted mainly of impairment of intangible assets related to Alvier AG PM-Technology of SEK –88 million and government grants of SEK 46 million.

Financial net

Financial net amounted to SEK –133 million (–126).

Interest expenses, including interest on leasing, amounted to SEK –140 million (–166). The lower interest expenses are explained mainly by a lower borrowing volume combined with a lower interest margin during the year.

Interest income was also affected by the lower interest rate levels and amounted to SEK 26 million (42).

The year's negative foreign exchange gains and losses amounted to –19 million (14) net and are explained mainly by the exchange rate effects on liabilities in USD when the Swedish krona weakened towards the end of the year. This is the opposite of the previous year's movement.

Earnings before tax

The Group's earnings before tax increased to SEK 926 million (590) or 7.8 percent (4.8) of Net sales.

Taxes

The Group's tax expense amounted to SEK 293 million (213), which corresponds to an effective tax rate of 31.6 percent (36.0), see Note 9.

The higher effective tax rate in 2023 was explained by impairment of goodwill of SEK 71 million and remeasurement of deferred tax assets of SEK –9 million from derecognition of previously recognised deferred tax assets for tax losses carried forward in the US that expired during the year.

Capital employed

Inventories amounted to SEK 3,527 million (3,423) and accounts receivable to SEK 1,686 million (1,549). The increase in inventories is mainly due to exchange rate effects and the increase in accounts receivable is explained partly by exchange rate effects and partly by higher sales towards the end of 2024 compared with 2023. The average capital employed in the Group amounted to SEK 15,236 million (15,478). Return on capital employed amounted to 7.0 percent (4.6). Goodwill amounted to SEK 6,222 million (6,198) at the end of the financial year.

Investments

Investments totalled SEK 988 million (841) divided between intangible assets of SEK 354 million (327) and property, plant and equipment of SEK 634 million (514). Investments in intangible assets are attributed mainly to the acquisition of emission allowances. Investments in property, plant and equipment were higher than in previous years, mainly due to the relocation of a production facility in China, where a new site is under construction. As in the previous year, other investments during the year related mainly to the production facilities in Sweden, Germany and the US.

Financial position and equity/assets ratio

Equity at year-end amounted to SEK 12,937 million (11,673), which represents an equity/assets ratio of 65.7 percent (64.9). The Group's net debt amounted to SEK 2,148 million (2,667), corresponding to a net debt/equity ratio of 0.2 (0.2). Net debt/Adjusted EBITDA, before items affecting comparability, amounted to SEK 1.3 million (1.7).

Cash flow

Cash flow from operating activities amounted to SEK 1,035 million (1,937). Compared to the previous year, weaker working capital of SEK –255 million (631 million) is the main reason for the lower cash flow, where the change in inventory and operating receivables had the largest negative impact.

Cash flow from investing activities amounted to SEK –678 million (–578). The change between the years is explained mainly by higher investment in property, plant and equipment due to the relocation of the facility in China.

Cash flow from financing activities amounted to SEK –12 million (–1,053). Net borrowing was down SEK –249 million during the year, while SEK 424 million was received as compensation for the relocation of the facility in China. A dividend of SEK 100 million was also paid to the owners. The change from the previous year is explained mainly by the reduced net borrowing of SEK 1,086 million.

Cash flow for the year amounted to SEK 345 million (306).

Ownership structure

Höganäs Holding AB has been a joint venture owned company since 27 August 2013. The two owners FAM AB and Lindéngruppen AB each own half of the shares and votes.

The operating activities are conducted through Höganäs AB and its subsidiaries. At the time of signing the Annual Report, the Board of Directors of Höganäs AB consisted of Magnus Hall (Chairman), Anna Månsson, Paul Schrotti, Kristian Sildeby, Charlotte Strömberg, Erik Urnes, Robert Hermans, the two employee representatives Peter Olsérius and Tony Petersson and Henrik Ager, President and CEO.

Significant events during the financial year

2024 was characterised by global geopolitical tensions, economic uncertainty and climate-related events. The economic uncertainty, compounded by high inflationary pressures and high interest rates, led to subdued market demand. This in turn influenced investment trends, especially in the automotive sector, where consumers postponed larger purchases. Despite these challenges, Höganäs managed to maintain a stable financial performance.

To enhance customer focus and increase efficiency in a rapidly changing market, Höganäs introduced a new decentralised organisation. The company now consists of five global divisions with clear responsibility for results. This gives the divisions a bigger mandate to drive business development, customer relationships, growth, and adapt to the market. Central functions such as Finance & IT, Legal, Strategy, Sustainability, Health & Safety and HR & Communication remain at Group level and are responsible for reporting, strategic development and trademarks.

Höganäs also launched a new vision: "Driving positive change through material innovation". The vision supports the decentralised organisation by promoting innovation and new thinking. By creating an environment where new ideas are welcomed, Höganäs strengthens its competitiveness and creates the conditions for growth, long-term success and a more sustainable future. The Group has continued to strengthen the central IT infrastructure and drive digitalisation to scale up data analytics and AI solutions in the future.

At the same time, changes in the market have necessitated adjustments. As part of a strategic review and due to changes in circumstances, the decision was made to close Alvier PM-Technology in Switzerland, affecting 29 employees.

The relocation of Höganäs' factory in Qingpu, Shanghai, to a new and more modern facility is underway as planned. The project is expected to be completed in 2026.

Safety work continues to be a priority and progress is clear. Höganäs saw a significant reduction in reported incidents during the year thanks to enhanced global safety standards, which are key to a strong safety culture. The annual Global Safety Week was held for the fifth consecutive year and focused on life saving rules and psychological safety. The global health initiative Go4Great was also launched, with the aim of integrating health and work-life balance as a central part of the company's culture.

In line with the company's sustainability ambitions, Höganäs has decided to convert sponge iron production from coal to biocoal. A new facility for receiving biocoal will be built to enable a 20 percent replacement of fossil coke and anthracite by 2026. This is an important step towards more sustainable production and reduced carbon emissions. Höganäs was awarded the Environmental Strategy Award by Miljö & Utveckling magazine for its work on replacing fossil coal with biocoal, its climate roadmap for net zero emissions in its own production by 2030 and in the value chain by 2037, and for integrating the climate transition into its business strategy.

Höganäs has also strengthened its product offering through the launch of Starmix® Nova. This product enables faster compaction, more complex geometries and lower production costs, boosting the company's competitiveness further.

Research and development activities

At Höganäs, approximately 130 engineers and technicians work on research and development. Most of these are located in Sweden, but there are also smaller development units in the US, Germany, India and China.

Customer processes in sintered components and soft magnetic composites can be found in the Customer Development Centres (CDC) across the world. CDCs are used to optimise new materials and products, conduct customer-specific surveys, manufacture components on a pilot scale and for internal and external training. Next to the CDC in Sweden is a modern and fully equipped laboratory, Servus.

Tech Centres providing technical support to customers are located in all regions. There are development centres (ArcX) in all regions for surface coatings; the latest were opened in the US and India in 2023.

Research and development costs for the year, including technical customer service and Höganäs' internal process development, amounted to SEK 224 million (226). Development costs attributable to ongoing development projects of SEK 4 million (12) were also recognised in the balance sheet during the year. There were no disposals in 2024 (SEK 15 million).

Risks and risk management

The Group's operations are influenced by several external factors and by internal capabilities. The geopolitical situation continued to be tense in 2024 and the risk of various trade barriers, such as customs duties, sanctions and export restrictions, needed to be monitored and managed. The Group was also affected by international economic developments.

The energy situation was relatively stable. However, the energy prices were relatively high, but not at the same level as in 2022. Biogas prices continued at a high level. Höganäs invested in a propane plant in order to be able to handle temporary shortages in natural gas supplies.

Höganäs performed a double materiality assessment of risks and opportunities in accordance with the requirements in the CSRD. Alongside this, Höganäs continued its work on developing a risk analysis process and method in order to obtain a better consolidated picture of the risks in the business and improve the conditions for achieving its strategic and financial goals. The risks considered to be of the greatest importance for the Group are presented below.

Risk descriptions	Risk management
Market and product development risks Höganäs has a high exposure to the automotive industry and is therefore affected by trends in this industry. Electrification is about to change the vehicle fleet, but there is still uncertainty about the pace of change and which technologies will dominate in electric engines and vehicle platforms. However, in view of their dominant market position, combustion engine vehicles, including the hybrid vehicle segment, are considered to remain relevant in both the short and medium term. As the proportion of electric vehicles increases, Höganäs' traditional core business will be affected.	To manage trends in the industry, Höganäs has a clear strategic focus on developing materials for the industry's new requirements in conjunction with industry players, including the further development of soft magnetic materials.
Geopolitical risks The geopolitical situation is still tense. At the same time, the consequences of climate change, such as floods and droughts, are leading to humanitarian crises and refugee crises, resulting in further geopolitical instability. As a consequence of the geopolitical situation, rules and restrictions on trade in the form of sanctions, customs duties and other trade barriers increased in complexity in 2024. Compliance with sanctions and trade restrictions is part of the daily business agenda and more and more customers are demanding guarantees of Höganäs' compliance with relevant regulations. An uncertain geopolitical landscape can create logistical challenges when it comes to sourcing raw materials and ensuring timely access to equipment. Disruptions and changing regulations in markets and in trade can lead to supply constraints and price increases for raw materials, transport and energy.	As a player in the global market, Höganäs maintains efficient and standardised processes to ensure business intelligence and compliance, and to manage the risks of the rapidly changing trading landscape. Höganäs' compliance programme is under the overall responsibility of Corporate Legal. Höganäs works proactively on procurement to establish reliable and sustainable raw material suppliers and not be dependent on single suppliers. Höganäs assesses both environmental and social risks related to conflict minerals when supply chain risks are analysed and manages these risks in accordance with established procedures and policies.
Production and material supply risks Metal powder production takes place in a chain of processes where disruptions in the various links could have major consequences. Business interruptions due to transport barriers or fire, explosions or other types of accidents could therefore be costly. Procurement risks include security of supply, quality and price of materials and energy, as well as macro risks that limit trade, and the risk of supplier failure. Höganäs is also exposed to the risk that various forms of trade barriers impede the procurement of certain raw materials and internal material flows (see also under Geopolitical risks).	In addition to its own annual reviews of assessed plant risks, Höganäs conducts comprehensive annual inspections of the Group's production plants together with the insurer providing property and business interruption insurance. Ongoing and systematic damage prevention work is carried out with a view to reducing the risk of production disruptions. In order to minimise the risks of the consequences of potential disruptions, safety stocks are kept of certain critical raw materials and finished products. Production can be relocated within the Group to a certain extent to reduce the risk of production losses. Höganäs strives to always have at least two suppliers for selected strategic raw materials and constantly monitors trends in both supply and price. As had been the case in the previous year, this was a priority area as there was a limited number of suppliers for several critical materials. Höganäs maintains plans for how material flows can be redirected and what alternative options are available for material supply.
Sustainability risks The production of metal powders generates direct climate-effecting emissions in our own operations and has a large climate impact in the value chain. Failure to convert to fossil-free production would expose Höganäs to the risk of losing its position as a leader in its market. Transition can involve a risk of investing in the wrong technology, higher costs and not achieving goals on time. The transition to fossil-free sponge iron production in particular is challenging, as there are no industrialised methods for such production or a functioning market for the production and distribution of biocoal.	Höganäs has an ambitious sustainability agenda that includes a conversion of its own operations. The company is working intently to develop alternative processes to reach the net zero target by 2030, where sponge iron currently represents the largest single source of direct climate emissions.

Risk descriptions	Risk management
Risks related to unethical business conduct The world around us is placing increasing demands on sustainability in social areas linked to human rights and governance of operations in order to combat bribery, corruption and the financing of terrorism. There is a risk that these requirements become so extensive and complex that compliance becomes more difficult. Unethical business conduct by someone acting on Höganäs' behalf, for example an employee or an agent, could not only damage Höganäs' reputation on the market but could also lead to high costs in the form of fines or other fees. Unethical activities of business partners, such as customers or within the supply chain, that involve the company. There are risks of business partners deviating from our values and Code of Conduct. Höganäs works to reduce risks by screening our business partners and also has control functions in our transactions.	Höganäs imposes requirements for counterparties and has processes in place to evaluate them. These processes include, among other things, the screening of business partners such as dealers and agents. Identified risks associated with the value chain are managed systematically, primarily locally with the support of governing documents and established procedures, but are escalated to the Group's support functions as necessary. Höganäs has a Code of Conduct and related policies to ensure that its employees and business partners demonstrate strong business ethics. To raise awareness and in the interests of prevention, mandatory training on anti-corruption and ethical business conduct is arranged for all employees. Höganäs always strives to ensure compliance with transparency requirements and to avoid transactions or arrangements that could be considered tax evasion.
IP risks Various types of intellectual property are of great value to Höganäs' business.	Höganäs protects technical inventions and processes developed within the Group through patents, or as trade secrets. Corporate Legal and the functions that work on developing products and processes work closely together to develop strategies and processes on an ongoing basis to ensure that the value of innovations and intellectual property rights stays in the Group. Höganäs monitors compliance with patent protection and that Höganäs does not infringe the rights of others.
Environmental risks Increased or amended sustainability legislation can present challenges for Höganäs to ensure compliance. Legislation or market changes can accelerate the demand for net-zero products and processes faster than Höganäs can deliver them.	Höganäs has good control over its own operations through its externally verified environmental management system and works proactively on a strategy for prioritising different areas, investigations and control programmes. Höganäs manages regulatory risks by ensuring that the Group has the right resources to monitor legislation and ensure compliance. Through membership of industry associations, Höganäs supports harmonised rules that promote and enable sustainable business practices. By being proactive and working towards the company's sustainability goals, the risk of non-compliance is reduced.
Cyber risks Cyber risks include unauthorised access, disruption or manipulation of digital systems and data, which poses a threat to the organisation's operations and financial stability. Intrusions and disruptions to Höganäs' IT environment and systems could stop operations and prevent the sale, production and distribution of products. Intrusions could also potentially reveal intellectual property rights, trade secrets or other confidential information.	These risks are managed by implementing and maintaining technical and organisational protective measures proportionally and on an ongoing basis. As cyber risks escalate globally, Höganäs is intensifying its systematic efforts to address these risks.
Risks linked to competence and culture The ability to attract and retain skilled employees, as well as having a culture of willingness to change, diversity and inclusion, is important in order to be able to run the business with good profitability in the long term.	Skills and management development is conducted at the Höganäs Academy, where the focus is on both personal leadership, business development and the values that are important to Höganäs.
Risks related to technical challenges associated with the climate transition Higher carbon emissions due to unintended consequences of political incentives. New political incentives could complicate the climate transition, for example, short-term changes affecting prices, taxes and access to fossil-free energy. High dependence on bio-based process materials that potentially may be unsustainable in the long term (third-party certification requirement). Bio-based alternatives to fossil process materials are unsuccessful due to process-related technical limitations or lack of availability. Trading with carbon capture and storage (CCS) and negative emissions can be difficult due to scaling and availability.	Höganäs reduces climate-related risks through its systematic implementation of the climate roadmap. Investments in biocoal production to replace fossil coal in core processes, electrification of processes and transport, investments in fossil-free energy and participation in research projects on CCS are part of this implementation.
Safety risks There is an inherent health and safety risk, both physical and psychological, related to Höganäs' production being located in a heavy industrial environment. This poses a risk of serious injury or fatalities to employees and others in the production environment.	Höganäs makes systematic efforts to reduce risks and prevent accidents through a health and safety management system that covers all activities and employees. Production facilities are certified to ISO 45001. Höganäs maintains a Group-wide minimum standard for facilities and activities in key areas and ensures learning and experience sharing through established forums. Regular risk assessments identify needs for reinvestment in order to increase safety, which are taken into account in Höganäs' investment planning. Greater emphasis is placed on safety culture where dialogue is crucial.

Financial risks
In addition to the above risks, there are financial risks, which are mainly exchange rate, metal price, energy price (electricity and gas) and interest rate risks. Höganäs Holding's financial policy, which is governed and monitored by Höganäs' Board of Directors, sets out a framework for how financing and different types of financial risks are to be managed. The policy defines the risk exposure at which the business is to be conducted. For further information on Höganäs' financial risks, see Note 28.

Sustainable development
Responsibility for sustainability rests with the Board of Directors and is led by Group management with the help of the Group's sustainability support function. The sustainability agenda and climate roadmap are integrated into strategies and business plans, where overall goals are broken down into sub-goals and action plans.

Höganäs has a clear focus on developing products that contribute to society's climate transition and on transforming its own operations in order to achieve net zero emissions.

The sustainability work is based on a double materiality assessment that was performed during the year as part of the preparations for the EU's Corporate Sustainability Reporting Directive (CSRD). The assessment found significant impacts, risks and opportunities in the following areas:

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy
- In-house employees
- Employees in the value chain
- Impacted communities
- Socially responsible business

See pages 19-24 for a full description of Höganäs' material impacts, risks and opportunities.

Focus this year
In 2024, as well as preparing for reporting in accordance with CSRD and the associated European Sustainability Reporting Standard (ESRS), special focus has been on deepening the sustainability dialogues held with suppliers and reducing accidents and near-misses at Höganäs' workplaces. Steps have also been taken and decisions made in accordance with the climate roadmap. A number of initiatives have been implemented at the Group's production facilities. Extensive development work has been carried out for the Swedish operations regarding the possibilities of replacing fossil coal with biocoal. This work continued and in the latter part of 2024 resulted in a decision to invest in a facility to manage biocoal and replace 20 percent of fossil coal in the sponge process. For further information, including strategies, policies and metrics, see the Sustainability Report.

Environment
Höganäs conducts production activities that are subject to permits and notification, and are subject to environmental legislation in the countries in which the Group operates. Permits exist for all production facilities and govern mainly production volume, emissions to air and water, noise and waste. Permits are valid for a certain period or until further notice. Höganäs works continually on the ongoing renewal of the environmental permits it holds in accordance with applicable laws and regulations. A new permit for the relocation of the Group's production facility in China has been prepared and a modification permit has been granted for the Probio steel facility in Höganäs. Otherwise, there were no changes in terms of permits during the year.

Sustainability reporting
Höganäs reports its sustainability work as part of its annual report and in accordance with the Swedish Annual Accounts Act based on the Non-Financial Reporting Directive (NFRD). The Sustainability Report has been prepared in a separate report from the management report in order to meet the statutory sustainability reporting requirements in accordance with Chapter 6 (11) of the Swedish Annual Accounts Act.

As part of the preparations for the introduction of the CSRD, the content of this year's report has largely been structured in accordance with the associated ESRS. The content of the Sustainability Report is stated in the table of contents. The auditors' opinion on the statutory Sustainability Report can be found on page 54.

Employees
In 2024, the average number of employees in the Höganäs Group amounted to 2,247 (2,250). The average number of employees in Sweden was 791 (762), which corresponded to 35 percent (34) of all employees in the Group. The number of employees at year-end was 2,265 (2,278). The number of employees decreased by 13 compared to the same time last year. For further information on the average number of employees and personnel expenses, please refer to Note 5.

'Safety first' sums up Höganäs' goal of creating a solid safety culture, with dialogue and elimination of risk, where the main rule is never to compromise on safety. Improvement work is ongoing and work is underway to develop safety standards, including a new Group standard for reporting accidents, which was launched in 2024. Höganäs' total recordable injury frequency rate for 2024 was 7.0 (15), which is a reduction of 52 percent compared with 2023 and progress towards Höganäs' vision that no one should be injured in the workplace.

During the year, Höganäs focused heavily on various training activities for both managers and employees. A new manager module is developed each year for a current topic and is delivered internally by the HR department. The seventh module in the 'Building Accountability through Self-Leadership' series focused this year on reinforcing the work on safety culture and an inclusive culture within Höganäs.

In 2024, Höganäs' work on Diversity and Inclusion progressed. Strategic guidelines were developed; what Höganäs wants to achieve in terms of diversity and inclusion - what this looks like when it is really good and a plan for how Höganäs will get there. In addition, all managers completed training on Unconscious bias and stereotyping.

As part of Höganäs' work on diversity and inclusion, an e-learning programme entitled 'A sustainable workplace for everyone' was launched. This training, which is mandatory for all employees, will help raise awareness and provide information on what each employee can do to contribute to a more inclusive workplace. A new global communication guide and posters with tips for creating inclusive meetings were produced.

Every year, employees can nominate teams or individuals for the 'Living our values' award. This is an annual award designed to recognise good performance that reinforces the putting into practice of our values and demonstrates how they are expressed in our day-to-day work. The work of building a feedback culture in Höganäs continued in 2024. The method involving quarterly Team check-ins and subsequent dialogue within the team is now a globally established process.

Comprehensive work on implementing and adapting a new global People Management System, Workday, to Höganäs' needs was done during 2024. The system will be launched at the beginning of 2025 for all employees.

Incentive scheme

Long-term incentive scheme (LTI)

The Board of Directors of Höganäs AB decided on a long-term incentive scheme with a vesting period from 2023 to 2025. By introducing the scheme, the Board of Directors wants to create a long-term commitment and sense of involvement through a profit-sharing opportunity for Group management and participants in the extended management team. The incentive scheme means that scheme members can receive an extra bonus in addition to the annual bonus scheme, which expires after a three-year period. The outcome is based on the operating income for the financial years 2023 to 2025 in combination with development goals based on the electrification agenda and sustainability goals within both the environment and diversity and inclusion.

For the duration of the scheme and under certain conditions, the Board of Directors can add new participants to the remuneration scheme and they can participate with a pro rata adjustment calculated from the date of employment. In 2024, participants in the extended management team were included in the scheme.

Short-term incentive scheme (STI)

Group management, senior managers and employees in the sales organisation are offered an annual bonus scheme, Short-term incentive scheme. The bonus opportunity is linked to the business plan's planned activities and set objectives, but also represents an anchoring to the part of the organisation to which the employee belongs in order to create a greater sense of belonging and a desire to contribute to a successful Höganäs.

Profit-sharing scheme

All Höganäs employees are included in the Höganäs profit-sharing scheme. In order to be eligible for a share in the year's profit, employees must have been employed at the beginning of the financial year and not have been dismissed or have left the company at the time of payment. Allocation to profit-sharing is made according to an annually established range based on the operating group's (Höganäs AB and its subsidiaries) operating profit from the previous year. Within the range, a maximum of 15 percent of the profit can be allocated to profit-sharing. Details of provisions for the year are shown in Note 5. Distribution of profit takes into account the salary level of the respective country.

Outlook

2024 was characterised by limited global growth. The effects of inflationary pressure and higher interest rates have had a negative impact on disposable income for several years. However, 2024 was the year when interest rate trajectories began to fall more significantly and both food and energy inflation slowed or dipped. In spite of greater purchasing power at consumer level, consumption was restrained and affected the demand for new vehicles, one of Höganäs' major end-user markets. There was a slight increase in the forecast for durable goods, and confidence indicators, such as the ECB's consumer confidence indicator, point to a positive trend going forward.

The geopolitical situation is still tense. War in both Ukraine and the Middle East is creating uncertainty. Energy availability in Europe was good and the price level stabilised in 2024. In January 2025, gas supplies from Russia via Ukraine ceased, reducing the supply of natural gas. However, alternative supply chains with LNG have been developed and investments in the sector continue. Energy supply in Asia and North America remained good.

90 million light vehicles were produced in 2024. 78 million of these had combustion engines, in line with the forecast provided by research company LMC for the year. The forecast production figures for 2025 remain largely unchanged, with LMC forecasting production of 92 million vehicles, of which 78 million will have combustion engines.

Höganäs' outlook for 2025 is cautiously optimistic. Forecast GDP for Höganäs' most important markets is positive at around 3-4 percent. Vehicle production will be stable compared with 2024. Höganäs estimates that 2025 will involve some volume growth. Partly on the vehicle side, but also in new growth segments such as energy storage (batteries). Within the high-alloy offering, the growth rate will remain good in several segments such as aerospace, energy generation and energy extraction.

In summary, Höganäs is well prepared for 2025.

Significant events after the reporting period

No events that are considered significant occurred between the end of the period and the signing of this Annual Report.

PARENT COMPANY

Business summary

The parent company's activities relate to the management of the shares in Höganäs AB and to assisting with overall financing solutions for Höganäs' operating activities. Intra group services are also provided. A description of the parent company's financial risks and management strategy is presented in Note 28.

Development of the parent company's operations, earnings and position

Net sales amounted to SEK 17 million (6) and relate to invoicing of intra group services.

Administrative expenses amounted to SEK 20 million (35) and related mainly to personnel-related costs.

Earnings from financial net amounted to SEK –331 million (–216), of which external interest expenses amounted to SEK –173 million (–208). The reduction in interest costs is explained mainly by lower borrowing and a lower interest margin. Changes in the fair value of interest rate swaps for which hedge accounting is not applied impacted net income by SEK 57 million (71).

Internal interest expenses increased to SEK –163 million (–119) and are explained by a higher volume of internal loans.

Other changes in financial net are mainly attributable to exchange rate differences, which had a negative impact of SEK –153 million (40). Foreign exchange losses during the year are mainly explained by the exchange rate effects on liabilities in USD when the Swedish krona weakened towards the end of the year, while it strengthened towards the end of 2023.

The company also received a dividend of SEK 100 million (–) from Höganäs AB.

Earnings before tax amounted to SEK 56 million (64) and included Group contributions of SEK 384 million (396) received during the year.

The reported tax expense amounted to SEK –36 million (–51). In the previous year, tax expenses of SEK –35 million related to the use of recognised loss carry forwards incurred in 2022.

Net income amounted to SEK 20 million (13).

The parent company's financial position is assessed as still strong. A dividend of SEK 100 million (–) was paid to shareholders during the current year.

Appropriation of profit

Proposed distribution of profit.

The following amounts in SEK were at the disposal of the Annual General Meeting:

Share premium reserve	686,104,700
Fair value reserve	29,644,545
Retained earnings	5,416,946,634
Net income	20,220,866
Total	**6,152,916,745**

The Board of Directors proposes that the available funds be distributed as follows:

Dividend, 20,000,000 shares x SEK 10 per share	200,000,000
Carried forward	5,952,916,745
Total	**6,152,916,745**

The Board of Directors is of the opinion that the proposed dividend does not prevent the company from fulfilling its obligations in the short or long term, nor from making necessary investments. The proposed dividend can therefore be justified in view of the statements in Chapter 17, Section 3, Sections 2–3 of the Swedish Companies Act (precautionary rule). The Group's debt/equity ratio and liquidity are expected to be maintained at a satisfactory level in view of the proposed dividend.

The Board of Directors certifies that the consolidated financial statements have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the Group's financial position and earnings. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and earnings.

The Board of Directors' report for the Group and the parent company provides a true and fair overview of the development of the operations, financial position and performance of the Group and the parent company, and describes material risks and uncertainties faced by the parent company and Group companies.

The Board has approved the annual accounts and the consolidated financial statements for issue on 25 March 2025. The consolidated income statement, statement of comprehensive income and financial position together with the parent company's income statement, statement of comprehensive income and balance sheet will be subject to confirmation at the Annual General Meeting on 16 April 2025.

Höganäs, 25 March 2025

Erik Urnes
Chairman

Kristian Sildeby
Board member

Our auditor's report was issued on 1 April 2025
Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Chief auditor

Carl Fogelberg
Authorised Public Accountant

Consolidated Income Statement

1 January – 31 December

SEK m	Note	2024	2023
Net sales	2	11,826	12,334
Cost of goods sold		–9,370	–10,116
Gross profit		**2,456**	**2,218**
Selling expenses		–580	–644
Administrative expenses		–630	–577
Research and development expenses		–224	–226
Other operating income	3	78	64
Other operating expenses	4	–37	–113
Loss from joint ventures		–4	–6
Operating income	5, 6, 7, 12, 16, 22	**1,059**	**716**
Financial income		26	42
Financial expenses	12	–159	–168
Financial net	**8**	**–133**	**–126**
Earnings before tax		**926**	**590**
Tax	9	–293	–213
Net income		**633**	**377**
Net income attributable to			
Parent company shareholders		633	377
Non-controlling interests		0	0
Net income		**633**	**377**

Consolidated Statement of Comprehensive Income

1 January – 31 December

SEK m	Note	2024	2023
Net income		**633**	**377**
Other comprehensive income			
Items that have been or may be reclassified to net income			
Translation differences for the period		282	–131
Hedging of currency risk in foreign operations		–153	38
Cash flow hedges		–51	–153
Tax attributable to items that have been or may be reclassified to net income	9	44	28
Total		**122**	**–218**
Items that cannot be reclassified to net income			
Remeasurement of defined benefit pension plans	22	87	–40
Tax attributable to item that cannot be reclassified to net income	9	–18	10
Total		**69**	**–30**
Other comprehensive income for the year		**191**	**-248**
Comprehensive income for the year		**824**	**129**
Comprehensive income attributable to			
Parent company shareholders		824	129
Non-controlling interests		0	0
Comprehensive income for the year		**824**	**129**

Consolidated Statement of Financial Position

As of 31 December

SEK m	Note	2024	2023
Assets	28		
Intangible assets	10	7,694	7,663
Property, plant and equipment	11, 12	4,139	3,882
Investments in joint ventures		6	9
Non-current receivables	14, 22	184	131
Deferred tax assets	9	324	344
Total non-current assets		**12,347**	**12,029**
Inventories	15	3,527	3,423
Current tax assets		51	82
Accounts receivable	16	1,686	1,549
Prepaid expenses and accrued income	17	80	78
Other current receivables		205	233
Short-term investments		5	3
Cash and cash equivalents	18	987	600
Total current assets		**6,541**	**5,968**
TOTAL ASSETS		18,888	17,997

SEK m	Note	2024	2023
Equity and liabilities			
Equity	19		
Share capital		20	20
Other contributed capital		6,948	6,948
Reserves		722	600
Retained earnings, incl. net income		4,707	4,105
Equity attributable to parent company's shareholders		**12,397**	**11,673**
Non-controlling interests		0	0
Total equity		**12,397**	**11,673**
Liabilities	28		
Non-current interest-bearing liabilities	12, 20	2,653	2,774
Non-current liabilities	21	770	311
Provision for pensions	22	305	314
Other provisions	23	46	52
Deferred tax liabilities	9	644	636
Total non-current liabilities		**4,418**	**4,087**
Current interest-bearing liabilities	12, 20	177	179
Accounts payable		1,081	1,121
Current tax liabilities		28	38
Other current liabilities		118	167
Accrued expenses and deferred income	25	634	730
Provisions	23	35	2
Total current liabilities		**2,073**	**2,237**
Total liabilities		**6,491**	**6,324**
TOTAL EQUITY AND LIABILITIES		18,888	17,997

Consolidated Statement of Changes in Equity

		Equity attributable to parent company's shareholders								
				Reserves						
SEK m	Note 19	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Remeasurement of pensions	Retained earnings, incl. net income	Total	Non-controlling interests	Total equity
Opening equity as of 1 January 2023		20	6,948	638	180	227	3,531	11,544	0	11,544
Comprehensive income for the year										
Net income		–	–	–	–	–	377	377	0	377
Other comprehensive income for the year		–	–	–97	–121	–30	–	-248	0	-248
Comprehensive income for the year		**–**	**–**	**–97**	**–121**	**–30**	**377**	**129**	**0**	**129**
Closing equity as of 31 December 2023		**20**	**6,948**	**541**	**59**	**197**	**3,908**	**11,673**	**0**	**11,673**
Opening equity as of 1 January 2024		20	6,948	541	59	197	3,908	11,673	0	11,673
Comprehensive income for the year										
Net income		–	–	–	–	–	633	633	0	633
Other comprehensive income for the year		–	–	163	–41	69	–	191	0	191
Comprehensive income for the year		**–**	**–**	**163**	**–41**	**69**	**633**	**824**	**0**	**824**
Transactions with the Group's owners										
Dividend paid		–	–	–	–	–	–100	–100	–	–100
Total transactions with the Group's owners		**–**	**–**	**–**	**–**	**–**	**–100**	**–100**	**–**	**–100**
Closing equity as of 31 December 2024		**20**	**6,948**	**704**	**18**	**266**	**4,441**	**12,397**	**0**	**12,397**

Consolidated Statement of Cash Flows

1 January – 31 December

SEK m	Note	2024	2023
Operating activities			
Operating income		1,059	716
Adjustment for items not affecting cash flow			
Depreciation and amortisation	10, 11, 12	555	683
Impairment	10, 11, 12	8	137
Unrealised foreign exchange gains and losses		12	35
Capital gain on disposal of non-current assets		10	53
Other items		3	–11
Interest received		25	28
Interest paid		–132	–174
Realised foreign exchange gains and losses		–16	23
Other financial expenses		0	–1
Income tax paid		–234	–183
Cash flow from operating activities before changes in working capital		**1,290**	**1,306**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		–16	550
Increase (-)/Decrease (+) in operating receivables		–144	194
Increase (+)/Decrease (-) in operating liabilities		–95	–113
Cash flow from operating activities		**1,035**	**1,937**
Investing activities			
Acquisition of intangible assets	10	–354	–327
Disposal of intangible assets		284	213
Acquisition of property, plant and equipment	11	–634	–514
Disposal of property, plant and equipment		18	6
Acquisition of financial assets		–	–11
Disposal of financial assets		8	–
Disposal of financial investments		–	55
Cash flow from investing activities		**–678**	**–578**

SEK m	Note	2024	2023
Financing activities			
Proceeds from borrowings	31	569	3,581
Repayment of borrowings	31	–818	–4,794
Repayment of lease liabilities	31	–87	–101
Increase in other non-current liabilities	31	424	261
Dividend paid		–100	–
Cash flow from financing activities		**–12**	**–1,053**
Cash flow for the year		**345**	**306**
Cash and cash equivalents at the beginning of the year		600	319
Exchange rate differences in cash and cash equivalents		42	–25
Cash and cash equivalents at the end of the year	**18**	**987**	**600**

Income Statement, parent company

1 January – 31 December

SEK m	Note	2024	2023
Net sales		17	6
Administrative expenses		–20	–35
Operating income	**5, 6, 12, 29**	**–3**	**–29**
Earnings from financial income/expense			
Earnings from shares in Group companies	8	100	–
Interest and similar income	8	1	40
Interest and similar expenses	8	–432	–256
Earnings after financial income/expense	**29**	**–334**	**–245**
Appropriations			
Group contributions	29	384	396
Tax allocation reserves		6	–87
Earnings before tax		**56**	**64**
Tax	9	–36	–51
Net income		**20**	**13**

Statement of Comprehensive Income, parent company

1 January – 31 December

SEK m	Note	2024	2023
Net income		**20**	**13**
Other comprehensive income			
Items that have been or may be reclassified to net income			
Interest rate derivatives		–33	–93
Tax attributable to other comprehensive income	9	7	19
Other comprehensive income for the year		**–26**	**–74**
Comprehensive income for the year		**–6**	**–61**

Balance Sheet, parent company

As of 31 December

SEK m	Note	2024	2023
Assets			
Non-current assets			
Financial assets			
Shares in Group companies	13	11,829	11,829
Non-current receivables		58	69
Total financial assets		**11,887**	**11,898**
Total non-current assets		**11,887**	**11,898**
Current assets			
Current receivables			
Receivables from Group companies	29	1	3
Current tax assets		1	5
Other current receivables		1	18
Prepaid expenses and accrued income	17	0	1
Total current receivables		**3**	**27**
Cash and cash equivalents	18	9	0
Total current assets		**12**	**27**
TOTAL ASSETS		**11,899**	**11,925**

SEK m	Note	2024	2023
Equity and liabilities			
Equity	19		
Restricted equity			
Share capital		20	20
Unrestricted equity			
Share premium reserve		686	686
Fair value reserve		30	56
Retained earnings		5,417	5,504
Net income		20	13
Total equity		**6,173**	**6,279**
Untaxed reserves			
Tax allocation reserves		81	87
Total untaxed reserves		**81**	**87**
Provisions			
Deferred tax liabilities	9	1	4
Other provisions	23	6	7
Total provisions		**7**	**11**
Non-current liabilities			
Liabilities to credit institutions	24	2,402	2,492
Liabilities to Group companies	29	3,189	2,994
Non-current liabilities	21	20	18
Total non-current liabilities		**5,611**	**5,504**
Current liabilities			
Accounts payable		0	1
Liabilities to Group companies	29	13	25
Other current liabilities		2	2
Accrued expenses and deferred income	25	12	16
Total current liabilities		**27**	**44**
TOTAL EQUITY AND LIABILITIES		**11,899**	**11,925**

Statement of Changes in Equity, parent company

		Restricted equity	Unrestricted equity			
SEK m	**Note 19**	**Share capital**	**Share premium reserve**	**Fair value reserve**	**Retained earnings including net income**	**Total equity**
Opening equity as of 1 January 2023		20	686	130	5,504	6,340
Comprehensive income for the year						
Net income		–	–	–	13	13
Other comprehensive income for the year		–	–	–74	–	–74
Comprehensive income for the year		**–**	**–**	**–74**	**13**	**–61**
Closing equity as of 31 December 2023		**20**	**686**	**56**	**5,517**	**6,279**
Opening equity as of 1 January 2024		20	686	56	5,517	6,279
Comprehensive income for the year						
Net income		–	–	–	20	20
Other comprehensive income for the year		–	–	–26	–	–26
Comprehensive income for the year		**–**	**–**	**–26**	**20**	**–6**
Transactions with shareholders						
Dividends paid		–	–	–	–100	–100
Total transactions with shareholders		**–**	**–**	**–**	**–100**	**–100**
Closing equity as of 31 December 2024		**20**	**686**	**30**	**5,437**	**6,173**

Cash Flow Statement, parent company

1 January – 31 December

SEK m	Note	2024	2023
Operating activities			
Operating income		–3	–29
Adjustment for items not affecting cash flow			
Provisions etc.		–1	0
Other items		–2	–
Dividend received		100	–
Interest received		0	0
Interest paid		–270	–265
Realised foreign exchange gains and losses		0	2
Income tax paid		–28	–1
Cash flow from operating activities before changes in working capital		**–204**	**–293**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		0	3
Increase (+)/Decrease (-) in operating liabilities		–7	7
Cash flow from operating activities		**-211**	**–283**
Investing activities			
Proceeds from/lending to subsidiaries		569	1,369
Cash flow from investing activities		**569**	**1,369**
Financing activities			
Proceeds from borrowings	31	527	3,581
Repayment of borrowings	31	–776	–4,667
Dividend paid		–100	–
Cash flow from financing activities		**–349**	**–1,086**
Cash flow for the year		**9**	**0**
Cash and cash equivalents at the beginning of the year		0	0
Cash and cash equivalents at the end of the year	**18**	**9**	**0**

Notes to the financial statements

Note 1 Significant accounting policies

(a) Compliance with standards and law

The consolidated accounts have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee as adopted by the EU. In addition, the Swedish Corporate Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Board of Directors has authorised the Parent Company´s financial statements and the consolidated financial statements for issue on 25 March 2025. The consolidated income statement, statement of comprehensive income and statement of financial position together with the parent company's income statement, statement of comprehensive income and balance sheet will be subject to confirmation at the Annual General Meeting on 16 April 2025.

(b) Functional currency and reporting currency

The parent company's functional currency is Swedish kronor, which is also the presentation currency for the parent company and for the Group. Consequently, the financial statements are presented in Swedish kronor. All amounts are in millions of Swedish krona (SEK million) unless otherwise stated.

(c) Revised accounting policies resulting from amendments to or new IFRS Accounting Standards

None of the new or revised standards, interpretations or improvements issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRIC) effective as of 1 January 2024, has had any significant impact on the Group.

(d) New IFRS and interpretations yet not adopted

No new or amended standards and interpretations with an effective date on or after 1 January 2025 were adopted when preparing these financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements* will impact the Group's annual report for 2027 and onwards. Höganäs has not yet made any detailed assessment of how the financial statements will be impacted, but some effects are already evident. Interest paid will for instance be reported within cash flows from financing activities in the Statement of Cash Flows, instead of as currently within cash flows from operating activities.

Other new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

(e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which Höganäs Holding AB has control.

(ii) Joint ventures

Joint ventures are companies where the Group, under agreements with one or more parties, has joint control over the operating and financial management. In the consolidated accounts, holdings in joint ventures are accounted for using the equity method.

The Group's share in the joint venture's profit/loss, adjusted for depreciation/amortisation or any impairment losses of acquired surplus values are recognised in the Group's net income as 'Profit/loss from joint ventures'.

(f) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction date and the effect of the translation is recognised in the income statement. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rate prevailing at the date of the transaction.

Non-monetary assets and liabilities recognised as fair value are translated using the exchange rates prevailing at the reporting date.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operations to the Group's presentation currency, Swedish kronor, using the exchange rate prevailing at the reporting date.

Income and expenses of foreign operations are translated to Swedish kronor using average exchange rates. This average is an approximation of the cumulative effect of the rates at each transaction date.

(iii) Net investment in a foreign operation

Monetary non-current receivables and liabilities to a foreign operation for which settlement is neither likely nor planned in the foreseeable future are part of the Group's net investment in foreign operations.

(g) Income

(i) Sale of goods

Income from the sale of goods relates mainly to the sale of metal powder. Höganäs recognises income once the Group has fulfilled its obligation to transfer the promised goods to the customer, i.e., when the customer gains control of the goods. This is essentially when the goods are handed over to the carrier. However, in some cases, revenue is recognised later if the risk of the goods is transferred to the customer only at that time in accordance with the applicable shipping terms. Net sales adjusted by deducting expected discounts. The Group also provides certain services such as technical support. These services have not been considered distinct from the delivery of goods and have therefore not been recognised as separate performance obligations. Normal credit terms apply in the respective market where the customer is located.

(ii) Government grants

Government grants are recognised in the statement of financial position as deferred income when there is a reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant.

Government grants that are received in order to compensate the Group for specific expenses are recognised in the income statement as other income in the periods in which the related expenses they are intended to compensate have been recognised. Government grants related to the acquisition of assets are recognised in the income statement as other income on a systematic basis over the useful life of the asset.

(h) Financial income and expenses

Financial income comprises interest income on invested funds, dividend income, gains arising from changes in the value of financial assets measured at fair value through profit or loss (FVTPL) as well as gains on derivatives that are recognised in the income statement.

Financial expenses comprise interest costs on borrowing and lease liabilities, the effect of reversal of the present value calculation of provisions, losses caused by changes in the value of financial assets measured at fair value through profit or loss (FVTPL), impairment of financial assets and losses on derivatives that are recognised in the income statement.

Exchange gains and losses are reported net.

(i) Taxes

Income tax consists of current tax and deferred tax. Income tax is recognised in net income, unless the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity.

Deferred tax is measured using the balance sheet method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases.

(j) Financial instruments

Financial instruments reported in the statement of financial position include cash and cash equivalents, accounts receivable, other receivables and derivatives. Liabilities include accounts payable, borrowings and derivatives. Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions.

(i) Derivative assets and liabilities

All derivatives are initially and subsequently measured at fair value in the Group's statement of financial position. For more information on how the Group accounts for its derivatives, see section (l) below.

(ii) Other financial assets

All financial assets except derivatives are measured at amortised cost.

(iii) Financial liabilities

Financial liabilities are classified either at amortised cost or at fair value through profit or loss (FVTPL). Liabilities that are measured at fair value consist solely of derivatives with a negative fair value. All other liabilities are measured at amortised cost.

(k) Impairment of financial assets

The Group applies the simplified model for calculating expected credit losses for accounts receivable and contract assets. A loss allowance is recognised over the expected remaining lifetime of the receivable or asset. For all other financial receivables (except derivative assets), the Group applies the general model in IFRS 9 to calculate expected credit losses. The gross carrying amount the receivable is written off when the Group no longer has any reasonable expectation of all, or part of the receivable being recovered.

(l) Derivatives and hedge accounting

The Group use derivative instruments to hedge its exposure to interest rate risk, metal price risk, energy price risk and currency risk. Höganäs also use foreign currency borrowings as hedges of net investments in foreign operations.

(i) Hedging of foreign currency receivables and liabilities

Currency forwards are used to hedge foreign currency receivables and liabilities against currency risk. Hedge accounting is not applied for such hedges as remeasurement of the hedged receivables or liabilities are largely offset in the income statement by changes in the fair values of the derivatives even without hedge accounting.

Exchange rate fluctuations relating to operating receivables and liabilities are recognised in operating income, while exchange rate fluctuations relating to financial receivables and liabilities are recognised within financial net.

(ii) Cash flow hedges of forecast foreign currency sales

Currency forwards are used for hedging highly probable forecast sales in foreign currency. The Group applies cash flow hedge accounting for such hedges, whereby the changes in fair value on the hedging instruments are recognised in other comprehensive income and accumulated in the hedging reserve within equity. The amounts accumulated in the hedging reserve are reclassified to net income when the Group recognise revenue from the hedged sales.

(iii) Cash flow hedging of interest rate risk

The Group use interest rate swaps to hedge highly probable forecasted interest rate payments on floating rate borrowing. Cash flow hedge accounting is used for these hedges. Changes in the fair value of the interest rate swaps are recognised in other comprehensive income and accumulated in the hedging reserve. Interest coupons on the swaps are recognised in the income statement for each respective period as part of interest expenses.

(iv) Hedging of currency risk in foreign net investments

Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged by raising foreign currency borrowings, which are translated using the spot rate at the reporting date. The Group applies hedge accounting for such hedges. The foreign exchange gains and losses on the foreign currency borrowings are therefore reported in other comprehensive income and accumulated within the translation reserve within equity.

(v) Hedging of metal price risk and electricity price risk

The Group's exposure to metal price risk is hedged using standard financial derivative instruments listed on the London Metal Exchange (LME). For the metals not listed on LME, hedging can take place through physical fixed price agreements with suppliers. Such physical fixed price agreements fulfil the criteria for the "own-use requirement" under IFRS 9 and are therefore not recognised as derivatives. Electricity price hedging is done using electricity forward contracts listed on Nord Pool.

Höganäs applies cash flow hedge accounting for both hedges of metal price risk and hedges of electricity price risk, i.e., the hedges are accounted for similarly to hedges of forecast foreign currency sales (see section ii above). Gains or losses on derivatives hedging metal price risks are reclassified to the income statement when the Group recognise the cost of the hedged metals in the income statement. Gains or losses on the hedging instruments are included within cost of goods sold. Gains or losses on derivatives hedging electricity price risks are reclassified to the income statement when the Group recognise the cost of the hedge electricity purchases and are included within Cost of goods sold.

(m) Property, plant and equipment

Property, plant and equipment are recognised in the Group at cost of acquisition less accumulated depreciation and impairment losses. The gain or loss arising from the disposal of an asset is the difference between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported under other operating income/expense.

Depreciation takes place on a straight-line basis over the estimated useful life of assets. Land is not depreciated. The Group applies component depreciation, which means depreciation is based on the estimated useful lives of components.

Estimated useful lives:

• Buildings, commercial properties	20–33 years
• Belt furnaces and tunnel kilns	10–25 years
• Other plant and machinery	5–15 years
• Equipment, tools, fixtures and fittings	3–5 years

Other plant and machinery comprises a number of components with different useful lives, mainly between 5 and 15 years. The majority of these components take the form of operator units in production processes with an estimated useful life of 10 years. The residual value and useful life of an asset are assessed annually.

(n) Leases where the Group is lessee

(i) Right-of-use assets

The Group recognises a right-of-use asset and a lease liability on the commencement date. Right-of-use assets are initially measured at cost, which consists of the initial value of the lease liability plus lease payments made on or before the start date plus any initial direct expenses. Right-of-use assets are depreciated on a straight-line basis from the start date until the end of the asset's useful life or the end of the lease period, whichever comes first. For the Group, this is normally the end of the lease term. In rarer cases where the acquisition value of a right-of-use asset reflects that Höganäs will exercise an option to purchase the underlying asset, the asset is written off until the end of its useful life.

(ii) Lease liabilities

Lease liabilities, divided into non-current and current, are initially measured at the present value of the remaining lease payments for the estimated lease period. The lease period consists of the period during which the lease may not be terminated plus additional periods in the contract if it is deemed on the start date to be reasonably certain that these will be used.

The Group has a number of contracts, primarily relating to properties, that are open-ended and without a clearly defined end date or without limitations in terms of the number of possible extension options. This requires Höganäs, as a lessee, to determine a reasonable contract period instead of considering the termination clause. Höganäs determines the length of the contract period based on factors such as the importance of the property to the business, any planned or completed leasehold investments and the property market situation.

In order to harmonise the principle for determining discount rates by subsidiaries, Höganäs use a Group-wide model for calculating discount rates. This is based on the individual country's risk-free interest rate plus a business-specific risk premium. Based on the term of each individual contract, an individual marginal borrowing rate is then determined for the specific contract.

(iii) Short-term and leases of low value

Right-of-use assets and lease liabilities are not reported for leases with a term of 12 months or less or leases with an underlying asset of low value, less than USD 5,000. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

(o) Intangible assets

(i) Goodwill

The Group's goodwill is essentially attributable to the parent company's acquisition of Höganäs AB (publ) in 2013. Goodwill is carried at cost less accumulated impairment. Goodwill is allocated to cash-generating units when testing for impairment. Impairment testing is done at least annually. Allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that gave rise to the goodwill item. The cash-generating unit for which impairment testing is carried out has been identified as the operational Höganäs Group. Any impairment of goodwill is recognised as an expense and is not reversed.

(ii) Trademarks

The Group's carrying amount for trademarks with an indefinite useful life is also attributable to the acquisition of Höganäs' business operations. These trademarks are not depreciated but are tested annually for impairment. The Group's carrying amount for trademarks with a finite useful life is recognised at cost less accumulated amortisation.

(iii) Technical know-how

The Group's carrying amount for technical know-how is essentially attributable to the acquisition of Höganäs' business operations. Acquired technical know-how has a finite useful life and is recognised at cost less accumulated amortisation.

(iv) Customer relationships

The Group's recognised customer relationships upon the acquisition of Höganäs' business operations. Acquired customer relationships are recognised at cost less any impairment.

(v) Research and development

Research costs are expensed as incurred. Development costs are recognised as intangible assets if they meet the capitalisation criteria. A large part of the Group's development costs relate to specific customer projects. The useful life for each project is estimated and determined by management and is normally around 3–10 years. Each project's useful life and indications of impairment are assessed annually.

(vi) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite.

Estimated useful lives:

• trademarks with a finite useful life of	2 years
• technical expertise	10 years
• customer relationships	10 years
• patents and similar rights	10–20 years
• capitalised development costs	3–10 years

The useful lives are reviewed each year.

(vii) Emission allowances
The allocation of carbon emission allowances for the year is recognised in the statement of financial position as an intangible asset and deferred income, respectively, and is measured at fair value. As the emission allowances are used up, they are transferred from deferred income to other current provisions. The short-term provision and the intangible asset are settled when used emission allowances are reported back to the Swedish Energy Agency. Available emission allowances at year-end are tested for impairment and reported at year-end at the lower of acquisition value or market value. Any divested emission allowances are recognised in ‘Other operating income’.

On some occasions, Höganäs sells carbon emission allowances on the market. The intangible assets are then derecognised. Gains or losses from such transactions are reported within operating income in ‘Other operating income’ or ‘Other operating expenses’. In order to be able to surrender certificates to the Swedish Energy Agency, the Group entered into swap contracts to purchase new certificates on the market at a later date. The sale and the swap have been accounted for as separate transactions. As the swap is an agreement for the purchase of a non-financial item and cannot be cash settled, the so-called “own-use requirement” in IFRS 9 is applied and the swap has consequently not been reported as a derivative.

(p) Inventories
Inventories are measured at the lower of cost or net realisable value. The cost of inventories is measured by applying the first in, first out (FIFO) method and includes expenses incurred in acquiring the inventories and transporting them to their current location and condition. The cost of finished goods and work in progress, includes a reasonable proportion of indirect costs based on normal operating capacity.

For in-house manufactured semi-finished and finished goods, the cost of acquisition consists of direct manufacturing costs and indirect attributable manufacturing costs.

(q) Employee benefits
(i) Defined contribution plans
Defined contribution pension plans are plans where the company’s obligation is limited to the contributions the company has agreed to pay. Contributions to defined contribution plans are recognised as an expense as they are earned by employees performing services for the company.

(ii) Defined benefit plans
Defined benefit plans are post-employment benefit plans other than defined contribution plans. In addition to Sweden, defined benefit plans are also available in Belgium, Germany, Switzerland, India and Italy. The pension plan in Switzerland was curtailed in 2024.

The defined benefit plans are both funded and unfunded. In cases where plans are funded, assets have been separated, mainly in pension funds. These plan assets can only be used to pay benefits in accordance with pension agreements.

The Group’s net obligation for defined benefit plans is calculated separately for each plan by estimating the future benefits employees would accrue through their employment in both current and previous periods; these benefits are discounted to a present value. Remeasurements of the net defined benefit liability are recognised in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are reported in the income statement within operating income.

(iii) Termination benefits
A cost for remuneration in connection with staff redundancies is only recognised if the company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to terminate an employee’s employment before the normal time. When remuneration is provided as an incentive to encourage voluntary resignation, a cost is recognised if the offer is likely to be accepted and the number of employees who will accept the offer can be reliably estimated.

(r) Provisions
(i) Emission allowances
The Group recognise a current provision for the obligation to surrender carbon emission allowances to the Swedish Energy Agency (see also (o) above).

(ii) Restoration of land
In accordance with the Group’s published environmental principles and applicable legal standards, a provision is recognised for the restoration of landfill sites.

ACCOUNTING POLICIES – PARENT COMPANY

The parent company's annual financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Corporate Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The accounting policies have been applied consistently to all periods presented in the parent company's financial statements.

New accounting policies

Unless otherwise stated below, the parent company's accounting policies have changed in 2024 in accordance with what is stated above for the Group.

Differences between the Group's and the parent company's accounting policies

Differences between the Group's and the parent company's accounting policies are described below.

(i) Classification and presentation

The parent company uses the term balance sheet for the report that in the Group is titled statement of financial position. The income statement and balance sheet for the parent company are prepared in accordance with the Swedish Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS 1 *Presentation of financial statements* and IAS 7 *Statement of cash flows*, respectively. The differences from the Group's reports that apply to the parent company's income statement and balance sheet relate primarily to the recognition of financial income and expenses, non-current assets, equity and the existence of untaxed reserves and provisions as a separate heading in the balance sheet.

(ii) Subsidiaries

Investments in subsidiaries are recognised in the parent company using the cost model. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries. Contingent considerations are measured based on the likelihood that the consideration will be paid. Any changes in contingent considerations are added to/deducted from the carrying amount of the shares.

(iii) Monetary items forming part of net investment

Exchange rate differences on monetary items that form part of the parent company's net investment in a foreign operation are recognised in the income statement.

(iv) Leasing

The parent company does not apply IFRS 16, in accordance with the exemption set out in RFR 2. Lease payments are recognised as an expense on a straight-line basis over the lease term and consequently, no right-of-use assets or lease liabilities are recognised in the balance sheet. The parent company has not entered into any lease agreements in a capacity as lessor.

(v) Employee benefits

The parent company uses a different basis for calculating defined benefit plans than stipulated by IAS 19. The parent company complies with the provisions of the *Pension Obligations Vesting Act (sw: "Tryggandelagen")* and follows the Swedish Financial Supervisory Authority instructions as this is a prerequisite for tax deduction rights.

(vi) Group contributions and shareholder contributions

The parent company recognises all Group contributions received and paid in the income statement. These are included in the Appropriations line.

Shareholders' contributions are recognised directly in the recipient's equity and capitalised under shares and participations for the donor, to the extent that no impairment is required.

(vii) Taxes

Untaxed reserves are recognised in the balance sheet in the parent company without any split between equity and deferred tax liabilities, unlike in the Group. Similarly, in the income statement, the parent company does not allocate a portion of appropriations to deferred tax expenses.

Note 2 Net sales

Group

SEK m	Net sales from contracts with customers 2024	2023
Geographical areas		
Sweden	93	96
Europe (excl. Sweden)	3,268	3,429
America	3,586	3,866
Asia	4,879	4,943
Total	**11,826**	**12,334**

Allocation of Net sales from agreements with customers

Net sales from contracts with customers relates essentially to sales of metal powder.

Contract balances

The Group has no contractual assets or liabilities of material amounts. Accounts receivable are stated in Note 16.

Remaining performance commitments

No information is provided on remaining performance commitments that as of 31 December 2023 or 31 December 2024 have an original expected maturity of no more than one year, which is permitted under IFRS 15.

Note 3 Other operating income

Group

SEK m	2024	2023
Exchange rate gains on operating liabilities/ receivables	12	–
Capital gains on disposal of non-current assets	17	6
Government grants	14	46
Curtailment of pension plan, see note 22	21	–
Insurance compensation	6	4
Other	8	8
Total	**78**	**64**

Note 4 Other operating expenses

Group

SEK m	2024	2023
Exchange rate losses on operating liabilities/ receivables	–	8
Impairment of intangible assets	–	88
Capital gains on disposal of non-current assets	3	4
Loss on liquidation of subsidiaries	12	–
Emission allowances, swap	8	8
Other	14	5
Total	**37**	**113**

Note 5 Employees and personnel expenses

Salaries and other benefits

	2024			2023		
SEK m	Board/ CEO and Management team	Other employees	Total	Board/ CEO and Management team	Other employees	Total
Salaries and other benefits						
Parent company	–	12	12	–	8	8
of which bonus	–	7	7	–	–1	–1
Subsidiaries	73	1,546	1,619	84	1,491	1,575
of which bonus	4	0	4	23	0	23
Total Group	**73**	**1,558**	**1,631**	**84**	**1,499**	**1,583**
Social security contributions						
Parent company	–	8	8	–	7	7
of which pensions	–	2	2	–	3	3
Subsidiaries	27	573	600	29	545	574
of which pensions	9	139	148	12	127	139
Total Group	**27**	**581**	**608**	**29**	**552**	**581**
Total personnel expenses	**100**	**2,139**	**2,239**	**113**	**2,051**	**2,164**

Profit-sharing scheme

Höganäs introduced a profit-sharing scheme in 2010 in order to increase employee interest in and commitment to Höganäs' operations. All employees are included in the scheme. Entitlement to profit-sharing for the 2024 financial year starts when Höganäs AB and its subsidiaries' operating income exceeds SEK 909 million (839). The maximum allocation is reached when income exceeds SEK 1,111 million (1,025), which corresponds to a profit-share of SEK 30.3 million (28.0) at 100 percent outcome. SEK 22.9 million (25.7) was therefore reserved for 2024.

Severance pay

Upon termination by Höganäs, six executives are entitled to a maximum of 18 months' salary in severance pay, including notice period and pension benefits. No severance pay is due if termination of employment is initiated by an employee.

Pensions

Expenses for defined contribution plans in the Group during the year were SEK 122 million (120), of which SEK 2 million (3) in the parent company. The remaining part is defined benefit plans in accordance with Note 22.

Average number of employees

	2024		2023	
	No. of	of which male, %	No. of	of which male, %
Parent company in Sweden	1	100	1	100
Subsidiaries				
Sweden	791	78	762	79
Belgium	168	92	173	93
Brazil	138	82	130	81
France	7	57	9	44
India	88	90	82	91
Italy	5	60	6	67
Japan	36	67	38	68
China	126	71	128	71
Korea	28	75	30	73
Russia	–	–	0	0
Switzerland	6	100	29	93
Spain	–	–	1	100
UK	51	90	54	89
Taiwan	8	38	8	38
Germany	439	86	443	86
United States	355	88	356	88
Subsidiaries total	**2,246**	**83**	**2,249**	**83**
Group total	**2,247**	**83**	**2,250**	**83**

Gender distribution in management

Group

	31 Dec. 2024	31 Dec. 2023
	Women, %	Women, %
Board of Directors	16	23
Other senior executives	20	18

Parent company

	31 Dec. 2024	31 Dec. 2023
	Women, %	Women, %
Board of Directors	–	–
Other senior executives	–	–

Note 6 Auditors' fees and remuneration

	Group		Parent company	
SEK m	2024	2023	2024	2023
PwC				
Audit services*	8.9	8.0	1.4	1.1
Tax advisory services	0.1	0.2	–	–
Other services	0.0	0.0	0.0	0.0
Total	**9.0**	**8.2**	**1.4**	**1.1**
KPMG				
Audit services*	–	0.3	–	–
Tax advisory services	–	0.2	–	0.0
Other services	–	0.2	–	0.1
Total	**–**	**0.7**	**–**	**0.1**
Other auditors	1.0	0.9	–	–

* Audit services refer to the audit of the annual accounts, accounting records and administration of the Board of Directors and the CEO, as well as other tasks that the company's auditor is responsible for performing.

Note 7 Operating expenses by cost item

Group

SEK m	Note	2024	2023
Personnel expenses	5		
Salaries and other benefits		1,631	1,583
Social security contributions		458	439
Pension costs		150	142
Total		**2,239**	**2,164**
Depreciation/amortisation and cost of goods sold included in the income statement			
Included in cost of goods sold:			
Amortisation of intangible assets	10	11	35
Depreciation of property, plant and equipment	11, 12	439	440
Impairment of property, plant and equipment	11, 12	7	42
Other expenses for goods production/consumption		8,913	9,599
Included in selling expenses:			
Amortisation of intangible assets	10	36	135
Depreciation of property, plant and equipment	11, 12	29	30
Impairment of property, plant and equipment	11, 12	1	–
Included in administrative expenses:			
Amortisation of intangible assets	10	3	7
Depreciation of property, plant and equipment	11, 12	20	16
Impairment of property, plant and equipment	11, 12	0	–
Included in research and development expenses			
Amortisation of intangible assets	10	1	1
Depreciation of property, plant and equipment	11, 12	16	19
Impairment of intangible assets	10	–	6
Impairment of property, plant and equipment	11, 12	–	1

Other operating expenses

Other operating expenses in the previous year include impairment of intangible assets of SEK 88 million. See Note 4.

Note 8 Financial net

Group

SEK m	2024	2023
Financial income		
Interest income from derivative instruments and external investments	6	6
Other interest income	19	22
Change in the fair value of interest swaps for which hedge accounting is not applied	1	–
Net exchange differences	–	14
Total	**26**	**42**
Financial expenses		
Interest expenses on loans measured at amortised cost	–182	–220
Interest coupon on interest rate swaps	57	71
Interest expenses on leases	–15	–17
Net exchange differences	–19	–
Other financial expenses	0	–2
Total	**–159**	**–168**
Financial net	**–133**	**–126**

Parent company

SEK m	2024	2023
Earnings from shares in Group companies		
Dividend	100	–
Total	**100**	**–**
Financial income		
Interest income	0	0
Change in the fair value of interest swaps for which hedge accounting is not applied	1	–
Net exchange differences	–	40
Total	**1**	**40**
Interest and similar expenses		
Interest expenses, Group companies	–163	–119
Interest expenses, other	–173	–208
Interest coupon on interest rate swaps	57	71
Net exchange differences	–153	–
Total	**–432**	**–256**
Financial net	**–331**	**–216**

Note 9 Taxes

Tax items recognised in income statements

Group

SEK m	2024	2023
Current tax expense(–)/tax income(+)		
Tax expense for the period	–278	–142
Adjustment of tax attributable to prior years	–13	0
Total	**–291**	**–142**
Deferred tax expense(–)/tax income(+)		
Deferred tax on temporary differences	–2	–37
Deferred tax attributable to changes in tax rates	–3	0
Recognition of deferred tax assets for tax losses carried forward	3	23
Derecognition of previously recognised tax assets for tax losses carried forward	0	–45
Remeasurement of deferred tax attributable to prior years	2	–3
Deferred tax on remeasurement of deferred tax assets	–2	–9
Total	**–2**	**–71**
Recognised tax expense	**–293**	**–213**

Parent company

SEK m	2024	2023
Current tax expense(–)/tax income(+)		
Tax expense for the period	–23	–19
Adjustment of tax attributable to prior years	–9	–
Total	**–32**	**–19**
Deferred tax expense(–)/tax income(+)		
Deferred tax on temporary differences	–4	3
Derecognition of previously recognised tax assets for tax losses carried forward	0	–35
Total	**–4**	**–32**
Recognised tax expense	**–36**	**–51**

Reconciliation of effective tax

Group

SEK m		2024		2023
Earnings before tax		926		590
Tax according to parent company’s enacted tax rate	20.6%	–191	20.6%	–122
Weighted average tax rate based on national tax rates	3.6%	–33	5.4%	–32
Non-deductible expenses	2.8%	–26	4.9%	–29
Non-taxable income	–0.0%	0	–0.0%	0
Withholding tax	3.0%	–28	3.1%	–18
Loss carry forwards not recognised as assets during the year	0.3%	–3	1.2%	–7
Recognition of previously unrecognised loss carry forwards	–0.2%	2	–0.7%	4
Tax attributable to prior years	1.2%	–11	0.3%	–2
Effect of changed tax rates	0.3%	–3	0.0%	–0
Remeasurement of deferred tax	0.2%	–2	1.5%	–9
Other	–0.2%	2	–0.3%	2
Recognised effective tax	**31.6%**	**–293**	**36.0%**	**–213**

Parent company

SEK m		2024		2023
Earnings before tax		56		64
Tax according to parent company’s enacted tax rate	20.6%	–12	20.6%	–13
Non-deductible expenses	80.4%	–45	59.4%	–38
Non-taxable income	–37.5%	21	–	–
Recognised effective tax	**64.3%**	**–36**	**80.0%**	**–51**

Tax items recognised in other comprehensive income

Group

SEK m	2024	2023
Deferred tax attributable to hedging of currency risk in foreign operations	31	–8
Deferred tax attributable to cash flow hedges	–16	77
Current tax attributable to cash flow hedges	27	–46
Deferred tax attributable to foreign exchange gains and losses	–23	14
Current tax attributable to foreign exchange gains and losses	25	–9
Deferred tax attributable to remeasurement of defined benefit pension plans	–18	10
Total	**26**	**38**

Parent company

SEK m	2024	2023
Deferred tax attributable to hedging	7	19
Total	**7**	**19**

Deferred tax assets and liabilities recognised in the statement of financial position

Group

	Deferred tax assets		Deferred tax liabilities		Net	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Intangible assets	112	125	267	276	–155	–151
Property, plant and equipment	0	1	332	338	–332	–337
Right-of-use assets	–	–	81	90	–81	–90
Inventories	71	60	–	–	71	60
Accounts receivable	–	2	4	–	–4	2
Provision for pensions	48	65	–	–	48	65
Interest-bearing liabilities	–	–	104	78	–104	–78
Lease liabilities	88	96	–	–	88	96
Financial instruments	–	21	9	30	–9	–9
Tax allocation reserve	–	–	17	18	–17	–18
Other	41	36	–	–	41	36
Tax loss carry forwards	134	132	–	–	134	132
Tax assets/liabilities	494	538	814	830	–320	–292
Set-off of tax	–170	–194	–170	–194	–	–
Tax assets/liabilities, net	**324**	**344**	**644**	**636**	**–320**	**–292**

Parent company

	Deferred tax assets		Deferred tax liabilities		Net	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Provision for pensions	6	7	–	–	6	7
Financial instruments	–	–	7	14	–7	–14
Other	0	3	–	–	0	3
Tax assets/liabilities	6	10	7	14	–1	–4
Set-off of tax	–6	–10	–6	–10	–	–
Tax assets/liabilities, net	**–**	**–**	**1**	**4**	**–1**	**–4**

Unrecognised deferred tax assets

Deferred tax assets not recognised in the income statement and the statement of financial position relating to:

	Group		Parent company	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Tax losses	92	99	–	–
Total	**92**	**99**	**–**	**–**

Unrecognised deferred tax assets mainly relate to loss carry forwards in Germany, Switzerland and Brazil, as well as state tax in the US, which it is unlikely that the Group will be able to off-set against future taxable profits.

Change in deferred tax in temporary differences and loss carry forwards

Group

SEK m	Balance sheet as of 1 Jan. 2023	Recognised in the income statement	Recognised in other comprehensive income	Translation difference	Balance sheet as of 31 Dec. 2023
Intangible assets	–179	28	–	0	–151
Property, plant and equipment	–352	10	–	5	–337
Right-of-use assets	–80	–10	–	0	–90
Inventories	89	–27	–	–2	60
Accounts receivable	4	–2	–	0	2
Provision for pensions	55	1	10	–1	65
Interest-bearing liabilities	–98	14	6	–	–78
Lease liabilities	86	10	–	0	96
Financial instruments	–48	–38	77	–	–9
Tax allocation reserves	–	–18	–	–	–18
Other	49	–12	–	–1	36
Tax loss carry forwards	159	–27	–	0	132
Total	**–315**	**–71**	**93**	**1**	**–292**

SEK m	Balance sheet as of 1 Jan. 2024	Recognised in the income statement	Recognised in other comprehensive income	Translation difference	Balance sheet as of 31 Dec. 2024
Intangible assets	–151	–7	–	3	–155
Property, plant and equipment	–337	16	–	–11	–332
Right-of-use assets	–90	9	–	0	–81
Inventories	60	9	–	2	71
Accounts receivable	2	–6	–	0	–4
Provision for pensions	65	–1	–18	2	48
Interest-bearing liabilities	–78	–34	8	–	–104
Lease liabilities	96	–8	–	0	88
Financial instruments	–9	16	–16	–	–9
Tax allocation reserves	–18	1	–	–	–17
Other	36	3	–	2	41
Tax loss carry forwards	132	0	–	2	134
Total	**–292**	**–2**	**–26**	**0**	**–320**

Parent company

SEK m	Balance sheet as of 1 Jan. 2023	Recognised in the income statement	Recognised in other comprehensive income	Balance sheet as of 31 Dec. 2023
Provision for pensions	7	0	–	7
Financial instruments	–33	–	19	–14
Other	–	3	–	3
Tax loss carry forwards	35	–35	–	–
Total	**9**	**–32**	**19**	**–4**

SEK m	Balance sheet as of 1 Jan. 2024	Recognised in the income statement	Recognised in other comprehensive income	Balance sheet as of 31 Dec. 2024
Provision for pensions	7	–1	–	6
Financial instruments	–14	–	7	–7
Other	3	–3	–	–
Total	**–4**	**–4**	**7**	**–1**

Tax rules in accordance with BEPS Pillar II

The Group is subject to the OECD Model Rules for Pillar II as the Group's consolidated revenue exceeds EUR 750 million. The Group applies the exemption in IAS 12 to report and disclose deferred tax assets and liabilities related to income taxes in accordance with Pillar II.

Under the legislation that entered into force on 1 January 2024, the Group is liable to pay additional tax if it is found that the effective tax rate for 2024 in any jurisdiction is below 15 percent in the *Global Anti-Base Erosion* calculation (*GloBE*).

When applying the calculation models, as set out in the legislation, the Group assessed that all jurisdictions met the simplified transition criteria of the*GloBE* calculation (*Safe Harbour*). Therefore, no current tax expense relating to specific adjustments in accordance with the legislation has been recognised.

The Group monitors developments in legislation in order to constantly assess each subsidiary's tax position and the associated potential impact on operating income, financial position and cash flow.

Note 10 Intangible assets

Group

SEK m	Customer relationships	Technical know-how	Trademark	Goodwill	Capitalised development costs	Patents and similar assets	Intangible assets under development	Total
Accumulated cost								
Opening balance, 1 Jan. 2023	1,816	473	1,121	6,272	60	353	56	10,151
Additions	–	–	–	–	–	353	153	506
Disposals	–	–	–	–	–	–381	–15	–396
Reclassifications	–	–	–	–	0	11	–8	3
Translation differences for the year	0	2	0	–2	–	–2	–7	–9
Closing balance, 31 Dec. 2023	**1,816**	**475**	**1,121**	**6,270**	**60**	**334**	**179**	**10,255**
Opening balance, 1 Jan. 2024	1,816	475	1,121	6,270	60	334	179	10,255
Additions	–	–	–	–	–	504	17	521
Disposals	–	–	–	–	–	–479	–	–479
Reclassifications	–	–	–	–	4	130	–136	–2
Translation differences for the year	11	3	1	26	–	8	6	55
Closing balance, 31 Dec. 2024	**1,827**	**478**	**1,122**	**6,296**	**64**	**497**	**66**	**10,350**

Note 10 Intangible assets, cont.

SEK m	Customer relationships	Technical know-how	Trademark	Goodwill	Capitalised development costs	Patents and similar assets	Intangible assets under development	Total
Accumulated amortisation								
Opening balance, 1 Jan. 2023	–1,539	–434	–12	–	–54	–304	–	–2,343
Amortisation for the year	–134	–33	–	–	–1	–10	–	–178
Disposals	–	–	–	–	–	23	–	23
Translation differences for the year	0	–1	0	–	–	1	–	0
Closing balance, 31 Dec. 2023	**–1,673**	**–468**	**–12**	**–**	**–55**	**–290**	**–**	**–2,498**
Opening balance, 1 Jan. 2024	–1,673	–468	–12	–	–55	–290	–	–2,498
Amortisation for the year	–34	–5	–	–	–1	–11	–	–51
Disposals	–	–	–	–	–	4	–	4
Translation differences for the year	–6	–3	–0	–	–1	–4	–	–14
Closing balance, 31 Dec. 2024	**–1,713**	**–476**	**–12**	**–**	**–57**	**–301**	**–**	**–2,559**
Accumulated impairment losses								
Opening balance, 1 Jan. 2023	–	–	–	–	–	–	–	–
Impairment loss for the year	–7	–	–9	–72	0	–	–6	–94
Translation differences for the year	0	–	0	0	–	–	–	–0
Closing balance, 31 Dec. 2023	**–7**	**–**	**–9**	**–72**	**0**	**–**	**–6**	**–94**
Opening balance, 1 Jan. 2024	–7	–	–9	–72	0	–	–6	–94
Translation differences for the year	–0	–	–1	–2	–	–	–	–3
Closing balance, 31 Dec. 2024	**–7**	**–**	**–10**	**–74**	**0**	**–**	**–6**	**–97**
Carrying amounts								
As of 1 Jan. 2023	277	39	1,109	6,272	6	49	56	7,808
As of 31 Dec. 2023	**136**	**7**	**1,100**	**6,198**	**5**	**44**	**173**	**7,663**
As of 1 Jan. 2024	136	7	1,100	6,198	5	44	173	7,663
As of 31 Dec. 2024	**107**	**2**	**1,100**	**6,222**	**7**	**196**	**60**	**7,694**

Impairment testing of intangible assets

Höganäs Holding AB assesses on an ongoing basis whether there is an indication of impairment for intangible assets. If such an indication exists, an impairment test is carried out to ensure that the carrying amount of the intangible assets does not exceed the recoverable amount. In addition, goodwill and trademarks that are not depreciated are tested annually to ensure that the recoverable amount exceeds the carrying amounts and that there is therefore no requirement for impairment.

Acquired trademarks that are deemed to have an indefinite useful life are essentially derived from the acquisition of the Höganäs Group. The useful life is considered to be indefinite as it concerns well-established trademarks in its market, which the Group intends to retain and further develop. The trademarks are considered to be of essential economic importance as they form an integral part of the offering to the market by signalling quality and innovation in the products and hence can influence pricing and competitiveness. They are therefore considered to have an indefinite useful life because they are inherently inextricably linked to business operations and will be so for as long as the business operations continue.

The cash-generating unit for which impairment is tested has been identified as the working Höganäs Group, in which all of the Group's goodwill and trademarks are reported (see table on pages 84-85). In the 2018 financial year, the Höganäs Group acquired all shares and votes in H.C. Stark Surface Technology and Ceramic Powders GmbH, together with Alvier AG PM-Technology. The purpose of the acquisitions was strategic where synergies are deemed to arise in both the original Höganäs Group and in the acquired companies. The integration work was completed in 2021 and the operations are now fully integrated into the existing Höganäs Group. Consequently, the Höganäs Group continues to constitute the cash-generating unit for which impairment testing is carried out.

Impairment is also tested in cases where there are indications that assets may have decreased in value.

As a result of the negative earnings trends for Alvier AG PM-Technology in recent years, impairment testing was carried out separately for this unit in the previous year based on a strategic plan drawn up for the company. The test showed a total impairment of SEK 81 million.

Considering that an assessment has been made that cash flows attributable to trademarks cannot be separated from other cash flows within the cash-generating unit, impairment testing is carried out for both goodwill and trademarks together by calculating the recoverable amount for the cash-generating unit.

The impairment test for the cash-generating unit is based on the calculation of the value in use. This value is based on cash flow calculations over a forecast period of five years, adjusted if necessary for production capacity in existing plants, which is based on the most recently approved business plan together with the forecasts produced by management. The subsequently measured cash flows in the residual period have been based on an annual growth rate of 2.0 percent (2.0), which is deemed to correspond to the long-term growth rate in the unit's markets. The measured cash flows have been calculated at present value with a discount rate of 11.1 percent (12.4) before tax. The key assumptions in the five-year projections and the methods used to estimate values are as follows:

Key variables	Method for estimating values
Market share and growth	Demand for the unit's products has historically followed economic trends. Expected market growth is based on an assessment of economic trends taking into account the expected long-term growth. Current market share has been assumed for future periods. The forecast is consistent with previous experience and external sources of information.
Raw material prices	Raw material prices have been forecast based on the average price from 2024. Price changes are assumed to be possible to pass on directly to the customer. Exchange rate fluctuations have been taken into account. The forecast is consistent with previous experience and external sources of information.
Electricity prices	Electricity price forecasts are based on the current reference price and on quoted forward rates. Existing electricity price hedges have been taken into account. The forecast is consistent with external information sources.
Personnel expenses	The forecast for personnel costs is based on expected inflation, a certain real pay rise (historical average) and planned streamlining of the company's production (in accordance with the agreed budget and strategic plan). The forecast is consistent with previous experience and external sources of information.

Key variables	Method for estimating values
Discount rate	The discount rate is calculated using a weighted average cost of capital for the industry in which the Group operates and reflects current market assessments of the fair value of money and the risks that relate specifically to the asset for which future cash flows have not been adjusted.

When testing impairment for Alvier AG PM-Technology in the previous year, the recoverable amount was found to be below the carrying amount, hence the Group recognised an impairment loss on goodwill of SEK 72 million and the trademark by SEK 9 million. These assets are subsequently reported at SEK 0 million.

For the Höganäs Group in general, the recoverable amount exceeds the carrying amount by SEK 2,901 million (1,074). To support impairment testing, an overall sensitivity analysis has been carried out of the variables used in the model. The analyses have taken into account a change of 1 percentage point in the gross margin, discount rate and growth assumption. All sensitivity analyses indicate a margin for impairment.

The values used for the value in use calculations and the revised values that result in the recoverable amount being equal to the carrying amount are as follows:

Variable	Assumed value 2024	Assumed value 2023
Annual average gross margin	25.5 percent	22.1 percent
Discount rate	8.2 percent	9.4 percent

State and EU-funded research and development projects

In 2024, the Group recognised research and development grants of SEK 1 million (0) as income.

In 2024, three new government-funded projects were launched. One project in the area of Sustainability and two projects in the area of Process Development. Projects initiated previously that continued in 2024 are five projects in the area of Sustainability, three in Process Development and one project in Electrification.

The above projects were initiated by Horizon 2020, Horizon Europe, the Swedish Energy Agency, Vinnova, Metallic Materials, RISE, the Swedish Research Institute, Chalmers University and University West, KK Foundation.

Note 11 Property, plant and equipment

Group

31 Dec. 2023, SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Construction in progress	Total
Property, plant and equipment owned as described below	981	1,849	264	451	3,545
Right-of-use assets in accordance with Note 12	210	11	116	–	337
Carrying amounts	**1,191**	**1,860**	**380**	**451**	**3,882**

31 Dec. 2024, SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Construction in progress	Total
Property, plant and equipment owned as described below	1,019	1,867	261	689	3,836
Right-of-use assets in accordance with Note 12	183	8	112	–	303
Carrying amounts	**1,202**	**1,875**	**373**	**689**	**4,139**

Owned property, plant and equipment

Group

SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Construction in progress	Total
Accumulated cost					
Opening balance, 1 Jan. 2023	2,078	7,114	822	405	10,419
Additions	1	77	9	427	514
Disposals	–4	–85	–19	–12	–120
Reclassifications	55	234	33	–325	–3
Translation differences for the year	–41	–98	–18	–4	–161
Closing balance, 31 Dec. 2023	**2,089**	**7,242**	**827**	**491**	**10,649**
Opening balance, 1 Jan. 2024	2,089	7,242	827	491	10,649
Additions	18	100	3	513	634
Disposals	–6	–249	–34	–	–289
Reclassifications	47	205	40	–290	2
Translation differences for the year	70	215	39	15	339
Closing balance, 31 Dec. 2024	**2,218**	**7,513**	**875**	**729**	**11,335**

Note 11 Property, plant and equipment, cont.

SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Construction in progress	Total
Accumulated depreciation					
Opening balance, 1 Jan. 2023	–1,077	–5,165	–536	–	–6,778
Depreciation for the year	–57	–309	–56	–	–422
Disposals	4	57	18	–	79
Reclassifications	–	–3	3	–	–
Translation differences for the year	22	70	12	–	104
Closing balance, 31 Dec. 2023	**–1,108**	**–5,350**	**–559**	**–**	**–7,017**
Opening balance, 1 Jan. 2024	–1,108	–5,350	–559	–	–7,017
Depreciation for the year	–60	–311	–53	–	–424
Disposals	5	219	33	–	257
Translation differences for the year	–36	–156	–32	–	–224
Closing balance, 31 Dec. 2024	**–1,199**	**–5,598**	**–611**	**–**	**–7,408**
Accumulated impairment losses					
Opening balance, 1 Jan. 2023	–	–43	–4	–12	–59
Impairment loss for the year	–	–2	0	–41	–43
Disposals	–	–	–	12	12
Translation differences for the year	–	2	–	1	3
Closing balance, 31 Dec. 2023	**–**	**–43**	**–4**	**–40**	**–87**
Opening balance, 1 Jan. 2024	–	–43	–4	–40	–87
Impairment loss for the year	–	–4	–	–	–4
Disposals	–	–	1	–	1
Translation differences for the year	–	–1	0	–	–1
Closing balance, 31 Dec. 2024	**–**	**–48**	**–3**	**–40**	**–91**
Carrying amounts					
As of 1 Jan. 2023	1,001	1,906	282	393	3,582
As of 31 Dec. 2023	**981**	**1,849**	**264**	**451**	**3,545**
As of 1 Jan. 2024	981	1,849	264	451	3,545
As of 31 Dec. 2024	**1,019**	**1,867**	**261**	**689**	**3,836**

Information on government grants in the Group/parent company

Government grants related to district heating in Sweden

In 2005, Höganäs entered into an agreement to supply heat to Höganäs Fjärrvärme AB for the period 2006–2025. An initial investment was required on Höganäs' part to be able to connect to Höganäs Fjärrvärme's grid. A grant of SEK 25 million was received from Höganäs Municipality to cover this investment.

In 2008 and 2010, supplementary agreements were signed to expand the supply capacity of waste heat. Höganäs Fjärrvärme AB part financed this investment by paying a connection fee of SEK 14 million. An additional investment of SEK 1 million was made in 2018 and SEK 3 million in 2020, which Höganäs Energi AB financed in line with the supplementary agreement.

In 2020, a grant of SEK 2 million was received from the Swedish Energy Agency and SEK 1 million from the Swedish Environmental Protection Agency for investment in an upgraded belt furnace. The grant was intended to cover the additional investment required in order to get connections for district heating in place.

The recognised deferred income at year-end in Höganäs Sweden AB relating to government grants received as described above corresponds to 17 percent of the acquisition value of the assets that the grant is intended to cover. In line with the contractual term or the depreciation period, the deferred amount is recognised as income and reported in Other operating income.

Government grant for relocation of facility in China

As of 31 December 2024, Höganäs (China) Co., Ltd had received a total of SEK 698 million (245) in government grants from the Shanghai Qingpu District Government in China. The grants are intended in part to compensate the Group for costs in connection with the expropriation of the land on which the Group's existing facility in Shanghai is located. This means the Group will be forced to relocate its facility in China. The grants are also related to the construction of a new facility in the Shanghai Qingpu district in China. Since neither the relocation nor construction of the new facility is completed, the amount received has been recognised as prepaid income under 'Other long-term liabilities', as the relocation is not expected to start until 2026.

Note 12 Leasing

Lessee

Höganäs leases several types of assets, consisting mainly of office, production and warehouse premises, as well as trucks and cars. At year-end, the lease portfolio contained approximately 390 lease agreements with an average term of six years. In terms of numbers, around three quarters are leases for trucks and cars, with an average term of four years. However, in terms of amount, around two thirds relate to office, production and warehouse premises with an average term of 16 years. Only a few agreements were terminated early in 2024.

Leases contain no restrictions other than collateral in the leased assets. The variable fees or any residual value guarantees do not add up to any significant amounts. The management of extension options is described in Note 1, section (n). To the extent that the agreements are index-based, this is taken into account in right-of-use assets and lease liabilities as of the end of December 2024. As of the reporting date, there were no significant lease agreements that had been signed, but not yet started. There are no sub-leases or sale and leaseback transactions of right-of-use assets.

In addition to the aforementioned agreements, the Group also leases a number of low value assets, such as smaller IT and office equipment. A number of leases also have a shorter term than 12 months. The Group has chosen not to recognise right-of-use assets and lease liabilities for these leases. The Group's future obligations as of the end of December 2024 relating to short-term leases are at the same level as the previous year.

The Group's property, plant and equipment comprises both owned and leased assets (right-of-use assets). A breakdown of the owned assets can be found in Note 11 Property, plant and equipment. Important estimates and judgements related to leasing, such as determination of the lease term and discount rate, are described in Note 30.

Right-of-use assets

Group

SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Total
Accumulated cost				
Opening balance, 1 Jan. 2023	351	24	164	539
Added right-of-use assets in the year	32	4	78	114
Amended right-of-use assets*	17	–	10	27
Early termination of agreements	–21	–6	–17	–44
Translation differences for the year	–9	0	–5	–14
Closing balance, 31 Dec. 2023	**370**	**22**	**230**	**622**
Opening balance, 1 Jan. 2024	370	22	230	622
Added right-of-use assets in the year	4	–	26	30
Amended right-of-use assets*	0	0	12	12
Early termination of agreements	–53	–3	–18	–74
Translation differences for the year	10	1	9	20
Closing balance, 31 Dec. 2024	**331**	**20**	**259**	**610**
Accumulated depreciation				
Opening balance, 1 Jan. 2023	–126	–12	–90	–228
Depreciation for the year	–36	–5	–42	–83
Early termination from agreements	12	5	15	32
Translation differences for the year	3	1	3	7
Closing balance, 31 Dec. 2023	**–147**	**–11**	**–114**	**–272**
Opening balance, 1 Jan. 2024	–147	–11	–114	–272
Depreciation for the year	–30	–4	–46	–80
Early termination from agreements	38	3	18	59
Translation differences for the year	–5	0	–5	–10
Closing balance, 31 Dec. 2024	**–144**	**–12**	**–147**	**–303**

* The amount for amended right-of-use assets includes the acquisition value of additional amounts when reassessing lease liabilities due to changes in payments as a result of changes in the lease term.

SEK m	Buildings and land	Machinery and other technical equipment	Equipment, tools, fixtures and fittings	Total
Accumulated impairment losses				
Opening balance, 1 Jan. 2023	–13	–	–	–13
Closing balance, 31 Dec. 2023	**–13**	**–**	**–**	**–13**
Opening balance, 1 Jan. 2024	–13	–	–	–13
Impairment loss for the year	–4	–	–	–4
Terminated contracts	14	–	–	14
Translation differences for the year	–1	–	–	–1
Closing balance, 31 Dec. 2024	**–4**	**–**	**–**	**–4**
Carrying amounts				
As of 1 Jan. 2023	212	12	74	298
As of 31 Dec. 2023	**210**	**11**	**116**	**337**
As of 1 Jan. 2024	210	11	116	337
As of 31 Dec. 2024	**183**	**8**	**112**	**303**

Lease liabilities

Group

SEK m	Note	31 Dec. 2024	31 Dec. 2023
Non-current lease liabilities	20	251	283
Current lease liabilities	20	80	83
Total lease liabilities		**331**	**366**
Maturity structure of lease liabilities			
Within one year		88	92
One to two years		70	70
Two to five years		132	142
Five to ten years		82	110
More than ten years		8	10
Total payments		**380**	**424**
Effect of discounting		–49	–58
Total lease liabilities		**331**	**366**

Expenses reported in the income statement

Group

SEK m	2024	2023
Depreciation of right-of-use assets	80	83
Impairment of right-of-use assets	4	–
Interest expenses on lease liabilities	15	17
Expenses attributable to variable lease payments not included in the measurement of lease liabilities	6	2
Expenses attributable to short-term leases	13	12
Costs attributable to low-value leases	5	4
Total	**123**	**118**

Amounts recognised in the consolidated statement of cash flows

Group

SEK m	2024	2023
Total cash outflows attributable to leases	123	116

The above cash outflows include both amounts for leases reported as lease liabilities and amounts paid for variable lease payments and short-term leases.

Parent company

The parent company's operating lease payments in 2024 amounted to SEK 0 million (0). Future non-cancellable lease payments amounted to SEK 0 million (0).

Note 13 Group companies

Holdings in subsidiaries and joint ventures

Parent company	Registered office, country	Participating interest, % 31 Dec. 2024	31 Dec. 2023
Höganäs AB (publ), 556005-0121	Höganäs, Sweden	100.0	100.0
Höganäs Hamnbyggnads AB, 556000–8301	Höganäs, Sweden	94.0	94.0
Alvier Mechatronics AB, 556324–0760	Höganäs, Sweden	100.0	100.0
ZeBeyond Ltd	Leamington, UK	50.0	50.0
Höganäs Brazil Ltda	Mogi das Cruzes, Brazil	0.2	0.2
Höganäs Saltglaserat AB, 556054–5922	Höganäs, Sweden	100.0	100.0
Höganäs Sweden AB, 556204–9691	Höganäs, Sweden	100.0	100.0
Alvier AG PM-Technology in liquidation	Buchs SG, Switzerland	100.0	100.0
Alvier Mechatronics GmbH	Goslar, Germany	100.0	100.0
Höganäs Germany GmbH	Goslar, Germany	100.0	100.0
Höganäs Belgium S.A.	Ath, Belgium	100.0	100.0
Höganäs Brazil Ltda	Mogi das Cruzes, Brazil	99.8	99.8
HRC Metalizações, Ltda	Piracicaba, Brazil	50.0	50.0
Höganäs (China) Co., Ltd	Shanghai, China	100.0	100.0
Höganäs East Europe LLC (liquidated)	St. Petersburg, Russia	–	100.0
Höganäs France S.A.S.	Limas, France	100.0	100.0
Höganäs (United Kingdom) Ltd	Kent, UK	100.0	100.0
Abril Industrial Waxes Ltd.	Kent, UK	100.0	100.0
Höganäs Iberica S.A.	Madrid, Spain	100.0	100.0
Höganäs India Pvt Ltd.	Pune, India	100.0	100.0
Höganäs Italia S.r.l.	Rapallo, Italy	100.0	100.0
Höganäs Japan K.K.	Tokyo, Japan	100.0	100.0
Höganäs Korea Ltd.	Busan, Korea	100.0	100.0
Höganäs Taiwan Ltd.	Taipei, Taiwan	100.0	100.0
North American Höganäs Holdings Inc.	Hollsopple, US	100.0	100.0
NAH Finance Holding AB, 556662–4572	Höganäs, Sweden	100.0	100.0
Höganäs Environment Solutions, LLC	Cary, US	100.0	100.0
NAH Financial Services, Inc. (liquidated)	Wilmington, US	–	100.0
North American Höganäs High Alloys LLC	Hollsopple, US	100.0	100.0
North American Höganäs Co.	Hollsopple, US	100.0	100.0

Note 13 Group companies, cont.

Parent company

SEK m	31 Dec. 2024	31 Dec. 2023
Accumulated cost		
Opening balance	12,054	12,054
Closing balance, 31 December	**12,054**	**12,054**
Accumulated impairment losses		
Opening balance	–225	–225
Closing balance, 31 December	**–225**	**–225**
Carrying amount	**11,829**	**11,829**

Breakdown of parent company's direct holdings of shares in subsidiaries

Parent company

	Number of shares	Share of equity, %	Carrying amount	
SEK m			31 Dec. 2024	31 Dec. 2023
Höganäs AB (publ)	35,098,932	100	11,829	11,829
Total			**11,829**	**11,829**

Note 14 Non-current receivables

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Receivables from joint ventures	5	6
Plan assets, pensions	65	7
Special employer's contribution, pensions	16	0
Deposit	8	27
Derivatives held for hedging	62	69
Recovered VAT receivable abroad	5	6
Prepaid expenses for relocation of production facility in China	11	9
Other	12	7
Total	**184**	**131**

Note 15 Inventories

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Raw materials and consumables	1,033	1,023
Work-in-progress	767	738
Finished goods and goods for resale	1,727	1,662
Total	**3,527**	**3,423**

The cost of goods sold includes impairment of inventories of SEK –42 million (–51) and a reversal of previous impairment of SEK 39 million (45). Overall, the net effect from impairment and reversal of previous impairment amounted to SEK –3 million (–6). Impairments and reversals are based on an individual assessment of the quality and age of the goods.

Note 16 Accounts receivable/credit risk

Credit risk

Credit risk can be divided into commercial and financial counterparty risk. Commercial counterparty risk is the risk that one of the Group's customers becomes insolvent and that sales forecasts or hedged flows cannot be realised.

To some extent, Höganäs' credit risk relating to customers is limited through sales taking place in a large number of countries to a large number of customers, thus achieving risk diversification. Höganäs has credit insurance of approximately USD 12 million that is intended to reduce the credit risk from customers in the US. Höganäs also uses export letters of credit when selling in certain markets.

At year-end, the single largest credit exposure amounted to SEK 143 million (134). This exposure is not due and relates to a customer with a high credit rating with whom the Group has a long historical business relationship. Consequently, the credit risk within this specific exposure is limited for the Group. The Group's credit policy stipulates that credit checks precede all sales to new customers. Credit losses amounted to SEK 0 million (2) after insurance compensation in 2024. This represents 0.004 percent (0.02) of consolidated Net sales.

Financial counterparty risk is the risk of a counterparty that Höganäs has entered a contract with becoming insolvent and that an investment and/or unrealised gain cannot be repaid.

Age analysis, accounts receivable past due but not impaired

Group

31 Dec. 2024, SEK m	Carrying amount, gross	Impairment loss allowance	Carrying amount, net	Collateral
Not past due	1,481	–5	1,476	76
Past due 0–30 days	178	–0	178	48
Past due 31–90 days	31	–0	31	8
Past due 91–180 days	5	–4	1	–
Past due 181–360 days	2	–2	–	–
Past due >360 days	3	–3	–	–
Total	**1,700**	**–14**	**1,686**	**132**

31 Dec. 2023, SEK m	Carrying amount, gross	Impairment loss allowance	Carrying amount, net	Collateral
Not past due	1,370	–4	1,366	110
Past due 0–30 days	153	–0	153	11
Past due 31–90 days	31	–1	30	–
Past due 91–180 days	0	–0	0	–
Past due 181–360 days	5	–5	0	–
Past due >360 days	2	–2	0	–
Total	**1,561**	**–12**	**1,549**	**121**

Accounts receivable includes allowance for expected credit losses. At the end of the year, the allowance for expected credit losses in the Group amounted to SEK 14 million (12).

Concentration of credit risk in accounts receivable

Group

31 Dec. 2024	No. of customers	% of total number of customers	% of value
Exposure SEK <1 million	841	79	9
Exposure SEK 1–50 million	220	21	68
Exposure SEK >50 million	5	0	23
Total	**1,066**	**100**	**100**

31 Dec. 2023	No. of customers	% of total number of customers	% of value
Exposure SEK <1 million	854	80	10
Exposure SEK 1–50 million	206	19	64
Exposure SEK >50 million	5	1	26
Total	**1,065**	**100**	**100**

Allowance for expected credit losses

Group

SEK m	2024	2023
Balance at the beginning of the year	12	18
Incurred credit losses before insurance compensation	–3	–2
Reversal of previous impairments	–10	–17
Impairment loss for the year	15	13
Total	**14**	**12**

Note 17 Prepaid expenses and accrued income

	Group		Parent company	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Prepaid interest expenses	2	1	–	1
Prepaid insurance premiums	6	7	–	–
Prepaid supplier invoices	57	57	0	0
Insurance compensation	0	–	–	–
Reimbursement due for gas and electricity tax	6	6	–	–
Other items	9	7	–	–
Total	**80**	**78**	**0**	**1**

Note 18 Cash and cash equivalents

	Group		Parent company	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Cash and cash equivalents include the following components:				
Cash and cash equivalents	973	600	9	0
Short-term investments	14	–	–	–
Total	**987**	**600**	**9**	**0**

Cash and cash equivalents include an amount of SEK 723 million (430) that is not available for use on the Group's behalf without payment of a withholding tax.

Short-term investments are classified as cash and cash equivalents if:
• They have a negligible risk of value fluctuations.
• They can be readily converted into cash.
• They have a maximum maturity of three months from the acquisition date.

Note 19 Equity

Breakdown of equity reserves

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Translation reserve		
Opening translation reserve	541	638
Translation differences for the year	282	–132
Hedging of currency risk in foreign operations	–153	38
Tax attributable to changes in translation reserve	34	–3
Closing translation reserve, 31 December	**704**	**541**
Hedging reserve		
Opening hedging reserve	59	180
Cash flow hedges		
Changes in fair value	19	–195
Reclassified to net income	–70	42
Tax attributable to hedges	10	32
Closing hedging reserve, 31 December	**18**	**59**
Total reserves		
Opening reserves	600	818
Change in reserves:		
Translation reserve	163	–97
Hedging reserve	–41	–121
Closing balance, 31 December	**722**	**600**

Share capital and number of shares

	Number of shares		Share capital	
SEK m	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
Opening balance, 1 January	20,000,000	20,000,000	20	20
Closing balance, 31 December	**20,000,000**	**20,000,000**	**20**	**20**

The shares have a nominal value of SEK 1. Holders of ordinary shares are entitled to dividends progressively, and their shareholding entitles them to voting rights at the Annual General Meeting (one vote per share). All shares have equal entitlement to the parent company's remaining net assets.

Reserves

Translation reserve

The translation reserve encompasses all foreign exchange gains and losses that arise when translating the financial statements of foreign operations that have prepared their financial statements in a currency other than the Group's presentation currency. The parent company and the Group present their financial statements in Swedish krona. The translation reserve also comprises foreign exchange gains and losses arising from the remeasurement of liabilities reported as hedging instruments for a net investment in a foreign operation.

Hedging reserve

The hedging reserve covers the effective portion of the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Retained earnings, incl. net income

Retained earnings, including net income, include profits accrued by the parent company and its subsidiaries as well as remeasurement of the pension scheme.

Parent company

Changes in the parent company's equity are shown in the 'Statement of Changes in Equity, parent company' on page 71.

Restricted equity

Restricted reserves may not be reduced through dividends.

Unrestricted equity

Share premium reserve

When shares are issued at a premium, i.e. when more has to be paid for the shares than their nominal price, an amount equivalent to the amount received in excess of the shares' nominal value is transferred to the share premium reserve. The amount transferred to the share premium reserve is included in unrestricted equity.

Fair value reserve

The company applies the Swedish Annual Accounts Act (ÅRL) rules for the valuation of financial instruments at fair value in accordance with chapter 4, paragraph 14 a-e. A change in value is recognised in the fair value reserve when it relates to a hedging instrument and the hedge accounting policies applied allow for part or all of the change in value to be recognised in equity. Changes in value caused by a change in the exchange rate of a monetary item that is part of the company's net investment in a foreign entity are recognised in equity.

Retained earnings, incl. net income

Retained earnings comprise previous year's profit brought forward after the deduction of dividends paid out during the year. Along with net income, share premium reserve and fair value reserve, they comprise total unrestricted equity, i.e. the amount available for distribution to shareholders.

Proposed distribution of profit

Dividend, 20,000,000 shares x SEK 10 per share	200,000,000
Carried forward	5,952,916,745
Total	**6,152,916,745**

Note 20 Interest-bearing liabilities

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Non-current liabilities		
Credit facilities	2,402	2,491
Non-current lease liabilities	251	283
Total	**2,653**	**2,774**
Current liabilities		
Overdraft facilities	97	96
Current lease liabilities	80	83
Total	**177**	**179**

Conditions and repayment periods

Höganäs Holding has credit facilities totalling SEK 5.8 billion. Financing risks including maturity structure are reviewed in more detail in Note 28 on page 106.

As of the end of December 2024, SEK 2,416 million (2,506) of the committed credit facilities had been used and the amount available was SEK 3,385 million (3,046). The committed credit facilities are subject to covenants with regard to net debt in relation to EBITDA and EBITDA in relation to net interest expenses. Both covenants were met with a considerable margin as of the end of December 2024. Uncommitted credit facilities were SEK 447 million (424), of which SEK 97 million (95) had been used at year-end.

Lease liabilities

The maturity structure for lease liabilities is described in Note 12 Leasing.

Note 21 Non-current liabilities

	Group		Parent company	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Derivatives held for hedging	23	34	20	16
Government grant, district heating facility	6	8	–	–
Government grant, relocation of production facility in China	698	245	–	–
Long-term incentive scheme	34	16	–	–
Other	9	8	–	2
Total	**770**	**311**	**20**	**18**

Note 22 Pensions

Defined contribution plans

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Present value of fully or partly funded obligations	554	624
Fair value of plan assets	–614	–607
Net fully or partly funded obligations	–60	17
Present value of unfunded obligations	300	290
Present value of net liabilities	**240**	**307**
The net amount is reported in the following items in the statement of financial position:		
Non-current receivables	65	7
Provision for pensions	305	314
Net amount in statement of financial position	**240**	**307**

Overview of defined benefit plans

Höganäs has defined benefit plans in Sweden, Germany, Belgium, India and Italy. These are based on the benefits and length of service employees have at or near retirement. Plan assets are in Sweden, Germany, Belgium and India. In Switzerland, the pension plan was settled during the year. The pension plan was settled in the US in the previous year.

Note 22 Pensions, cont.

Change in obligation for defined benefit plan

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Defined benefit plan obligation at the beginning of the year	914	876
Service expenses in the current year	18	17
Service expenses in previous years	–21	–5
Interest expenses	29	33
Remeasurements:		
Actuarial gains and losses on changed demographic assumptions	–	5
Actuarial gains and losses on changed financial assumptions	–11	31
Experience-based adjustments	6	43
Employee contributions	1	1
Reductions/Adjustments	–65	–64
Benefits paid	–28	–27
Translation differences	11	4
Defined benefit plan obligation at the end of the year	**854**	**914**

Most of the obligations, around 94 percent (85), relate to employees in Sweden and Germany. The present value of the obligation is distributed among the plan members in these countries as follows:

- Active members 42% (44)
- Paid-up pension holders 20% (19)
- Retired employees 38% (37)

Change in fair value of plan assets

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Fair value of plan assets at the beginning of the year	607	598
Interest income recognised in the income statement	19	23
Fees paid	4	11
Return on plan assets, excluding interest income	66	39
Employee contributions	1	2
Reductions/Adjustments	–65	–64
Benefits paid	–20	–6
Translation differences	2	4
Fair value of plan assets at the end of the year	**614**	**607**

Plan assets have the following components

Group

SEK m	31 Dec. 2024	31 Dec. 2023
Shares and units in equity funds	424	382
Interest-bearing securities incl. bank accounts	190	225
Fair value of plan assets	**614**	**607**

Expenses reported in the income statement

Group

SEK m	2024	2023
Expenses relating to service in the current year	18	17
Expenses relating to service in previous years	–21	–5
Interest expense on obligations	29	33
Interest income on plan assets	–19	–23
Total net expenses in the income statement	**7**	**22**

Expenses recognised in the following lines of the income statement

Group

SEK m	2024	2023
Cost of goods sold	15	11
Selling expenses	4	2
Administrative expenses	5	5
Research and development expenses	4	4
Other operating income	–21	–
Total net expenses in the income statement	**7**	**22**
Actual return on plan assets	85	62

Expenses recognised in other comprehensive income

Group

SEK m	2024	2023
Remeasurements:		
Actuarial gains (-) and losses (+)	–5	79
Difference between actual return and return according to the discount rate on plan assets	–66	–39
Special employer's contribution, pensions	–16	0
Total net expenses in other comprehensive income	**–87**	**40**

Assumptions for defined benefit obligations

Key actuarial assumptions as of the reporting date (expressed as weighted averages):

Group

		31 Dec. 2024	31 Dec. 2023
Discount rate, %		3.5	3.1
Expected return on plan assets, %		3.6	3.1
Future salary increase, %		2.8	2.6
Future increase of pensions, %		1.9	1.8
Life expectancy assumptions after 65 years:			
Sweden	Men	22 years	22 years
	Women	24 years	24 years
Germany	Men	21 years	21 years
	Women	24 years	24 years
Switzerland	Men	–	23 years
	Women	–	25 years

Sensitivity analysis

Possible changes in actuarial assumptions as of the reporting date, other assumptions unchanged, and how these would affect the defined benefit obligation are presented below.

Group

31 Dec. 2024	Increase	Reduction
Discount rate in Sweden and Germany (0.5% change)	–59	67
Future salary increase in Sweden and Germany (0.5% change)	20	–18
Life expectancy in Sweden (change 1 year)	18	–18

Effects on future cash flows

It is estimated that approximately SEK 30 million will be paid into defined benefit plans in 2025.

Pension obligations

Defined contribution plans

Retirement pension obligations for the majority of white-collar employees in Sweden are vested through provisions for PRI liabilities. These funds are vested through transfer to an employee pension fund. Other white-collar employees have chosen alternative defined contribution pension solutions.

There are no defined benefit obligations in the parent company.

Defined contribution plans

The Group has defined contribution pension plans for its employees in Sweden. These are financed by the companies. Defined contribution plans are also available for those salaried employees who have chosen an alternative defined contribution pension solution. Foreign subsidiaries have defined contribution pension plans which are financed partly by the subsidiaries and partly by employee contributions. Payment into these plans is on an ongoing basis in accordance with each plan's rules.

Expenses for defined contribution plans in the Group during the year were SEK 122 million (120), of which SEK 2 million (3) in the parent company.

Note 23 Other provisions

Group

SEK m	Provision for restoration costs		Emission allowances		Special employer's contribution, pensions		Other		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Carrying amount at the beginning of the period	11	11	–	5	11	12	32	32	54	60
Provisions in the period	1	0	126	166	0	–1	9	3	136	168
Amounts utilised during the period	–	–	–96	–171	–1	–	–13	–5	–110	–176
Remeasurement due to changes in estimates	0	–	–	–	1	–	0	2	1	2
Carrying amount at the end of the period	**12**	**11**	**30**	**–**	**11**	**11**	**28**	**32**	**81**	**54**
Of which total long-term portion of provisions	12	11	–	–	11	11	23	30	46	52
Of which total short-term portion of provisions	–	–	30	–	–	–	5	2	35	2

Parent company

SEK m	Special employer's contribution, pensions	
	2024	2023
Carrying amount at the beginning of the period	7	6
Provisions in the period	0	1
Amounts utilised during the period	–1	–
Carrying amount at the end of the period	**6**	**7**
Of which total long-term portion of provisions	6	7
Of which total short-term portion of provisions	0	–

Provision for restoration costs

Most of these total costs are provisions for restoring a damming area for landfill. At the beginning of the year, these provisions amounted to SEK 9 million. The estimated provision for the remaining commitments is SEK 9 million. Due to the long-term nature of the liability, the biggest uncertainty lies in estimating the provision for the costs that will arise. Based on estimated future production volume, the useful life is estimated at three years.

Emission allowances

Emission allowances for CO_2 were received during the year at a market value of SEK 171 million. The emission allowances used are recognised as current provisions. The short-term provision is settled when used emission allowances are reported back to the Swedish Energy Agency. See also accounting policies Note 1, section r, (i).

Special employer's contribution, pensions

This heading includes provisions for special employer's contribution attributable to defined benefit pensions and capital insurance.

Other

The two largest items in total other items are SEK 26 million (17) in personnel-related provisions and SEK 0 million (9) in provisions for legal disputes.

Note 24 Liabilities to credit institutions

Parent company

SEK m	31 Dec. 2024	31 Dec. 2023
Non-current liabilities		
Bank loans*	2,402	2,492
Current liabilities		
Bank loans	–	–
Liabilities that become due for payment more than five years after the reporting date		
Bank loans	–	–

* Financing risk including maturity structure is reviewed in more detail in Note 28 on page 106.

Note 25 Accrued expenses and deferred income

	Group		Parent company	
SEK m	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
Holiday pay liability	135	130	0	2
Social security contributions	73	69	2	2
Bonuses to customers	29	37	–	–
Invoices not received	92	124	1	–
Personnel bonuses	63	69	4	–
Freight costs	11	11	–	–
Prepaid emission allowances	165	210	–	–
Closure of production facility	–	6	–	–
Interest	4	3	3	2
Deferred income	4	5	–	–
Other items	58	66	2	10
Total	**634**	**730**	**12**	**16**

Note 26 Pledged assets and contingent liabilities

	Group		Parent company	
SEK m	31 Dec. 2024	31 Dec. 2023	31 Dec. 2024	31 Dec. 2023
Pledged assets				
For own liabilities and provisions				
Property mortgages	55	56	–	–
Total	**55**	**56**	**–**	**–**
Contingent liabilities				
Pension liabilities	9	8	9	8
Guarantees on behalf of subsidiaries	–	–	392	386
Guarantees, other	20	26	–	–
Total	**29**	**34**	**401**	**394**

Note 27 Exchange rates

Country	Local currency	Closing rate on reporting date		Average rate	
		31 Dec. 2024	31 Dec. 2023	2024	2023
Brazil	BRL	1.7834	2.0695	1.9687	2.1263
EMU	EUR	11.4590	11.0960	11.4325	11.4765
India	INR*	12.8849	12.0700	12.6279	12.8500
Japan	JPY *	7.0275	7.0980	6.9814	7.5590
China	CNY	1.5111	1.4133	1.4683	1.4982
Korea	KRW*	0.7479	0.7740	0.7750	0.8124
Russia	RUB*	9.5358	9.5358	9.5358	9.5358
Taiwan	TWD	0.3368	0.3271	0.3290	0.3402
Switzerland	CHF	12.1749	11.9827	12.0043	11.8173
UK	GBP	13.8197	12.7680	13.5062	13.1979
United States	USD	11.0299	10.0416	10.5659	10.6128

* Rates of exchange in 100 units.

Note 28 Financial risks

Risks and risk management

Höganäs' operations are characterised by raw materials intensity and its production, customers and competitors being located in a large number of countries, which exposes the Group to external changes. With its positioning as market leader in several segments and with operations fairly evenly distributed between Europe, the US and Asia, the Group is strongly positioned and has natural risk diversification. However, changing external conditions always create risks and opportunities. The management of operational and financial risks is therefore of central importance. Höganäs works actively to manage the risks so that undesired earnings effects and potential disruption are limited.

Financial risks

Global developments affect exchange rates, interest rates, metal and energy prices. Höganäs has costs and revenue in a number of currencies. In addition, metals and energy are important input goods, resulting in significant exposure to financial risks. Höganäs' financial policy sets out goals, guidelines and risk mandates for how financial risks should be managed. The financial policy covers financing, liquidity management, credit risks, currency risks, interest rate risks and price risks on metals and energy. Höganäs' finance department is responsible for the Group's management of these risks and serves as an internal treasury. As work is carried out across the Group, strict management of the Group's financial risks and good internal control are safeguarded.

To explain how Höganäs is exposed to financial risks, it is best to start from a review of its business flow. Höganäs purchases metal that is refined into metal powder products. When the products are sold, there is a price adjustment to the current market prices of the metals input into production. Accordingly, from a risk perspective, operations can be viewed as consisting of two parts. The first relates to the purchase and sale of raw materials in the form of metals, the second part is the industrial process of refining the raw materials into metal powder products. Purchases and sales of raw materials create exposure to price changes. The refining process gives rise to exposure to several currencies through goods being produced with costs in certain currencies and sold in markets where, to some extent, payment is in other currencies. In addition, price and currency risks arise as a result of other input goods, costs of capital and energy costs. Each risk is described separately below, alongside an explanation of how the risks are managed.

Financial risks	Risk management	Exposure
Price and currency risks when buying and selling metals Purchases are usually made through call-off agreements stating that the price is based on the market price applicable at any time, with a predetermined time delay. Similarly, the sales agreement states that the price of metal powder includes a fixed proportion of raw material, the price of which should be based on the applicable market price, with a predetermined time delay. This means that the price risk arises when the purchase price is determined. The price risk subsequently continues until the day on which the price of the metal powder product that includes the raw material is determined in accordance with the sales agreement. However, currency risk only arises when the purchases are paid for and remains until the receivable is settled. The part of the exposure relating to accounts payable and accounts receivable is managed separately, as described below.	Raw material and currency risks can be limited by hedging the countervalue of the current exposure at any given time within the Group using derivative instruments, primarily forwards. The intention is to minimise the effect of price and exchange rate fluctuations in tandem with purchasing raw materials and selling the raw material component in the metal powder products as far as possible. However, the prospects of eliminating these risks completely are limited by several factors. Firstly, this would require access to perfect information about future business flows, and secondly, there are no effective marketplaces for some metals, which means the cost of price hedging would be unreasonably high. Höganäs used derivative instruments for nickel, copper, molybdenum and cobalt for price hedging in 2024. **Financial policy:** Höganäs' financial policy states that price and currency risks resulting from the purchase and sale of raw materials and raw material content in various products should be 90 percent hedged, providing that there are effective markets for hedging instruments. Deviations are permitted within a risk mandate decided by the Board of Directors.	The total cost of purchasing metals in 2024 was approximately SEK 7.4 billion (7.9). However, Höganäs' net exposure amounts to a significantly smaller amount given the proportion of transactions that are hedged using commodity derivatives. **Sensitivity analysis for some significant metals** Impact on earnings from change in metal price calculated based on the Group's outstanding exposure in the metals listed below as of 31 December 2024 (SEK million): (see table below) For more information on outstanding hedges, see page 103.
Currency risks in the refinement process The industrial refinement process of raw materials into metal powder products gives rise to exposure in several different currencies. This exposure is dependent on how and where the product is produced, as well as where products are sold. This risk can be reduced for a limited period using derivative instruments. Here too, forecast accuracy of the Group's business flows can affect the prospects of eliminating these risks completely.	The goal of the hedging strategy is to eliminate the exchange rate effect from the portion of the sales revenue that corresponds to value-added as far as possible. Accordingly, Höganäs can mitigate the effects of exchange rate fluctuations, especially in the short term, using derivative instruments. In the long term, Höganäs is always exposed to the impact of changing external conditions. Over the long term, Höganäs safeguards itself from currency risks by diversifying its operations to a number of countries and by constantly adapting its operations to changing external conditions. **Financial policy:** Höganäs' financial policy states that the exposure arising from the refinement process should be hedged up to 80 percent for a horizon of up to 13 months. Deviations are permitted within a risk mandate decided by the Board of Directors.	**Sensitivity analysis for currency** Impact on earnings from exchange rate changes linked to the refinement process; (SEK million): (see table below) For more information on outstanding hedges, see page 103.
Currency risks on accounts receivable and accounts payable Accounts receivable and accounts payable arise when purchases and sales are recognised. Outstanding accounts receivable and accounts payable are restated at current rates of exchange at the end of each month.	Höganäs hedges net accounts receivable and accounts payable. The goal is to eliminate currency risks as far as possible. Accounts receivable and accounts payable are recognised together with hedging instruments at the rate of exchange on the reporting date, and exchange rate fluctuations are recognised in the income statement. **Financial policy:** The financial policy states that this exposure should be 100 percent hedged. Hedging is for up to three months using forward contracts. Deviations are permitted within a risk mandate decided by the Board of Directors.	Net accounts receivable and accounts payable in 2024 amounted to an average of SEK 694 million (675) per month.
Currency risk on assets denominated in foreign currency Currency risks also arise on the translation of foreign subsidiaries' assets, liabilities and earnings are translated into the Group's presentation currency, termed translation exposure. The Group's presentation currency is Swedish kronor.	Höganäs' policy is that net investment in the form of lending and equity in foreign currencies should be hedged through external borrowing in the same currency. All borrowing should be arranged in the currencies in which the Group has its net investments. If net investment exceeds external borrowing, there is no requirement for the excess portion to be hedged using currency forwards. Höganäs applies hedge accounting to hedges of net investments in subsidiaries, which means that exchange rate effects on the remeasurement of loans identified as hedging instruments are recognised in the hedging reserve within equity, via other comprehensive income. **Financial policy:** Höganäs' financial policy states that in currency terms, Höganäs' interest-bearing liabilities should be allocated to match net investments in foreign currencies. If net investments exceed external borrowing, there is no requirement for the excess portion to be hedged using currency forwards. Deviations are permitted within a risk mandate decided by the Board of Directors.	Net investments in foreign subsidiaries amounted to SEK 4,924 million (4,501). The translation difference is reported in Note 19 Equity. For more information on outstanding hedges, see page 103.
Financing risk Financing risk is the risk associated with the Group's financing requirement as a result of loan agreements that expire and an increased requirement for capital.	The objective is that at any time, the Group should have access to committed long-term credit facilities that cover the needs of its operations with a satisfactory margin. Surplus liquidity should be used primarily to amortise interest-bearing liabilities. **Financial policy:** Höganäs' financial policy states that access to borrowed capital should be secured through credit facilities exceeding an amount decided by the Board of Directors.	Höganäs Holding has committed credit facilities totalling SEK 5.8 billion (5.6). The structure of the credit facility is as follows. EUR 400 million – due June 2027 USD 110 million – due June 2027 Liabilities incurred under the above credit facilities have been identified as hedging instruments for the Group's translation exposure. Höganäs AB has access to Höganäs Holding's credit facility. The utilised portion at year-end and outstanding volumes of other credit facilities are shown on page 106. As of the end of December 2024, Höganäs Holding met the covenants in all loan agreements with a good margin.

Sensitivity analysis for some significant metals (SEK million):

		Excl. hedge	Incl. hedge
Copper	+10%	3	0
Nickel	+10%	21	2
Molybdenum	+10%	20	10
Cobalt	+10%	2	1

Sensitivity analysis for currency (SEK million):

		Excl. hedge	Incl. hedge
USD/SEK	+10%	35	6
EUR/SEK	+10%	43	6
CNY/SEK	+10%	47	13
JPY/SEK	+10%	24	9
Others	+10%	29	29
Total		**178**	**63**

Financial risks	Risk management	Exposure
Interest rate risk Interest rate risk is the risk of the Group's net interest income/expense progressing worse than expected given an increase or decrease in interest rates. Höganäs is a net borrower, and accordingly, the Group is exposed to a risk of worse net interest income/expense in the event of rising market interest rates. If fixed-interest periods are too short, an increase in interest rates would have an excessive impact, and if fixed-interest periods are too long, a fall in interest rates would have an excessively slow impact. The selection of fixed-interest period should strike a balance between these extremes, selected on the basis of the Group's circumstances.	Höganäs' borrowing within its credit facilities is usually at maturities of three months. The fixed-interest period is then controlled using interest rate derivatives. The financial policy specifies how much of interest-bearing liabilities should be fixed using different maturity intervals. **Financial policy:** Höganäs' financial policy states that the duration should be between 1.5 and 4 years and that the interest rate risk should be limited by 50 percent of its liabilities having a fixed-interest period longer than one year. Deviations are permitted within the stated risk mandates.	At year-end, interest-bearing liabilities were SEK 3,135 million (3,267) and the average fixed-interest period on these liabilities was 2.4 years (2.4). Liabilities in USD under the Group's credit facility bear interest at SOFR + margin, while liabilities in EUR bear interest at the EURIBOR rate + margin. Short-term and long-term investments and cash and cash equivalents amounted to SEK 992 million (617) and the average fixed-interest period on these assets was 0 years (0). **Sensitivity analysis**: A one percentage point interest rate fluctuation would affect the Group's net interest income/expense by SEK 3 million (2) in a one-year horizon, taking into account the Group's interest rate derivatives. For more information on outstanding hedges, see page 103.
Energy price risks Refining metals into metal powder is energy intensive. Höganäs purchases energy in the form of electricity, natural gas, liquid petroleum gas and biogas.	Future costs for energy purchases are hedged in accordance with the policy using financial derivative instruments or fixed-price contracts from suppliers. By price hedging purchasing in this way, Höganäs secures a slower impact of price increases and evens out variations in annual energy costs. **Financial policy:** Höganäs' financial policy states that energy price risks linked to natural gas, electricity and liquid petroleum gas, should be hedged at predetermined percentage rates over a horizon of up to 18 months. Deviations are permitted within the stated risk mandates.	The Group's purchases of electricity, natural gas and liquid petroleum gas amounted to SEK 855 million (894) in 2024. **Sensitivity analysis for electricity and natural gas** Impact on earnings from price changes; excluding hedges (SEK m): Electricity +10% 10 Natural gas +10% 24 **Total 34** For more information on outstanding hedges, see page 103.
Credit risks – financial Financial credit risks arise through financial contracts that Höganäs enters in tandem with derivative instruments and investments. The financial credit risk for derivative instruments consists of the risk of a counterparty that Höganäs has entered into a derivative contract with becoming insolvent, and that the current market value involves an unrealised receivable that the counterparty cannot pay. Similarly, an investment constitutes a financial credit risk through the investment consisting of a receivable from the counterparty.	Höganäs has binding framework agreements regarding derivatives trading, termed ISDA agreements, with each bank. Höganäs' credit risk is therefore limited through the right to offset liabilities and receivables. Regarding investments, Höganäs endeavours to follow a similar approach by investments mainly being with those banks with which Höganäs has credit facilities. In addition, there are less investments with local banks that subsidiaries use as transaction banks. **Financial policy:** Höganäs' financial policy stipulates limits on the amount of net receivables from counterparties for derivative instruments and investments.	Höganäs' credit risk exposure at year-end is stated in the table below. See also Note 16 Accounts receivable/credit risk. Accounts receivable 1,686 Cash and cash equivalents 987 Short-term and long-term investments 5 Derivatives (net market value as of 31 Dec. 2024) 44 **Total 2,722**

Operations are conducted on the basis of a financial policy adopted by the Board of Directors, which sets out rules and guidelines for how the various financial risks should be managed. The financial policy identifies the following three material risks – financing risk, market risk and credit risk. Currency, interest rate, metal and energy derivatives are used as hedging instruments in accordance with the guidelines set by the Board of Directors.

Market risks

Market risk is the risk arising through commercial flows in foreign currency that arise in operations (transaction exposure), financing working capital (interest rate risk), investments in foreign countries (translation risk) and energy and raw materials price risk.

(a) Currency risk

(i) Transaction exposure

The main exposure relates to the Group's sales and purchasing in different currencies. These currency risks partly comprise the risk of fluctuations in the value of financial instruments, i.e. accounts receivable and accounts payable, and partly the currency risk in relation to expected and contracted payment cash flows.

99.2 percent (99.2) of the Group's total Net sales in 2024 were in countries outside Sweden. Where Net sales were in currencies other than the functional currency of the company making the sale, the largest cash flows were EUR, USD, CNY and JPY. See table on the next page for outstanding hedges of such currency cash flows and estimated net cash flows for the next twelve months.

The objective of Höganäs' currency hedging is to hedge an appropriate portion of the Group's net foreign currency exposure in the short and medium term. The purpose of hedging currency exposure is to even out fluctuations in earnings. The consolidated income statement includes foreign exchange gains and losses of SEK 28 million (–8) in operating income and SEK –19 million (14) in financial net.

At year-end 2024, the Group had the following currency hedges for expected payment flows in EUR, JPY, USD and CNY. The main derivatives used are forward contracts. Contract volumes are stated in nominal terms in the table below. Contracts are reported at fair value in the statement of financial position and the cumulative change in value is recognised in equity via other comprehensive income.

The effect of currency derivatives on operating income in 2024 amounted to SEK 25 million (–50). The value of outstanding contracts not recognised as income is stated in the table below.

Outstanding hedges of currency flows

31 Dec. 2024	EUR/SEK Volume[1]	EUR/SEK Rate of exchange[2]	EUR/SEK Fair value, reported as Other current receivables/ liabilities, SEK m[3]	USD/SEK Volume[1]	USD/SEK Rate of exchange[2]	USD/SEK Fair value, reported as Other current receivables/ liabilities, SEK m[3]	JPY/SEK Volume[1]	JPY/SEK Rate of exchange[2]	JPY/SEK Fair value, reported as Other current receivables/ liabilities, SEK m[3]	CNY/SEK Volume[1]	CNY/SEK Rate of exchange[2]	CNY/SEK Fair value, reported as Other current receivables/ liabilities, SEK m[3]
Q1 2025	7.95	11.32	–1.1	6.9	10.34	–4.6	504	7.30	1.3	57	1.47	–2.0
Q2 2025	7.95	11.50	0.4	6.9	10.54	–2.8	504	7.14	0.3	57	1.48	–1.0
Q3 2025	7.95	11.39	–0.5	6.9	10.27	–4.2	504	7.19	0.3	57	1.48	–1.6
Q4 2025	7.95	11.48	0.2	6.9	10.61	–1.5	504	7.24	0.4	57	1.49	–0.7
Total	**31.8**	**11.42**	**–1.0**	**27.6**	**10.44**	**–13.1**	**2,016**	**7.22**	**2.3**	**228**	**1.48**	**–5.3**
(31 Dec. 2023)	(31.8)	(11.51)		(24.0)	(10.46)		(1,836)	(7.90)		(192)	(1.51)	
Closing rate on reporting date		11.46			11.03			7.03			1.51	
Value transferred from the hedging reserve to the income statement during the period[4]			2.4			–2.9			16.1			8.9

[1] Volumes are expressed in millions of local currency.
[2] Average forward rate. The exchange rate for JPY/SEK is stated in 100 units.
[3] Change in fair value recognised in the hedging reserve in equity via other comprehensive income when hedge accounting is applied.
[4] The values refer to realised contracts and are recognised in cost of goods sold.

ii) Translation exposure

Currency risks also exist in the translation of foreign subsidiaries' assets, liabilities and earnings to the Group's reporting currency, termed translation exposure.

Höganäs' policy is that net investment in the form of lending and equity in foreign currencies should be hedged through external borrowing in the same currency. All borrowing should be arranged in the currencies in which the Group has its net investments. If net investment exceeds external borrowing, there is no requirement for the excess portion to be hedged using currency forwards.

Höganäs applies hedge accounting to hedges of net investments in subsidiaries, which means that exchange rate effects on the remeasurement of loans identified as hedging instruments are recognised in the hedging reserve within equity, via other comprehensive income.

Hedged portion of net assets by currency

SEK m	31 Dec. 2024 Net assets	31 Dec. 2024 Hedged portion	31 Dec. 2024 Carrying amount for hedging instruments, recognised in other comprehensive income	31 Dec. 2023 Net assets	31 Dec. 2023 Hedged portion	31 Dec. 2023 Carrying amount for hedging instruments, recognised in other comprehensive income
USD	1,932	63%	–111	1,793	66%	49
EUR	2,565	47%	–42	2,454	54%	–11
JPY	247	0%	–	92	0%	–
GBP	180	0%	–	163	0%	–
Total	**4,924**		**–153**	**4,502**		**38**

(b) Interest rate risk

Interest rate risk is the risk that the Group's net interest income/expense deteriorates when market interest rates change. Höganäs Holding is a net borrower and the Group is exposed to a risk of deterioration in net financial income/expense accordingly when market interest rates rise.

At year-end, interest-bearing liabilities were SEK 3,135 million (3,263) and the average fixed-interest period was 2.4 years (2.4) including interest rate swaps and 0.1 years (0.1) excluding interest rate swaps. Short-term and long-term investments and cash and cash equivalents were SEK 992 million (617) and the average fixed-interest period on these assets was less than one year. Höganäs Holding's borrowing facilities are usually arranged with maturities of three months. The fixed-interest period is then controlled using interest rate swaps. See further information under financing risk.

Fixed-interest period including interest rate swaps and maturity dates

31 Dec. 2024, SEK m	2025	2026	2027	2028	2029	2030	2031	2032	Total
SEK	318	564	1,001	458	172	0	0	0	2,513

Hedge accounting is applied to the swaps, which means that the change in the fair value of swaps is recognised in the hedging reserve via other comprehensive income. As of the reporting date, the nominal value of these swaps was SEK 2,196 million (2,737) and their fair value was SEK 37 million (70) net.

Interest rate swaps

		31 Dec. 2024	31 Dec. 2023
SEK m	**Items in the statement of financial position for fair value accounting**	**Fair value**	**Fair value**
Interest rate swaps, USD	Non-current receivables	24	19
	Other current receivables	–	18
	Non-current liabilities	–5	–
	Other current liabilities	–	–
Interest rate swaps, EUR	Non-current receivables	34	49
	Other current receivables	–	–
	Non-current liabilities	–15	–16
	Other current liabilities	–	–
Total		**38**	**70**

(c) Energy and raw material risk

A significant portion of Höganäs' operations consists of buying and selling metals. The Group buys metals and sells metal powder products, where selling prices are adjusted for the price of the metals included in the product. Refining metals into metal powder is energy intensive. Höganäs' raw material price risk mainly arises in copper, nickel, cobalt and molybdenum. Changes in value from raw material derivatives are recognised in the hedging reserve in equity via other comprehensive income.

(i) Electricity and gas

Höganäs' production consumes a substantial amount of energy. The Group's purchases of electricity, natural gas, biogas and liquid petroleum gas amounted to SEK 855 million (894) in 2024.

Outstanding hedges on electricity and gas

	Electricity		Gas	
31 Dec. 2024	**Volume[1]**	**Price[2]**	**Volume[1]**	**Price[2]**
Due 2025	171	662	201	439
Due 2026	115	565	78	413
Due 2027	55	570		
Total	**341**		**279**	
Spot price on reporting date		266		554
Fair value, reported as Other current receivables/liabilities, SEK m[3]		–20		28
Value transferred from the hedging reserve to the income statement during the period, SEK m[4]		–89		–28

[1] Volume is expressed in GWh.
[2] Average forward price in SEK/MWh.
[3] Change in fair value recognised in the hedging reserve in equity on cash flow hedges, where hedge accounting is applied. This item relates to changes in the value of derivative instruments relating to future energy purchases.
[4] The values refer to realised contracts and are recognised in cost of goods sold.

(ii) Metals

Metal derivatives are used to reduce exposure to changes in raw material prices. In 2024, the price risk of nickel, copper, molybdenum and cobalt was hedged. Hedging is affected mainly using standard financial derivatives listed daily on the London Metal Exchange (LME). For metals not listed on the LME, price hedging can be affected through fixed-fee contracts with suppliers.

Outstanding hedges on copper, molybdenum, cobalt and nickel

	Copper			Cobalt			Nickel			Molybdenum		
31 Dec. 2024	**Volume[1]**	**Price[2]**	**Fair value, reported as Other current receivables/liabilities, SEK m[3]**	**Volume[1]**	**Price[2]**	**Fair value, reported as Other current receivables/liabilities, SEK m[3]**	**Volume[1]**	**Price[2]**	**Fair value, reported as Other current receivables/liabilities, SEK m[3]**	**Volume[1]**	**Price[2]**	**Fair value, reported as Other current receivables/liabilities, SEK m[3]**
January 2025	300	8,899	0.7	5	27,888	0.2	1,122	15,559	5.0	37	46,357	–0.3
February 2025	–	–	–	15	24,706	0.0	–	–	–	32	46,513	–0.4
March 2025	–	–	–	15	24,706	0.0	–	–	–	32	46,513	–0.3
April 2025	–	–	–	8	24,306	0.0	–	–	–	30	46,717	–0.1
May 2025	–	–	–	5	24,030	0.0	–	–	–	18	46,882	0.0
June 2025	–	–	–	5	24,030	0.0	–	–	–	17	46,785	0.0
July 2025	–	–	–	5	24,030	–0.1	–	–	–	25	46,518	–0.1
Total	**300**	**8,899**	**0.7**	**58**	**24,750**	**0.1**	**1,122**	**15,559**	**5.0**	**191**	**46,574**	**–1.2**
(31 Dec. 2023)	250	8,561		72	32,725		1,137	16,849		238	45,408	
Spot price on reporting date		8,833			24,140			15,330			49,750	
Change in value (SEK m) recognised in Hedging reserve as of reporting date (all metals) [3]												4
Value transferred from the hedging reserve to the income statement during the period (all metals) [4]												44

[1] Volume is expressed in tonnes.
[2] Average forward price in USD.
[3] Change in fair value recognised in the hedging reserve in equity via other comprehensive income, where hedge accounting is applied. This item relates to changes on the value of derivative instruments relating to changes in raw material prices.
[4] The values refer to realised contracts and are recognised in cost of goods sold.

Note 28 Financial risks, cont.

Financing risk

Financing risk is the risk that the Group encounters problems accessing borrowed capital. The objective is that at any time, the Group should have access to committed long-term credit facilities that cover the needs of its operations with a satisfactory margin. The credit facility in Höganäs Holding comprises a total of SEK 5.8 billion (5.6) and runs until June 2027 with the option to extend by a further year.

Credit facilities	Maturity structure, 31 Dec. 2024
USD 110 million	June 2027
EUR 400 million	June 2027

As of the end of December 2024, SEK 2,416 million (2,506) of the committed credit facilities had been used and the amount available was SEK 3,385 million (3,046). The committed credit facilities are subject to covenants with regard to net debt in relation to EBITDA and EBITDA in relation to net interest expenses. Both covenants were met with a good margin as of the end of December 2024. Uncommitted credit facilities were SEK 447 million (424), of which SEK 97 million (95) had been used at year-end.

Financial liabilities

The following maturity analyses illustrate the contracted undiscounted cash flows for the Group's financial liabilities allocated to the stated time intervals. The cash flows of interest-bearing liabilities cover repayments of principal and payment of interest. Future interest payments have been estimated on the basis of those liabilities on the reporting date. Interest payments of liabilities accruing variable interest have been measured on the basis of current market rates on the reporting date. For interest rate swaps, the net of the interest to be paid or received respectively is stated in the relevant time interval as it is the net cash flow that is swapped. For a maturity analysis of lease liabilities, see Note 12 Leasing.

	31 Dec. 2024						
Maturity, SEK m	**Jan–June 2025**	**July–Dec 2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Credit facilities	59	59	118	2,476	–	–	–
Current interest-bearing liabilities	177	–	–	–	–	–	–
Interest rate derivative assets	–13	–13	–24	–17	–5	–2	–
Interest rate derivative liabilities	2	2	3	2	1	–	–
Accounts payable	1,081	–	–	–	–	–	–
Metal derivative liabilities	2	–	–	–	–	–	–
Energy derivative liabilities	10	10	10	5	–	–	–
Currency derivative liabilities							
Currency derivative outflow	1,239	379	–	–	–	–	–
Currency derivative inflow	–1,216	–367	–	–	–	–	–
Total	**1,341**	**70**	**107**	**2,466**	**–4**	**–2**	**–**

	31 Dec. 2023						
Maturity, SEK m	**Jan–June 2024**	**July–Dec 2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Credit facilities	76	76	153	2,583	–	–	–
Current interest-bearing liabilities	179	–	–	–	–	–	–
Interest rate derivative assets	–33	–21	–39	–35	–26	–9	–3
Interest rate derivative liabilities	–	–	–	–	–	–	–
Accounts payable	1,121	–	–	–	–	–	–
Metal derivative liabilities	9	–	–	–	–	–	–
Energy derivative liabilities	52	42	19	–	–	–	–
Currency derivative liabilities							
Currency derivative outflow	876	–	–	–	–	–	–
Currency derivative inflow	–855	–	–	–	–	–	–
Total	**1,425**	**97**	**133**	**2,548**	**–26**	**–9**	**–3**

The parent company serves as financial backer to subsidiaries. Subsidiaries have local overdraft facilities, which have been approved by the parent company.

Financial receivables by credit rating

	31 Dec. 2024					
SEK m	**Cash in banks**	**Currency hedge**	**Metal price hedge**	**Electricity hedge**	**Natural gas hedge**	**Interest rate derivatives**
Most counterparties have the lowest rating A+ (S&P) or A1 (Moody's)	992	25	6	–	28	58

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Credit risk

Credit risk can be divided into commercial and financial counterparty risk. Commercial counterparty risk is the risk that one of the Group's customers becomes insolvent and that sales forecasts or hedged flows cannot be realised.

To some extent, Höganäs' credit risk relating to customers is limited through sales taking place in a large number of countries to a large number of customers, thus achieving risk diversification. There is credit insurance of USD 12 million that is intended to reduce the credit risk of customers in the US. Höganäs also uses export letters of credit when selling in certain markets.

At year-end, the single largest credit exposure amounted to SEK 143 million (134). The Group's credit policy stipulates that credit checks precede all sales to new customers. Further information on credit losses can be found in Note 16.

Financial counterparty risk is the risk of a counterparty that Höganäs has entered a contract with becoming insolvent and that an investment and/or unrealised gain cannot be repaid. Höganäs has binding framework agreements regarding derivatives trading, termed ISDA agreements, with each bank. The agreements mean that Höganäs can offset financial liabilities against financial assets if the counterparty becomes insolvent or another similar event occurs, termed netting. The tables below show the amounts covered by such netting agreements.

31 Dec. 2024, SEK m	Financial assets	Financial liabilities
Amount reported in the statement of financial position	117	73
Amount covered by netting	–45	–45
Amount after netting	**72**	**28**

31 Dec. 2023, SEK m		
Amount reported in the statement of financial position	184	152
Amount covered by netting	–78	–152
Amount after netting	**106**	**–**

Credit risk exposure, SEK m	31 Dec. 2024	31 Dec. 2023
Accounts receivable	1,686	1,549
Cash and cash equivalents	987	600
Short-term and long-term investments	5	17
Derivatives	117	184
Total	**2,795**	**2,350**

Höganäs' credit risk exposure at year-end is stated in the above table. See also Note 16 Accounts receivable/credit risk.

Fair value and carrying amount of financial assets and liabilities reported in the consolidated statement of financial position

The carrying amounts of interest-bearing assets and liabilities in the statement of financial position may differ from fair value, for reasons including changes in market interest rates. To measure the fair value of financial assets and liabilities, official quoted rates have been used for the assets and liabilities traded on an active market. In cases where no reliable market quotes are available, fair value has been determined by discounting future payment flows using current market interest rates, which are then translated to Swedish kronor using the current rate of exchange. Because interest-bearing financial assets have very short fixed-interest periods, the fair value is deemed to be the same as the carrying amount.

For financial instruments such as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities, which are reported at amortised cost less any impairment, the fair value is deemed to be the same as the carrying amount.

The following table states fair values and carrying amounts of financial assets and liabilities reported in the consolidated statement of financial position.

31 Dec. 2024, SEK m	Financial assets and liabilities measured at FVTPL[1]	Derivatives used in hedge accounting	Financial assets at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Non-current receivables	65	–	41	–	106	106
Interest rate derivatives	–	58	–	–	58	58
Energy derivatives	–	4	–	–	4	4
Accounts receivable	–	–	1,686	–	1,686	1,686
Other current receivables						
Interest rate derivatives	1	–	–	–	1	1
Currency derivatives	19	6	–	–	25	25
Metal derivatives	–	6	–	–	6	6
Energy derivatives	–	24	–	–	24	24
Cash and cash equivalents	–	–	987	–	987	987
Short-term and long-term investments	–	–	5	–	5	5
Total	**85**	**98**	**2,719**	**–**	**2,902**	**2,902**
Non-current interest-bearing liabilities	–	–	–	2,958	2,958	2,973
Current interest-bearing liabilities	–	–	–	177	177	177
Accounts payable	–	–	–	1,081	1,081	1,081
Other current liabilities						
Interest rate derivatives	–	20	–	–	20	20
Currency derivatives	8	23	–	–	31	31
Metal derivatives	–	1	–	–	1	1
Energy derivatives	–	20	–	–	20	20
Total	**8**	**64**	**–**	**4,216**	**4,288**	**4,303**

31 Dec. 2023, SEK m	Financial assets and liabilities measured at FVTPL[1]	Derivatives used in hedge accounting	Financial assets at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
Non-current receivables	7	–	55	–	62	62
Interest rate derivatives	–	69	–	–	69	69
Accounts receivable	–	–	1,549	–	1,549	1,549
Other current receivables						
Interest rate derivatives	–	18	–	–	18	18
Currency derivatives	32	55	–	–	87	87
Metal derivatives		7	–	–	7	7
Energy derivatives	–	–	–	–	–	–
Cash and cash equivalents	–	–	600	–	600	600
Short-term and long-term investments	–	–	17	–	17	17
Total	**39**	**149**	**2,221**	**–**	**2,409**	**2,409**
Non-current interest-bearing liabilities	–	–	–	3,088	3,088	3,103
Current interest-bearing liabilities	–	–	–	179	179	179
Accounts payable	–	–	–	1,121	1,121	1,121
Other current liabilities						
Interest rate derivatives	–	16	–	–	16	16
Currency derivatives	20	1	–	–	21	21
Metal derivatives	–	–	–	–	–	–
Energy derivatives	8	104	–	–	112	112
Total	**28**	**121**	**–**	**4,388**	**4,537**	**4,552**

1) Fair value option is not applied.

Valuation hierarchy
All financial instruments measured at fair value in the statement of financial position should be assigned to one of the following three tiers in the fair value hierarchy:

Level 1
Financial instruments whose fair value is measured according to prices quoted on an active market for the same instrument, such as exchange-traded standard derivatives for electricity, gas and metals.

Level 2
Financial instruments whose fair value is measured on the basis of either directly (as price) or indirectly (has its origin in prices) observable market data that are not included in Tier 1. For example, certain OTC-traded products such as interest rate swaps and currency forwards.

Level 3
Financial instruments whose fair value is measured on the basis of input data that are not observable on the market.

	Level 1		Level 2		Level 3	
SEK m	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**	**31 Dec. 2024**	**31 Dec. 2023**
Assets						
Interest rate derivatives	–	–	58	87	–	–
Currency derivatives	–	–	25	87	–	–
Metal derivatives	6	7	–	–	–	–
Energy derivatives	28	–	–	–	–	–
Total	**34**	**7**	**83**	**174**	**–**	**–**
Liabilities						
Interest rate derivatives	–	–	–20	–16	–	–
Currency derivatives	–	–	–31	–21	–	–
Metal derivatives	–1	–	–	–	–	–
Energy derivatives	–20	–111	–	–	–	–
Total	**–21**	**–111**	**–51**	**–37**	**–**	**–**

Insurable risks
Höganäs AB has centralised non-life and professional indemnity cover for the Group. Although local insurance cover is required in some countries, in cases where such cover does not satisfy the Group's minimum standards, cover is achieved through umbrella coverage using Höganäs AB's Master Insurance Policy.

Capital management
The Group's objective is to have a favourable capital structure and financial stability. This is an important basis for continued development of business operations. Capital is defined as total equity including non-controlling interests.

SEK m	**31 Dec. 2024**	**31 Dec. 2023**
Capital		
Share capital	20	20
Other contributed capital	6,948	6,948
Translation reserve	704	541
Hedging reserve	18	59
Retained earnings, incl. net income	4,707	4,105
Non-controlling interests	0	0
Total	**12,397**	**11,673**

Note 29 Related parties

The parent company exerts a controlling interest over its subsidiaries, see Note 13. Business terms and market pricing apply to the supply of services and products between Group companies. Intra-Group transactions and dealings between subsidiaries are stated below. The Group's transactions with senior executives in the form of salaries and other remuneration, benefits, pensions and agreements on severance pay to the Board of Directors and CEO are stated in Note 5.

Parent company

	Höganäs AB		Lindéngruppen AB		FAM AB	
SEK m	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Transactions reported in the income statement						
Sales of goods and services to related parties	17	6	–	–	–	–
Purchase of services from related parties	–	–	–	–	–	–
Other (dividend, interest, Group contributions)	321	277	–50	–	–50	–
Transactions reported in the balance sheet						
Due from related parties as of 31 December	1	3	–	–	–	–
Due to related parties as of 31 December	3,202	3,019	–	–	–	–
Dividend recognised in equity	–	–	–	–	–	–

Note 30 Significant accounting estimates and judgements

Group management and the Board of Directors make estimates and judgements regarding the future. These estimates and judgements affect the accounts and other financial information presented, including contingent liabilities. The estimates are based on historical experience and various judgements considered reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding the carrying amounts of assets and liabilities in cases where they cannot be measured through other information. Actual outcomes may differ from these estimates if other judgements are made or other circumstances arise. Areas that involve various estimates and judgements that may have a material impact on the Group's earnings and financial position include, for example:

Impairment testing of goodwill and trademarks with an indefinite useful life

The Group continually tests for impairment. Impairment testing is based on a review of the recoverable amount. The value is estimated on the basis of management's judgements of future cash flows which are based primarily on internal business plans, financial budgets and forecasts.

The Group's impairment testing of goodwill and trademarks is carried out for the operational Höganäs Group as it is considered to be the lowest cash-generating unit for the ongoing monitoring of this item from the perspective of the highest executive decision-makers. As of the end of December 2024, recognised goodwill amounted to SEK 6,222 million (6,198) and trademarks to SEK 1,100 million (1,100), see Note 10.

When testing for impairment, a management judgement is required of various factors, particularly with regard to events which may affect the value of goodwill, the assumptions underlying cash flow forecasts and whether the discounting of these cash flows is reasonable. Changes in the assumptions made by the management may result in a different outcome and a different future financial position. For further information on impairment testing of goodwill, see Note 10.

Calculation of income tax and measurement of loss carry forwards

Estimates are made to determine both current and deferred tax assets or liabilities, especially for deferred tax assets. In this context, the likelihood that the deferred tax assets will be used for offsetting against future taxable profits is estimated. The fair value of these future taxable gains may differ in terms of future business conditions and earning capacity or changes in tax rules. Deferred tax assets related to tax loss carry forwards of SEK 134 million (132) have been reported in the Group, based on judgements that are likely to be recognised and result in lower tax payments in the future, see Note 9. The majority of these deferred tax assets relate to losses in Germany.

Calculations of employee benefits

The net liabilities relating to defined benefit plans amounted to SEK 240 million (307) at year-end. The value of pension obligations for defined benefit plans is based on actuarial calculations based on assumptions regarding discount rates, future salary increases, inflation and demographic conditions. The majority of the net liabilities are attributable to defined benefit plans in Germany at SEK 290 million (279). Sweden is included with net assets of SEK 65 million (7).

A description of the most significant actuarial assumptions and sensitivity analysis is provided in Note 22. Changes in assumptions, which result in actuarial gains or losses, as well as experience-based adjustments give rise to remeasurement of net defined benefit liability and are recognised in other comprehensive income. Remeasurement in the year reduced the Group's net defined benefit liability by SEK –71 million (40).

Calculation of right-of-use assets and lease liabilities

The carrying amount of right-of-use assets amounted to SEK 303 million (337) and lease liabilities to SEK 331 million (366) at the end of 2024, see Note 12.

Some subjective estimates and judgements are made in connection with the reporting of leases, both in terms of the possibility/probability of exercising options to extend, terminate and purchase, estimated useful life of a lease that is extended on an ongoing basis if neither party actively terminates the lease and actual expected useful life of the asset under existing leases. Such estimates and judgements primarily affect the magnitude of the reported right-of-use assets and lease liabilities.

From a materiality perspective, the most important leases for the Group relate primarily to property leases where these estimates and judgements can have a material effect on the financial position. Höganäs has a number of open-ended leases, mainly relating to properties, which do not have a clearly defined end date or limitations in terms of the number of possible extension options. In many countries, local laws and regulations provide protection for lessees from being given notice. This requires Höganäs, as a lessee, to determine a reasonable contract period instead of considering the termination clause. The lessee determines the length of the contract term based on factors such as the importance of the property to the business, any planned or completed leasehold investments and the property market situation.

Furthermore, a component that affects the carrying value of leases in the Group's financial position is the underlying discounting rate. This is based on the individual country's risk-free interest rate plus a business-specific risk premium. When calculating the carrying value, Höganäs applies an incremental interest rate for the relevant currency and individual contract term that is assessed as relevant, with the aim of best reflecting lease-related assets and financial obligations in a fair manner.

Note 31 Disclosures related to the Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

Group

SEK m	1 Jan. 2023	Cash flow	Non-cash changes: Amortisation of transaction costs	Non-cash changes: New leases	Non-cash changes: Foreign exchange gains and losses	Non-cash changes: Other	31 Dec. 2023
Credit facilities	3,626	–1,086	–10	–	–38	–	2,492
Overdraft facilities	228	–127	–	–	–6	–	95
Lease liabilities	335	–101	–	113	–9	28	366
Non-current liabilities	17	261	–	–	1	32	311
Total	**4,206**	**–1,053**	**–10**	**141**	**–52**	**32**	**3,264**

SEK m	1 Jan. 2024	Cash flow	Non-cash changes: Amortisation of transaction costs	Non-cash changes: New leases	Non-cash changes: Foreign exchange gains and losses	Non-cash changes: Other	31 Dec. 2024
Credit facilities	2,492	–249	6	–	153	–	2,402
Overdraft facilities	95	0	–	–	2	–	97
Lease liabilities	366	–87	–	30	10	12	331
Non-current liabilities	311	424	–	–	35	–	770
Total	**3,264**	**88**	**6**	**30**	**200**	**12**	**3,600**

Parent company

SEK m	1 Jan. 2023	Cash flow	Non-cash changes: Amortisation of transaction costs	Non-cash changes: New leases	Non-cash changes: Foreign exchange gains and losses	Non-cash changes: Other	31 Dec. 2023
Credit facilities	3,626	–1,086	–10	–	–38	–	2,492
Non-current liabilities	–	–	–	–	–	18	18
Total	**3,626**	**–1,086**	**–10**	**–**	**–38**	**18**	**2,510**

SEK m	1 Jan. 2024	Cash flow	Non-cash changes: Amortisation of transaction costs	Non-cash changes: New leases	Non-cash changes: Foreign exchange gains and losses	Non-cash changes: Other	31 Dec. 2024
Credit facilities	2,492	–249	6	–	153	–	2,402
Non-current liabilities	18	–	–	–	–	2	20
Total	**2,510**	**–249**	**6**	**–**	**153**	**2**	**2,422**

Note 32 Significant events after the reporting period

No events that are considered to be significant occurred between the end of the period and the signing of this Annual Report.

Auditor’s Report

To the general meeting of the shareholders of Höganäs Holding AB, corporate identity number 556915-6655

Report on the annual accounts and consolidated accounts

Opinions

We have performed an audit of the annual accounts and consolidated accounts of Höganäs Holding AB for year 2024. The annual accounts and consolidated accounts of the company are included on pages 55-111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2024 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and group.

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 parent company and 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.

Other information than the annual accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-52 and 114-115. The Board of Directors is responsible for this other information.

Our opinion on the annual accounts does not cover this other information and We do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act, and, as regards the consolidated accounts, according to IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. The Board of Directors is also responsible for such internal control as they determines is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors is responsible for the assessment of the company and 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 intends to liquidate the company, cease operations or has no realistic alternative to doing any of this.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Swedish Inspectorate of Auditors’ website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other requirements according to laws and other constitutions

Opinions

In addition to our audit of the annual accounts and consolidated accounts, We have also audited the administration of the Board of

Directors of Höganäs Holding AB for year 2024 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent in relation of the parent company and 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.

Responsibility of the Board of Directors

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company and group's type of operations, size and risks place on the size of the parent company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the management of the company's affairs. This includes among other things continuous assessment of the company and group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Malmö, 1 April 2025
Öhrlings PricewaterhouseCoopers AB

Eric Salander	Carl Fogelberg
Authorised Public Accountant	*Authorised Public Accountant*
Auditor in charge	

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.

Five-year summary

Group, SEK m	2024	2023	2022	2021	2020
Net sales	11,826	12,334	12,256	10,527	8,645
Operating income	1,059	716	1,121	1,091	669
Financial income and expenses	–133	–126	–180	–118	–163
Earnings before tax	926	590	941	973	506
Net income	633	377	779	747	300
Operating margin, %	9.0	5.8	9.1	10.4	7.7
Net margin, %	7.8	4.8	7.7	9.2	5.9
Total assets	18,888	17,997	19,012	17,711	16,517
Equity	12,397	11,673	11,544	10,476	9,886
Capital employed	15,532	14,940	16,015	14,869	14,183
Return on capital employed, %	7.0	4.6	7.3	7.5	4.5
Return on equity, %	5.3	3.2	7.1	7.3	3.0
Equity ratio, %	65.6	64.9	60.7	59.1	59.9
Net debt	2,148	2,667	4,152	4,181	4,033
Debt/equity ratio, multiple	0.17	0.23	0.36	0.40	0.41
Risk-bearing capital, %	69.0	68.4	64.6	63.5	64.0
Interest coverage ratio, multiple	11.6	4.6	8.1	8.5	4.0
Rate of capital turnover, multiple	0.78	0.80	0.79	0.72	0.59
Operating cash flow	357	1,359	492	582	1,062
Cash flow after investments	357	1,359	492	582	1,062
Investments	988	841	656	399	351
Average number of employees	2,247	2,250	2,360	2,282	2,300
Turnover per employee	5.26	5.48	5.19	4.61	3.76

Financial definitions

Risk-bearing capital, %
Total equity and deferred tax liability in relation to total assets.

Return on equity
Net income in relation to average equity.

Return on capital employed
Earnings before tax plus net interest and exchange rate differences on financial loans in relation to average capital employed.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Investments
Investments in intangible assets and Property, plant and equipment excluding acquisitions.

Capital turnover rate
Net sales in relation to average capital employed.

Net margin
Earnings before tax in relation to Net Sales.

Cash flow from operations
Cash flow after investments but before acquisitions or divestments of companies/operations.

Interest coverage ratio
Operating income plus depreciation, amortisation, financial net and interest expenses divided by interest expenses.

Operating margin
Operating income in relation to Net sales.

Debt/equity ratio
Interest-bearing debt less cash and cash equivalents and other interest-bearing receivables in relation to equity.

Equity/asset ratio
Total equity in relation to total assets.

Capital employed
Total assets less non-interest-bearing liabilities, deferred tax liabilities and other provisions.

Höganäs
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Höganäs Holding AB
263 83 Höganäs, Sweden

Tel +46 42 33 80 00
www.hoganas.com

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