

# SinterCast

Annual Report

2016

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Notes: This document is an unofficial translation of the official Swedish Annual Report  
 The Director's Report, pages 17-26, includes the Corporate Governance Report, pages 21-26.  
 Pages 16 and 27-49 conform to IFRS (International Financial Reporting Standards)

## Highlights

- Record full-year production: 2.2 million Engine Equivalents
- Record revenue: SEK 75.4 million
- Record operating result: SEK 26.4 million
- Record Sampling Cup shipments: 168,800 Sampling Cups
- Motor Trend *Truck of the Year* and *Truck of Texas* awards for Ford Super Duty with SinterCast-CGI diesel engine
- US Automotive Science Group™ *Best Environmental Performance* award for Ford F-150 with SinterCast-CGI petrol engine
- 44 installations in 13 countries, supported in 10 languages
- Ladle Tracker™ technology launched; first installation announced

**SinterCast** supplies process control technology and solutions for the reliable high volume production of Compacted Graphite Iron (CGI). The SinterCast technology measures and controls the iron before it is cast into moulds, reducing scrap, conserving energy, and ensuring cost-effective series production. The primary application of CGI is in diesel and petrol engine cylinder blocks used in passenger vehicles, and cylinder blocks and heads used in commercial vehicle and industrial power applications. The SinterCast technology is also used for the production of a variety of other CGI components, including exhaust manifolds, turbocharger housings, bedplates and industrial components.

**SinterCast** will focus on providing process control technology, know-how and technical support for the reliable high volume production of Compacted Graphite Iron. SinterCast will promote CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. SinterCast will also develop and promote novel technologies beyond the core CGI market, including tracking and traceability solutions and other precision measurement products that bring enhanced control and profitability to the foundry industry. These focused activities will provide long-term benefits for foundries, end-users, shareholders, and society.

**Compacted Graphite Iron** is a form of cast iron that provides at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium. In engine applications, the use of CGI enables the production of smaller, more efficient, more performant, and more durable engines with reduced fuel consumption, lower emissions and less noise.

**The SinterCast Ladle Tracker™** technology automatically measures, controls and documents the progress of each ladle as it progresses through the foundry. Applied to any type of foundry, Ladle Tracker™ provides new opportunities for managers to ensure that all treatments and processes are performed within the specified limits, improving process efficiency, product quality and productivity. The same tracking and control technology can be applied to measure and control the movement and progress of other key objects in the foundry, providing additional business opportunities. SinterCast will leverage its experience in precision measurement and process control in the foundry environment to provide improved insight for foundries and improved product assurance for OEMs.

## CGI Business Model

SinterCast sells or leases the System 3000 hardware, leases the process control software, sells the sampling consumables, and charges a running Production Fee for each tonne of CGI castings produced using the SinterCast technology. Revenue is also derived from spare parts, customer service, field trials and sales of test pieces. The individual components of the business model are described as follows:



System 3000



Sampling Cup

- System 3000 Hardware Platform:** The System 3000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €300,000-600,000 for the full System 3000 or System 3000 *Plus*, and €50,000-100,000 for the Mini-System 3000, depending on the configuration and installation requirements. For leased systems, the typical lease period is seven years, but the duration can vary.
- Process Control Software:** The software applies the metallurgical know-how and provides the operating logic for the System 3000 hardware. SinterCast charges an Annual Software Licence Fee and retains ownership of the software.
- Sampling Consumables:** The consumables consist of the Sampling Cup and the Thermocouple Pair. One Sampling Cup is consumed with each measurement. The Thermocouple Pair is re-used for up to 250 measurements. One SinterCast measurement is required for each production ladle.
- Production Fee:** A running fee is levied for each tonne of shipped castings, based on the as-cast (pre-machined) weight. There are 20 Engine Equivalents (50 kg each) per tonne.
- Technical Support:** SinterCast provides engineering service for product development, trials, new installations and calibrations, metallurgical consultancy, and ongoing customer service.

The total running fees (sampling consumables, software licence and Production Fee) depend on the ladle size and the casting yield. For typical cylinder block production, the current running fees provide a revenue of approximately €40-50 per tonne of castings, equivalently, €2.00-2.50 for each 50 kg Engine Equivalent. The SinterCast business model is highly scalable, allowing profitability to rise as the installed base grows and as more products enter series production.

## Five Waves Status Report

Introduced in 2002, the *Five Waves* strategy continues to provide the basis for how the company views the overall market development. The production status for each of the *Five Waves*, based on the annualised year-end production rate of 2.2 million Engine Equivalents, is summarised in the following table:

<b>Wave 1</b> V-Diesel Passenger Vehicle Engines in Europe	<b>Annualised year-end production:</b> 290,000 Engine Equivalents (14,500 tonnes) <b>Series production for:</b> Audi, Chrysler, Jaguar, Jeep, Lancia, Land Rover, Maserati, Porsche and Volkswagen <b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 3.0 to 4.4 litres <b>Overview:</b> Stable production in 2016. The majority of V-diesels in Europe are now produced in CGI
<b>Wave 2</b> Commercial Vehicle Engines Worldwide	<b>Annualised year-end production:</b> 795,000 Engine Equivalents (39,750 tonnes) <b>Series production for:</b> DAF, Ford-Otosan, Hyundai, MAN, Navistar and Scania <b>SinterCast-CGI Components:</b> Cylinder blocks and cylinder heads ranging from 3.9 to 16.4 litres <b>Overview:</b> Increased production in 2016 with near-term and long-term global growth opportunity
<b>Wave 3</b> In-Line Passenger Vehicle Diesel Engines	<b>Current status:</b> Product development underway <b>Overview:</b> Long-term potential depends on performance demands, downsizing and emissions legislation
<b>Wave 4</b> V-Diesel Passenger Vehicle Engines Beyond Europe	<b>Annualised year-end production:</b> 750,000 Engine Equivalents (37,500 tonnes) <b>Series production for:</b> Ford, Hyundai, Jeep, Kia, Nissan and Ram <b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 2.7 to 6.7 litres <b>Overview:</b> Increased production in 2016 with strong contribution from Super Duty pick-up demand
<b>Wave 5</b> Passenger Vehicle Petrol Engines Worldwide	<b>Annualised year-end production:</b> 250,000 Engine Equivalents (12,500 tonnes) <b>Series production for:</b> Ford and Lincoln <b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 2.7 to 3.0 litres <b>Overview:</b> Stable production in 2016 with growth potential for petrol applications

## Other Growth Opportunities

Automotive - Other than Passenger Vehicle Cylinder Blocks	<b>Annualised year-end production:</b> 40,000 Engine Equivalents (2,000 tonnes) <b>Series production for:</b> Various OEMs and Tier I suppliers including BorgWarner and Honeywell <b>SinterCast-CGI Components:</b> Exhaust manifolds, turbocharger housings and bedplates <b>Overview:</b> Decreased production in fourth quarter affected year-end annualisation. Actual full-year: 50,000 Engine Equivalents
Industrial Power	<b>Annualised year-end production:</b> 45,000 Engine Equivalents (2,250 tonnes) <b>Series Production for:</b> Allen Diesels, Cameron Compression, Cummins, Deutz, Doosan, Federal Mogul, General Electric, Jenbacher, MAN and MTU <b>SinterCast-CGI components:</b> Agricultural, marine, locomotive, off-road and stationary power applications <b>Overview:</b> Decreased demand from rail, mining, oil and gas activities in 2016. Actual full-year: 60,000 Engine Equivalents



*Dr Steve Dawson, President & CEO*

## CEO Message

Record revenue and record operating results, but still, 2016 was a different type of year for SinterCast. Historically, our series production programmes have provided a stable platform, and new programmes have come on-stream to increase the volume. But, in 2016, we didn't have any large new engine launches and, with more than 60 programmes in series production, a handful of programmes declined, limiting our ability to grow the series production. This decline was caused by one passenger vehicle programme, one commercial vehicle programme, and by an overall reduction in industrial power production due to global reductions in energy, agriculture and mining activities. If we exclude the handful of programmes that declined, we can show that the remaining programmes grew by approximately 15%, which is effectively the same as our average growth rate since 2007. Together with two of the four quarters in 2016 equalling our all-time high of 2.2 million Engine Equivalents, this growth shows the strength of our underlying series production foundation. This foundation, together with a positive development pipeline, affirms our belief in our future growth.

The increased scrutiny on diesel engines also presented a challenge for SinterCast in 2016. It is clear that diesel engines need to satisfy emissions legislation, but it is also clear that the debate has taken on an emotional element. New diesel engines satisfy NO<sub>x</sub> emissions requirements and provide a significant contribution toward CO<sub>2</sub> reduction. Particularly as consumers continue to move toward large vehicles such as SUVs and pick-ups, diesel engines will continue to be an important part of the solution for meeting fuel economy and CO<sub>2</sub> targets. The most significant evidence of this was Ford's 9 January 2017 announcement of a SinterCast-CGI diesel engine option in the F-150, North America's best-selling vehicle. SinterCast has a proven track record of contributing to diesel engine downsizing and increased fuel efficiency, and we will continue to benefit from this contribution. In parallel, we will also continue to promote the use of CGI for petrol engines, where the industry's vision of 200 horsepower per litre can provide opportunities for CGI.

In 2016, our series production split was 61% passenger vehicle, 33% commercial vehicle and 6% other components, including industrial power castings and automotive castings other than cylinder blocks and heads. The demand for more performance from smaller engine packages is particularly strong in commercial vehicle and industrial power applications,

and we continue to regard these applications as our largest opportunity to contribute; our largest opportunity to grow. The future demand for CGI in heavy duty diesel engines was further reinforced in December 2016 with the announcement of CO<sub>2</sub> legislation for commercial vehicles in 2027 – a 25% reduction from the 2018 standards. This CO<sub>2</sub> reduction will require higher engine pressures, resulting in a higher demand for stronger materials such as CGI.

In an exciting new development for our team, 2016 marked the formal introduction of our tracking technology. Conceived for our high-volume series production at the Tupy Saltillo foundry in Mexico, our experience with Ladle Tracker™, and our discussions with potential customers, has identified opportunities to expand our tracking capability to other metals and other aspects of the foundry process. This may include the tracking of moulds, castings, and even the performance of individual operators. Our suite of tracking technologies complements our core ambition of providing precision measurement and enhanced process control in the hostile foundry environment, and adds to the SinterCast brand image as a technology leader for the provision of unique, value-added products. More measurements mean more control, more productivity and more profit.

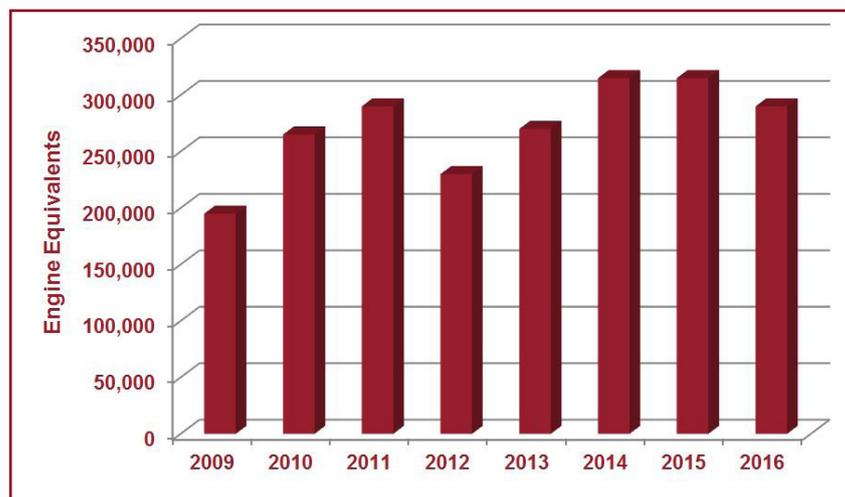
As a technology provider, our strength is based on our expertise. Over the last five years, one of our primary objectives has been to increase the competence and the depth of our team. This successful campaign has reduced our historical dependence on a small group of core individuals, increased our skill set, broadened our technical and commercial presence, and secured our continuity for the future. Despite that five years have passed; our average age has decreased from 48.7 years to 47.3 years and our average years of service has increased from 9.2 years to 9.7 years. These simple statistics show our advantageous mix of experience and youth and the strong loyalty and affinity of the employees for our company and our cause.

Record revenue, record operating result, record series production, record Sampling Cup shipments and a 96.9% customer quality feedback rating are the metrics by which we will remember 2016. But for me personally, 2016 brought two other milestones. First, the proposed dividend brought our cumulative transfer to the shareholders, since we started to provide a dividend in 2011, to SEK 100 million – a milestone that fills us with pride. And second, on 25 November, I celebrated 25 years in SinterCast – a testimony to the fascination of our technology and the industry that we work in; the opportunity to learn; the excitement of each new challenge; the sense of satisfaction for achievements in the field; the pride of owning my second car with a SinterCast engine; the camaraderie of customers who have become friends; the support and loyalty of colleagues who selflessly keep the wheels turning; and above all, to the motivation provided by all of the stakeholders who have believed in the contribution that SinterCast could make. My thanks to those who have made these 25 years possible.

Dr Steve Dawson  
President & CEO

## Market Development

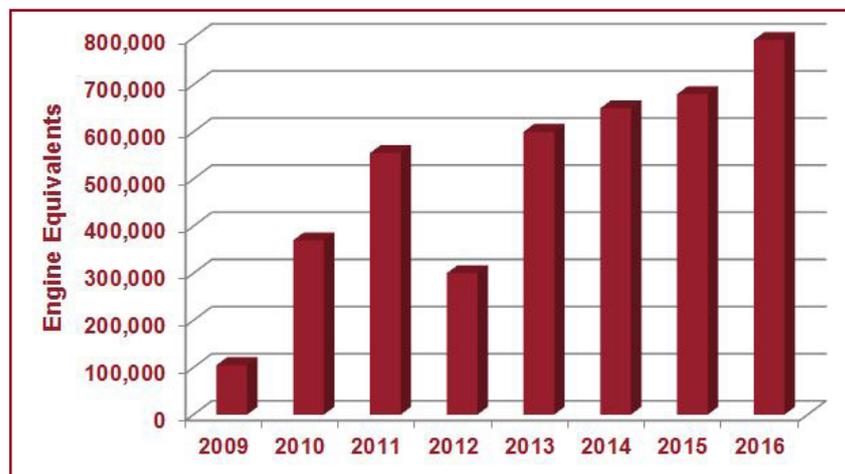
*SinterCast continues to view the overall market development in terms of the Five Waves strategy that was first introduced in 2002. The Five Waves are presented in terms of the main types of engines found in the automotive sector, and the types of vehicles that the engines are used in. For each type of product, SinterCast presents the production volume in terms of Engine Equivalents, where each Engine Equivalent is defined to weigh 50 kg. Accordingly, there are 20 Engine Equivalents per tonne of castings. The series production revenue of SinterCast is approximately €2.00-2.50 per Engine Equivalent.*



### Wave 1: V-Diesel Passenger Vehicle Engines in Europe

The *First Wave* started in 1999, when the Audi 3.3 litre V8 provided a breakthrough for SinterCast, becoming the world's first series production engine with a CGI cylinder block. This niche production was followed by the start of high volume V6 diesel production for Audi and Ford in 2003. Over the last 15 years, CGI has effectively become the standard material for passenger vehicle V-diesel cylinder blocks. At present, there is only one V-diesel engine in Europe that is not produced in CGI – the Mercedes 3.0 litre V6. Significantly, the Audi 3.0 litre V6 engine, produced with a SinterCast-CGI cylinder block, is 15 kg lighter

than the Mercedes aluminium V6. The production data shown in the graph are based on the annualised fourth quarter production which was approximately 8% lower in 4Q16 than in 4Q15. However, the full year production in the *First Wave* was the same in both 2015 and 2016, at approximately 315,000 Engine equivalents, showing stable contribution. The *First Wave* engines are primarily used in the popular SUV segment and this segment is expected to have continued stable demand for V-diesel powertrains for the foreseeable future. Although the VM Motori diesel is applied to FCA vehicles in Europe, all of the VM Motori volume is allocated to the *Fourth Wave*, due to the dominance of the Ram and Jeep applications in the US. Similarly, Range Rover diesel sales in North America are entirely allocated to the *First Wave*.



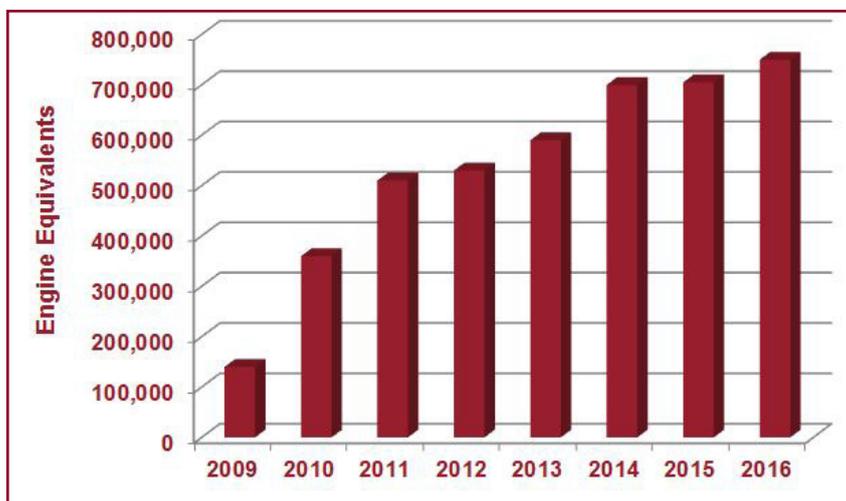
### Wave 2: Commercial Vehicle Engines Worldwide

Commercial vehicle production began in 2006 and, with the exception of the economic downturns in North America in 2009 and in Europe in 2012, the volume has grown almost linearly. Commercial vehicle volume increased by 17% in 2016 and currently accounts for 33% of the total volume. The growth in 2016 was primarily due to increased volumes in the European programmes, where heavy duty commercial vehicle sales grew 11.6% during the year and the trend toward CGI for modern high-performance cylinder blocks and heads continued to evolve positively. SinterCast continues to view commercial vehicles as

the largest growth opportunity in both the near-term and the long-term. The outlook for commercial vehicle sales in Europe and North America remains positive; however, the outlook in China – the world's largest commercial vehicle market – is more uncertain. Commercial vehicle sales in China increased by 6% in 2016, but were still 15% below the 2010 peak. This market uncertainty affects product development cycles and decisions for new engine programmes. The primary near-term growth opportunity is derived from the Western markets. The current production in the *Second Wave* provides a credible reference while offering considerable growth potential in a sector that continuously demands downsizing, performance and fuel efficiency.

### Wave 3: In-line Passenger Vehicle Diesel Engines

Although SinterCast has in-line cylinder block production for commercial vehicles ranging from 3.9 to 13 litres, there is still no series production reference for in-line passenger vehicles. There are three main considerations for the potential application of CGI in the Third Wave. First, the in-line engine configuration is inherently more stable than the V-configuration. This enables in-line engines to continue to use conventional materials such as grey iron and aluminium to higher operating pressures. Second, the ongoing trend toward downsizing and increased performance can reach the point where the conventional materials are no longer durable. Over the past twenty years, diesel engine performance has increased from approximately 50 horsepower per litre to more than 100 horsepower per litre. The continuation of this trend favours CGI. Third, the recent scrutiny on diesel engine emissions and the potential for more stringent legislation can be expected to increase the cost of diesel exhaust treatment systems. While this cost may be absorbed in more expensive SUVs, luxury vehicles and pick-ups, it will be more difficult in small cars. This may reduce the demand for small in-line diesel engines, regardless of the cylinder block material used.



North American full size pick-ups. The Nissan Titan, equipped with a SinterCast-CGI 5.0 litre V8 diesel, and the Hyundai 3.0 litre V6, available in Hyundai and Kia SUV applications in the domestic Korean market, also contribute to the *Fourth Wave*. On 9 January 2017, at the North American International Auto Show, Ford announced a 3.0 litre V6 diesel option for the F-150 pick-up; North America's best-selling vehicle. On sale in the autumn of 2017, foundry production is expected to begin mid-year. With total sales of approximately two million pick-ups per year, and more than 60% of all new vehicle sales in North America being pick-ups, SUVs and crossovers, the *Fourth Wave* remains a growth target for SinterCast.



(Courtesy Lincoln)

per 100 km) in 2025, and the need to reduce CO<sub>2</sub> emissions in Europe from 130 g per km in 2012 to 95 g per km in 2021, will continue to demand higher performance from smaller engines. With 133 horsepower per litre in the Lincoln 3.0 litre engine, these first high-volume CGI reference engines provide confident benchmarks as the industry targets future petrol engine concepts with 200 horsepower per litre.

### Wave 4: V-Diesel Passenger Vehicle Engines Beyond Europe

The *Fourth Wave* grew 6% in 2016, benefitting from strong demand for the 6.7 litre V8 diesel in Ford Super Duty pick-up applications, where more than 80% of all sales are based on the SinterCast-CGI diesel engine. The Ford Super Duty won the Motor Trend *Truck of the Year* award and the *Truck of Texas* award in 2016. The *Fourth Wave* also benefitted from contribution from the VM Motori 3.0 litre V6 EcoDiesel in the Ram 1500 and Jeep Grand Cherokee, despite that year-end volumes were lower due to delayed approval of the Model Year 2017 engine. The Ram 1500 EcoDiesel provides the best fuel economy of any of the

### Wave 5: Passenger Vehicle Petrol Engines Worldwide

The 2.7 litre V6 petrol engine is currently available in three Ford and two Lincoln vehicles while the 3.0 litre version of the engine is an exclusive offering for Lincoln and is available in the MKZ and Continental luxury sedans. It is estimated that the 2.7 litre engine currently accounts for more than 25% of Ford F-150 pick-up sales. In F-150 applications, the 2.7 litre SinterCast-CGI V6 provides 20-50% more power per litre, 15-90% more torque per litre and 10-20% better fuel economy than the three alternative engine options. The ongoing demands to improve fuel economy in the US from 27.5 miles per gallon (8.6 litres per 100 km) in 2010 to 54.5 miles per gallon (4.3 litres



### Other Growth Opportunities

Beyond the *Five Waves* related to the core cylinder block and head applications, SinterCast also supports the production of passenger vehicle exhaust components and bedplates, and large castings for the industrial power industry. The year-end production in the 'other' category declined by 50% in 2016 due to reduced demand in the rail, mining and off-road industries, and due to reduced volume for the VM Motori bedplate at year-end caused by the delayed approval of the Model Year 2017 engine. For the actual full-year, production volume in the 'other' category was down by 33% compared to 2015. The 'other' category has traditionally accounted for almost 10% of the total volume, but following declines in both the automotive non-block and head production and in industrial power applications, combined with increases in the core cylinder block and head volume, the 'other' category accounted for only 6% of the year-end production in 2016. Despite this decline, industrial power applications remain a

near-term and long-term growth target as the demands for weight reduction, increased specific power, and emissions become increasingly important in off-road applications. The ambition remains for automotive components other than cylinder blocks and heads, plus industrial power components, to continue to contribute approximately 10% of the total volume, even as the core automotive waves continue to grow.

### New Product Development

SinterCast is continuously investigating and developing new technologies. At the Annual General Meeting on 19 May 2016, SinterCast announced the Ladle Tracker™ technology. The Ladle Tracker™ technology leverages the experience of SinterCast in precision measurement and process control in the hostile foundry environment, and complements the mission of developing and installing unique precision measurement products that bring enhanced productivity, process control and profitability to the foundry industry. The Ladle Tracker™ technology can be used with the SinterCast CGI process or as a stand alone technology to control the production of other types of metal. The benefits of the Ladle Tracker™ technology have been proven at the Tupy foundry in Saltillo, Mexico. In operation since 2015, with 20 ladles in service, a typical production pace of 18 ladles/hour, and eight separate measurement locations, the technology ensures that every step in the process is successfully completed and prevents out-of-spec ladles from being poured. The SinterCast Ladle Tracker™ replaces operator reliance with direct measurements and automation.

SinterCast also conducted development of other novel concepts during 2016 – both within and beyond the scope of thermal analysis and ladle tracking. SinterCast will continue to investigate and develop new technologies that are unique and that reinforce the image of SinterCast as technology leader, while ensuring that sufficient resources remain available to support the core CGI technology and to serve the core CGI market.



*Equipped with a SinterCast-CGI diesel engine, the Ford Super Duty pick-up won the Motor Trend Truck of the Year and Truck of Texas awards in 2016*

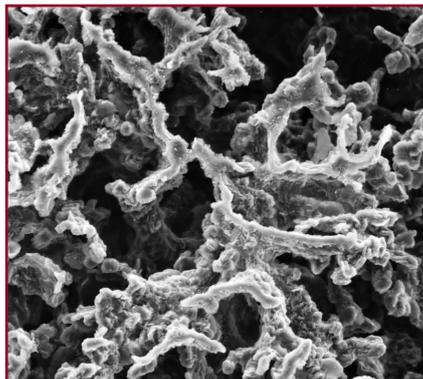
# SinterCast History

- 1983
  - SinterCast AB founded
  - First patent filed
- 1984–1991
  - Fundamental research on the solidification behaviour of CGI
  - First technical demonstrations
- 1992–1995
  - Development of first industrial product: System 1000
  - Dual marketing toward foundries and automotive OEMs
  - Initial experience in Motorsport programmes for motorcycles, cars and trucks
  - Introduction to Swedish Stock Exchange, Stockholm Börsen O-list, 26 April 1993
- 1996
  - First commercial installation of System 1000: Cifunsa, Mexico
  - ISO 9001 certification
- 1997–1998
  - Intensified sales and marketing activities
  - Development and launch of second generation process control system: System 2000
  - Development of high-volume machining solutions with the automotive industry, tooling suppliers, foundries and research institutes
- 1999
  - First production references in the car, truck and industrial power sectors
- 2000–2001
  - Machining solutions for high volume production
  - First high-volume production commitment: Ford-PSA 2.7 litre V6
  - ISO 9001:2000 Certification
- 2002
  - Strategic partnerships established for design, rapid prototyping, foundry automation and high volume machining and Tupy-Mauá
- 2003
  - Start of high-volume CGI production: Ford-PSA 2.7 litre V6 diesel engine
- 2004
  - New System 2000 installations at Grainger & Worrall, Hyundai, Motor Castings and Tupy-Mauá
- 2005
  - Successful production of Hyundai 3.0 litre V6 diesel engine
  - Agreement signed for first SinterCast System 2000 installation in China
  - New installations at Ashland Casting Solutions and at Ford's Cleveland Casting Plant
- 2006
  - Successful production of Hyundai 3.0 litre V6 diesel engine
  - Agreement signed for first SinterCast System 2000 installation in China
  - New installations at Ashland Casting Solutions and at Ford's Cleveland Casting Plant
- 2007
  - Eight new SinterCast-CGI commercial vehicle engines launched
  - Year-on-year series production increases by 50%
  - First full-year positive cashflow result
- 2008
  - Local representation established in China and India
  - High volume series production of exhaust components begins in China
- 2009
  - Development and launch of third generation process control system: System 3000
  - Ford begins series production of first CGI passenger vehicle engine in North America
  - Luitpoldhütte foundry in Germany adopts the SinterCast Process Control technology
  - First-ever SinterCast-CGI trial in India successfully concluded at the DCM foundry
- 2010
  - New installations at FAW and Dashieng Precision in China
  - Land Rover, Navistar and VM Motori launch new SinterCast-CGI engines
  - First passenger vehicle with CGI-engine on sale in North America
  - Series production surpasses one million Engine Equivalent milestone
- 2011
  - Series Production grows to 1.55 million Engine Equivalents
  - Record six new installations: Daedong and Daeshin foundries in Korea, FAW Wuxi in China, Toa Koki in Japan, Mid-City Foundry and PurePOWER Technologies in the USA
  - Active product development beyond the current V-diesel and commercial vehicle focus
- 2012
  - First high-volume petrol engine announced, with start of production in 2013
  - Record installation revenue established (SEK 9.0 million)
  - Plus installation agreed with Tupy Saltillo
  - New companies established in China and Korea
  - Diesel ramp-up begins for US light duty pick-up and SUV applications
- 2013
  - Series Production grows to 1.55 million Engine Equivalents
  - Record six new installations: Daedong and Daeshin foundries in Korea, FAW Wuxi in China, Toa Koki in Japan, Mid-City Foundry and PurePOWER Technologies in the USA
  - Active product development beyond the current V-diesel and commercial vehicle focus
- 2014
  - Record series production, 16% year-on-year growth
  - Record revenue; 40% increase in operating result
  - First high volume CGI petrol engine announced in Mexico
  - First bespoke CGI agricultural engine launched
  - Second consecutive Wards 10 Best for Ram diesel engine
- 2015
  - Series production surpasses two million Engine Equivalents
  - CGI petrol engine in six Ford and Lincoln vehicles
  - Third consecutive Wards 10 Best Engine award for Ram EcoDiesel
  - First CGI aviation engine begins FAA approval process
  - One millionth Sampling Cup produced
- 2016
  - Series production above two million Engine Equivalents for eight consecutive quarters
  - New Ladle Tracker™ technology launched
  - First Ladle Tracker™ installation announced in Mexico
  - Awards for Ford F-150 and F-250 pick-ups with SinterCast-CGI engines
  - Record revenue; 30% increase in operating result

## Current Status

- 24 fully automated process control systems and 20 mini-systems installed in 13 countries and supported in 10 languages
- More than 60 components in series production, from 2 kg to 9 tonnes
- Ladle Tracker™ technology launched, with expansion opportunities
- More than two million castings produced and more than 165,000 Sampling Cups shipped in 2016
- Series production for passenger vehicle, commercial vehicle and industrial power applications
- Cumulative dividend reaches SEK 100 million

## Technical Offering



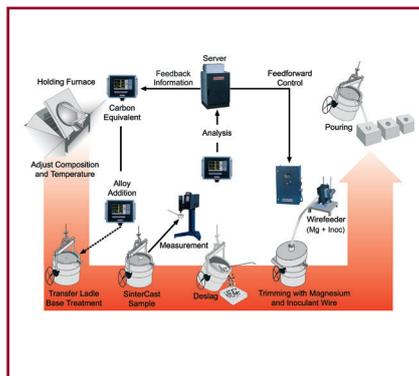
### Compacted Graphite Iron

Compacted Graphite Iron is an engineered form of cast iron. It is at least 75% stronger and 45% stiffer than conventional grey iron and aluminium alloys. More importantly, CGI provides double the fatigue strength of grey iron and up to five times the fatigue strength of aluminium at elevated temperatures. In new designs, these properties enable design engineers to reduce size and weight while increasing performance. For existing components, the properties of CGI can eliminate premature failure and allow operating loads to be increased. CGI is ideally suited to components that have simultaneous mechanical and thermal loading, such as cylinder blocks and heads, exhaust manifolds and turbocharger housings. CGI provides benefits for passenger vehicle, commercial vehicle, and industrial power engines, including agricultural, marine, locomotive, off-road and stationary power applications.



### CGI Engine Benefits

Compacted Graphite Iron enables automotive engines to be 10-20% lighter than conventional cast iron engines and 10-20% shorter than aluminium engines. The reduced length means that all of the components that span the length of the engine are also shorter, and therefore lighter. The net result is that fully assembled CGI engines can be the same weight, or even lighter than, aluminium engines. CGI also allows for 10-20% increased power per litre, 75-100% improved durability, and 5-10% reduced operating noise. These benefits contribute to the ongoing trend toward downsizing in passenger vehicle and commercial engines – more power and improved fuel economy from smaller and lighter engine packages. Compared to aluminium, CGI is stronger, consumes less energy and generates less CO<sub>2</sub> during production, is more recyclable and less expensive.



### The SinterCast Process

The SinterCast process is based on the measurement and feedforward correction of each ladle as it moves through the foundry. The process begins with an accurate analysis of the liquid iron, conducted in the patented Sampling Cup. Based on the result of this measurement, additional amounts of magnesium and inoculant are automatically added to each ladle, in wire form, to optimise the composition of the iron prior to casting. During series production, the average corrective addition of magnesium is approximately 35 grams per tonne, bringing pharmaceutical levels of control to the hostile foundry environment. The System 3000 Plus additionally provides automatic control of the base treatment process. The two-step measure-and-correct control strategy eliminates variation and ensures cost-effective CGI production.



### SinterCast Ladle Tracker™

The Ladle Tracker™ technology is based on the placement of an identification 'tag' on each ladle and the installation of 'tag readers' at key locations in the foundry to track the time and location of every ladle as it moves through the process. The technology automatically ensures that every ladle has successfully passed each step (temperature is correct, weight is correct, Mg-treatment was successful, time is within pre-set limits). If any step has not been successfully completed, the pouring car can be automatically blocked, without relying on behaviour of the operator. Ladle Tracker™ enables foundry managers to identify where (and why) any individual ladle falls out of the process, allowing corrective actions to be implemented to eliminate bottlenecks and optimise process efficiency. All results are available for user-defined downloading, streaming to the foundry ERP or quality system, or viewing in real time on any device that is connected to the internet, such as a mobile telephone. Ladle Tracker™ can be used with the SinterCast-CGI process, or as a stand-alone control system.

## SinterCast Process Control - Mini-System 3000

The Mini-System 3000 is a purpose-built thermal analysis system for product development, prototyping and niche volume production. The Mini-System 3000 uses the same sampling technology and software as the fully automated System 3000, but is based on a simplified hardware platform. The Mini-System 3000 does not include an integrated wirefeeder. The foundry can source a separate wirefeeder and manually input the magnesium and inoculant wire addition results provided on the operator display screen. As with the fully automated System 3000, all analysis results and thermal analysis process parameters are available to foundry supervisors and engineers.

All product calibrations developed using the Mini-System 3000 can be directly transferred to the fully automated System 3000 to provide continuity as products evolve to series production.

### Mini-System 3000 Specifications

<b>Components</b>	Operator Control Module (OCM) Sampling Mechanism SAM Lighthouse Operator Box
<b>Foot-print</b>	1,400 x 550 mm
<b>Max Height</b>	1,630 mm
<b>Weight</b>	190 kg
<b>Power Supply</b>	110–120V, 50–60Hz, 2kW max. 220–240V, 50–60Hz, 2kW max. Single Phase. To be specified on order



SinterCast Mini-System 3000



SinterCast Immersion Sampling

### SinterCast Sampling Cup

The patented SinterCast Sampling Cup is fabricated from stamped and drawn steel sheet. In comparison to conventional thermal analysis sand cups, the design of the thin-wall immersion sampler ensures a constant sample volume, prevents oxidation of the iron during pour-in filling, provides a more uniform solidification profile and yields a more accurate measurement of undercooling because of the elimination of chill-solidification. The thermal analysis is obtained from two high-accuracy thermocouples that are contained within a protective tube in the Sampling Cup and reused up to 250 times. These design advantages ensure

consistency and are a key element of successful CGI production: the stable CGI window is so small that it is essential that all measured differences in the thermal analysis can be attributed to changes in the solidification behaviour of the iron rather than to variation in the sampling conditions. The walls of the Sampling Cup are coated with a reactive coating that consumes active magnesium in order to simulate the fading of magnesium in the ladle. This patented Mg-fade simulation allows SinterCast's customers to safely target the low end of the 0-20% Nodularity window in order to minimise the risk of porosity defects and to optimise material properties and machinability, while safely avoiding flake graphite formation. SinterCast has successfully used steel Sampling Cups and re-useable thermocouples since 1999.

# SinterCast Process Control - System 3000

The fully automated System 3000 provides a flexible, robust and accurate hardware and software platform that enables SinterCast's customers to independently control CGI series production and product development. The System 3000 is comprised of individual hardware modules that can be configured to suit the layout, process flow and production volume of any foundry, both for ladle production and pouring furnaces. The basic configuration consists of one Sampling Module (SAM), one Operator Control Module (OCM), a Power Supply and a network-linked Wirefeeder for automated addition of magnesium and inoculant prior to casting. This configuration provides sampling capacity for approximately 15 ladles per hour. Additional Sampling Modules can be added to increase the throughput. The System 3000 Plus also incorporates automatic feedback control of the base treatment process.



Fully Automated System 3000 with two Sampling Modules

## The System 3000 features include:

- **Accuracy:** Proven, high resolution SinterCast thermal analysis.
- **Process Control:** Automatic cored wire correction of magnesium and inoculation for each ladle.
- **Automation:** Automatic base treatment by wire, based on automated input of ladle weight, temperature and historical SinterCast analysis results from previous ladles.
- **User-Friendliness:** Display of magnesium, inoculant and carbon equivalent results as histogram run-charts with all information in the local language.
- **Process Database:** Collection of melting and pouring data into a single database, including all System 3000 thermal analysis results and process data for advanced traceability.
- **Consistency:** Re-useable thermocouples used for up to 250 measurements to provide accuracy and traceability.
- **Efficiency Benchmarking:** Production results compiled every month and delivered to each customer with analysis and process improvement recommendations from SinterCast engineers.
- **Independent Control:** Supervisor-level access to process parameters, directly at the Supervisor's desktop computer. Full access to all process parameters.
- **Robust:** Rugged Windows® embedded operating system and proven hardware in the foundry environment.
- **Remote Support:** VPN access by SinterCast for technical support and maintenance.
- **Flexible:** Pallet mounted (pictured above), individually floor-mounted, or wall-mounted to suit any foundry layout.
- **Image Analysis:** Microstructure analysis according to the SinterCast rating technique adopted by the international ISO 16112 standard for CGI. The image analysis macro is available for use in Image Pro Plus image analysis software.

## System 3000 Specifications

<b>Components</b>	Sampling Module (SAM) Operator Control Module (OCM) Complete Wirefeeder Power Supply Module
<b>Foot-print</b>	1,200 x 800 mm, on pallet
<b>Max Height</b>	1,960 mm
<b>Weight</b>	392 kg (pallet mounted items) 290 kg (Complete Wirefeeder)
<b>System 3000 Power Supply</b>	110–120V, 50–60Hz, 2kW max 220–240V, 50–60Hz, 2kW max Single Phase To be specified on order
<b>Wirefeeder Power Supply</b>	380–415V, 3 kW max, Three Phase Dry oiled compressed air 5–10 bar
<b>Sampling Rate</b>	1 sample every 4 minutes



Automatic Wirefeeder, including Wirefeeder Head, Control Cabinet, Operator Box and Signal Lamp Assembly

## SinterCast Tracking Technologies

Increasing demands for process efficiency, product traceability and foundry profitability require the ability to measure every step of the foundry process, and to use these measurements to determine and implement corrective actions that resolve the root of the problem. In support of this demand, SinterCast has developed a suite of tracking technologies that provide new insight for foundry supervisors and managers. These precision measurement and control technologies include Ladle Tracker™, Cast Tracker™ and Operator Tracker™. These technologies can be applied to grey iron, ductile iron and CGI foundries, and also to other metallurgical facilities such as steel mills.

### Ladle Tracker™ - “Every Ladle, Every Minute”

The Ladle Tracker™ technology provides a unique solution to correctly identify, trace, and document the movement of ladles throughout the foundry process. Ladle Tracker™ is comprised of individual hardware modules that can be custom configured to suit the layout, process flow, and production volume of any foundry. The system can also interface with and receive inputs from peripheral devices for temperature measurement, weight, chemistry and wirefeeding data to ensure that every ladle receives all critical treatments and completes all process steps within pre-set time limits.



Figure 1: Together, the Ladle Tracker™ and Cast Tracker™ technologies link the core and mould history to the liquid metal history, providing complete traceability.



Figure 2: RFID Antennae (shown) or optical cameras can be positioned at any key measurement location in the foundry



Figure 3: RFID tags or 2D optical matrix plates (shown) can be used to identify ladles

### Ladle Tracker™ Features:

- **Identification:** Precise identification of any number of ladles throughout the casting process via Radio Frequency Identification (RFID) tags or 2D optical matrix plates on each ladle and RFID readers or optical cameras located at any critical position in the process.
- **Additional Inputs:** Multiple peripheral inputs can be added to the system for enhanced data collection.
- **Process Adherence:** Limits on input parameters, timing sequences and process flow steps can be established for ladles that trigger alarms and lock-out the process to avoid pouring of out-of-spec metal.
- **Documentation:** Data for each process step is stored in a database with upload capability to any internet connected device and download capability to defined reports. No information is stored on the RFID tag or 2D matrix plate.
- **Process Optimisation:** On demand daily, weekly and/or monthly reports of ladle movement to identify where and why ladles drop-out of the process, allowing supervisors and managers to identify and resolve process bottlenecks.
- **Process Improvement:** Quantitatively measure process efficiency improvements and establish KPI targets to link operator performance directly to productivity.
- **Process Traceability:** Ladle movement and process data (temperatures, weights, chemistries, wirefeeder data, etc.) can be uploaded to the foundry database for process traceability and customer assurance.
- **Flexibility:** Flexible hardware platform can be configured to suit the layout, process flow, and production volume of any type of foundry. Additional measurement locations can be added at any time.

- **Robustness:** Robust equipment designed for the foundry environment, including protected RFID tags and 2D optical solutions, provides a highly reliable, low maintenance system.
- **Real-time Monitoring:** The system can be configured on the main operator interface computer screen for real-time monitoring of ladle status and process data such as weight, temperature, and the performance of ancillary devices.
- **Data Display Options:** All results available for downloading, streaming to the foundry quality or ERP system, or viewing in real-time on any internet-connected device.
- **Remote Technical Support:** VPN access by SinterCast for technical support and maintenance.

### Cast Tracker™- “More Measurements, More Control”

Cast Tracker™ provides complete traceability of each casting from the date and time of core production (inception), shelf storage time, pouring (birth) and shake out. Together with the Ladle Tracker™ technology, Cast Tracker™ links the moulding history to the liquid metal history. For the OEM end-user, this novel capability provides complete traceability of each casting. For the foundry, Cast Tracker™ provides the detailed information (such as cast sequence) needed to determine robust correlations between defects and process parameters.

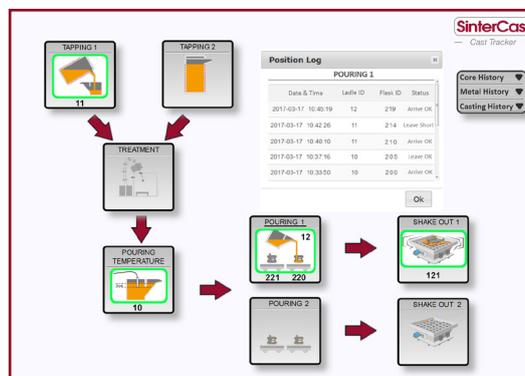


Figure 4: Real-time position monitoring and tracking with Cast Tracker™

### Cast Tracker™ Features:

Additional features for Cast Tracker™ beyond the Ladle Tracker™ features include:

- **Core Traceability:** Inputs for core marking that define the date and time of manufacture (inception); determination of shelf storage time; and, identification of the mould in which the cores are set.
- **Mould Tracking:** RFID tags or 2D optical matrix plates on each flask match the mould with:
  - the marked cores identified by printed bar codes or sand etching
  - the ladle identification, the liquid metal history and the cast sequence within the ladle
  - shakeout time
- **Casting Traceability:** Synchronisation of the coremaking, mould identification, and metal history data (including pouring times and temperatures), ultimately relating each component to the entire process history.

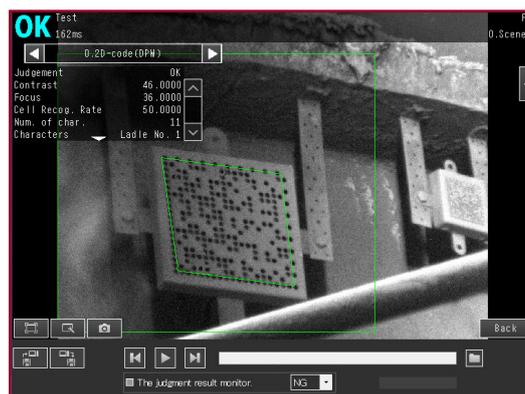


Figure 5: RFID tags or 2D optical matrix plates provide traceability of every core package, every mould and every flask to the parent ladle.

### Operator Tracker™

Operator Tracker™ can identify and record which operator performed any task, allowing foundry managers to reward consistent performance, to provide additional training, and to promote and measure efficiency competitions between shift teams. The Operator Tracker™ technology can also be used to set and quantitatively measure KPI's for individual operators, and to give added confidence to customers.



Figure 6: RFID tags or 2D optical matrix plates enable ladles to be traced throughout the process, linking each mould to the liquid metal history

## SinterCast and the Environment



*SinterCast contributes to the environment directly and indirectly. In the foundry, the improved efficiency of the CGI casting process provides energy savings and reduced CO<sub>2</sub> emissions. On the road, CGI enables the use of more efficient downsized engines, providing higher fuel economy and lower CO<sub>2</sub> emissions.*

*Equipped with a SinterCast-CGI 2.7 Litre petrol engine, the Ford F-150 won the US Automotive Science Group™ Best Environmental Performance award in 2016. The 2.7 Litre V6 provides the highest power/litre, torque/litre and fuel efficiency of the four engine options available in North America's best-selling vehicle.*

**Foundry Efficiency - Right First Time:** Improved process control reduces energy consumption and CO<sub>2</sub> emissions. By reducing the scrap rate, fewer castings need to be re-melted and re-cast. The energy needed to melt cast iron is approximately 10,000 MJ per tonne. For a foundry producing one million Engine Equivalents per year, with a mould yield of 65%, the annual energy demand for melting is over 800 million MJ, corresponding to more than 35,000 tonnes of coal per year. Every 1% of scrap reduction, weight reduction or improved mould yield provides the potential to reduce the coal demand by over 350 tonnes per year – approximately 1,000 tonnes of CO<sub>2</sub> for every one million Engine Equivalents. SinterCast contributes to the environment by improving process efficiency and helping foundries to be right-first-time.

**Foundry Efficiency - Weight Reduction:** The increased strength and stiffness of CGI allows engine engineers to achieve 10-20% weight reduction compared to conventional grey iron designs. Less weight means less metal melted in the foundry. For a foundry producing one million Engine Equivalents per year, 15% weight reduction provides an annual savings of 7,500 tonnes of castings, and approximately 10,000 tonnes of liquid iron. The reduced liquid metal demand corresponds to a saving of approximately 100 million MJ of electricity, 4,500 tonnes of coal, and 10,000 tonnes of CO<sub>2</sub> per year. SinterCast contributes to the environment by enabling the reliable high-volume production of CGI, and thereby, the weight reduction of critical components such as cylinder blocks and heads.

**Fuel Efficiency - Passenger Transport:** The increased strength and stiffness of CGI allows engineers to reduce weight while increasing the combustion pressure, resulting in more power per litre. Smaller CGI engines can replace larger engines while providing similar performance. This downsizing effect can provide weight reduction of approximately 50 kg in a passenger vehicle engine. For passenger vehicles, every 50 kg of weight reduction provides a fuel saving of approximately 0.15 litres for every 100 km driven. This weight saving corresponds to 375 litres of saved fuel over the 250,000 km lifetime of a vehicle, providing a reduction of approximately one tonne of CO<sub>2</sub> per vehicle. Approximately 100 million passenger vehicles are sold every year and there are more than one billion vehicles in the current global car pool.

**Fuel Efficiency - Goods Transport:** Weight reduction is particularly important in commercial vehicles: to enable increased payloads; to reduce the number of vehicle-miles; and, to improve fuel economy. For commercial vehicles, every 100 kg of weight reduction improves fuel economy by 0.1%. For a typical 12L engine, with fuel consumption of 40 litres per 100 km, the use of SinterCast-CGI can enable engine downsizing and provide engine weight reduction of approximately 100 kg, yielding fuel savings of approximately 0.04 litres for every 100 km. With typical annual mileage of 250,000 km per transport truck, the 100 kg of weight saving in a fleet of 100 trucks corresponds to a fuel saving of approximately 10,000 litres of diesel fuel per year – a reduction of more than 25 tonnes of CO<sub>2</sub> per year for the fleet.

**Life Cycle Benefit:** The production of primary aluminium from ore requires approximately four times more energy than the production of primary iron. Likewise, the foundry processing of aluminium requires more than double the energy of cast iron. To provide a net benefit to society, the reduced weight of an aluminium engine must provide fuel savings that are larger than the up-front material and process energies consumed in the manufacturing process. For a typical 1.6 litre four-cylinder engine, the weight difference between an aluminium engine and a cast iron engine is approximately 10 kg. Weight reduction in passenger vehicles saves approximately 0.2 litres of petrol (0.15 litres of diesel) for each 100 km driven and 100 kg of weight saved. Considering the 34.2 MJ/litre energy content of petrol (38.6 MJ/litre for diesel), the aluminium engine must drive approximately 200,000-500,000 km before the initial energy penalty is recovered. This is beyond the life of most vehicles.



*The executive management with 50 years of combined service*

**Steve Wallace**  
 Operations Director  
 Rejmyre, Sweden  
 Born 1967

Nationality: British  
 Employed since 2003  
 \*No. of shares: 8,000

\*As of 15 March 2017

**Steve Dawson**  
 President & CEO  
 London, United Kingdom  
 Born 1962  
 BEng, MAsc, PhD, PEng, FIMechE  
 Nationality: Canadian, British  
 Employed since 1991  
 \*No. of shares: 34,887

**Daphner Uhmeier**  
 Finance Director  
 Rönninge, Sweden  
 Born 1962  
 BSc  
 Nationality: Swedish  
 Employed since 2004  
 \*No. of shares: 5,200

## President's Award Winners



*Initiated in 2015, the President's Award is the highest recognition of contribution within SinterCast. Recipients include, from left to right: Patrik Popelar, Research & Development Director; Dr Majed Jaradeh, Metallurgical Research Engineer; Arnaud Denis, Chief Engineer, Tracking Technologies; Matz Johansson, Software Engineer; and, Dr Johan Antonsson, Senior Systems Engineer. Dr Steve Dawson, President & CEO in front.*

## The SinterCast Board



**Hans-Erik Andersson**  
Chairman

Danderyd, Sweden  
Born 1950, Nationality: Swedish

**Other Assignments**

Board Member of Anticimex TopHolding AB, JLT Risk Solutions AB and Chairman of Skandia

**Professional background**

Former Chairman of Cision AB, Semcon AB, Erik Penser Bank and Canvisa AB as well as CEO Skandia, Nordic Region Head Marsh & McLennan Companies and Executive Director Mercantile & General Re

Elected 2013

4,000 SinterCast Shares



**Aage Figenschou**  
Vice Chairman  
LLM

Oslo, Norway  
Born 1948, Nationality: Norwegian

**Other Assignments**

MD, Aage Figenschou AS, Jason ASA (CEO), Chairman of Pareto Worldwide Shipping ASA

**Professional background**

Financial Restructuring of Companies in Shipping and Oil Service as Temporary Management and Director

Elected 1998

6,000 SinterCast Shares



**Robert Dover**  
Board Member  
FR Eng, FIED, FRSA

London, United Kingdom  
Born 1945, Nationality: British

**Other Assignments**

Chairman of British Motor Industry Heritage Trust, Jaguar Daimler Heritage Trust, Autoscan Ltd and Advanced Propulsion Centre UK Ltd. Director and Member of the Audit Committee of Chemtura Corporation

**Professional background**

Professor of Industrial Manufacturing, Warwick University, Former Chairman and CEO of Jaguar and Land Rover. Former Chairman and CEO Aston Martin

Elected 2004

1,249 SinterCast Shares



**Laurence Vine-Chatterton**  
Board Member  
B.A., F.C.A.

Guildford, United Kingdom  
Born 1949, Nationality: British

**Other Assignments**

Trustee-Treasurer of the Arboricultural Association, Non-executive Director of Surrey and Borders Partnership NHS Foundation Trust and Chairman of its Audit Committee

**Professional background**

Former President of Internet Europe GmbH. Former non-executive Director of Automotive Components Europe S.A.

Elected 2011

800 SinterCast Shares



**Carina Andersson**  
Board Member  
MSc Metallurgy

Suzhou, China  
Born 1964, Nationality: Swedish

**Other Assignments**

Board Member of Beijer Alma AB (Publ), Gränges AB (Publ), Systemair AB (Publ) and Chairman of eiCandersson AB

**Professional background**

Former Managing Director at Ramnäs Bruk AB, former General Manager at Sandvik

Elected 2014

1,000 SinterCast Shares



**Jason Singer**  
Board Member  
BA, MSc

London, United Kingdom  
Born 1971, Nationality: American, British

**Other Assignments**

Senior Vice President at D.E. Shaw & Co

**Professional background**

Former News Editor, The Wall Street Journal

Elected 2014

1,512 SinterCast Shares



**Steve Dawson**  
President & CEO  
BEng, MAsc, PhD, PEng, FIMechE

London, United Kingdom  
Born 1962, Nationality: Canadian, British

**Other Assignments**

No other Board duties

**Professional background**

Former Technical Director and Chief Operating Officer, SinterCast Group Senior Research Engineer, LTV Steel

Elected 2007

34,887 SinterCast Shares

Information regarding Board meeting presence is presented on page 24  
Information regarding Board remuneration is presented on pages 24 and 39  
Note: All information as of 15 March 2017.

## Directors' Report

The Board of Directors and the Managing Director of SinterCast AB (publ), corporate identity number 556233-6494, hereby submit the Annual Report and consolidated financial statements for 2016. SinterCast AB, the Parent Company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden.

### Operations

The progress of 2016 provided record results for revenue, operating result, Sampling Cup shipments and series production. Compared to 2015, revenue increased by 4% while the operating result increased by 30% as a result of strong installation performance, high series production and prudent cost control throughout the year. The high series production also led toward record Sampling Cup shipments of 168,800, representing an increase of 10% above the previous record established in 2015. Since 2012, SinterCast has achieved four consecutive years of growth, with 50% increase in series production, 64% increase in revenue and a 25-fold increase in operating result.

SinterCast is the world's leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI). With at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium, CGI allows engine designers to improve performance, fuel economy and durability while reducing engine size, weight, noise and emissions. The SinterCast technology, with 44 installations in 13 countries as of 15 March 2017, is primarily used for the production of petrol and diesel engine cylinder blocks and exhaust components for passenger vehicles, medium-duty and heavy-duty cylinder blocks and heads for commercial vehicles, and industrial power engine components for agricultural, locomotive, marine, off-road and stationary power applications. SinterCast's series production components range from 2 kg to 9 tonnes, all using the same proven process control technology.

### Organisation

With successful high volume CGI production in customer foundries located in Europe, Asia and the Americas, SinterCast has established a global organisation with employees and offices in Sweden, the United Kingdom, the United States, China and Korea.

The global organisation includes functions for Sales & Marketing, Operations, Research & Development, Process Engineering and Finance & Administration. All of these functions report directly to the President & CEO of the SinterCast Group and Managing Director of SinterCast AB. The global Sales & Marketing function is responsible for supporting the commercial needs of existing customers and for the active development of new foundry and OEM business opportunities. The Operations function is responsible for the production and supply of the control systems and sampling consumables, commissioning of new installations, and quality management, including the current ISO 9001:2008 certification. The Research & Development function is responsible for the continuous improvement of the core thermal analysis technology, the process control software, new product development and general metallurgical support. The Process Engineering function is responsible for the metallurgical planning and commissioning of new installations and customer training, technical support of ongoing foundry production activities, field trials, and technical support of prospective customers. The centralised Finance & Administration function, based at the Technical Centre in Katrineholm, is responsible for supporting the needs of all Group companies with regard to finance, control, administration, human resources and information technology. The Finance & Administration function also supports the Board and the President & CEO in various matters.

### Legal Structure

SinterCast AB (publ) is the Parent Company of the SinterCast Group, with its registered office located in Stockholm, Sweden. On 31 December 2016, the Parent Company had 16 (15) employees. The majority of the operations are managed by



*Remodelled in 2016, the equipment configuration and test area at the Technical Centre in Katrineholm reinforces the SinterCast high tech image.*

the Parent Company while local operations in the United Kingdom, United States, Korea and China are managed by the local companies. The information given for the Group in this report corresponds in all material respects to the Parent Company. However, the result for the period may differ between the Group and the Parent Company due to intercompany transactions between the Parent Company and its subsidiaries.

The Parent Company holds all of the patents and trademarks and controls the activities of the Group. The legal structure of the SinterCast Group includes the Parent Company, SinterCast AB (publ), and its subsidiaries SinterCast Ltd in the United Kingdom, SinterCast Inc in the USA, SinterCast Trading (Beijing) Co., Ltd in China, SinterCast Korea Co., Ltd in Korea and SinterCast SA de CV and SinterCast Servicios SA de CV, both in Mexico.

As of 31 December 2016, the Group had 21 (20) employees, four (four) of whom are female. SinterCast is well positioned to support global market activities and to drive the future growth of the company.

### Patents, Intellectual Property and Research & Development

The company has implemented a strategy to protect its technology through patents or other intellectual property rights to preserve its leading position within CGI process control. Patents have also been filed to protect the ductile iron technology. The company applies for patents in selected countries that are relevant to the foundry and/or automotive industries, while retaining some core technology as knowhow.

SinterCast currently holds 8 (12) patents, granted or pending, and maintains 58 (69) individual national phase patents worldwide. These patents address the SinterCast metallurgical technology, thermal analysis, the Sampling Cup for CGI and ductile iron, product applications and machining. During recent years, the company allowed selected patents to lapse, as it was judged that continued payment of the national phase annuities for these patents would not provide a return on the investment.

The remaining emphasis of the R&D activity is to continuously improve the accuracy and the reliability of the thermal analysis and process control software. The introduction of the Ladle Tracker™ technology has been well-received in the

industry. At present, Ladle Tracker™ installation discussions are ongoing with current SinterCast customers, with grey and ductile iron foundries and with metallurgical plants beyond the cast iron foundry industry. These initial discussions have identified new opportunities to expand the tracking capabilities that SinterCast can bring to the industry. In addition to these new development opportunities, SinterCast is also investigating the development of other unique technologies – within and beyond the scope of thermal analysis – to improve quality and production efficiency in the cast iron foundry industry.

### Environment

SinterCast operates within the environmental limits established by local and national legislation and does not have any operations that require specific environmental permission or concessions from the authorities. The accuracy of the SinterCast process enables foundries to produce CGI castings with a lower scrap rate, thus reducing the emissions and the cost associated with re-manufacturing. As a CGI-enabler, the SinterCast technology contributes to the production of smaller and more fuel-efficient engines, thus reducing CO<sub>2</sub> emissions in passenger vehicle and commercial vehicle applications. In general, the engines produced using SinterCast-CGI provide approximately 20-30% better fuel efficiency and 20-30% less CO<sub>2</sub> emissions than the nearest available engine options.

### Risks and Uncertainty Factors

Uncertainty factors for SinterCast include the timing of OEM decisions for new CGI engines and other components, the global economy for new vehicle sales, and the individual sales success of vehicles equipped with SinterCast-CGI components.

The economies have developed differently in Europe, Asia and the Americas over the last several years. The European passenger vehicle, commercial vehicle, and construction equipment markets have recovered and are experiencing steady growth. In Asia, the dominant Chinese market is characterised by overcapacity in the commercial vehicle and construction equipment sectors, which represent the primary opportunity for CGI. This overcapacity, coupled with the current economic uncertainty in China, influences product development cycles and production volumes. In contrast, consumer confidence has increased in North America and SinterCast has benefitted from increased vehicle sales. The



*The Ladle Tracker™ technology enables foundry managers to identify where (and why) any individual ladle falls out of the process, allowing bottlenecks to be eliminated and process efficiency to be optimised.*

geographical diversification of SinterCast helps to mitigate changing macroeconomic conditions in the different regions.

For full risk and uncertainty factor information, please see note 26 on pages 46 and 47.

## Financial Summary

### Revenue

The revenue for the SinterCast Group relates primarily to income from equipment, series production and engineering service.

Revenue Breakdown Amounts in SEK million if not otherwise stated	January-December	
	2016	2015
Number of Sampling Cups shipped	168,800	152,700
Equipment <sup>1</sup>	7.1	7.7
Series Production <sup>2</sup>	66.5	63.6
Engineering Service <sup>3</sup>	1.8	1.0
Other	0.0	0.1
<b>Total</b>	<b>75.4</b>	<b>72.4</b>

<sup>1</sup> Includes revenue from system sales and leases and sales of spare parts

<sup>2</sup> Includes revenue from production fees, consumables and software licence fees

<sup>3</sup> Includes revenue from technical support, on-site trials and sales of test pieces

The January-December 2016 revenue amounted to SEK 75.4 million (SEK 72.4 million). Revenue from series production increased by 5% to SEK 66.5 million (SEK 63.6 million), due to the increased shipment of 168,800 (152,700) Sampling Cups and a 1% increase in full-year series production. Equipment revenue decreased to SEK 7.1 million (SEK 7.7 million). Engineering Service amounted to SEK 1.8 million (SEK 1.0 million) following support provided to various customers globally and the sale of test pieces.

### Results

The business activities of SinterCast are best reflected by the Operating Result. This is because the "Result for the period after tax" and the "Earnings per Share" are influenced by the financial income and costs and by the revaluation of tax assets.

Results Summary Amounts in SEK million if not otherwise stated	January-December	
	2016	2015
Operating Result	26.4	20.3
Result for the period after tax	26.8	25.2
Earnings per share (SEK), from operations	3.7	2.9
Earnings per share (SEK)	3.8	3.6

The January-December 2016 operating result of SEK 26.4 million (SEK 20.3 million), increased as a result of higher gross results of SEK 3.4 million primarily derived from higher revenue, combined with decreased operating costs of SEK 1.1 million, and increased other operating income (exchange

gains) of SEK 0.5 million and decreased other operating costs (exchange losses) of SEK 1.1 million. The result for the period after tax amounted to SEK 26.8 million (SEK 25.2 million). The increase relates primarily to the increased operating result of SEK 6.1 million, a SEK 0.2 million decrease in the financial net and a SEK 0.2 million increase in tax income. The remaining decrease of SEK 4.5 million relates to the parent company's settlement of debts toward its subsidiaries in US and UK in 2015.

### Deferred Tax Asset

Tax income for the January-December 2016 period amounted to SEK 1.0 million (SEK 0.8 million). The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2016, SEK 142.3 million (SEK 137.8 million) of the SinterCast total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 31.3 million (SEK 30.3 million) being capitalised as a deferred tax asset.

### Cashflow, Liquidity and Investments

The January-December 2016 cashflow from operations increased by SEK 5.0 million compared to the same period in 2015. This was primarily due to the net effect of an increase of SEK 5.6 million in cashflow from operations before changes in working capital, plus changes in working capital (SEK -0.6 million), derived from changed cashflow from inventory (SEK 1.0 million), receivables (SEK 4.5 million) and operating liabilities (SEK -6.1 million).

The total cashflow decreased by SEK 5.8 million following the dividend of SEK 24.8 million (SEK 15.6 million). Total investments amounted to SEK 3.3 million, primarily related to the activation of products under development (SEK 1.9 million), patent investments (SEK 0.4 million), production equipment (SEK 0.4 million) and facilities upgrades (SEK 0.6 million). The total cashflow amounted to SEK -2.7 million (SEK 3.1 million). Liquidity on 31 December 2016 was SEK 45.3 million (SEK 48.0 million). SinterCast has no loans.

### Annual General Meeting 2017

The Annual General Meeting 2017 of SinterCast AB (publ) will be held on Thursday 18 May 2017.

Shareholders wishing to have a matter considered at the Annual General Meeting should provide written submissions to [agm.registration@sintercast.com](mailto:agm.registration@sintercast.com) or to the company: SinterCast AB (publ), Kungsgatan 2, 641 30 Katrineholm, Sweden, at least seven weeks prior to the Annual General Meeting for the proposal to be included in the notice of the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Cashflow Summary Amounts in SEK million if not otherwise stated	January-December		Cashflow Changes
	2016	2015	2016 vs. 2015
Cashflow from operations, before change in working capital	26.9	21.3	5.6
Change in working capital	-1.5	-0.9	-0.6
<b>Cashflow from operations</b>	<b>25.4</b>	<b>20.4</b>	<b>5.0</b>
Cashflow from investing activities	-3.3	-1.7	-1.6
Cashflow from financing activities	-24.8	-15.6	-9.2
Exchange rate differences in cash and cash equivalents	0.0	0.0	0.0
<b>Cashflow total</b>	<b>-2.7</b>	<b>3.1</b>	<b>-5.8</b>
<b>Liquidity</b>	<b>45.3</b>	<b>48.0</b>	

### Dividend Distributed in 2016

The Annual General Meeting of SinterCast AB (publ) held on 19 May 2016 approved an ordinary dividend for the financial year 2015 amounting to SEK 2.0 (1.5) per share and an extraordinary dividend amounting to SEK 1.5 (0.7) per share. A total amount of SEK 24.8 (15.6) million was distributed to the shareholders.

### Proposed Dividend 2017

The Board's intention is to continue to provide an ordinary dividend to the shareholders, based primarily on the cashflow from operations. In the event that the Board considers that the liquidity exceeds the amount needed to support the operational requirements and strategic objectives, the Board has the option to propose an extraordinary dividend or a share buy-back to further adjust the liquidity.

The Board of Directors propose an ordinary dividend of SEK 2.5 per share (SEK 2.0) plus an extraordinary dividend of SEK 1.5 (1.5) per share, representing a distribution of SEK 28.4 million (SEK 24.8 million) to the shareholders of SinterCast AB (publ) for the financial year 2016. The Board proposes 22 May 2017 as the record date for entitlement to receive dividends. In deciding the amount of the ordinary dividend to be proposed to the AGM 2017, the Board considered cashflow from operations, the financial position, investment requirements and other factors, such as market outlook, growth strategy and the internal financial forecast for the Group.

Including the proposed dividend, the total payout to shareholders since the first dividend was provided in 2011 will reach SEK 100 million.

As a basis for the Board's dividend proposal, the Board of Directors made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act including the Parent Company's and the Group's liquidity, the need for financial resources, the current financial position, and the long-term ability to meet commitments. The Group reports an equity ratio of 89% (88%) and a net cash amount of SEK 45.3 million (SEK 48.0 million). Unrealised changes in the value of assets

and liabilities at fair value have had a net effect on equity of SEK 0.6 million (SEK 0.3 million). The Board of Directors also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries. The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board's assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

### Proposed Allocation of Profits in SinterCast AB (publ)

The following earnings in the Parent Company are at the disposal of the Annual General Meeting.

(Amounts in SEK)	
Share premium preserve	35,336,610
Result brought forward	10,575,127
Result for the year	26,139,672
<b>Total non-restricted equity of the Parent Company</b>	<b>72,051,409</b>

The Board of Directors proposes to the AGM that earnings be distributed as follows.

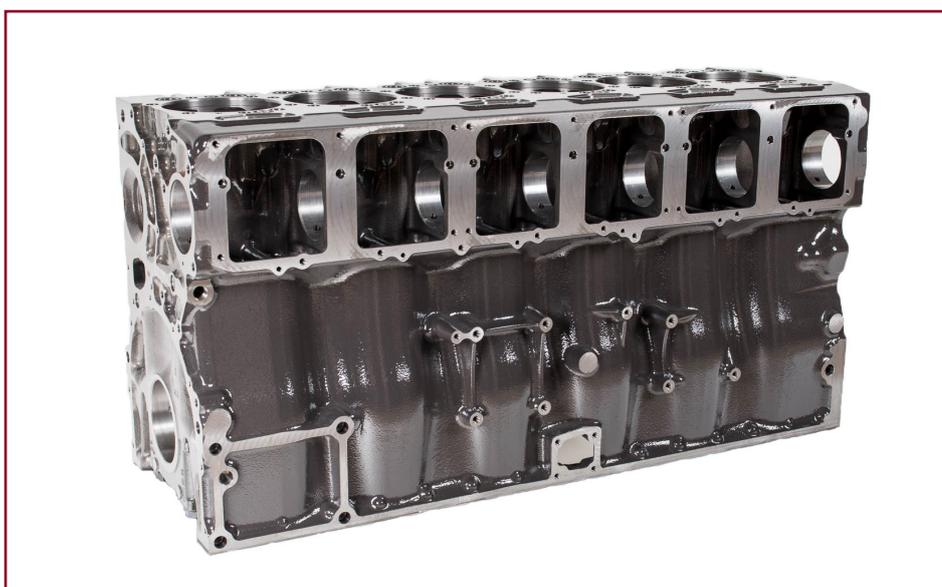
(Amounts in SEK)	
A dividend of SEK 4.0 per share shall be distributed	28,360,532
To be retained by the Parent Company	43,690,877
<b>Total</b>	<b>72,051,409</b>

### Events after the Balance Sheet Date

There have been no significant events since the balance sheet date of 31 December 2016 that could materially change these financial statements. The following press releases have been issued:

10 January 2017 – Ford reveals F-150 at North American International Auto Show

22 February 2017 – SinterCast Results October-December 2016 and Full Year Results 2016



*The class-leading Scania 13 litre commercial vehicle engine is produced in SinterCast-CGI at three different foundries (courtesy Scania)*

## Corporate Governance Report 2016

### Corporate Governance in SinterCast

SinterCast focuses primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast promotes CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast also builds upon its technical expertise in thermal analysis and cast iron process control to develop new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the company for its shareholders. As a technology led company, SinterCast will grow and prosper by earning the respect of its customers.

Corporate Governance at SinterCast is aimed at ensuring the continued strong development of the company and, consequently, that the Group fulfils its obligations to shareholders, customers, employees, suppliers and society.

Corporate Governance includes: establishing the overall operational goals and strategy of the company; ensuring that there is an effective system for follow-up and control of the company's operations; ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations; and, defining necessary guidelines to govern the company's ethical conduct and ensuring that the company's external communications are characterised by openness and that such communications are accurate, reliable and relevant. The Group's risks are well-analysed and risk management is integrated in the work of the Board and in operational activities.

### External Regulation of Corporate Governance

The Swedish Annual Accounts Act prescribes that listed companies shall, on a yearly basis, present a Corporate Governance Report, to be included in the Annual Report. The Swedish Companies Act defines the legal framework for limited liability companies including rules for the Articles of Association, the share, the Annual General Meeting (AGM), and the management of the company. The Corporate Governance Report must be in accordance with the Swedish Code of Corporate Governance which is applicable to all Swedish companies whose shares are traded on a regulated market in Sweden.

### SinterCast Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment at Nasdaq Stockholm stock exchange. On 31 December 2016, Swedish shareholders held and controlled 83.0% (82.4%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension AB (Sweden), controlled 11.4% (10.7%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,172 (3,408) shareholders on 31 December 2016. The ten largest shareholders, of which five (four) were nominee shareholders, controlled 48.8% (47.8%) of the capital and votes. As of 31 December 2016, the SinterCast Board, management and employees controlled 1.0% (0.9%) of the capital and votes. During the year, shareholders have provided

feedback and proposals to the Board, the Managing Director and to the Nomination Committee.

### Nomination Committee

#### *Nomination Committee prior to the AGM 2016*

The Nomination Committee, elected by the AGM 2015, consisted of Karl-Arne Henriksson (Chairman), Hans-Erik Andersson (Chairman of the Board of Directors), Ulla-Britt Fräjdin-Hellqvist and Andrea Fessler. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. As a result of this review, and after consultations with the shareholders, the Nomination Committee proposed to the AGM 2016 that the Board Members be re-elected. The Nomination Committee proposed the Board remuneration to the AGM and nominated the Auditor for election, for the period until the next AGM.

### Annual General Meeting (AGM) 2016

The AGM was held on Thursday 19 May 2016, in Stockholm, Sweden. All Members of the Board, the Group Management, the Nomination Committee and the external Auditor were present during the meeting. The AGM was attended by 46 (52) shareholders, in person or by proxy, representing 1,659,972 (1,802,084) votes.

Hans-Erik Andersson was elected as Chairman of the AGM. During the AGM, presentations were provided by Dr Mark Jolly, Professor of Sustainable Manufacturing, Head of Sustainable Manufacturing Systems Centre, Manufacturing and Materials Department, Cranfield University, UK and by Dr Steve Dawson, Managing Director. During his presentation, Dr Dawson provided an overview of recent market activities and presented an outlook for the potential market development of SinterCast.

The Auditor presented how the audit work was conducted and presented the annual Audit Report to the AGM. The AGM adopted the Annual Report and the consolidated financial statements as of 31 December 2015, as presented by the Board of Directors and the Managing Director; decided upon allocation of the company's result; and, granted the Directors and the Managing Director discharge from liability.

The Nomination Committee presented how it conducted its work during the year and presented its proposals. Thereafter, the AGM decided, for the period until the next AGM, seven ordinary Board Members with no alternate Board Members; that the company shall have a registered auditing company as auditor; that the Board shall receive a total remuneration of SEK 1,120,000 (SEK 1,050,000) and that the Nomination Committee shall consist of four (four) Members. It was decided that the Board Members could invoice the Board fee, provided that it was cost neutral to the company.

The AGM also decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management, and authorised the Board to decide upon acquisition and disposal of SinterCast shares, as proposed by the Board of Directors. During the AGM the shareholders raised various questions to the Board and management. All of the proposals presented to the AGM were approved by the shareholders.

## Overview of Corporate Governance of SinterCast

<h3>Nomination Committee</h3>	<h3>General Meeting of Shareholders</h3>	<h3>Articles of Association</h3>
<p>The SinterCast Nomination Committee is, after consultation with the shareholders, responsible for nominating candidates for election to the Board; to propose remuneration for the Board and for each member of the Board; to nominate Auditors for election; to make recommendations on remuneration for the external auditors; and, to establish certain other proposals for consideration at each AGM. The majority of the members of the Nomination Committee are to be independent of the company and its Group Management. No members of the Group Management are to be members of the Nomination Committee and at least one member of the Nomination Committee is to be independent of the company's largest shareholder. The AGM appoints members of the Nomination Committee or specifies how members shall be appointed. The Nomination Committee also considers the merits of equal gender distribution on the SinterCast Board with regard to the requirements of the company and the potential contribution of each new candidate.</p>	<p>The Shareholders' main influence to govern the company is during the AGM, which is the company's highest decision-making body, where the Shareholders meet the Board of Directors, the Management and the Company Auditors and where the Shareholders are given the opportunity to raise questions and to vote on the proposals distributed prior to the meeting. The shareholders shall be given the opportunity to exercise their ownership role in an active, well-informed manner. All shares represented at the AGM have the same voting rights. The Board is elected annually at the AGM and the majority of the Directors elected shall be independent of the company and its Group Management. Independence shall be determined by a general assessment of all factors that may give cause to question the individual's independence.</p>	<p>The Articles of Association of SinterCast defines the name, location, objectives of the company, number of shares, number of Board Members, number of Auditors, and proceedings for convening Annual General Meetings. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of Directors.</p> <p>The Articles of Association is available on SinterCast's website.</p>
<h3>Compensation Committee</h3>	<h3>Board of Directors</h3>	<h3>Audit Committee</h3>
<p>The Board shall appoint a Compensation Committee whose main tasks are to monitor and evaluate the remuneration guidelines that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the company and to propose new incentive programmes to the Board to decide upon. The Compensation Committee shall also agree on the principles for remuneration and other terms of employment of the Managing Director and, after advice from the Managing Director, for Directors and Managers reporting directly to the Managing Director. The Compensation Committee shall also monitor and evaluate programmes for variable remuneration, both ongoing and for those that have ended during the year.</p>	<p>The Board is appointed at the Annual General Meeting. The Board is responsible for establishing the overall operational goals and strategy of the company and for ensuring that there is an effective system for follow-up and control of the company's operations. The Board shall fulfil applicable independence rules. The AGM appoints the Chairman of the Board. The Chairman's role is to head the Board's work and ensure that the Board completes its mandate. The Board has executed a Work Programme including instructions regarding the distribution of work and financial reporting, as a complement to the regulations of the Swedish Companies Act, Articles of Association of the Company and the Swedish Code of Corporate Governance and other instructions.</p>	<p>On behalf of the Board, the responsibility of the Audit Committee is to ensure that the company has adequate internal controls and formal routines to ensure that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. The Audit Committee has established a Review Group. The primary task of the Review Group is to ensure the quality of the financial reports. The Audit Committee is also responsible for the evaluation of the Auditors' work, fees and independence and assists the Nomination Committee with proposals for potential Auditors. The Audit Committee also assists the Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management. The Audit Committee prepares and decides on the Corporate Governance Report.</p>
<h3>Work Programme and other Instructions</h3>	<h3>Managing Director</h3>	<h3>External Auditor</h3>
<p>Each year the Board adopts a written Work Programme documenting the Board's responsibilities and regulating the internal division of duties between the Board; its Committees and Group Management; the decision-making process within the Board; the Board's meeting schedule; summonses to Board meetings; agendas and minutes, and the work of the Board and its committees on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board shall receive information and documentation in order to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation Policy, including the organisation chart and the Code of Conduct for the company.</p>	<p>The Board appoints the Managing Director who is responsible for the operational and strategic management of the company in accordance with the Board of Directors' instructions and guidelines.</p> <p>The Managing Director has established, as the President &amp; CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director.</p>	<p>The company shall appoint one or two Auditors with not more than two Alternate Auditors. A registered accounting firm may also be appointed as Auditor.</p> <p>The company's statutory Auditor shall be appointed by the AGM to examine the company's annual accounts and accounting practices and to review the Board's and the Managing Director's management of the company.</p> <p>The Auditor shall present its report to the owners at the AGM in the annual audit report.</p>

## Board of Directors

During the AGM 2016, Hans-Erik Andersson, Aage Figschou, Robert Dover, Laurence Vine-Chatterton, Carina Andersson, Jason Singer and Steve Dawson were re-elected as Board Members. Hans-Erik Andersson was re-appointed as Chairman and Aage Figschou was re-appointed as Vice Chairman. The Board remuneration, decided at the AGM 2016, shall be divided between the Chairman SEK 320,000 (SEK 300,000) and five (five) ordinary Board Members SEK 160,000 (SEK 150,000) each, with no remuneration for the Managing Director. With the exception of the Managing Director, no member of the Board holds an operational position in the company. The Board is judged to be independent of the company and its management. A more detailed description of the Board of Directors is presented on page 16. The content of the main meetings is summarised in the table below.

## Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, Hans-Erik Andersson was re-confirmed as Chairman of the Board and Aage Figschou was re-confirmed as Vice Chairman. The Compensation Committee, elected by the Board, consists of Hans-Erik Andersson and Aage Figschou. Steve Dawson was re-elected Managing Director for SinterCast AB (publ) and President & CEO of the SinterCast Group. Further, the entire Board was elected to constitute the Audit Committee. Laurence Vine-Chatterton and Jason Singer were elected to constitute the Review Group.

## Chairman of the Board

The Chairman directed the Board's activities and promoted the overall efficiency of the Board. The Chairman ensured

that the Board's activities were conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensured that the resolutions of the Board were implemented. The Chairman also conducted the evaluation of the Board's activities and shared the evaluation with the Nomination Committee. The Chairman approved the agenda for each Board meeting in consultation with the Managing Director. The Chairman had regular communication with the Managing Director, relayed opinions from shareholders to the other Board Members and acted as spokesperson on behalf of the Board.

## Board Meetings

During 2016, the Board of Directors of SinterCast carried out eight minuted meetings. In connection with every quarterly report, the Managing Director presented the market and financial outlook and reported on operations and important current events. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors, and risk assessment. Individual Board Members also assisted the Group Management in various strategic and operational matters. The Work Programme defines the Board's work during the year.

## Managing Director and Group Management

The SinterCast Board appointed Steve Dawson as the Managing Director for SinterCast AB (publ) and President & CEO for the Group. The Managing Director, as responsible for the operational and strategic management of the company, has managed the company in accordance with the Board of Directors' instructions and guidelines. The Managing Director

### Main Board Meetings During the Calendar Year including Auditor presence

February	April	May	July/August	November
Market Report and Financial outlook	Approve 1Q financial report	Market Report and Financial outlook	Market Report and Financial outlook	Market Report and Financial outlook
Approve Book Closing Report	Approve Annual Report	AGM preparations	Approve 2Q financial report	Approve 3Q financial report
Evaluate Managing Director	Approve AGM notice	Statutory Board Meeting	Approve Strategy and Business plan	Approve Finance Policy
AGM preparations and decisions	Auditor present at Audit Committee Meeting	Auditor present at Audit Committee Meeting	Revise and approve Work Programme	Approve Budget for the coming year
Decide upon incentive programmes, if any				Auditor present at Audit Committee Meeting

## Board Meeting Summary and Remuneration

	Board Remuneration (SEK) <sup>1</sup>	Presence <sup>1</sup>			Independent <sup>2</sup>
		Board Meetings	Audit Committee	Compensation Committee	
Hans-Erik Andersson <sup>3</sup>	320,000	8/8	4/4	2/2	Yes
Aage Figenschou <sup>3</sup>	160,000	8/8	4/4	2/2	Yes
Robert Dover	160,000	8/8	4/4	-	Yes
Laurence Vine-Chatterton <sup>4</sup>	160,000	8/8	4/4	-	Yes
Carina Andersson	160,000	8/8	4/4	-	Yes
Jason Singer <sup>4</sup>	160,000	8/8	3/4	-	Yes
Steve Dawson	-	8/8	4/4	-	No

1. For the period 19 May 2016 - 18 May 2017  
2. Independent of the company, the management and major shareholders  
3. Member of the Compensation Committee  
4. Member of the Review Group. Fee SEK 20,000 each

assisted the Chairman with the preparation for each Board and Audit Committee Meeting and distributed information, according to the Work Programme, to be decided upon by the Board. In addition, the Managing Director provided the Board with monthly reports including significant events and financial information.

The Managing Director established, as the President & CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director. More detailed information of the Managing Director and the Group Management is presented on page 15.

### Compensation Committee

The Compensation Committee, elected by the Board, consists of Hans-Erik Andersson and Aage Figenschou. The tasks and responsibilities of the Compensation Committee are defined in the Board's Work Programme. During the year, the Compensation Committee has evaluated variable remuneration programmes, special remuneration given for extraordinary efforts and the remuneration policy approved by the AGM. The Committee has also reviewed the remuneration for the Managing Director and the Group Management.

Since the AGM 2016, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and ratified its decisions.

### Remuneration Policy for Group Management

*The Annual General Meeting 2016 decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management as follows:*

*The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual levels, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special*

*compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary.*

*Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Bonus shall not constitute a basis for pension.*

*Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment corresponding to nine months compensation. Deduction shall not be made for remuneration paid by another employer. No severance payments have been agreed with the other members of the Group Management.*

*The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons in an individual case.*

*The main conditions for remuneration to Group Management in the current employment agreements are described in Note 5 in this Annual Report.*

There were no material transactions between the company and any of the Board Members during the year, with the exception of the ordinary Board fees.

### Audit Committee

During the Statutory Board Meeting, all Board Members were elected to sit on the Audit Committee and two Board Members were elected to constitute a separate Review Group. The primary task of the Review Group is to ensure the quality of the Financial Reports.

During the year, the Audit Committee has ensured that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls have been applied, and that the company's

financial reports have been produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

The Review Group reviewed each financial report in detail, provided feedback to the Finance Director and the Auditors and reported its observations regarding the financial reports in advance of the Board's approval of the financial reports.

The Audit Committee met the Auditor during the year to discuss the Audit Report and the audit plan. The Audit Committee also met the Auditor in the absence of the Group Management. The Audit Committee evaluated the Auditors' work and provided feedback to the Nomination Committee in preparation for the election of the Auditor during the Annual General Meeting 2017. The Audit Committee also determined and identified risks to be handled in order to ensure good internal control and risk management. The Audit Committee prepared and approved the Corporate Governance Report for 2016. Since the AGM 2016, the Audit Committee carried out four minuted meetings.

### External Auditor

At the AGM 2016, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor and Tobias Strähle was re-appointed as Auditor in charge by PwC. The Auditor in charge has had four Auditors assisting in the audit work during the year. The audit follows an audit schedule, based on the Auditor's risk assessment, in agreement with the Audit Committee.

Prior to the AGM 2016, in conjunction with the approval of the Annual Report 2015, the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company. The Auditor presented the annual Audit Report at the AGM 2016 and provided a presentation of the Audit Plan for 2016. The Audit Report contained a statement that the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director be discharged from liability.

The Auditor provided a presentation of the Audit Plan for 2016 during the May Audit Committee meeting and met with the Board of Directors where the Auditor reported observations directly to the Board of Directors both with and

without the presence of the Group Management. The Auditor provided a follow-up of the Audit Plan for 2016 during the May, November and April Audit Committee meetings and presented the result from the review of the financial report January-September 2016 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2016. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

Prior to the AGM 2017, in conjunction with the approval of this Annual Report 2016, the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company.

### Nomination Committee

#### *Nomination Committee after the AGM 2016*

At the AGM 2016, Karl-Arne Henriksson (Chairman), Hans-Erik Andersson, Chairman of the Board of Directors, Ulla-Britt Fräjdin-Hellqvist and Andrea Fessler were re-elected as members of the Nomination Committee. The committee is judged to be independent of the company and the largest shareholder.

The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors and Managing Director and has provided information regarding the results of these evaluations to the Nomination Committee. The Nomination Committee's proposals to the AGM 2017 are to be presented in the notice of the AGM and on the company website. During the AGM 2017 the Nomination Committee will also present how it conducted its work and explain its proposals. Since the AGM 2016, the Nomination Committee of SinterCast carried out several informal meetings and one minuted meeting. According to upcoming rules regarding equal gender distribution, the Nomination Committee intends to report to the upcoming AGM how it has fulfilled its work regarding gender distribution in the Board.

The Nomination Committee can be contacted at the following e-mail address: [nomination.committee@sintercast.com](mailto:nomination.committee@sintercast.com).

### Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the company's organisation is designed in such a way that the bookkeeping, financial management and the company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance clarifies and prescribes that the Board is to ensure that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports comply with legislation, applicable accounting standards and other requirements for listed companies.



**Auditor**  
**Öhrlings**  
**PricewaterhouseCoopers AB**  
**Tobias Strähle, Authorised Public Accountant**  
Company auditor since 2013.  
Assignments: Hubbr AB, Advanced Stabilized Technologies Group AB, Candyking Holding AB

It has been decided by the Board that SinterCast shall comply with the Swedish Code of Corporate Governance and present a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of

financial reporting. The procedure and routines of SinterCast are compliant with the Corporate Governance code and this Corporate Governance Report does not indicate any significant deviations from the code.

## Board of Directors' Report on Internal Control and Risk Management of the Financial Reporting

### Internal Control

The Board of Directors has the overall responsibility for internal control relating to financial reporting. An important part of the Board's internal control management is to issue policies and instructions for the organisation with the objective to maintain a low risk profile regarding financial and legal matters, including: the Work Programme that clarifies the Board of Directors' responsibilities and regulates the internal distribution of work between the Board, its committees and the management; the Finance Policy, to define the Board of Directors' instructions regarding risk management and financial reporting, to ensure an effective risk profile and correct financial reporting; and the Authorisation Policy, including the organisation chart. In addition to the policies and instructions, the Board has established the Audit Committee. The entire Board constitutes the Audit Committee and the primary task of the Audit Committee is to ensure that established principles for financial reporting and internal control regarding financial reporting are followed and that appropriate relations are maintained with the Auditor. The Audit Committee has established a separate Review Group. The primary task of the Review Group is to ensure the quality of the financial reports. The management and the Audit Committee assess the most critical accounting areas on an annual basis to prepare instructions for the financial reporting and to define how to apply the accounting policies according to IFRS, including accounting judgements and estimates.

### Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during most Board Meetings. Any change in significant risks will result in changes in the instructions for the preparation of financial reports. Processes to track changes in accounting regulations and to ensure that these changes are implemented correctly in the financial reporting are in place, in which the Auditors play an important role. The most critical accounting areas for SinterCast have been defined and include the valuation of deferred tax on tax losses carried forward, the principle of capitalisation of Research & Development costs and patent costs.

### Control Activities and Monitoring

The primary purpose of control activities is to prevent, or to discover at an early stage, errors in the financial reporting so that these can be addressed and rectified. Control activities take place on both the overview and the detail levels within the Group. Routines and activities are designed in order to find and rectify significant risks associated with the financial reporting. Regarding control activities in critical areas of the financial reporting, the management follows the business regularly and conducts normal control activities on daily operation, monthly, quarterly and year-end closings. Quarterly reports and the Annual Report have been sent to the Board and the Audit Committee for review and approval. The management and the Board especially monitored critical accounting areas, including; the estimated future taxable profit and deferred tax asset calculation every quarter by reviewing forecasted secured series production programmes and probability factors. The forecasted contribution from secured production, reduced by the forecasted expenses for the operations is base for the final deferred tax asset calculation; the revenue recognition of system sales and related revenue streams, in which contract review including delivery terms and fulfilment of contractual obligations are included to define the individual revenue streams (equipment, Engineering Service, Annual Software Licence Fee); and, review of Research & Development projects during the period to assess to what extent expensed costs should be capitalised.

The Board's monitoring of the internal control with respect to financial reporting took place through the Audit Committee follow-up on the financial reporting where the Review Group's detail review plays an important role. In advance of each major Board Meeting, management distributed pre-defined and various ad hoc reports to the Board. The reports and key audit areas were reviewed and discussed during the Board Meetings. The results of internal self-assessment and reports from the Auditors have been reported to the Board.

### Information and Communication

All external information must be provided in accordance with the listing agreement for listed companies in Sweden. Information concerning the SinterCast Group and the Parent Company may only be provided by the Managing Director. The Board of Directors has issued and approved the Interim Reports and the Annual Report of the financial year. The reports have been published on the website after having first been sent to Nasdaq Stockholm stock exchange.

## Income Statement

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
Revenue	1, 9	75.4	72.4	74.7	70.9
Cost of goods sold	3, 17	-16.6	-17.0	-16.9	-17.0
<b>Gross result</b>		<b>58.8</b>	<b>55.4</b>	<b>57.8</b>	<b>53.9</b>
<b>Gross result %</b>		<b>78%</b>	<b>77%</b>	<b>77%</b>	<b>76%</b>
Cost of sales and marketing	3, 5, 9	-19.0	-20.1	-19.0	-19.8
Cost of administration	3, 4, 5, 9	-6.0	-6.3	-6.0	-6.2
Cost of research & development	2, 3, 5, 9	-7.9	-7.6	-7.9	-7.6
Other operating income	10	0.5	0.0	0.7	0.0
Other operating costs	10	0.0	-1.1	0.0	-2.3
<b>Operating result</b>		<b>26.4</b>	<b>20.3</b>	<b>25.6</b>	<b>18.0</b>
Financial income*		0.0	4.6	0.0	15.4
Financial costs**		-0.6	-0.5	-0.5	-3.8
<b>Financial net</b>	11	<b>-0.6</b>	<b>4.1</b>	<b>-0.5</b>	<b>11.6</b>
<b>Result before income tax</b>		<b>25.8</b>	<b>24.4</b>	<b>25.1</b>	<b>29.6</b>
Income tax	12	1.0	0.8	1.0	1.0
<b>Result for the period for the Parent Company shareholders</b>		<b>26.8</b>	<b>25.2</b>	<b>26.1</b>	<b>30.6</b>
Average number of shares, thousands	25, 29	7,090.1	7,090.1	7,090.1	7,090.1
Earnings per share, SEK	29	3.8	3.6	3.7	4.3
Earnings per share diluted, SEK	29	3.8	3.6	3.7	4.3
Dividends per share, SEK		3.5	2.2	3.5	2.2

\*During 2015 the Parent Company settled its debts toward the subsidiaries in US and UK (SEK 15.3 million), resulting in translation gains amounting to SEK 4.5 million.

The settlement was made by offsetting receivables against repayment of equity and shareholder contribution.

\*\* Shares in SinterCast Ltd. have been written off (SEK 3.3 million).

## Statement of Other Comprehensive Income

Amounts in SEK million	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Results for the period for the Parent Company shareholders</b>	<b>26.8</b>	<b>25.2</b>	<b>26.1</b>	<b>30.6</b>
<b>Other comprehensive income</b>				
Items may be reclassified to the income statement:				
Translation differences, foreign subsidiaries	0.6	-0.3	-	-
Translation differences, settlement of debts of subsidiaries*	0.0	-4.5	-	-
<b>Other comprehensive income, net of tax</b>	<b>0.6</b>	<b>-4.8</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>27.4</b>	<b>20.4</b>	<b>26.1</b>	<b>30.6</b>
<b>Total comprehensive income attributable to:</b>				
Shareholder of the Parent Company	27.4	20.4	26.1	30.6
Non-controlling interests	-	-	-	-

\* During December 2015, translation differences were reclassified from other comprehensive income to financial income arising from the Parent Company settlement of its debts toward the subsidiaries in US and UK.

## Cashflow Statement

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
<b>Operating activities</b>					
Operating result		26.4	20.3	26.1	18.0
Adjustments for items not included in the cashflow					
Depreciation	13, 14	1.0	0.8	1.1	0.8
Other		0.0	-0.2	0.0	-0.2
Unrealised exchange rate differences		-0.5	0.6	-0.5	0.6
Received interest		0.0	0.1	0.0	0.1
Paid interest		0.0	-0.1	0.0	-0.1
Paid income tax		0.0	-0.2	0.0	0.0
<b>Total cashflow from operating activities before change in working capital</b>		<b>26.9</b>	<b>21.3</b>	<b>26.7</b>	<b>19.2</b>
<b>Change in working capital</b>					
Inventory	17	0.1	-0.9	0.1	-0.8
Operating receivables	15	-0.1	-4.6	-1.6	-3.8
Operating liabilities	18, 19, 21, 22	-1.5	4.6	2.0	3.2
<b>Total change in working capital</b>		<b>-1.5</b>	<b>-0.9</b>	<b>0.5</b>	<b>-1.4</b>
<b>Cashflow from operating activities</b>		<b>25.4</b>	<b>20.4</b>	<b>27.2</b>	<b>17.8</b>
<b>Investing activities</b>					
Acquisition of intangible assets	13	-2.3	-1.6	-2.3	-1.6
Acquisition of tangible assets	14	-1.0	-0.1	-1.0	-0.1
Decrease in long-term payables		0.0	0.0	-	0.0
Investments in subsidiaries		-	-	-	0.0
<b>Cashflow from investing activities</b>		<b>-3.3</b>	<b>-1.7</b>	<b>-3.3</b>	<b>-1.7</b>
<b>Financing activities</b>					
Dividend		-24.8	-15.6	-24.8	-15.6
<b>Cashflow from financing activities</b>		<b>-24.8</b>	<b>-15.6</b>	<b>-24.8</b>	<b>-15.6</b>
Exchange rate differences in cash and cash equivalents		0.0	0.0	0.0	0.0
Change in cash and cash equivalents*		-2.7	3.1	-0.9	0.5
Cash – opening balance		48.0	44.9	44.2	43.7
<b>Cash – closing balance</b>	26	<b>45.3</b>	<b>48.0</b>	<b>43.3</b>	<b>44.2</b>

\* The cash and cash equivalents comprise of short-term deposits and cash at bank and in hand.

## Balance Sheet – Group

Amounts in SEK million	Note	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	3.3	1.8
Patents		1.9	1.8
<b>Total intangible assets</b>		<b>5.2</b>	<b>3.6</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.9	1.3
Plant and machinery		0.0	0.0
<b>Total tangible assets</b>		<b>1.9</b>	<b>1.3</b>
<b>Financial assets</b>			
Other long-term receivables	16	0.4	0.4
<b>Total financial assets</b>		<b>0.4</b>	<b>0.4</b>
Deferred tax asset	12	31.3	30.3
<b>Total deferred tax assets</b>		<b>31.3</b>	<b>30.3</b>
<b>Total fixed assets</b>		<b>38.8</b>	<b>35.6</b>
<b>Current assets</b>			
Inventory	17	4.3	4.4
<b>Total inventory</b>		<b>4.3</b>	<b>4.4</b>
<b>Short-term receivables</b>			
Trade debtors	15, 26	15.1	14.1
Other debtors	18, 26	0.5	1.1
Prepaid expenses and accrued income	19	3.5	3.2
<b>Total short-term receivables</b>		<b>19.1</b>	<b>18.4</b>
<b>Cash and cash equivalents</b>	26	<b>45.3</b>	<b>48.0</b>
<b>Total cash and cash equivalents</b>		<b>45.3</b>	<b>48.0</b>
<b>Total current assets</b>		<b>68.7</b>	<b>70.8</b>
<b>TOTAL ASSETS</b>		<b>107.5</b>	<b>106.4</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholder's Equity</b>			
Share capital	24, 25	7.1	7.1
Additional paid in capital		44.9	44.9
Translation differences, foreign subsidiaries	26	2.1	1.5
Accumulated result		41.7	39.7
<b>Total shareholders' equity</b>		<b>95.8</b>	<b>93.2</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	20	0.0	0.0
<b>Total long-term liabilities</b>		<b>0.0</b>	<b>0.0</b>
<b>Current liabilities</b>			
Accounts payable	26	2.6	2.3
Other current liabilities	21, 26	1.0	0.7
Accrued expenses and prepaid income	22	7.5	9.9
Provisions	22	0.6	0.3
<b>Total current liabilities</b>		<b>11.7</b>	<b>13.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>107.5</b>	<b>106.4</b>

## Statement of Changes in Equity – Group

Amounts in SEK million	Note	Share Capital	Additional Paid In Capital	Translation* Differences	Accumulated Results	Total Equity
<b>Opening Balance 1 January 2015</b>		<b>7.09</b>	<b>44.87</b>	<b>6.36</b>	<b>30.05</b>	<b>88.37</b>
Total comprehensive income		–	–	-4.81	25.25	20.44
Dividend		–	–	–	-15.60	-15.60
<b>Closing balance 31 December 2015</b>	25	<b>7.09</b>	<b>44.87</b>	<b>1.55</b>	<b>39.70</b>	<b>93.21</b>
<b>Opening balance 1 January 2016</b>		<b>7.09</b>	<b>44.87</b>	<b>1.55</b>	<b>39.70</b>	<b>93.21</b>
Total comprehensive income		–	–	0.55	26.83	27.38
Dividend		–	–	–	-24.82	-24.82
<b>Closing balance 31 December 2016</b>	25	<b>7.09</b>	<b>44.87</b>	<b>2.10</b>	<b>41.71</b>	<b>95.77</b>

\* Translation of foreign subsidiaries financial statements

## Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	3.3	1.8
Patents		1.9	1.8
<b>Total intangible assets</b>		<b>5.2</b>	<b>3.6</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.9	1.3
Plant and machinery		0.0	0.0
<b>Total tangible assets</b>		<b>1.9</b>	<b>1.3</b>
<b>Financial assets</b>			
Shares in subsidiaries	24	1.9	1.9
Other long-term receivables	16	0.2	0.1
Deferred tax asset	12	31.3	30.3
<b>Total financial assets</b>		<b>33.4</b>	<b>32.3</b>
<b>Total fixed assets</b>		<b>40.5</b>	<b>37.2</b>
<b>Current assets</b>			
<b>Inventory</b>			
<b>Total inventory</b>	17	<b>4.2</b>	<b>4.3</b>
<b>Short-term receivables</b>			
Trade debtors	26	13.7	12.7
Inter company receivables		1.2	1.1
Other debtors	18, 26	0.5	1.0
Prepaid expenses and accrued income	19	3.2	2.8
<b>Total short-term receivables</b>		<b>18.6</b>	<b>17.6</b>
<b>Liquidity</b>			
<b>Total liquidity</b>	26	<b>43.3</b>	<b>44.2</b>
<b>Total current assets</b>		<b>66.1</b>	<b>66.1</b>
<b>TOTAL ASSETS</b>		<b>106.6</b>	<b>103.3</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Restricted capital</b>			
Share capital	24, 25	7.1	7.1
Statutory reserve		9.5	9.5
Other reserve		2.0	-
<b>Total restricted capital</b>		<b>18.6</b>	<b>16.6</b>
<b>Retained result</b>			
Share premium reserve		35.3	35.3
Result brought forward		10.6	6.8
Result for the year		26.1	30.6
<b>Total retained capital</b>		<b>72.0</b>	<b>72.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>90.6</b>	<b>89.3</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	20	0.0	0.0
<b>Total long-term liabilities</b>		<b>0.0</b>	<b>0.0</b>
<b>Current liabilities</b>			
Accounts payable	26	2.4	1.8
Inter company payable		10.5	6.2
Other current liabilities	21, 26	0.8	0.6
Accrued expenses and prepaid income	22	2.3	5.4
<b>Total current liabilities</b>		<b>16.0</b>	<b>14.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>106.6</b>	<b>103.3</b>

## Statement of Changes in Equity – Parent Company

Amounts in SEK million	Note	Share Capital	Statutory Reserve	Other Reserve	Share Premium Reserve	Results Brought Forward	Results for the Year	Total Equity
<b>Opening balance 1 January 2015</b>		<b>7.09</b>	<b>9.53</b>	–	<b>35.34</b>	<b>13.55</b>	<b>8.81</b>	<b>74.32</b>
Appropriation of last year's result		–	–	–	–	8.81	-8.81	–
Total comprehensive income		–	–	–	–	–	30.58	30.58
Dividend		–	–	–	–	-15.60	–	-15.60
<b>Closing balance 31 December 2015</b>	25	<b>7.09</b>	<b>9.53</b>	–	<b>35.34</b>	<b>6.76</b>	<b>30.58</b>	<b>89.30</b>
<b>Opening balance 1 January 2016</b>		<b>7.09</b>	<b>9.53</b>	–	<b>35.34</b>	<b>6.76</b>	<b>30.58</b>	<b>89.30</b>
Appropriation of last year's result		–	–	–	–	30.58	-30.58	–
Change other reserve		–	–	1.95	–	-1.95	–	–
Total comprehensive income		–	–	–	–	–	26.14	26.14
Dividend		–	–	–	–	-24.82	–	-24.82
<b>Closing balance 31 December 2016</b>	25	<b>7.09</b>	<b>9.53</b>	<b>1.95</b>	<b>35.34</b>	<b>10.57</b>	<b>26.14</b>	<b>90.62</b>

## Accounting Policies

### General Information

The consolidated financial accounts for SinterCast AB (publ) (Parent Company) for the financial year ending 31 December 2016 were approved on 5 April 2017 by the Board of Directors and the Managing Director, for publication on 6 April 2017 and will be presented at the Annual General Meeting on 18 May 2017 for approval. SinterCast AB (publ) is the Parent Company of the SinterCast Group with its registered office located in Stockholm, Sweden. SinterCast is the world's leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI).

### Basis of Preparation

The consolidated financial statements for 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union. The consolidated accounts of the Group also comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 – Supplemental Accounting Rules for Groups. The accounts of the Parent Company comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities. The accounting policies used by the Parent Company comply with the policies used by the Group unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

#### *New standards, amendments and interpretations adopted by the Group*

It is judged that there are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2016 that would be expected to have a material impact on the Group.

#### *New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are under discussion. SinterCast has chosen not to make any early adoption of the changes and consequently, these have not been applied in preparing these consolidated financial statements.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 suggests a reduction of the number of valuation categories for financial assets and contains the main categories reported at cost (amortised cost) and fair value through profit or loss and IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. SinterCast will prepare for the implementation on 1 January 2018 and present its progress of the implementation preparations. The implementation is not expected to have any material impact on the Group.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements

about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The standard is not yet endorsed by the EU. SinterCast will prepare for the implementation on 1 January 2018 and present its progress of the implementation preparations. The implementation is not expected to have any material impact on the Group.

- IFRS 16 Leases. In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### Critical Accounting Judgements and Estimates

The preparation of financial statements according to IFRS requires judgement of how to use accounting policies. Further, the management must decide how to apply chosen accounting principles. The principle of capitalisation of Research & Development costs, patent costs and the valuation of deferred taxes on tax losses carried forward are important for SinterCast.

The standard for accounting for deferred tax is IAS 12 "Income Taxes". SinterCast's interpretation of IAS 12 is that recognition of deferred tax assets for the carry forward of unused tax losses may be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

SinterCast uses a model to calculate to which extent the tax losses carry forward can be utilised. The calculation is based on the SinterCast business model in the form of its contracts with foundries for the programmes that are in current series production or where SinterCast's foundry customers have received definitive orders for future series production. The input for the model is based on the forecast volume, as communicated by the foundry and/or OEM, and is adjusted with a probability factor for each series production programme. The programmes and probability factors are reviewed regularly. To determine the future taxable profit, the forecast contribution from secured production is reduced by the forecast expenses of the operations.

The above model is only used to determine the amounts of the tax losses that are probable to be utilised within the forecast horizon, as required by IAS 12, and does not constitute a profit forecast.

Costs that are directly associated with filing a patent controlled by the Group in a new market, and where the patent is expected to generate economic benefits exceeding costs beyond one year, are recognised in the balance sheet. In applying this principle, management considers the probability of future benefits in the specific local market, for each patent.

Development costs that have been directly associated with the production of specific and unique development projects and where management is confident that the resulting products will generate economic benefits exceeding costs beyond one year are recognised as intangible assets and therefore capitalised. In applying this principle, management also considers the ability of market success and the future economic benefits.

### Consolidation

The consolidated accounts include the Parent Company and all companies in which the Parent Company directly or indirectly controls more than 50% of the voting rights or by other means has full control. No minority interest currently exists. The consolidated accounts have been prepared in accordance with the purchase method.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group has no additional shareholdings at present other than the subsidiaries.

### Cost by Functions and Segment Reporting

Costs in SinterCast are presented in the profit and loss statement classified by function. This coincides best with how SinterCast looks upon and controls its business.

SinterCast constitutes one segment and the financial statements are presented accordingly. At present, SinterCast provides only one product, process control systems for the reliable production of Compacted Graphite Iron, and related services for product development, installations, calibration, and technical support. The company judges that the opportunities and risks with its business are related to the overall CGI market development. The format of the financial statements presented in this Annual Report coincides with the internal reporting structure that management uses to plan, control and follow the company's business activities.

### Tangible Assets

Tangible assets consist of machinery and equipment, installed process control equipment, and office furniture. The tangible assets are stated at historical cost less depreciation. Expenses for improvement of the assets are included in the carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of

the item can be measured reliably. Costs for maintenance and repair are expensed. The assets are depreciated systematically over the anticipated useful life using the straight-line method. The rate of depreciation, after evaluation of the useful life for each asset is 3 years (33%) for machinery and equipment, 3–4 years (24–33%) for installed process control equipment and 5 years (20%) for office furniture.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

### Intangible Assets

#### *Capitalised Patent Expenses*

Expenses that are directly associated with filing a patent controlled by the Group in a new market, and where the patent is expected to generate economic benefits exceeding costs beyond one year, are recognised in the balance sheet. The annual patent fees are expensed. Amortisation of capitalised patent expenses is included in the costs for Research & Development.

#### *Capitalised Development Costs*

Development costs that are directly attributable to the design and testing of identifiable and unique new products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and sell it;
- There is an ability to sell the product;
- The means by which the product will generate probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to sell the product; and
- The expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised include direct employee costs.

Costs that have been directly associated with the production of specific and unique customer products controlled by the Group and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised development costs related to specific customer projects are amortised over the estimated useful life of the projects. Amortisation of capitalised development costs are included in the costs for Research & Development.

#### *Depreciation*

The rate of depreciation, after evaluation of the useful lives is 12 years (8%) for patents and similar rights, 4 years (24%) for purchased production agreements, and 3–4 years (24–33%) for capitalised development.

### Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment test is based on future estimated income.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Assets not subject to amortisation, which refer to capitalised development yet to be finalised, are tested for impairment on an annual basis.

### Financial Instruments

A financial instrument is a real or virtual document such as derivative instruments, commercial papers, fixed income instruments, debt or loan agreements, representing a legal agreement between two or more parties regarding a right to payment of money.

A financial asset or liability is recognised when the company is a party to the contractual conditions of the instrument. Acquisitions and sales of financial instruments are accounted for at trade date. An instrument is removed from the balance sheet when cashflow rights from the instrument have expired or been transferred and when the Group has transferred substantially all of the risks and rewards of ownership.

Financial instruments are recognised at amortised costs or at fair value depending on the initial classification according IAS 39. SinterCast classifies its instruments in the following categories:

- Financial assets at fair value through profit or loss, consists of derivative instruments, included in other debtors or other creditors, and commercial papers and fixed income instruments, included as cash equivalents.

At book closing, the fair value of derivative instruments, not traded on an active market, is based on observable market currency rates. Cash flows are discounted using market interest rates. Commercial papers and fixed income instruments are traded on an active market and the fair value is determined by available market prices. The effect is accounted for as financial income or financial cost. See Notes 18, 21 and 26.

- Loans and receivables consist of the following balance sheet items: cash, trade debtors, other debtors and long term receivables, excluding deferred tax assets.

Investments and trade receivables are recognised initially at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established and presented as sales costs when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate.

- Financial liabilities consist of the following balance sheet items: long term loans, accounts payable and other current liabilities, excluding accruals.

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Subsequently, the liabilities are stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss statement over the period of the liabilities using the effective interest method. SinterCast posts cost of borrowing for each period to its profit and loss statement.

### Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish Kronor, which is the company's functional and presentation currency.

### Transactions and Balances

Transactions in foreign currency have been translated into the functional currency at the transaction date using the exchange rate prevailing at the dates of the transactions. Payment in foreign currency following the transaction, resulting in currency gain or loss, is accounted for in the profit and loss statements. Conversion of monetary liabilities or receivables in foreign currency has been made at the currency rate at the end of the period. Gains or losses from recalculation of receivables or liabilities related to the operation are presented in the profit and loss statements as other income or costs.

### Translation of Group Companies

Translating the foreign subsidiaries' financial statements into Swedish Kronor has been made according to the following principles:

- All assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each profit and loss statement are translated at average exchange rates. The exchange rate differences that consequently arise are recognised as Other Comprehensive Income

### Revenue Recognition

Revenue comprises the fair value for the sale of goods and services. Revenue is shown, net of value-added tax, rebates and discounts and after eliminated sales within the Group.

*Revenue is recognised as follows:*

- Sales of systems and consumables are recognised when, essentially, all risks and rights connected with ownership

have been transferred to the customer. This usually occurs in connection with the shipment of the goods, after the price has been determined, the collectibles of the related receivable are reasonably assured, the installation and final inspection are of a standard nature and after establishing provisions for estimated residual expenses. The shipment is normally made according to the Incoterms rules, ex-works.

- Sales of systems, including unique installations in terms of new technologies or new applications, are recognised when the installation or final inspection is accepted by the customer.
- In Customer Agreements, including goods and services, revenue is distributed to the individual items, after equal distribution of any discounts.
- Services provided to customers are recognised in the accounting period in which the service is performed, and recognised according to the percentage of completion method and established by comparing actual cost against estimated cost.
- Revenues from Production Fees are recognised on an accrual basis when the customers have reported shipped castings.
- An annual software licence fee is charged and SinterCast retains ownership of the software. The fee is recognised in the profit and loss statement on a straight-line basis over the contractual period of the lease.
- Lease payments under operating leases are recognised in the profit and loss statement on a straight-line basis over the contractual period of the lease. If equipment is sold after the lease period has expired, the revenue from the sale is accounted as revenue.

### Inventory

Inventories are stated at the lower of cost and net realisable value. Cost consists of purchase price, and other costs directly related to the purchase, and is determined using the first in, first out method (FIFO). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reasonably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### Employee Benefits

All expenses related to the remuneration of the employees have been accounted for in the period the work has been

performed. If notice terminating the employment has been served, expenses until termination of the employment are accounted for during the notice period.

If future period contributions are received from the employee the expense will be recognised as cost in that future accounting period. The pension plan for employees in the UK is based on a 30% contribution of the salary while, for employees in the US, it is based on a 15% contribution of the salary, without any future commitments in either country. All commitments to the employees are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The pension plan for employees in Sweden follows the ITP-plan insured by Alecta. The Alecta ITP-plan is by definition a multi-employer benefit plan but is constructed such that it is not possible to calculate surplus or deficit on the pension plans that fulfil the requirements in IAS 19 enabling defined benefit accounting, for the respective participating legal entities. The plan is therefore accounted for as a defined contribution plan. Alecta reported a preliminary collective consolidation level at December 31, 2016 of 148 (153) percent. The collective consolidation level is defined as the fair value of Alecta's plan assets in percent of the insured pension commitments calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19. Such a surplus can be distributed among the employers or the beneficiaries, but there is no agreement concerning this that enables the company to report a receivable from Alecta. Alecta's pension commitments to SinterCast are insignificant for them in relation to their total pension commitments.

The pension age for the majority of SinterCast employees is expected to be 65-67 years; however, this is regulated by the relevant national laws rather than by the individual employment agreements.

### Leasing Agreements

#### *SinterCast as Lessor*

The Group has classified its lease agreements as operational because the Group maintains the ownership and associated risks and returns. SinterCast retains the ownership at all times of the SinterCast software and systems.

#### *SinterCast as Lessee*

The Group has classified its lease agreements as operational because the lessor maintains the ownership and associated risks and returns for premises and equipment. Expenses for leasing are charged to profit and loss on a straight-line basis over the period of the lease.

### Taxes

Tax on temporary differences is accounted for using the balance sheet liability method. The accounting policy for deferred tax in relation to unused carry-forward tax losses is described under the heading "Critical Accounting Judgements and Estimates" and presented in the Accounting Notes.

### Liquidity/Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, cash holdings at bank and short term deposits available with less than three month's notice.

# Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

## 1 Revenue Breakdown

Equipment includes sold and leased Systems, Mini-Systems and Spare Parts. Series Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. Group sales represent delivery to foreign subsidiaries of Equipment and Engineering Service. Group purchases represent mainly services provided by the subsidiaries.

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Equipment	7.1	7.7	6.3	6.4
Series Production	66.5	63.6	64.6	60.8
Engineering Service	1.8	1.0	1.1	0.7
Other	0.0	0.1	0.0	0.0
Group Sales	–	–	2.7	3.0
<b>Total</b>	<b>75.4</b>	<b>72.4</b>	<b>74.7</b>	<b>70.9</b>

Group sales of total sales for the Parent Company	4%	4%
Group purchases of costs of goods sold for the Parent Company	62%	61%

Revenue Breakdown per Country	GROUP	
	2016	2015
Brazil	40.8	38.0
Mexico	10.1	8.1
Germany	4.5	3.9
Korea	4.1	7.4
Sweden	3.9	2.5
China	1.9	5.9
USA	1.2	2.6
Other	8.9	4.0
<b>Total</b>	<b>75.4</b>	<b>72.4</b>

## 2 Research & Development

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Costs for personnel and administration	-7.4	-7.0	-7.4	-7.0
Material in R&D	-0.7	-0.6	-0.7	-0.6
Depreciation and write down	-0.7	-0.4	-0.7	-0.4
Other	-0.8	-0.5	-0.8	-0.5
Capitalised development	1.7	0.9	1.7	0.9
<b>Total</b>	<b>-7.9</b>	<b>-7.6</b>	<b>-7.9</b>	<b>-7.6</b>

## 3 Costs per Category

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Personnel expenses	-28.2	-28.7	-14.7	-15.1
Material in cost of goods sold and in R&D	-10.1	-10.5	-26.3	-26.9
Depreciation and write down	-1.1	-0.8	-1.1	-0.7
Office and related costs	-2.5	-2.1	-1.9	-1.5
Travel, commission, exhibition and other sales costs	-2.8	-3.8	-1.5	-2.2
Consultants; sales, marketing and administration	-2.3	-2.3	-1.8	-1.5
Operational foreign exchange difference	0.5	-1.1	0.7	-2.3
Other	-4.2	-3.8	-4.0	-3.6
<b>Total</b>	<b>-50.7</b>	<b>-53.1</b>	<b>-50.6</b>	<b>-53.8</b>

## 4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>PricewaterhouseCoopers (Sweden)</b>				
Audit fees	0.2	0.2	0.2	0.2
Other statutory audit fees	0.1	0.2	0.1	0.2
Tax consultancy	0.1	–	0.1	–
Other services	0.0	–	0.0	–
<b>Gorman Darby &amp; Co Ltd (United Kingdom)</b>				
Audit fees	0.1	0.1	–	–
Tax consultancy	0.0	0.0	–	–
Other services	–	0.0	–	–
<b>Beijing Jiarun CPA Ltd (China)</b>				
Audit fees	0.0	0.0	–	–
<b>Beijing Zhimoujince CTA Co.,Ltd (China)</b>				
Other services	–	–	–	–
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>

## 5 Salaries and Remunerations

**Remuneration Policy for Group Management**

The Annual General Meeting 2016 decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management as follows: The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual levels, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary.

Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Bonus shall not constitute a basis for pension.

Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment corresponding to nine months compensation. Deduction shall not be made for remuneration paid by another employer. No severance payments have been agreed with the other members of the Group Management.

The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons in an individual case.

**Total salaries, remunerations and Board remunerations allocated per country**

ALL AMOUNTS IN SEK THOUSANDS

GROUP	2016			2015		
	Salaries and remuneration	Social security costs	Pension costs	Salaries and remuneration	Social security costs	Pension costs
China	1,462	163	–	1,366	132	–
Korea	1,754	–	141	1,674	–	149
Sweden	11,024	3,349	1,584	11,428	3,376	1,494
United Kingdom	3,817	521	746	4,128	552	786
USA	4,075	172	503	4,037	181	416
<b>Total</b>	<b>22,132</b>	<b>4,205</b>	<b>2,974</b>	<b>22,633</b>	<b>4,241</b>	<b>2,845</b>
<b>PARENT COMPANY</b>						
Sweden	11,024	3,349	1,584	11,428	3,376	1,494
<b>Total</b>	<b>11,024</b>	<b>3,349</b>	<b>1,584</b>	<b>11,428</b>	<b>3,376</b>	<b>1,494</b>

**Group Management**

The remuneration to the Managing Director amounted to SEK 3.8 million (4.1) including variable remuneration of SEK 0.3 million (0.5), taxable benefits in the form of insurance premiums paid for life, long term disability and medical, and school fees amounting to SEK 0.3 million (0.4). Pension contributions (30% of salary), amounted to SEK 0.7 million (0.8), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.5 million (0.6). The remuneration to the other two (two) members of the Group Management, presented on page 15, amounted to SEK 2.5 million (2.3), including variable remuneration amounting to SEK 0.32 million (SEK 0.13 million). In addition, pension contributions amounting to SEK 0.6 million (0.6) were paid, including additional voluntary contributions. The social costs amounted to SEK 0.9 million (0.8). The pension plan follows the Swedish ITP-Plan, according to collective agreement.

**Variable Cash and Share Based Remuneration Programmes**

For all other employees, the remuneration package included a variable element during 2016. The variable part constituted a minor part of the total remuneration package. The variable remuneration for 2016 has been accounted for on an accrual basis. During 2016, no share based related benefits existed in SinterCast.

### The Board of Directors

The Annual General Meeting on 19 May 2016 (AGM 2015) decided upon a total Board remuneration, for the period until the next AGM, of SEK 1,120,000 (SEK 1,050,000). It was further decided that the remuneration shall be divided between the Chairman, SEK 320,000 (SEK 300,000) and the ordinary Board Members, SEK 160,000 (SEK 150,000) each, with no Board remuneration for the Managing Director. The AGM 2016 decided that the remuneration may, if certain conditions are fulfilled, be billed by the Board Member's company. In such cases the invoiced amount shall be adjusted upward with an amount corresponding to the social security contributions and value added tax that SinterCast thereby does not have to pay, provided that the procedure is cost-neutral for SinterCast.

The Board remuneration during 2016 has been in accordance with the AGM decision, in total SEK 1.12 million (1.05). The remuneration to the Chairman, Hans-Erik Andersson, amounted to SEK 0.32 million (0.30) and the remuneration to the ordinary Board Members Aage Figenschou, Robert Dover, Laurence Vine-Chatterton, Carina Andersson and Jason Singer amounted to SEK 0.16 million (0.15) each. No Board fees were allocated to the Managing Director. No bonus schemes, incentive programmes, pension commitments, or pension liabilities exist for the Board Members, with the exception of the Managing Director. During the year, the Chairman and three ordinary Board Members, invoiced their Board remuneration. The Board of Directors has established a Review Group consisting of two members, Jason Singer and Laurence Vine-Chatterton, who received an additional remuneration of SEK 0.02 million (0.02) each.

### Total Board Remuneration

ALL AMOUNTS IN SEK THOUSANDS

	2016	2015	2016	2015
	Board <sup>1</sup>	Board <sup>2</sup>	Review Group	
Hans-Erik Andersson	320	300	-	-
Aage Figenschou	160	150	-	-
Robert Dover	160	150	-	-
Laurence Vine-Chatterton	160	150	20	20
Carina Andersson	160	150	-	-
Jason Singer	160	150	20	20
Steve Dawson	-	-	-	-
<b>Total</b>	<b>1,120</b>	<b>1,050</b>	<b>40</b>	<b>40</b>

1. For the period 19 May 2016 - 18 May 2017

2. For the period 20 May 2015 - 19 May 2016

### Salaries and remuneration allocated per country and between Board, Group Management and other Employees

ALL AMOUNTS IN SEK THOUSANDS

	2016		2015	
	Board and Group Management	Other Employees	Board and Group Management	Other Employees
<b>GROUP</b>				
China	-	1,462	-	1,366
Korea	-	1,754	-	1,674
Sweden	3,585	7,439	3,386	8,042
United Kingdom	3,817	-	4,128	-
USA	-	4,075	-	4,037
<b>Total</b>	<b>7,402</b>	<b>14,730</b>	<b>7,514</b>	<b>15,119</b>
<b>PARENT COMPANY</b>				
Sweden	3,585	7,439	3,386	8,042
<b>Total</b>	<b>3,585</b>	<b>7,439</b>	<b>3,386</b>	<b>8,042</b>

### 6 Transactions with Related Parties

No substantial transactions took place between SinterCast and the Board or management during 2016.

## 7 Board and Group Management

GROUP	2016			2015		
	Total	Female	Female %	Total	Female	Female %
Board Members	14	2	14	14	2	14
CEO and Group Management	3	0	0	3	0	0
<b>PARENT COMPANY</b>						
Board Members	7	1	14	7	1	14
CEO and Group Management	3	0	0	3	0	0

## 8 Average Number of Employees During the Year

GROUP	2016		2015	
	Total	Female	Total	Female
China	1	-	1	-
Korea	1	-	1	-
Sweden	15	4	14	4
United Kingdom	1	-	1	-
USA	2	-	2	-
<b>Total</b>	<b>20</b>	<b>4</b>	<b>19</b>	<b>4</b>
<b>PARENT COMPANY</b>				
Sweden	15	4	14	4
<b>Total</b>	<b>15</b>	<b>4</b>	<b>14</b>	<b>4</b>

## 9 Leasing

SinterCast as Lessor	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Income from leased equipment	0.3	0.3	0.1	0.1
Contracted future income	1.6	1.5	0.5	0.5
Receivables within 1 year	0.3	0.3	0.1	0.1
Receivables within 2–5 years	1.3	1.2	0.4	0.4
Receivables beyond 5 years	0.0	0.0	0.0	0.0

Leased equipment refers to Agreements with Motor Castings and SKF.

SinterCast as Lessee	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Cost from leased premises and equipment	1.4	1.4	0.7	0.7
Contracted future commitments	7.1	7.0	3.8	3.7
Payable within 1 year	1.4	1.4	0.8	0.7
Payable within 2–5 years	5.7	5.6	3.0	3.0
Payable beyond 5 years	0.0	0.0	0.0	0.0

Leasing fees for operational leasing charged to the operating result refer primarily to leased premises used for production, inventory, development, and office space.

## 10 Other Operating Income and Costs

Other Income	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Exchange gains from operations	2.9	1.8	3.5	2.5
<b>Total</b>	<b>2.9</b>	<b>1.8</b>	<b>3.5</b>	<b>2.5</b>
<b>Other Costs</b>				
Exchange loss from operations	-2.4	-2.9	-2.8	-4.8
<b>Total</b>	<b>-2.4</b>	<b>-2.9</b>	<b>-2.8</b>	<b>-4.8</b>
<b>Total other operating income and costs</b>	<b>0.5</b>	<b>-1.1</b>	<b>0.7</b>	<b>-2.3</b>

## 11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Interest</b>				
Interest income	0.0	0.1	0.1	0.1
Interest cost	-0.1	-0.1	-0.1	-0.1
<b>Total</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Revaluation differences of forward exchange contracts and investments</b>				
Translation differences*	-	4.5	-	-
Exchange gain, forward contracts	0.0	0.4	0.0	0.4
Exchange loss, forward contracts	-0.5	-0.8	-0.5	-0.8
<b>Total</b>	<b>-0.5</b>	<b>4.1</b>	<b>-0.5</b>	<b>-0.4</b>
<b>Write down of shares in subsidiaries</b>				
SinterCast Ltd	-	-	-	-3.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.3</b>
<b>Returned shareholders contribution</b>				
SinterCast Inc	-	-	-	6.3
SinterCast Ltd	-	-	-	9.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.3</b>
<b>Total financial income and expenses</b>	<b>-0.6</b>	<b>4.1</b>	<b>-0.5</b>	<b>11.6</b>

\*Translation differences arising from the Parent Company settlement of its debts toward the subsidiaries in US and UK.

## 12 Tax

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Income tax</b>				
Income tax for the year	0.0	-0.2	0.0	0.0
Change in deferred tax asset	1.0	1.0	1.0	1.0
<b>Income tax in the income statement</b>	<b>1.0</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>
<b>Deferred tax asset</b>				
Deferred tax asset brought forward	30.3	29.3	30.3	29.3
Capitalised carry forward tax losses during the year	1.0	1.0	1.0	1.0
<b>Accumulated value carried forward</b>	<b>31.3</b>	<b>30.3</b>	<b>31.3</b>	<b>30.3</b>

Deferred tax asset relates to carry forward tax losses in Sweden, only. No tax effects on items included in other comprehensive income.

**Carry forward tax losses**

Based on the filed tax returns for the financial year 2015, with addition of the calculated taxable result of the financial year 2016.

Country	Valid until	2016	2015	Tax Rates
Sweden	indefinitely	436.6	460.0	22%
United Kingdom	indefinitely	32.2	38.7	20%
USA*	15 years from the year of filing	26.5	27.8	15-35%
<b>Total**</b>		<b>495.3</b>	<b>526.5*</b>	<b>22%</b>

\*Of which USD 2.3 million is due within 5 years, USD 3.3 million within 10 years and USD 3.3 million within 15 years.

\*\*SEK 142.3 million (SEK 137.8 million) of the Group's total carried-forward tax losses have been used as the basis of the deferred tax asset calculation.

SEK 352.9 million (SEK 388.7 million) of the Group's carried forward tax losses have not yet been used.

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<b>Tax expenses based on actual tax rate</b>				
Result before tax	25.8	24.4	25.1	29.6
Tax calculated based on Swedish tax rate	-5.7	-5.4	-5.5	-6.5
Tax effect on non tax deductible expenses	0.0	0.0	0.0	0.0
Tax effect on foreign tax	0.0	-0.2	0.0	0.0
Tax effect on utilised carried forward tax losses	5.7	5.4	5.5	6.5
Tax effect on capitalised tax losses	1.0	1.0	1.0	1.0
<b>Tax on the result for the period as per the income statements</b>	<b>1.0</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>

The income tax rate valid for the Group was 22% (22%). The income tax rate valid for Sweden was 22% (22%).

The income tax rate valid for UK was 20% (21%). The income tax rate valid for US was 15-35% (15-35%).

## 13 Intangible Assets\*

GROUP	Patent		Capitalised Development		Total	
	2016	2015	2016	2015	2016	2015
Acquisition value brought forward	17.6	17.0	2.6	1.6	20.2	18.6
Acquisitions during the year						
Research & development	0.3	0.6	1.9	1.1	2.2	1.7
Disposals	-1.5	0.0	0.0	-0.1	-1.5	-0.1
<b>Accumulated acquisition carried forward</b>	<b>16.4</b>	<b>17.6</b>	<b>4.5</b>	<b>2.6</b>	<b>20.9</b>	<b>20.2</b>
Depreciation brought forward	-15.8	-15.5	-0.8	-0.7	-16.6	-16.2
Depreciation for the year						
Research & development	-0.2	-0.3	-0.4	-0.1	-0.6	-0.4
Disposals	1.5	0.0	0.0	-	1.5	0.0
<b>Accumulated depreciation carried forward</b>	<b>-14.5</b>	<b>-15.8</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-15.7</b>	<b>-16.6</b>
<b>Book value carried forward</b>	<b>1.9</b>	<b>1.8</b>	<b>3.3</b>	<b>1.8</b>	<b>5.2</b>	<b>3.6</b>

PARENT COMPANY	Patent		Capitalised Development		Total	
	2016	2015	2016	2015	2016	2015
Acquisition value brought forward	17.6	17.0	6.8	5.8	24.4	22.8
Acquisitions during the year						
Research & development	0.3	0.6	1.9	1.1	2.2	1.7
Disposals	-1.5	0.0	-4.2	-0.1	-5.7	-0.1
<b>Accumulated acquisition carried forward</b>	<b>16.4</b>	<b>17.6</b>	<b>4.5</b>	<b>6.8</b>	<b>20.9</b>	<b>24.4</b>
Depreciation brought forward	-15.8	-15.5	-5.0	-4.9	-20.8	-20.4
Depreciation for the year						
Research & development	-0.2	-0.3	-0.4	-0.1	-0.6	-0.4
Disposals	1.5	0.0	4.2	-	5.7	0.0
<b>Accumulated depreciation carried forward</b>	<b>-14.5</b>	<b>-15.8</b>	<b>-1.2</b>	<b>-5.0</b>	<b>-15.7</b>	<b>-20.8</b>
<b>Book value carried forward</b>	<b>1.9</b>	<b>1.8</b>	<b>3.3</b>	<b>1.8</b>	<b>5.2</b>	<b>3.6</b>

\* All intangible assets are related to Sweden.

## 14 Tangible Fixed Assets\*

GROUP	Computers, Fixtures & Fittings		Plant & Machinery		Total	
	2016	2015	2016	2015	2016	2015
Acquisition value brought forward	3.8	3.7	6.7	6.7	10.5	10.4
Acquisitions during the year						
Administration	0.5	0.1	–	–	0.5	0.1
Sales and marketing	0.4	–	–	–	0.4	–
Disposals						
Sales and marketing	-0.1	–	-1.4	–	-1.5	–
Administration	-0.2	0.0	–	–	-0.2	0.0
<b>Accumulated acquisition carried forward</b>	<b>4.4</b>	<b>3.8</b>	<b>5.3</b>	<b>6.7</b>	<b>9.7</b>	<b>10.5</b>
Depreciation brought forward	-2.5	-2.2	-6.7	-6.6	-9.2	-8.8
Depreciation for the year						
Sales and marketing	-0.3	–	0.0	-0.1	-0.3	-0.1
Administration	-0.1	-0.3	–	–	-0.1	-0.3
Disposals						
Sales and marketing	0.2	–	1.4	–	1.6	–
Administration	0.2	0.0	–	–	0.2	0.0
<b>Accumulated depreciation carried forward</b>	<b>-2.5</b>	<b>-2.5</b>	<b>-5.3</b>	<b>-6.7</b>	<b>-7.8</b>	<b>-9.2</b>
<b>Book value carried forward</b>	<b>1.9</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1.9</b>	<b>1.3</b>

PARENT COMPANY	Computers, Fixtures & Fittings		Plant & Machinery		Total	
	2016	2015	2016	2015	2016	2015
Acquisition value brought forward	4.4	4.2	3.1	3.1	7.5	7.3
Acquisition during the year						
Administration	0.5	0.2	–	–	0.5	0.2
Sales and marketing	0.4	–	–	–	–	–
Disposals						
Sales and marketing	-0.1	–	-1.4	–	–	–
Administration	-0.2	0.0	–	–	0.0	0.0
<b>Accumulated acquisition carried forward</b>	<b>5.0</b>	<b>4.4</b>	<b>1.7</b>	<b>3.1</b>	<b>6.7</b>	<b>7.5</b>
Depreciation brought forward	-3.1	-2.8	-3.1	-3.0	-6.2	-5.8
Depreciation for the year						
Sales and marketing	-0.3	–	0.0	-0.1	-0.3	-0.1
Administration	-0.1	-0.3	–	–	-0.1	-0.3
Disposals						
Sales and marketing	0.2	–	1.4	–	1.6	–
Administration	0.2	0.0	–	–	0.2	0.0
<b>Accumulated depreciation carried forward</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-1.7</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-6.2</b>
<b>Book value carried forward</b>	<b>1.9</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1.9</b>	<b>1.3</b>

\*All fixed assets are related to Sweden.

## 15 Accounts Receivable – Trade

	GROUP	
	2016	2015
Accounts receivable not due	12.5	12.6
Accounts receivable overdue 0–30 days	0.7	0.7
Accounts receivable overdue 31–90 days	1.5	0.7
Accounts receivable overdue 91–180 days	0.4	0.1
Accounts receivable overdue >180 days	0.3	0.0
Provision for bad debts	-0.3	-0.0
<b>Accounts receivables net</b>	<b>15.1</b>	<b>14.1</b>

Accounts receivable net, including a provision for bad debts amounting to SEK 0.3 (0.03) million. The carrying amount of accounts receivable represents the fair value.

## 16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Deposits*	0.4	0.4	0.1	0.1
Deferred Tax Asset	31.3	30.3	31.3	30.3
Accrued Interest from Subsidiary	–	–	0.1	–
<b>Total</b>	<b>31.7</b>	<b>30.7</b>	<b>31.5</b>	<b>30.4</b>

\*Mainly office rental deposits.

## 17 Inventory

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Work in progress	1.1	1.3	1.1	1.3
Finished products	3.2	3.1	3.1	3.0
<b>Total</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.3</b>

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
The amount of inventories recognised as an expense during the period	9.4	9.8	9.3	9.8
<b>Total</b>	<b>9.4</b>	<b>9.8</b>	<b>9.3</b>	<b>9.8</b>

## 18 Other Debtors

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
VAT and tax receivables	0.5	0.6	0.5	0.6
Other current receivables	0.0	0.1	0.0	0.0
Fair value on currency forward foreign exchange contracts*	–	0.4	–	0.4
<b>Total</b>	<b>0.5</b>	<b>1.1</b>	<b>0.5</b>	<b>1.0</b>

\* The fair value of forward foreign exchange contracts is determined by using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of derivative instruments is established by using valuation techniques. For this purpose, observable market information is used.

## 19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Prepaid rents	0.2	0.2	0.1	0.1
Prepaid insurance	0.7	0.6	0.5	0.4
Prepaid benefit	0.0	0.1	–	–
Accrued income from Production Fee	0.9	1.5	0.9	1.5
Others	1.7	0.8	1.7	0.8
<b>Total</b>	<b>3.5</b>	<b>3.2</b>	<b>3.2</b>	<b>2.8</b>

## 20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Other long term liabilities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Withholding tax and national insurance contributions for employees	0.9	0.7	0.7	0.6
Fair value on currency forward foreign exchange contracts*	0.1	–	0.1	–
<b>Total</b>	<b>1.0</b>	<b>0.7</b>	<b>0.8</b>	<b>0.6</b>

\* The fair value of forward foreign exchange contracts is determined by using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of derivative instruments is established by using valuation techniques. For this purpose, observable market information is used.

## 22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Accrued personnel expenses	6.4	6.2	1.0	1.8
Accrued administrative costs	0.3	0.3	0.2	0.2
Deferred income	0.4	3.0	0.2	2.8
Provisions for cost of goods sold	0.6	0.3	0.6	0.3
Others	0.4	0.4	0.3	0.3
<b>Total</b>	<b>8.1</b>	<b>10.2</b>	<b>2.3</b>	<b>5.4</b>

## 23 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Bank guarantees*	0.3	3.1	0.3	3.1
<b>Total contingent liabilities</b>	<b>0.3</b>	<b>3.1</b>	<b>0.3</b>	<b>3.1</b>

\*Quality guarantee given to customer

## 24 Shares in Subsidiaries for the Parent Company, SinterCast AB (publ)

ALL AMOUNTS IN SEK	2016	2015
Acquisition value brought forward	66,268,332	65,388,050
Acquisition during the year		
New share issue*	0	880,282
<b>Accumulated acquisition value carried forward</b>	<b>66,268,332</b>	<b>66,268,332</b>
Impairment brought forward	-64,352,300	-61,035,853
Impairment for the year		
Write-off of shares in subsidiaries**	0	-3,316,447
<b>Accumulated impairment carried forward</b>	<b>-64,352,300</b>	<b>-64,352,300</b>
<b>Book value carried forward</b>	<b>1,916,032</b>	<b>1,916,032</b>

\*In 2015, shareholder contribution amounting to SEK 880,282 has been given to SinterCast Trading (Beijing) Co., Ltd.

\*\* In 2015, shares in subsidiaries amounting to SEK 3,316,447 in SinterCast Ltd. have been written-off.

List of subsidiaries to SinterCast AB (publ)	Corporate Identification Number	Votes and Percentage of Equity, %	Book Value 2016	Book Value 2015	
SinterCast Trading (Beijing) Co., Ltd.	Beijing, China	110000450218467	100	1,848,047	1,848,047
SinterCast Korea Co., Ltd	JeonJu-City, South Korea	418-81-40366	100	67,981	67,981
SinterCast Ltd.	London, UK	2021239	100	1	1
SinterCast, Inc.	Chicago, USA	187363	100	1	1
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	1	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	1	1
<b>Total</b>			<b>1,916,032</b>	<b>1,916,032</b>	

## 25 Share Capital Development in SinterCast AB (publ)

	Number of Shares			Par Value (SEK)	Share Capital (SEK)
	A*	B**	Total		
Share capital as of 1 January 1993	101,200	2,660	103,860	0.50	51,930
March 1993: Share issue I	161,200	2,660	163,860	0.50	81,930
April 1993: Split 10:1	1,612,000	26,600	1,638,600	0.05	81,930
April–May 1993: Share issue II	2,084,600	26,600	2,111,200	0.05	105,560
April–May 1993: Share issue III	2,311,350	26,600	2,337,950	0.05	116,898
December 1993: Bonus issue	2,311,350	26,600	2,337,950	1.00	2,337,950
January 1994: Directed share issue	2,811,350	26,600	2,837,950	1.00	2,837,950
October 1994: Directed share issue	2,811,350	626,600	3,437,950	1.00	3,437,950
October 1995: Directed share issue	3,435,350	626,600	4,061,950	1.00	4,061,950
December 1995: Subscription via warrants	3,435,350	628,600	4,063,950	1.00	4,063,950
June 1996: Subscription via warrants	3,435,350	655,600	4,090,950	1.00	4,090,950
February 2002: Directed share issue	4,235,350	655,600	4,890,950	1.00	4,890,950
	Number of Outstanding Shares				
June 2002: Change share structure* (B shares converted to A)			4,890,950	1.00	4,890,950
September 2002: Subscription via warrants			4,900,062	1.00	4,900,062
November 2003: Subscription via warrants			5,364,200	1.00	5,364,200
December 2003: Subscription via warrants			5,389,200	1.00	5,389,200
December 2004: Subscription via warrants			5,552,900	1.00	5,552,900
September 2009: Directed share issue			6,478,383	1.00	6,478,383
October 2010: Subscription via warrants			6,930,653	1.00	6,930,653
December 2010: Subscription via warrants			6,975,653	1.00	6,975,653
December 2013: Subscription via warrants			7,090,133	1.00	7,090,133
<b>Share capital as of 31 December 2016</b>			<b>7,090,133</b>	<b>1.00</b>	<b>7,090,133</b>

\* One vote per share

\*\*One tenth vote per share

## 26 Risk Management, Risks and Uncertainty Factors

All business and share-ownership involves some measure of risk. The risk factors reported herein are not ranked in order of priority or significance, and do not claim to be comprehensive. Shareholders should make their own assessment of each risk factor and its significance for the future development of the company. The risk exposure for SinterCast can be broadly divided into strategic risks, operational risks and financial risks.

The Board of Directors monitors the business development and the associated risks during the Board Meetings. The Board of Directors has established policies to provide a framework for how the various risks that SinterCast can encounter shall be managed and to define the risk exposure with which the business may be operated. The objective of the Board's policies is to maintain a low risk profile regarding financial and legal matters. External monitoring is conducted by auditors and advisors. Internal monitoring takes place in accordance with the operating principles approved by the Board of Directors. Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimise indemnity risks. SinterCast is currently not involved in any legal disputes.

### Strategic Risks

#### Market Risk

Uncertainty factors for SinterCast include the timing of OEM decisions for new CGI engines and other components, adherence to start-of-production dates and ramp projections, the global economy for new vehicle sales, technology trends and emissions legislation, and the individual sales success of vehicles equipped with SinterCast-CGI components.

In Europe, passenger vehicle sales have increased for the last three years and most forecasters indicate a stable or positive near-term outlook. However, political uncertainty exists and this could affect infrastructure, investment, trade and, ultimately, vehicle sales. In Asia, the dominant Chinese market is characterised by overcapacity in the commercial vehicle and construction equipment sectors, which represent the primary opportunities for CGI. This overcapacity, coupled with the underlying economic uncertainty in China, influences new product commitments, product development cycles and production volumes. In North America, passenger vehicle sales have increased for seven consecutive years and SinterCast has benefitted from this market growth. However, political tension and the possible renegotiation of free trade agreements could have an impact on the passenger vehicle and commercial vehicle markets.

#### Product Applications

Series production is diversified between V-type diesel and petrol engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power components. This diversification, combined with the delivery of SinterCast-CGI castings to more than 30 different end-users in five continents, helps to mitigate the risk of cyclical demand in any one sector or for any one customer. SinterCast also endeavours to offset the risk in its current customer activities by developing new products and applications.

#### Alternative Technologies and Emissions Legislation

The business development of SinterCast is strongly linked to the internal combustion engine, particularly the diesel engine. Recent events in the global passenger vehicle market have increased the scrutiny on diesel engines and some governments are revisiting emissions legislation. While SinterCast believes that the diesel engine can meet stringent NO<sub>x</sub> legislation and that it remains an important part of the solution for fleet fuel economy and CO<sub>2</sub> reduction, revised legislation can present a hindrance to the market development for diesel passenger vehicles. For long-haul commercial vehicles, diesel engines are expected to remain the dominant powertrain technology throughout the SinterCast planning horizon. Within the passenger vehicle market, sales of new powertrain technologies, such as vehicle electrification (hybrid and plug-in vehicles) and fuel cells will grow, however, many automotive industry forecasts agree that the internal combustion engine will remain the dominant powertrain technology well beyond 2025. The internal combustion engine, both diesel and petrol, will continue to make efficiency improvements to defend its position as the most cost-efficient and convenient powertrain technology. These gains will include downsizing, increased thermal and mechanical loading, and increased specific performance with current product development focussing on more than 200 horsepower per litre. These developments can benefit from stronger material such as CGI.

#### Code of Conduct

The Board of Directors has established a Code of Conduct to guide the way that the company is represented. The guidelines provided in the Code of Conduct are established to reinforce the recognition, respect and leadership position that SinterCast enjoys in industry and in society. SinterCast is committed

to high and consistent standards of integrity and ethics. The Board and the management are committed to leading by example and to ensuring that the Code of Conduct is honoured by all employees.

### Operational Risks

#### Major Customers

In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual foundry customers. As of 15 March 2017 SinterCast has 44 installations in 13 countries and 10 different languages. In 2016, the three largest customers represented SEK 35.7 million (SEK 33.9 million), SEK 10.2 million (SEK 8.5 million) and SEK 5.2 million (SEK 4.3 million) of the company's sales while the five largest customers accounted for approximately SEK 56.5 million (SEK 53.7 million) of sales. As a result, the loss of a single foundry customer, or capacity constraints at any such customer, could – at least in the short term – have a significant negative impact on the company's revenue and result.

#### Key Personnel

For the foreseeable future, SinterCast will be dependent on the expertise and creativity of a core group of key personnel. These people have the knowledge, experience and contacts that develop and support the underlying technology and that maintain the customer support and sales activities. The departure of one or more of these individuals could have a negative effect on the company's business. The Board of Directors has implemented incentive programmes to manage this risk and to motivate, retain and reward employees. The recent recruitment of technical staff has also helped to distribute the core know-how and broaden the competence within the company. SinterCast strives to provide a challenging and rewarding work environment.

#### Patents and Intellectual Property Rights

The company has implemented a strategy to protect its technology through patents or other intellectual property rights to preserve its leading position within liquid metal process control. The company applies for patents in selected countries that are relevant to the foundry and/or automotive industries, while retaining some core technology as knowhow. However, there is no guarantee that the company will continue to be granted patents in the relevant geographic markets, or will be able to defend the patents that have been granted. There is also a risk that new technologies may be developed which circumvent the company's patents. During the recent years, as the SinterCast technology has evolved, the company allowed selected patents to lapse, as it was judged that continued payment of the national phase annuities for these patents would not provide a return on the investment.

#### Risk for Claims

The risk for claims refers to the costs that SinterCast could incur to replace or rectify non-conforming or defective products or systems and the possible costs for customer-levied penalties. SinterCast endeavours to resolve any claim quickly and efficiently to ensure customer satisfaction and loyalty, even if such resolutions result in short term costs. During 2016, the Group's cost for claims amounted to less than one percent of turnover. SinterCast strives to minimise its risks for claims by means of comprehensive testing during the development phase, through quality control, and proactive customer support.

### Financial Risks and Financial Instruments

The Board of Directors has established the SinterCast finance policy to provide a framework for how different types of financial risks shall be managed and to define the risk exposure with which the business may be operated. The objective of this policy is to maintain a low risk profile. In general, risks and principles are applicable for both the Parent Company and the Group. Please see page 35 "Financial Instruments" for more detailed information regarding SinterCast's classification of its financial instruments.

#### Liquidity Risk

Liquidity risk is the risk that the Group's short term cash and cash equivalents requirements may not be met. Planning of the Group's future requirements for liquid funds is facilitated by continuously updating the Group's requirements for liquidity over a 12-month period. The Board must be promptly notified of any sudden or expected decline in the Group liquidity. The risk is limited by holding sufficient cash and cash equivalents and if necessary, securing granted but unused credit facilities that can be utilised without conditions, for at least a 12-month period. The liquidity risk is considered as low. The Group's liquidity on 31 December 2016 amounted to SEK 45.3 million (SEK 48.0 million).

Liquidity	Group		Parent Company	
	2016	2015	2016	2015
Amounts in SEK million				
Bonds, fixed income instruments	26.0	27.8	26.0	27.8
Cash at bank	19.3	20.2	17.3	16.4
<b>Total</b>	<b>45.3</b>	<b>48.0</b>	<b>43.3</b>	<b>44.2</b>

Maturity Structure	2016		2015	
	Total	<30 days	Total	<30 days
Group (Parent Company)				
Total cash & equivalents	45.3 (43.3)	38.3 (36.3)	48.0 (44.2)	44.6 (40.7)
Receivables	15.1 (13.7)	0.7 (0.6)	14.1 (12.7)	0.7 (0.5)
Income from leases	0.3 (0.1)	0.0 (0.0)	0.3 (0.1)	0.0 (0.0)
<b>Total</b>	<b>60.7 (57.1)</b>	<b>39.0 (36.9)</b>	<b>62.4 (57.0)</b>	<b>45.3 (41.2)</b>
Total payable, ex salaries	3.7 (1.9)	3.7 (1.8)	2.3 (1.9)	2.2 (1.8)
Expenses from leases	1.4 (0.7)	0.1 (0.1)	1.4 (0.7)	0.1 (0.1)
<b>Total</b>	<b>5.1 (2.6)</b>	<b>3.8 (1.9)</b>	<b>3.7 (2.6)</b>	<b>2.3 (1.9)</b>

### Refinancing Risk

Refinancing risk is the risk that the Group will be unable to raise new loans or to refinance existing loans, when falling due. Planning of the Group's future finance requirements is facilitated by continuously updating the Group's finance requirements over a five year period, and reviewing existing loans, if any. Currently, the SinterCast Group has no external loans. Only the Board can approve new loans.

### Credit Risk, Customers and Deposits

Credit risk is the risk that any counterparty may not be able to fulfil its commitments and, as a consequence, the Group suffers a loss. Prior to entering a business relationship with a new customer, professional credit information about the customer is obtained and reviewed. Before offering credit, financing guarantee products that provide cover against payment risks are evaluated and the credit terms and terms of payments are determined accordingly. This is also valid regarding deposits. Credit risk in excess of SEK 5 million must be approved by the Board. Credit risk is handled by the Group's finance function. Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies and organisations. The credit risk is distributed among the majority of the customers. Historical and present bad debt losses are insignificant. SinterCast operates with credit insurance for most contracts. Provision for bad debts has been made amounting to SEK 0.3 million.

Credit Risk	Group		Parent Company	
	2016	2015	2016	2015
Amounts in SEK million				
Receivables, not due	12.5	12.6	12.0	11.9
Due <30 days	0.7	0.7	0.6	0.5
Due > 30 days	1.9	0.8	1.1	0.3
<b>Total trade receivables</b>	<b>15.1</b>	<b>14.1</b>	<b>13.7</b>	<b>12.7</b>

Funds not needed in the operation shall be invested in order to minimise risks and optimise returns. Bond investments shall be made in bond funds such that all funds shall be Standard & Poors BBB or above, with a maximum of 50% of the funds allocated to the BBB class. The Group shall not invest in securities or funds which are exposed to long term interest rate risks.

### Interest Rate Risk

Interest rate risk is the risk that variations in interest rates will have a negative impact on the Group results. The aim is to minimise the interest rate risk by investing the Group's liquid funds in a well-balanced portfolio. Interest rate risk exists in short term investments, bank deposits and outstanding loans due to variability of interest rates. An interest rate change of one percentage point up or down corresponds to an interest risk of approximately SEK 0.4 million for SinterCast's short term investments and bank deposits.

### Currency Risk

Currency risk is the risk that the value of future flows, loans, and equity may change as a result of foreign exchange rate fluctuations. This risk can be further subdivided as follows:

Transaction exposure is the risk that the value in Swedish krona of actual and estimated net inflows in foreign currencies varies with the exchange rate. The net inflow of exposed currencies shall be budgeted for the next 12 months and presented to the Group's banks and other financial advisors for guidance on future hedging. The hedging for the following year will thereafter be decided by the Board.

The Group's net inflow of foreign currency primarily consists of USD and EUR while its expenses are primarily in SEK. SinterCast's increased expenses outside Sweden have increased the natural hedge of the USD and EUR inflow. SinterCast's net surplus of foreign currency primarily consists of USD and EUR which are exchanged to SEK and GBP.

During 2016, foreign currencies exchanged to SEK amounted to approximately USD 4.30 million (USD 4.4 million) and EUR 1.95 million (EUR 2.7 million). Foreign currencies exchanged to GBP amounted to approximately USD

0.4 million (USD 0.7 million) and EUR 0.0 million (EUR 0.4 million). During 2016, the average USD/SEK exchange rate increased by 0.8%, from 8.43 to 8.49. Likewise, the EUR/SEK exchange rate increased by 0.7% from 9.35 to 9.42. The exchange rate movement in these currencies in 2016 effected the net currency flow by approximately SEK 0.4 million. The exchange rate movements in GBP compared to USD and EUR affected the net currency flow by approximately SEK 0.0 million. An exchange rate increase of 10 percent in the main net currency flows versus SEK, has an effect of approximately SEK 4.0 million (USD/SEK) and SEK 1.8 million (EUR/SEK) on the future net currency flows. All presented figures above are before consideration of hedges made in accordance with the Finance Policy. It is estimated that the combined currency movement, phasing on conversions made and other currency effects on the Income Statement during 2016, amounts to approximately SEK 6 million.

In accordance with the Group's Finance Policy, part of the expected and budgeted flow of USD and EUR was hedged for the following 12 month period. Outstanding currency forward exchange contracts on the balance sheet date were:

### Forward Exchange Contracts

Amounts in million	2016		2015	
	Total	<6 month	Total	<6 month
USD	1.2	1.2	1.5	1.0
EUR	0.8	0.6	1.1	0.6

Translation exposure is the risk of holding net assets in a foreign subsidiary (i.e. subsidiaries with a base currency other than SEK). Currently, the net assets in foreign subsidiaries are not hedged. This is reviewed on a yearly basis, in conjunction with the Finance Policy review and approval. Any changes to the hedge decision must be approved by the Board. The value of the Group's net assets, meaning the difference between capital employed and net debt, amounted to SEK 6.1 million, (SEK 5.9 million) and was distributed among the following currencies:

### Net Assets in Foreign Subsidiaries

Amounts in SEK million	2016	2015
USD	2.6	2.4
RMB	2.0	2.0
GBP	0.8	0.9
KRW	0.5	0.4
MEX	0.2	0.2

If the currency moves 10% towards SEK, the following translation effect will arise, and will affect the result before tax correspondingly.

### Translation Risk

Amounts in SEK million	
USD	0.3
RMB	0.2
GBP	0.1
MEX	0.0
KRW	0.0

Loan exposure is the risk of holding loans denominated in a foreign currency, which are not used to hedge the transaction or equity position. The matching principle is applied to funds borrowed externally. Accordingly, if possible, money is raised, or hedged, in the currency in which it is intended to invest the funds. Internal loans are denominated in the currency of the lender. External foreign currency loans must be approved by the Board.

### Capital Risk

Capital Risk is the risk that the Group's capital structure is not efficient or that there are risks to cease the Group's operation.

The Group's objective in respect of the capital structure is to optimise the capital structure in order to secure that SinterCast is able to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced.

To manage the capital structure, the Group must seek approval from the shareholders to issue new shares, buy-back shares or give dividends. The capital structure is regularly monitored and the Board is updated of the current capital structure and provided with proposals to be decided upon. The Group equity on 31 December 2016 amounted to SEK 95.8 million (SEK 93.2 million). The equity of SinterCast AB amounted to SEK 90.6 million (SEK 89.3 million). The foreign subsidiaries have been financed by internal loans and equity.

## 27 Events After the Balance Sheet Date

The following press releases have been issued:

10 January 2017 – Ford reveals diesel F-150 at North American International Auto Show  
22 February 2017 – SinterCast Results October-December 2016 and Full Year Results 2016

There have been no other significant events since the balance sheet date of 31 December 2016 that could materially change these financial statements.

The balance sheets and the income statements shall be presented for approval at the Annual General Meeting of shareholders on 18 May 2017.

## 28 Proposed Allocation of Profits in SinterCast AB (publ)

The following earnings in the Parent Company are at the disposal of the Annual General Meeting.

(Amounts in SEK)

Share premium preserve	35,336,610
Result brought forward	10,575,127
Result for the year	26,139,672
<b>Total non-restricted equity of the Parent Company</b>	<b>72,051,409</b>

The Board of Directors proposes to the AGM that earnings be distributed as follows.

(Amounts in SEK)

A dividend of SEK 4.0 per share shall be distributed	28,360,532
To be retained by the Parent Company	43,690,877
<b>Total</b>	<b>72,051,409</b>

## 29 Definitions

### Definitions and reconciliation

The European Securities and Markets Authority (ESMA) has issued guidelines regarding alternate key ratios for listed companies. Alternative ratios relate to financial key figures and share data used by management to control and evaluate the Group's business, other than those defined in the applicable financial reporting framework (IFRS). These ratios are also considered to be of interest to external investors and analysts who monitor the company. The key ratios are calculated according to the following definitions using the figures presented in the financial statements. According to management judgement, reconciliation of the key ratios has not been presented because the calculations are based on non-adjusted figures.

#### Operating margin %

Operating results as percentage of revenue

#### Solidity %

Shareholders' equity expressed as percentage of total assets end of period

#### Equity per share

Shareholders' equity divided by the average number of shares

#### Capital employed

Total assets less non-interest bearing liabilities

#### Return on shareholders' equity %

Result for the period as a percentage of average shareholders' equity

Quarterly values are not annualised

#### Return on capital employed %

Result for the period as a percentage of average capital employed

Quarterly values are not annualised

#### Return on total assets %

Result for the period as a percentage of total average assets.

Quarterly values are not annualised

#### Average number of shares

Weighted average of the number of shares outstanding for the period

#### Average number of shares adjusted for dilution

Weighted average of the number of shares for the period adjusted for dilution

#### Earnings per share\*

Result for the period divided by the average number of shares

#### Earnings per share, diluted

Result for the period divided by the average number of shares adjusted for dilution

#### Dividend per share

Dividend divided by the number of shares

#### Cashflow from operations per share

Cashflow from operations divided by the number of shares

#### Share price at the end of the period

Latest paid price for the SinterCast share at Nasdaq Stockholm stock exchange

#### Value presented as "0.0"

Amount below SEK 50,000

#### Value presented as "-"

No amount applicable

\*According to IFRS. All other key ratios and share data are defined as Alternative Performance Measures (APMs)

## Signatures

The Board of Directors and the Managing Director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair

view of the Parent Company's financial position and results of the operations. The Directors' Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of the operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 5 April 2017

Hans-Erik Andersson  
Chairman of the Board

Aage Figenschou  
Vice Chairman of the Board

Robert Dover  
Member of the Board

Laurence Vine-Chatterton  
Member of the Board

Carina Andersson  
Member of the Board

Jason Singer  
Member of the Board

Steve Dawson  
Member of the Board & Managing Director

Our audit report was submitted on 5 April 2017  
Öhrlings PricewaterhouseCoopers AB

Tobias Strähle  
Authorised Public Accountant



## Auditor's report

To the general meeting of the shareholders of SinterCast AB (publ), corporate identity number 556233-6494

### Report on the annual accounts and consolidated accounts

#### *Opinions*

We have audited the annual accounts and consolidated accounts of SinterCast AB (publ) for the year 2016 except for the corporate governance report on pages 21-26. The annual accounts and consolidated accounts of the company are included on pages 17-49 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 parent company as of 31 December 2016 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 21-26. 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 the 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 the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### *Our audit approach*

##### **Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. The business operations and financial processes of the group are limited, and managed by a small group of employees. Due to efficiency, audit evidence has mainly been obtained by substantive testing, on sample basis, of underlying transactions.

We conducted audit work covering all significant entities of the group. Regular meetings have been held with company management and audit committee, where we reported on our audit work.

##### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### *Key audit matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.



### Key audit matter

#### *Deferred tax assets – valuation of tax losses carried forward*

The consolidated and parent company's balance sheet includes an asset "Deferred taxes". At the end of the financial year it amounts to SEK 31 million. This corresponds to 142 million SEK of the tax losses carried forward in Sweden. Details of the total tax losses carried forward are disclosed in note 12 in the financial statements.

As described in the accounting principles (pages 33-36), "critical accounting estimates and judgements" (page 33) and internal control section in the financial statements, The company management assesses that the deferred tax asset is a significant area of judgment for the financial statements.

Under IFRS tax losses should be recognized as deferred tax assets to the extent it is likely that these can be offset against future taxable income over the foreseeable future.

The company management assesses that the utilization of tax losses carried forward are limited to future earnings from secured CGI programs. The future taxable income which can be offset against tax losses carried forward is calculated Based on a mathematical model. The utilization rate is re-assessed on quarterly basis and reviewed by the board.

### How our audit addressed the Key audit matter

PwC have obtained the mathematical model and supporting documents.

We have, on sample basis, selected individual CGI programs and tested the underlying revenue calculations by comparing the estimated production rate to historical production rates, compared revenue streams for selected CGI programs against signed customer contracts and tied back the amounts in the general ledger. We have verified revenue data applied in the model to the underlying contract.

We challenged management as to whether the data referring to future taxable income is reasonable and if there are any known changes in regards to revenue from production fee and consumables. We also made inquiries regarding reasonableness and sustainability of future production levels.

We have reviewed the disclosures made in the accounting principles (page 33-36), critical accounting estimates and judgements (page 33) and in note 12 to the financial statements. Our audit has not resulted in any adjustments and we did not report any significant findings to the Audit Committee.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-16 and 53-56. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated 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.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and



consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of SinterCast AB (publ) for the year 2016 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 and the Managing Director 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 of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Managing Director

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's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets 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 or the Managing Director 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 21-26 has been prepared in accordance with the Annual Accounts Act.

(Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially 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 opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Täby 5 April 2017

Öhrlings PricewaterhouseCoopers AB

Tobias Strähle

Authorized public accountant

## Historical Summary – Group

Amounts in SEK million	2016	2015	2014	2013	2012
<b>Profit and Loss accounts</b>					
Revenue	75.4	72.4	54.5	51.9	45.9
Operating result	26.4	20.3	10.2	7.3	1.0
Financial net	-0.6	4.1	1.2	0.2	1.0
Tax	1.0	0.8	0.9	0.6	-5.7
<b>Result for the year for Parent Company shareholders</b>	<b>26.8</b>	<b>25.2</b>	<b>12.3</b>	<b>8.1</b>	<b>-3.7</b>
<b>Cashflow analysis</b>					
Cashflow from operations before change in working capital	26.9	21.3	10.9	8.1	3.5
Change in working capital	-1.5	-0.9	-4.2	6.3	-2.2
<b>Cashflow from operations</b>	<b>25.4</b>	<b>20.4</b>	<b>6.7</b>	<b>14.4</b>	<b>1.3</b>
Cashflow from investments	-3.3	-1.7	-1.3	-0.6	-1.6
Cashflow from financial operations	-24.8	-15.6	-8.5	-1.4	-11.9
Exchange rate differences in cash and cash equivalents	0.0	0.0	0.2	0.0	0.0
<b>Change in cash position</b>	<b>-2.7</b>	<b>3.1</b>	<b>-2.9</b>	<b>12.4</b>	<b>-12.2</b>
<b>Balance sheet</b>					
<b>Assets</b>					
Fixed assets	38.8	35.6	33.7	32.2	31.5
Other current assets	23.4	22.8	18.2	14.8	16.1
Cash and bank deposits	45.3	48.0	44.9	47.8	35.4
<b>Total assets</b>	<b>107.5</b>	<b>106.4</b>	<b>96.8</b>	<b>94.8</b>	<b>83.0</b>
<b>Total shareholders' equity</b>	<b>95.8</b>	<b>93.2</b>	<b>88.4</b>	<b>84.7</b>	<b>77.9</b>
Long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	11.7	13.2	8.4	10.1	5.1
<b>Total shareholders' equity and liabilities</b>	<b>107.5</b>	<b>106.4</b>	<b>96.8</b>	<b>94.8</b>	<b>83.0</b>
<b>Key ratios</b>					
Operating margin, %	35.0	28.0	18.7	14.1	2.2
Solidity, %	89.1	87.6	91.3	89.3	93.9
Capital employed	95.8	93.2	88.4	84.7	77.9
Return on shareholders' equity, %	28.4	27.8	14.2	10.0	-4.3
Return on capital employed, %	28.4	27.8	14.3	10.5	-4.3
Return on total assets, %	25.1	24.8	12.9	9.6	-4.0
Earnings per share, SEK	3.8	3.6	1.7	1.2	-0.5
Dividend per share, SEK	3.5	2.2	1.2	1.0	1.7
Cashflow from operations/share, SEK	3.6	2.9	0.9	2.1	0.2
<b>Employees</b>					
Number of employees at the end of the period	21	20	19	17	19
Average number of employees	20	19	18	18	20

Definition of key ratios can be found in Note 29.

## SinterCast Share

The SinterCast share has been listed and quoted on the Small Cap segment at Nasdaq Stockholm stock exchange, since 26 April 1993.

Since 1 October 2007, Remium, Stockholm, Sweden, has served as liquidity provider for the SinterCast share in order to improve the liquidity and decrease the difference between quoted prices. Under the terms of the agreement, Remium undertakes to, in accordance with the guidelines issued by Nasdaq Stockholm, quote prices in at least four trading lots, on the buy side and sell side, for the SinterCast share. The liquidity provider guarantees that, for a minimum of 85% of the trading time at Nasdaq Stockholm, the difference between the

bid and ask prices for the SinterCast share will not be more than 3%.

The SinterCast share capital on 31 December 2016 was SEK 7,090,133 (SEK 7,090,133 at 31 December 2015) at par value of SEK 1 per share.

SinterCast had 3,172 (3,408) shareholders on 31 December 2016. The ten largest, of which five were nominee shareholders, controlled 48.8% (47.8%) of the capital and votes.

As of 31 December 2016, the SinterCast Board, management and employees controlled 1.0% (0.9%).

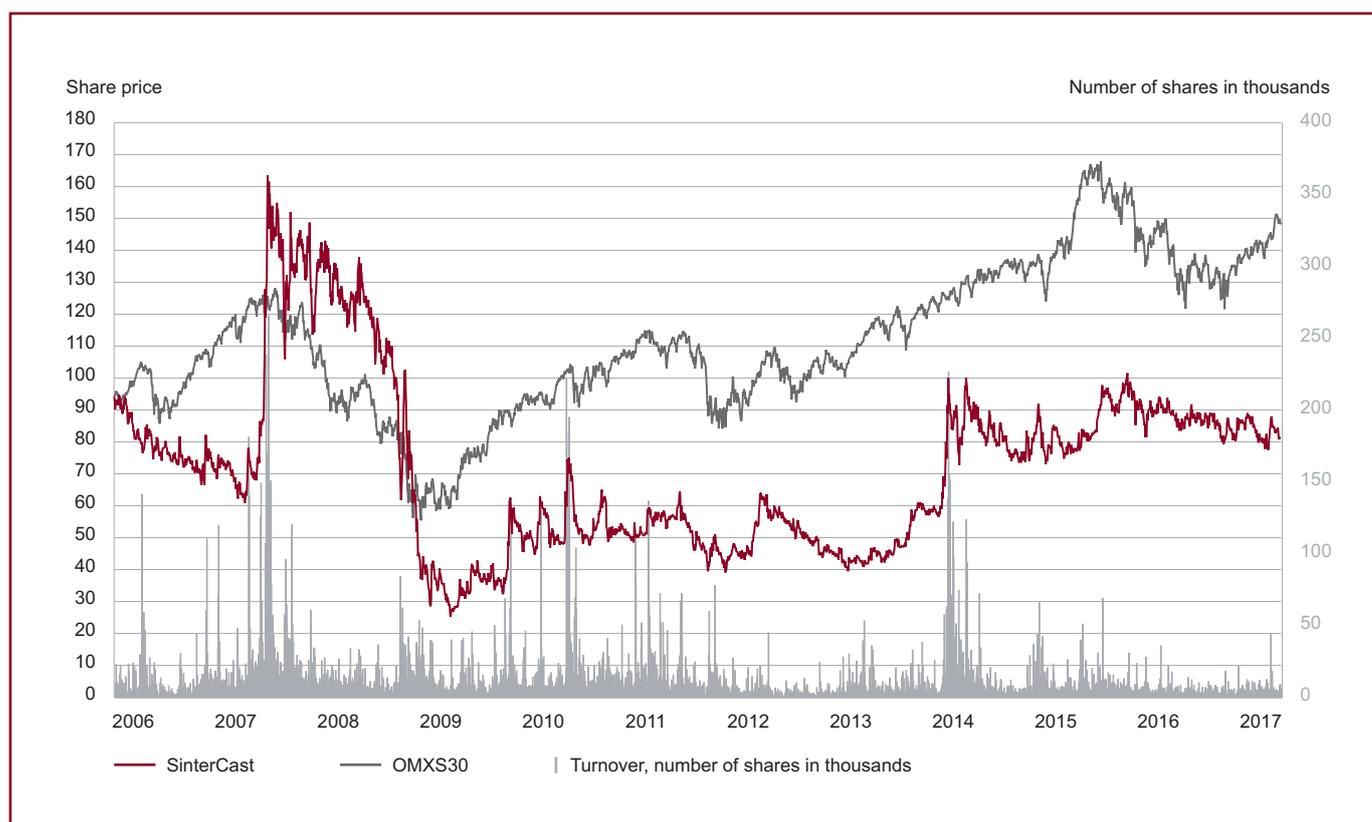
## Major Shareholders 31 December 2016

	Country	No. of Share holders	No. of Shares 31 December 2016	% of Total Share Capital and Votes
Försäkringsbolaget Avanza Pension*	SE		805,692	11.4%
UBS AG Clients Account*	CH		796,271	11.2%
Nordnet Pensionsförsäkring AB*	SE		636,318	9.0%
Ahlström, Lars incl. affiliates	SE		435,675	6.1%
Coeli AB*	SE		221,792	3.1%
Brandels, Jan Olof	SE		167,377	2.4%
Stenbeck, Ulf incl. affiliates	SE		144,028	2.0%
Gustavsson, Torbjörn	SE		100,789	1.4%
S&B Christensen AB	SE		88,416	1.2%
Swedbank Försäkring AB*	SE		60,643	0.9%
<b>Subtotal</b>		<b>10</b>	<b>3,457,001</b>	<b>48.8%</b>
Other shareholders approx.		3,162	3,633,132	51.2%
<b>TOTAL</b>		<b>3,172</b>	<b>7,090,133</b>	<b>100.0%</b>
Total foreign shareholders		120	1,204,998	17.0%
Total Swedish shareholders		3,052	5,885,135	83.0%

\*Nominee shareholder

## Distribution of Share Ownership 31 December 2016

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,313	72.9%	354,483	5.0%
501-10,000	771	24.3%	1,587,355	22.4%
10,001-20,000	45	1.4%	602,428	8.5%
Above 20,000	43	1.4%	4,545,867	64.1%
<b>Total</b>	<b>3,172</b>	<b>100.0%</b>	<b>7,090,133</b>	<b>100.0%</b>



## Share Data

Amounts in SEK	2016	2015	2014	2013	2012
Number of shares at the end of the period	<b>7,090,133</b>	7,090,133	7,090,133	7,090,133	6,975,653
Average number of shares during the period	<b>7,090,133</b>	7,090,133	7,090,133	6,982,013	6,975,653
Average number of shares during the period adjusted for outstanding warrants <sup>1</sup>	<b>7,090,133</b>	7,090,133	7,090,133	6,982,013	6,975,653
Earnings per share	<b>3.7</b>	3.6	1.7	1.2	-0.5
Earnings per share diluted	<b>3.8</b>	3.6	1.7	1.2	-0.5
Equity per share	<b>13.5</b>	13.1	12.5	12.1	11.2
Equity per share adjusted for outstanding warrants	<b>13.5</b>	13.1	12.5	12.1	11.2
Dividends per share	<b>3.5</b>	2.2	1.2	1.0	1.7
Share price at the end of the period	<b>81.8</b>	88.3	76.0	79.0	43.8
Highest share price during the period	<b>91.8</b>	102.5	100.0	100.0	66.0
Lowest share price during the period	<b>77.5</b>	76.2	73.0	41.0	39.0
Number of shareholders	<b>3,172</b>	3,408	3,554	3,623	3,396
Non-Swedish shareholdings, % of share capital	<b>17.0</b>	17.6	18	19	20
Swedish shareholdings, % of share capital	<b>83.0</b>	82.4	82	81	80
Market value, SEK million	<b>580.0</b>	626.1	538.9	560.1	305.5

### Notes:

<sup>1</sup> Calculated as per the recommendations of IAS 33

For definitions see Note 29

## Important Dates

### Annual General Meeting

The Annual General Meeting 2017 will be held at 15:00 on 18 May 2017 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

### Information

The financial report January-March 2017 will be published on 26 April 2017.

The financial report April-June 2017 will be published on 23 August 2017.

The financial report July-September 2017 will be published on 22 November 2017.

The financial report October-December and Full Year Results 2017 will be published on 21 February 2018.

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In consideration of cost-efficiency and environmental concern, the Annual Report 2016 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2016 will not be distributed as a printed document. This Annual Report is available in Swedish and English. The English version is an unofficial translation of the Swedish original. Financial reports and the Annual Report can be obtained by contacting SinterCast AB (publ), or at the SinterCast website:

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