

# SinterCast

Annual Report

2020

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Notes: This document is an unofficial translation of the official Swedish Annual Report  
 The Director's Report, pages 21-33, includes the Corporate Governance Report (pages 25-33)  
 Pages 20 and 34-71 conform to IFRS (International Financial Reporting Standards)

**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 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.

**Tracking Technologies:** With our background in precision measurement in the demanding foundry environment, SinterCast has expanded its technical offering to include a suite of traceability solutions that enable foundries to track ladles, sand cores, moulds and castings. These technologies provide 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 cause of defects and process bottlenecks. The Tracking Technologies, including SinterCast Ladle Tracker® and SinterCast Cast Tracker®, can be applied to foundries and to other metallurgical facilities such as steel mills and heat treating plants.



*Dr. Steve Dawson  
President & CEO*

## CEO Message

2020 was my thirtieth year in SinterCast. It was also my strangest year in SinterCast. In February, we wondered if the local problems in China would interrupt the supply of parts for any of our high volume vehicles. By March, some of our foundries started to close. By April, most of our foundries were closed. In May, we postponed the AGM and the dividend proposal. Governments and industry alike, nobody foresaw the depth or the duration of the Covid impact.

While Covid continues to influence the global foundry and automotive industries, the recovery has been rather encouraging. By the end of June, all of our high-volume foundries had resumed production and the annualised volume increased from the low-point of 1.0 million Engine Equivalents in April to 2.7 million in July. The production stabilised at around 2.7 million Engine Equivalents for the rest of the year, representing 80–85% of our pre-Covid run-rate. From where we stood in May, if somebody had offered me to finish the year at 80–85%, I would've taken it.

The highlight of 2020 for SinterCast was our installation performance. Entering 2020 with a ten-year average installation revenue of SEK 7.4 million, and on the back of record installations in 2019, we established a new record of SEK 16.6 million in 2020. We were expecting a second-consecutive installation record in 2020, but Covid delays concentrated the majority of the 2020 installation activity into the last part of the year. This added to the challenges for secure travel, for our manning, and for our ability to complete the on-site activities before year-end to honour our pledge. More than double our ten-year average and 40% above our previous record set in 2019 – impressive in a normal year; exceptional in 2020. Ultimately, the installation revenue provided the strength to propose an increased dividend of SEK 4.00 per share, which will bring the

cumulative distribution to our shareholders to SEK 208 million since our first dividend offering in 2010. At the outset of 2021, there is a prevailing optimism in our industry. With North American commercial vehicle sales at near-record levels and passenger vehicle sales at more than 90% of the pre-Covid volume, we share the optimism. We will recover as the overall economy recovers. We will recover by not having a nadir quarter. And we will grow as new programmes come on-stream, particularly the new 16 litre cylinder block at First Automobile Works (FAW) in China and the new 13 litre cylinder block and head at Scania in Sweden.

The FAW and Scania commercial vehicle programmes reinforce our longstanding prediction that, in the fullness of time, all commercial vehicle engines will become CGI. And, as shown on page 17 of this report, we welcome the public consensus from AVL, FEV and Ricardo – the global 'Big 3' of engine design – that the next generations of commercial vehicle engines need CGI to meet performance and emissions requirements. As the largest of our Five Waves, and with no foreseeable alternative to diesel for heavy duty long haul trucking, commercial vehicles will lead our charge toward the five million Engine Equivalent milestone, and our growth beyond.

With the Covid restrictions preventing much of our normal travel and on-site customer support, we took advantage of having the Team at home-base to accelerate our internal product development and our external market development activities. With 28 software upgrades and the implementation of 33 process improvements, 2020 was one of our most prolific development years. We also supported our foundry and OEM customers with new engine development programmes – for petrol and diesel, for car and truck – that will improve our market opportunity for the next decade, and beyond.

In closing this year's message, please allow me to step beyond my normal address to our shareholders and turn to our employees. I would like to express my sincere appreciation for their individual and collective efforts over the past twelve months. Whether it was new installations, customer service or keeping the internal development and administrative activities rolling, everybody answered the bell. I thank my colleagues for their discipline, their commitment, their support, and their loyalty.

*Dr. Steve Dawson  
President & CEO*

## CGI Business Model

SinterCast sells or leases the 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 CGI business model are described as follows:

- **System 4000 Hardware Platform:** The System 4000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €400,000-600,000 for the full System 4000 or System 4000 *Plus*, and €75,000-125,000 for the Mini-System 4000, 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 4000 hardware. SinterCast charges an Annual Software License 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, 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. The SinterCast business model is highly scalable, allowing profitability to rise as the installed base grows and as more products enter series production.

## Tracking Technologies Business Model

Introduced in 2016, the Tracking Technologies include the SinterCast Ladle Tracker® and the SinterCast Cast Tracker®. As of the end of 2020, three Ladle Tracker and two Cast Tracker systems have been installed in five foundries in four countries. The SinterCast Tracking Technologies offer the potential to provide supplemental income to the core CGI business and to enhance the technical reputation of SinterCast as a provider of innovative solutions to improve process control and profitability in the foundry industry.

- **Ladle Tracker:** The SinterCast Ladle Tracker measures the time and location of every ladle as it moves through the foundry. Radio Frequency Identification (RFID) tags are affixed to each ladle and antennae are positioned at key locations in the foundry to ensure that every ladle successfully passes every step. The Ladle Tracker technology prevents out-of-spec iron from being poured and enables foundry managers to identify bottlenecks and to implement process efficiency improvements.
- **Cast Tracker:** The SinterCast Cast Tracker provides complete traceability of the foundry process, linking the coremaking and moulding history to the liquid metal history. The traceability includes the date and time of core production (inception), shelf storage time, pouring (birth) and shake out. The Cast Tracker technology prevents out-of-spec moulds from being poured, and provides a comprehensive database for traceability, troubleshooting and process optimisation.
- **Revenue Stream:** As in the CGI business model, SinterCast sells or leases the Tracking Technologies hardware. Depending on the configuration and scope of the installation, the sales price may range from approximately €75,000-200,000. SinterCast charges an Annual Software Licence Fee and retains ownership of the process control software. SinterCast also provides RFID tags and labels as consumables, but the consumable volume and revenue are limited. A running fee for each casting has been established for the Cast Tracker technology, but a running fee is not applicable for the Ladle Tracker technology. The Cast Tracker running fee revenue is highly scalable, providing the potential for the Cast Tracker technology to make a material contribution as more foundries and products come on-stream.

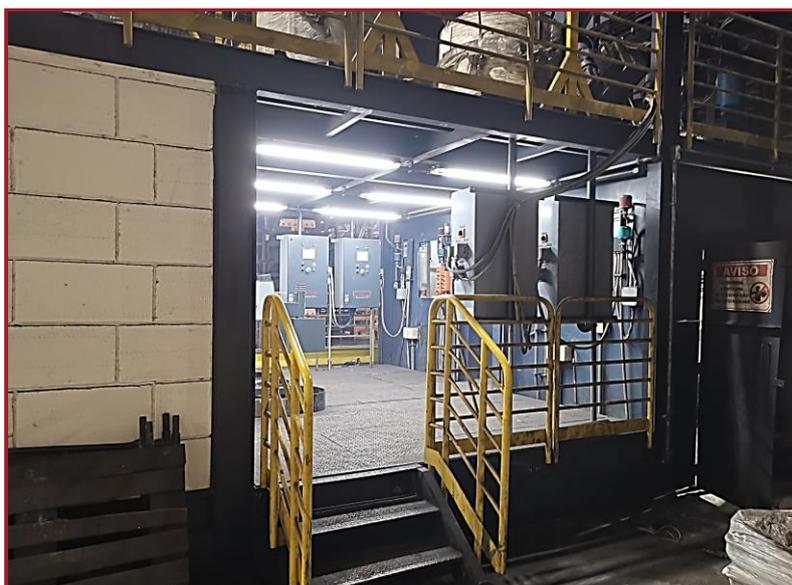
## Five Waves Status Report

Introduced in 2002, the *Five Waves* strategy continues to provide the basis for how the company views the overall market development. Impacted by Covid, the full-year series production decreased from 3.3 million Engine Equivalents in 2019 to 2.5 million Engine Equivalents in 2020. The production status for each of the Five Waves, based on the full-year production rate of 2.5 million Engine Equivalents, is summarised in the following table:

|   |   |
|---|---|
| <b>Wave 1</b><br>V-Diesel Passenger Vehicle Engines in Europe     | <b>Annualised year-end production:</b> 130,000 Engine Equivalents (6,500 tonnes)<br><b>Series production for:</b> Audi, Ford, Jaguar, Land Rover, Maserati and Volkswagen<br><b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 2.7 to 4.4 litres<br><b>Overview:</b> European diesel penetration decreased from 31.6% in 2019 to 28% in 2020   |
| <b>Wave 2</b><br>Commercial Vehicle Engines Worldwide             | <b>Annualised year-end production:</b> 880,000 Engine Equivalents (44,000 tonnes)<br><b>Series production for:</b> DAF, Ford-Otosan, Hyundai, Jiangling Motors, MAN, Navistar and Scania<br><b>SinterCast-CGI Components:</b> Cylinder blocks and cylinder heads ranging from 3.9 to 16.4 litres<br><b>Overview:</b> 25% decrease in 2020, with strong truck sales returning to North America in 4Q20 |
| <b>Wave 3</b><br>In-Line Passenger Vehicle Diesel Engines         | <b>Annualised year-end production:</b> 460,000 Engine Equivalents (23,000 tonnes)<br><b>SinterCast-CGI Components:</b> Cummins 6.7 litre for Ram Super Duty pick ups<br><b>Overview:</b> 8% decrease in 2020 on resilient Super Duty sales  |
| <b>Wave 4</b><br>V-Diesel Passenger Vehicle Engines Beyond Europe | <b>Annualised year-end production:</b> 590,000 Engine Equivalents (29,500 tonnes)<br><b>Series production for:</b> Ford, Kia and Ram<br><b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 3.0 to 6.7 litres<br><b>Overview:</b> Continued growth opportunity as North American pick ups provide diesel options   |
| <b>Wave 5</b><br>Passenger Vehicle Petrol Engines Worldwide       | <b>Annualised year-end production:</b> 290,000 Engine Equivalents (14,500 tonnes)<br><b>Series production for:</b> Ford and Lincoln<br><b>SinterCast-CGI Components:</b> Cylinder blocks ranging from 2.7 to 3.0 litres<br><b>Overview:</b> Growth potential for additional engines and vehicle applications, including hybrids   |

## Other Growth Opportunities

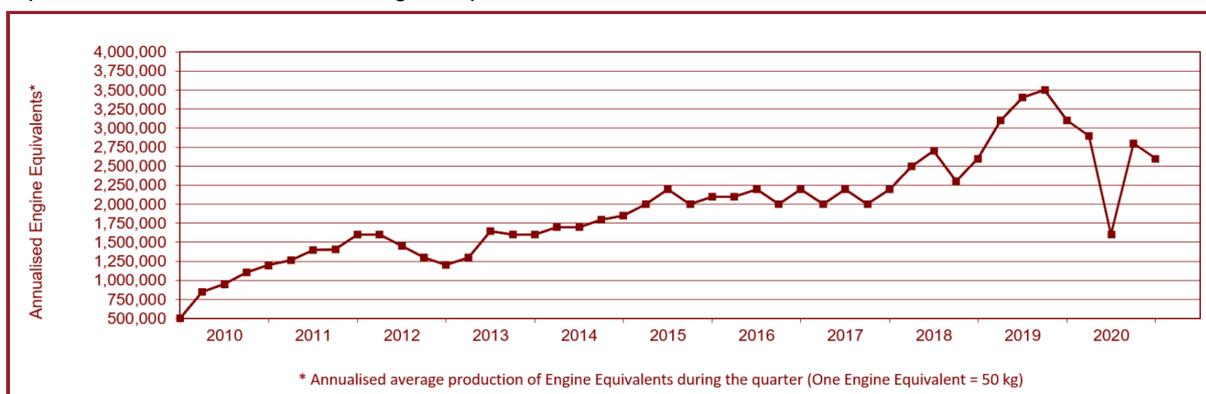
|   |  |
|---|--|
| Automotive - Other than Passenger Vehicle Cylinder Blocks | <b>Full-year production:</b> 21,000 Engine Equivalents (1,050 tonnes)<br><b>Series production for:</b> Various OEMs and Tier I suppliers including BorgWarner and Honeywell<br><b>SinterCast-CGI Components:</b> Bedplates and turbocharger housings<br><b>Overview:</b> 68% reduction in 2020 due to reduced exhaust component production   |
| Industrial Power  | <b>Full-year production:</b> 95,000 Engine Equivalents (4,750 tonnes)<br><b>Series production for:</b> Allen Diesels, Cameron Compression, Caterpillar, Cummins, Deutz, Doosan, Federal Mogul, General Electric, Jenbacher, MAN, MTU, STX Engine and Waukesha<br><b>SinterCast-CGI Components:</b> Agriculture, marine, locomotive, off-road and stationary power<br><b>Overview:</b> 17% reduction in 2020. Growth opportunity as new products come on-stream |



*During 2020, the Teksid foundries in Brazil and Mexico both commissioned capacity and productivity upgrades to their System 3000 Plus installations*

## Market Development

Following 19% growth in 2018, and 30% in 2019, SinterCast predicted that growth in 2020 would be more “modest”. However, the onset of the Covid pandemic caused full-year series production to fall by 24%, from 3.3 million Engine Equivalents in 2019 to 2.5 million Engine Equivalents in 2020.



Annualised Series production started strong in 2020, with a 5.4% year-on-year increase in January and February. However, as customer foundries started to close during March, annualised series production for the first quarter amounted to 2.9 million Engine Equivalents, resulting in a 6.4% year-on-year decline. Further foundry closures drove series production to the 2020 low-point of 1.0 million Engine Equivalents in April. Production increased to 1.6 million Engine Equivalents in May and further to 2.2 million Engine Equivalents in June, as all of the main foundry customers resumed production by the end of June. Annualised series production for the second quarter finished at 1.6 million Engine Equivalents, corresponding to a 53% year-on-year reduction. With the relaxation of government imposed lockdowns, series production improved and stabilised during the second half of 2020, resulting in series production of 2.8 million Engine Equivalents in the third quarter and 2.6 million Engine Equivalents in the fourth quarter. Annualised series production improved by 20%, from 2.25 million Engine Equivalents in the first half to 2.7 million Engine Equivalents in the second half of the year. Despite the recovery, annualised series production in the second half of the year was still 18% below the second half of 2019. Overall, full-year series production finished down 24%. The decline was spread across all sectors, with passenger vehicles and commercial vehicles both down 25% and industrial power down 17%.

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.



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

The First Wave started in 1999. Today, all V-diesel engines in Europe are based on CGI cylinder blocks. The First Wave decreased by 57% in 2020 due to the 24% reduction in European passenger vehicle sales and the replacement of the SinterCast-CGI 3.0 litre V6 engine in Jaguar and Land Rover vehicles following the conclusion of the Ford engine supply contract with JLR. Diesel penetration was not a significant factor in the decline, as European diesel sales only decreased by 3.6% in 2020, to 28%.



### Wave 2: Commercial Vehicle Engines Worldwide

For the fifth consecutive year, the Second Wave was the largest single wave, providing 880,000 Engine equivalents, corresponding to approximately 35% of the total production. Commercial vehicle volume decreased by 25% in 2020, in line with the full-year reduction of 27.3% for heavy duty truck sales in Europe. With increasing demand for higher performance, downsizing and lower emissions, commercial vehicles continue to provide the largest long-term growth potential for SinterCast.



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

The Third Wave started in 2018, with the launch of the Cummins 6.7 litre turbodiesel used in Ram Super Duty pick up applications. In its first full year of production, the engine reached 500,000 Engine equivalents, corresponding to approximately 15% of the total SinterCast volume in 2019. Popular in the Super Duty market, the Cummins engine declined by only 8% in 2020, providing 460,000 Engine Equivalents and accounting for an increased share of almost 18% of the total SinterCast volume. The outlook remains positive.



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

The largest contributor to the Fourth Wave is the Ford 6.7 litre V8, used primarily in Super Duty pick up applications. The engine is also used in a variety of utility vehicle (commercial vehicle) applications, but all of the volume is accounted for in the Fourth Wave. The Fourth Wave declined by 31%, from 850,000 Engine Equivalents in 2019 to 590,000 Engine Equivalents in 2020. However, Ford Super Duty diesel sales increased by almost 25,000 vehicles in 2020. The decline in the Fourth Wave was primarily due to the loss of utility vehicle and shuttle bus sales. With the increasing popularity of pick ups and SUVs in North America, and with US pick up and SUV diesel sales increasing by 28% in 2020, the outlook in the Fourth Wave remains positive.



### Wave 5: Passenger Vehicle Petrol Engines Worldwide

The Fifth Wave started in 2013, with the launch of the Ford and Lincoln V6 petrol engines. The 2.7 litre version has become the base engine for the high-volume mid-level Ford F-150, the world's most popular vehicle. Benefitting from new vehicle applications in 2020, sales in 2020 were resilient, down 11% – to 290,000 Engine Equivalents – while the overall US passenger vehicle market declined 14%. The outlook remains positive as vehicle applications come on-stream and ramp up.



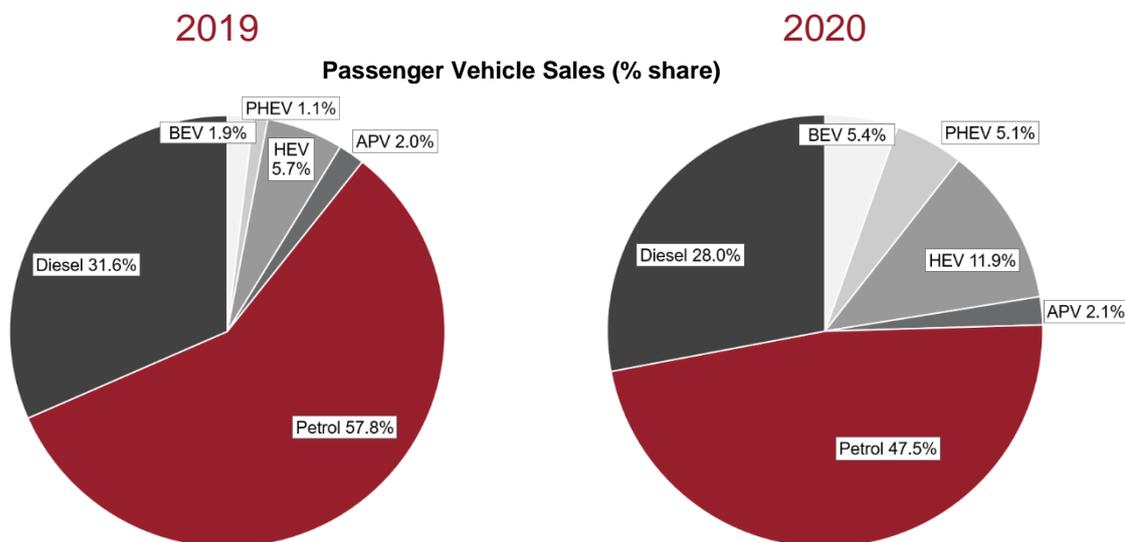
### Other Growth Opportunities

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. As passenger vehicle exhaust temperatures have increased to meet emissions requirements, the thermal load has begun to exceed the capability of cast iron and many exhaust components have migrated to stainless steel. The thermal limitations, combined with the overall reduction in passenger vehicle sales, caused the production of exhaust components to decline by approximately two-thirds in 2020. Further reductions are expected, but the current contribution is less than 1% of the total volume, so the decline is not significant. In a global market that decreased by more than 20% in 2020, industrial power production decreased by 17%, to provide 95,000 Engine Equivalents. With new products under development, and increasing demands on performance and fuel efficiency in the off-road sector, the outlook is positive. The ambition remains for the 'other' category to contribute 5~10% of the total volume, even as the core automotive waves continue to grow.

## The Narrative and the Numbers

The mainstream narrative continues to amplify the decline of diesel engines while promoting the growth of electrified vehicles. However, the 2020 sales figures in Europe and the US show that the narrative doesn't always align with the numbers: diesel still outsells plug-in electric vehicles in both Europe and the US.

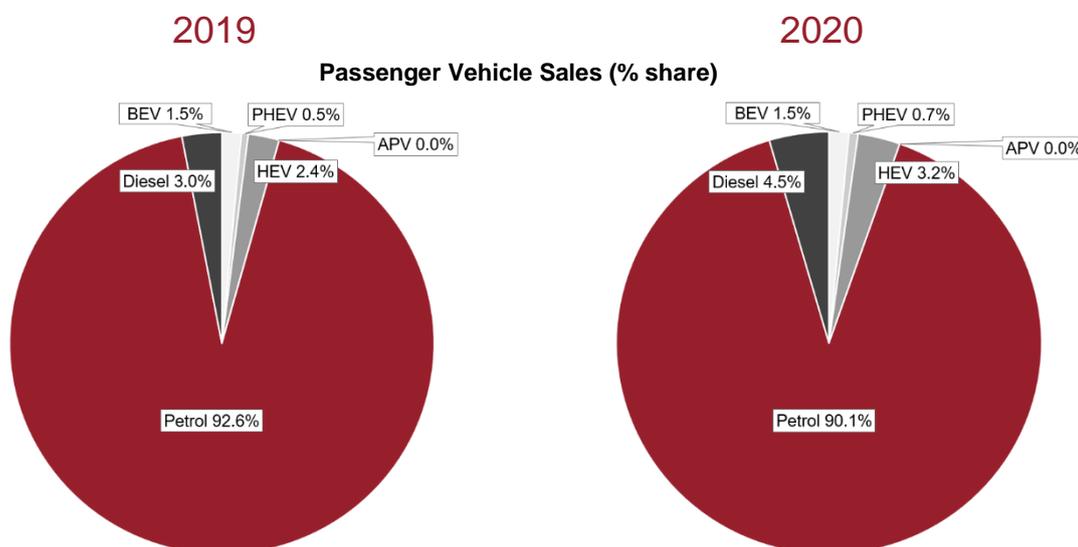
### The Numbers – European Union



- Diesel sales decreased by 3.6% in 2020, from 31.6% market share in 2019 to 28%
- Diesel outsold hybrid and plug-in electric vehicles combined

Source: ACEA (European Automobile Manufacturers' Association)

### The Numbers – United States



- Diesel sales increased from 3.0% market share in 2019 to 4.5% in 2020
- Diesel outsold both hybrid and plug-in (BEV + PHEV) electric vehicles in 2020
- Diesel pick-up and SUV sales increased 28% in 2020

Source: Diesel Technology Forum  
Baum & Associates

■ BEV ■ PHEV ■ HEV ■ APV ■ Petrol ■ Diesel  
(BEV: Battery Electric Vehicle; PHEV: Plug-in hybrid; HEV: Hybrid; APV; Alternative Power Vehicle (natural gas, etc))

## Production References – Installations

SinterCast provides process control technology for CGI series production, product development and R&D activities. The SinterCast technology is currently used in 55 installations in 14 countries, with operator interaction in 11 languages.

### Automated System Installations

ASIMCO International Castings, China  
 Caterpillar, USA  
 Daedong Metals, Korea  
 Dashiang Precision (2), China  
 Döktas, Turkey  
 Fagor Tafalla, Spain  
 First Automobile Works, China *New 2020*  
 Federal Mogul, Sweden  
 Hyundai Jeonju, Korea  
 Scania Old Foundry, Sweden  
 Scania New Foundry, Sweden *New 2020*  
 SKF Mekan, Sweden  
 Teksid do Brasil, Brazil  
 Teksid Monclova, Mexico *Upgrade 2020*  
 Tupy Line E0, Brazil  
 Tupy Line C4, Brazil  
 Tupy Ramos Arizpe, Mexico  
 Tupy Line 3, Mexico  
 Tupy Line 4, Mexico  
 VDP Fonderia, Italy  
 Volvo, Sweden  
 WHB, Brazil *New 2020*  
 Zhongding Power, China

### Mini-System Installations

ASK Chemicals, USA  
 Case Western Reserve University, USA  
 CSIC Research Institute, China  
 Dongfeng Trucks, China  
 Doosan Infracore (2), Korea  
 First Automobile Works, China  
 FAW Wuxi Diesel, China  
 Ford Casting Development, USA  
 Grainger & Worrall, UK  
 Impro Industries, China  
 Jiangling Motors, China  
 Jönköping University, Sweden  
 Kimura Foundry, Japan  
 Kimura Foundry America, USA  
 Mid-City Foundry, USA  
 Shanxi Diesel, China  
 Shanxi Sanlian, China  
 Teksid Funfrap, Portugal  
 Toa Koki, Japan  
 Total Solutions & Power, Korea  
 Undisclosed (2), Japan  
 University of Alabama, USA  
 YTO Group, China

### Tracking Technologies

Poitras, Canada (Ladle Tracker)  
 Scania, Sweden (Cast Tracker)  
 Tupy Joinville, Brazil (Ladle Tracker)  
 Tupy Saltillo, Mexico (Ladle Tracker)  
 Tupy Saltillo, Mexico (Cast Tracker)  
 Hyundai, Korea (Ladle Tracker) *New 2021*



Automated System 4000  
 Fully automated series production



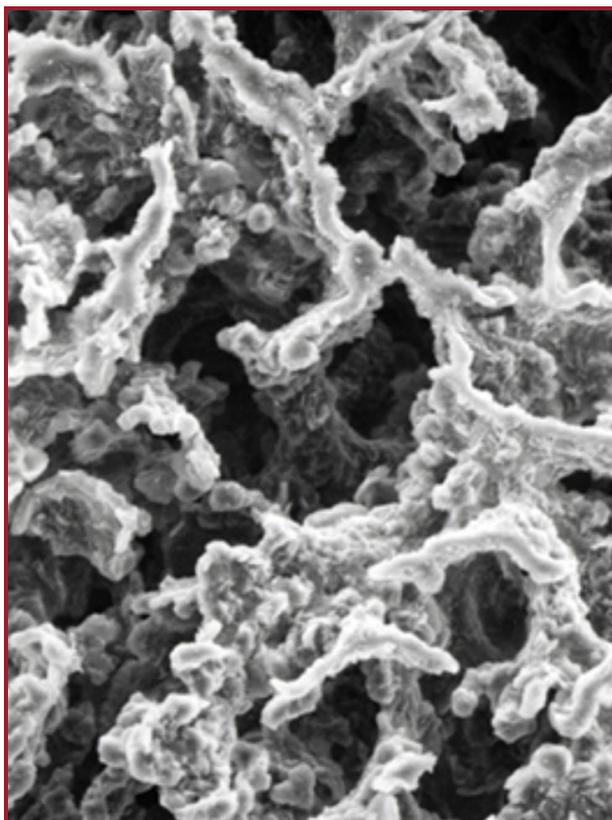
Mini-System 4000  
 Niche volume production, product development and R&D



SinterCast Tracking Technologies

\*As of 31 March 2021

## Technical Offering



### Compacted Graphite Iron

- At least 75% stronger and 45% stiffer than conventional grey iron and aluminium alloys.
- Double the fatigue strength of grey iron and five times the fatigue strength of aluminium at elevated temperatures.
- New engines: reduce size and weight while increasing performance.
- Existing engines: improve durability and increase operating loads.
- Ideally suited for components with simultaneous thermal and mechanical loading, such as cylinder blocks and heads, exhaust manifolds and turbocharger housings.
- Used in passenger vehicle, commercial vehicle, and industrial power engines including agriculture, marine, locomotive, off-road and stationary power applications.

Watch the video > [CGI Microstructures and Properties](#)

### CGI Engine Benefits

- 10-20% lighter than grey iron engines, 10-20% increased power per litre, 75-100% improved durability, and 5-10% reduced operating noise.
- 10-20% shorter than aluminium engines. Reduced length means that all of the components that span the length of the engine are shorter and lighter. The net result is that fully assembled CGI engines can be same weight, or even lighter than, aluminium engines.

These benefits contribute to the ongoing trend toward downsizing in passenger vehicle and commercial vehicle engines – more power and improved fuel economy from small and lighter engine packages. Compared to aluminium, CGI is stronger, consumes less energy, generates less CO<sub>2</sub> during production, is more recyclable, and less expensive.

Watch the video > [CGI Engine Benefits](#)





### 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 analysis, additional amounts of magnesium and inoculant are automatically added to each ladle to optimise the iron prior to casting.
- The average corrective addition of magnesium is approximately 35 grams per tonne.
- The two-step measure-and-correct control strategy eliminates variation and ensures cost-effective CGI production.

Watch the video > [The SinterCast Process](#)

### SinterCast Tracking Technologies

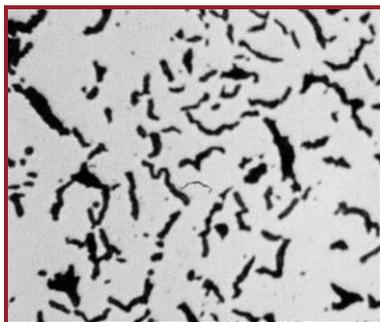
- SinterCast Ladle Tracker® and SinterCast Cast Tracker®.
- Traceability, process control and troubleshooting for ladles, cores, moulds and castings.
- Measuring every step of the foundry process to ensure that only good castings are poured.
- Single database to determine the root cause of defects and process bottlenecks.
- Applicable to grey iron, ductile iron and CGI foundries, and to other metallurgical facilities such as steel mills and heat treating facilities.

Watch the video > [SinterCast Ladle Tracker®](#)

Watch the video > [SinterCast Cast Tracker®](#)



## SinterCast-CGI Cylinder Block Benefits



### **STRENGTH & DURABILITY**

+75% Tensile Strength  
+45% Elastic Modulus  
+100% Fatigue Strength



### **ENGINE PERFORMANCE**

10-20% Weight Reduction  
10-20% Power-up (kW/litre)  
5-10% Noise Reduction  
75-100% Improved Durability



### **PROVEN RELIABILITY**

49 CGI installations  
>100,000 cylinder blocks/month  
2.7 to 16.0 litre displacement  
>75 components in series production

### **25 REASONS TO USE SINTERCAST-CGI**

1. **WEIGHT REDUCTION**
2. **SIZE REDUCTION**
3. **POWER INCREASE**
4. **IMPROVED DURABILITY**
5. **REDUCED NOISE**
6. **INCREASED CYLINDER PRESSURE**
7. **FUTURE POWER-UP POTENTIAL**
8. **LESS CYLINDER BORE DISTORTION**
9. **LESS BLOW-BY EMISSIONS**
10. **IMPROVED WEAR RESISTANCE**
11. **IMPROVED HONING SURFACE**
12. **LESS OIL CONSUMPTION**
13. **LESS CAVITATION**
14. **CLEANER AS-CAST SURFACES**
15. **>100,000 KM EMISSIONS CAPABILITY**
16. **WELL-TO-WHEELS CO2 REDUCTION**
17. **100% RECYCLABLE**
18. **LESS EXPENSIVE THAN ALUMINIUM**
19. **SECONDARY WEIGHT REDUCTION BENEFITS**
20. **THERMAL EXPANSION EQUAL TO GREY IRON**
21. **COMPATIBLE WITH GREY IRON TOOLING**
22. **FRACTURE SPLIT MAIN BEARINGS**
23. **REDUCED THREAD ENGAGEMENT**
24. **PROVEN HIGH VOLUME MACHINING**
25. **ISO, ASTM & SAE INTERNATIONAL STANDARDS**

## SinterCast System 4000

The newly upgraded, fully automated System 4000 provides a flexible, robust and accurate hardware and software platform that enables SinterCast customers to independently control CGI series production and product development. The System 4000 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 4000 *Plus* upgrade additionally incorporates automatic feedback control of the base treatment process.



Fully automated System 4000 with two Sampling Modules

### The System 4000 features include:

- **Accuracy:** Proven, high resolution SinterCast thermal analysis.
- **Process Control:** Automatic cored wire correction of magnesium and inoculation for each ladle.
- **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 4000 thermal analysis results and process data for advanced traceability.
- **Consistency:** Re-useable Thermocouple Pair can perform up to 250 measurements, providing accuracy and traceability.
- **Re-engineered SAM:** Updated ejection mechanism for a more robust and stronger Sampling Cup ejection.
- **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.
- **Robust:** Rugged Windows 10 IoT embedded operating system and hardware proven 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.



Larger graphical OCM display for user-friendly operator interaction



Re-engineered SAM with improved Thermocouple Holder

## SinterCast Tracking Technologies

### SinterCast Ladle Tracker® – “Every Ladle, Every Minute”

SinterCast Ladle Tracker provides complete traceability of every ladle; from tapping through to pouring. Ladle Tracker provides Industry 4.0 traceability by measuring the movement of every ladle and compiling the process information into a single database. Ladle Tracker ensures that every ladle successfully passes each step of the foundry process, prevents the pouring of out-of-spec iron, and enables the foundry to identify and eliminate the root cause of process bottlenecks.

#### Ladle Identification

Ladle Tracker measures and documents the progress of every ladle as it moves through the foundry. Radio Frequency Identification (RFID) tags are affixed to every ladle and RFID reader antennae are installed at key locations throughout the foundry to track and control the ladle movement. 2D optical matrix plates can also be used to identify ladles, particularly in high temperature applications.



*RFID Ladle Tags affixed to each ladle*

#### Process Control

Antennae located at the pouring car identify the RFID Tag on the ladle. If all steps have been successfully completed and all process parameters are within the specified range, pouring can begin. However, if any parameter is out-of-spec, signal lamps will be illuminated to define control actions, or the pouring car can be automatically locked-out. Automation replaces operator discipline, providing increased control for the foundry and increased confidence for the customer.



*Measurement and control at every critical process step*

#### Custom Configured Layout

Ladle Tracker is comprised of individual hardware modules that can be configured to suit the layout, process flow, and production volume of any foundry. The layout is mirrored on the Tracker Control Module to show the ladle flow. All data is saved in a central database that can be fully accessed by the foundry engineers. The database can also include ancillary data such as temperature, weight and chemistry to augment the process control and to enhance Industry 4.0 traceability.



*On-line process control and traceability*

#### Result Reporting

Summary reports can be independently created on a daily, weekly, monthly or on-demand basis. The Ladle Tracker Summary Report is customised for each foundry to detail the average start time at each tracking position, together with elapsed times for every step in the process, identifying where ladles fall out of the process. The process flow data provides information that enables the production performance to be measured. Bottlenecks can be identified and eliminated, while process KPIs can be established and measured for each shift.

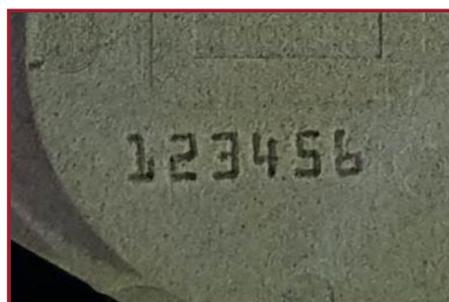
## SinterCast Tracking Technologies

### SinterCast Cast Tracker® – “More Measurements, More Control”

SinterCast Cast Tracker provides complete traceability of every casting; from core production through to pouring and shake-out. Cast Tracker provides Industry 4.0 traceability by compiling the core history, moulding history, and the liquid metal history into a single database. With Cast Tracker, castings evolve from production batches to individual components with unique process histories. Cast Tracker ensures that out-of-spec core packages are not poured and enables engineers to determine and eliminate the root cause of metallurgical defects.

#### Core Tracking

Cast Tracker begins by engraving a unique identification code into a Tracker Core. The Tracker Core is inserted into the core package at assembly to define the moment of inception and to apply the unique embossed identification code on each casting. Reading the embossed code on the casting provides complete traceability between the casting and every stage of the foundry process.



Tracker Core

#### Core Package Labelling

For every Tracker Core, a corresponding 2D Matrix Label is printed and affixed to the core package. The Tracker Camera reads the label as the core package leaves the assembly area, and again when the cores are set into moulds. Registration at core setting identifies the unique code of each core package and determines the shelf storage time.



2D Matrix Label

#### Flask Tracking

The identification of each core package is linked to an RFID Tag affixed to the flask. The flask ID is read by an antenna at pouring to identify the flasks, and thus, the castings being poured from each ladle. The handshake between Cast Tracker and Ladle Tracker provides continuous traceability of the core and liquid metal histories, including the cast sequence within the ladle.



Label and Flask Tag

#### Result Reporting

All Cast Tracker and Ladle Tracker results – from inception to shakeout and from melting to pouring – are compiled into a single database for traceability, process optimisation, and metallurgical troubleshooting. The database can also include results from microstructure and chemistry analyses. The results are summarised in Performance Summary Reports that can be generated on demand. All data are saved in a central database that can be fully accessed by the foundry engineers.

## SinterCast and the Environment

*In passenger vehicle and commercial vehicle engines, the properties of Compacted Graphite Iron enable engineers to reduce weight and increase performance, resulting in improved fuel efficiency and reduced CO<sub>2</sub> emissions.*

*The Ford F-150 – America’s best-selling vehicle – offered five engine options in 2020. Two of the five engine options were based on SinterCast-CGI cylinder blocks: the 2.7 litre V6 EcoBoost® petrol engine and the 3.0 litre V6 Power Stroke® diesel. The two SinterCast-CGI engines are the most fuel-efficient among the five engine options.*

|    |    |  |  |
|---|---|--|--|
| <b>2020 Ford F150 Pickup 2WD</b> <input type="checkbox"/><br> Diesel Vehicle<br><br>3.0 L, 6 cyl, Automatic (S10), Turbo<br>MSRP: \$28,745 - \$55,820 | <b>2020 Ford F150 Pickup 2WD</b> <input type="checkbox"/><br> Gasoline Vehicle<br><br>2.7 L, 6 cyl, Automatic (S10), Turbo<br>MSRP: \$28,745 - \$55,820 | <b>2020 Ford F150 Pickup 2WD</b> <input type="checkbox"/><br> Gasoline Vehicle<br><br>3.5 L, 6 cyl, Automatic (S10), Turbo<br>MSRP: \$28,745 - \$55,820 | <b>2020 Ford F150 2WD FFV BASE PAYLOAD LT</b> <input type="checkbox"/><br> E85 Flexible-Fuel Vehicle Gasoline-Ethanol (E85)<br><br>5.0 L, 8 cyl, Automatic (S10) |
| <b>Diesel</b><br> <b>9.8</b> L/100km<br>combined city highway<br>city/highway<br>4.2 gal/100mi   | <b>Regular Gasoline</b><br> <b>10.7</b> L/100km<br>combined city highway<br>city/highway<br>4.5 gal/100mi  | <b>Regular Gasoline</b><br> <b>12.4</b> L/100km<br>combined city highway<br>city/highway<br>5.3 gal/100mi   | <b>Regular Gasoline</b><br> <b>13.1</b> L/100km<br>combined city highway<br>city/highway<br>5.6 gal/100mi   |

Source: US Department of Energy Website

- The SinterCast-CGI 2.7 litre V6 petrol engine is the base engine for the high-volume, mid-level Lariat model. The 3.5 litre V6 and the 5.0 litre V8 are the base engines on the higher-spec King Ranch, Platinum and Limited trim levels.
- Assuming 300,000 vehicles per year and the US average driving distance of 21,500 km per year, the SinterCast-CGI petrol engine provides savings of approximately 110 million litres per year compared to the 3.5 litre engine, or approximately 155 million litres per year compared to the 5.0 litre engine.
- These fuel savings correspond to a reduction of approximately 265,000 tonnes of CO<sub>2</sub> per year compared to the 3.5 litre engine, or approximately 370,000 tonnes per year of CO<sub>2</sub> compared to the 5.0 litre engine.
- The Ford, Ram and GM full-size pick ups were the top-three best-selling vehicles in America again in 2020. With combined sales of almost two million units, these three pick ups outsold the combined volume of the next six vehicles.
- The Diesel Technology Forum in the US calculates that, if every full-size pick up in the US was equipped with a modern diesel engine, the US could save approximately 1.9 billion litres of fuel and 4.5 million tonnes of CO<sub>2</sub> per year. This is equivalent to 15% of the US car market switching to battery-electric vehicles. In 2020, battery-electric vehicles accounted for approximately 1.5% of US passenger vehicle sales. Diesel accounted for approximately 4.5% of 2020 US passenger vehicle sales.

*SinterCast contributes to the environment by enabling improved fuel efficiency and reduced CO<sub>2</sub> emissions in high volume passenger vehicles and commercial vehicles*

# AVL, FEV and Ricardo: Consensus on the need for CGI in heavy duty commercial vehicle engines

AVL in Austria, FEV in Germany, and Ricardo in the UK – the global Big-3 for automotive engine design – all share the same consensus on the future of heavy duty diesel engines. Reinforcing the longstanding SinterCast conviction, recent publications from each of the Big-3 have converged on the need for higher peak firing pressure, and therefore, the need for Compacted Graphite Iron. With current-generation engines operating at approximately 230 bar peak firing pressure, the engine design consultants all forecast the need for increases to approximately 280 bar – and the need for CGI cylinder blocks and heads – to meet the upcoming requirements for performance, fuel economy and CO<sub>2</sub> emissions. For SinterCast, commercial vehicles remain the largest long-term opportunity, providing growth potential over the next 20 years.



### Future Technology for HD Diesel Engines 55 % BTE Powertrain (MY 2027/EU VII)

**48 V Mild Hybrid**

**E-Waste Heat Recovery**

**Dual Stage SCR**

- Close Coupled & Underfloor SCR
- Electrically heated catalyst (48V/300A)
- AVL Model Based EAS control
- AVL Active DPF Soot Management

**Advanced AMT Technology**

**BTE 50 %+ Engine**

- 13l, I/L 6
- DOHC
- 280 PFP, CGI block & head
- Stroke/Bore: 1,25-1,3
- Highest Efficiency Turbocharger (70 %)
- AVL OnDemand EGR with cooler bypass
- AVL Advanced Top-Down & Split Cooling
- Bottom-Stop-Liner
- Shortest Inlet/Outlet ports
- Variable Inlet Valve closing (Miller Cycle)
- Cylinder Deactivation

\*future potential for alternative fuels

BTE 55 % Powertrains for maximum CO<sub>2</sub> Reduction in MY 2027

Public / 1 PTE/B\_1 | 04 Februar 2021 | AVL 15



### High Efficient Powertrains for Commercial Vehicles, A Possible Engine Technology Roadmap for CO<sub>2</sub> Reduction

**Base Engine Measures**

| Measure             | Brake Thermal Efficiency (%) |
|---------------------|------------------------------|
| Baseline            | 46.0                         |
| Combustion System   | 48.0                         |
| Air Management      | 49.1                         |
| Friction Reduction  | 50.1                         |
| EGR Optimization    | 50.6                         |
| Waste Heat Recovery | >= 54                        |

- **Combustion System**
  - Compression ratio 22 to 24 with peak firing pressure of 270 to 290 bar
  - High flow injector with updated piston bowl
- **Air Management**
  - Low swirl port design & Miller timing
  - High efficient turbocharger
- **Materials**
  - Head and Block made of tailored materials, e.g. CGI
- **Friction Reduction**
  - Variable auxiliaries, coatings
  - Form honing
- **EGR Optimization**
  - LP-EGR with EGR electrical pump
- **Waste Heat Recovery**
  - 48V ORC system

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### INCREMENTAL: 10-15% LESS CO<sub>2</sub> & EUVII / CARB27

**40T / Class 8 Long Distance Truck**

- Engine
  - 350 – 400 kW
  - 11 – 13 L
- Operation dominated by mid speed and mid load
- NOx emissions at EUVII/CARB27 with SCR

**Expected Heavy Duty Diesel Engine Technology for 2030**

- Peak cylinder pressure = 280 bar
- EGR rate = ~20%
- Fuel injection pressure = 2800 bar, Injection rate shaping
- Variable valve actuation with lost motion
- Variable oil & water pumps
- Part load cylinder deactivation
- CGI block and head, steel pistons

| Technology   | Estimated CO <sub>2</sub> / GHG Reduction (%) |
|--|---|
| 2020 Baseline  | 0%  |
| Downsizing   | 3.0%  |
| Increased efficiency through turbochargers             | 1.5%  |
| Alternative Emissions                                  | 1.5%  |
| Variable valve actuation and pistons with improvements | 3%  |
| Oil & Water pumps                                      | 1.5%  |
| CVT  | 10.5%   |
| <b>Total</b>   | <b>15%</b>                                    |

Estimated CO<sub>2</sub> / GHG Reduction through Engine Technology to 2030

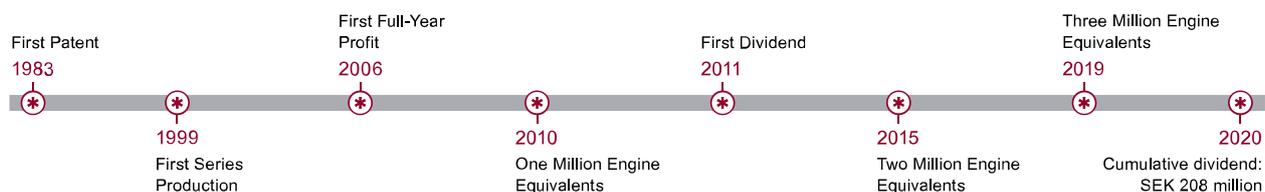
POWERING SUSTAINABLE FUTURES OCTOBER 2020

## SinterCast History

- \* 2020**
  - > Record installation revenue: SEK 16.6 million
  - > Covid impacts full-year series production:
    - Engine Equivalents fall to 2019 level
    - Sampling Cups fall to 2018 level
  - > 28 software upgrades and 33 process improvements
  - > Cumulative dividend exceeds SEK 200 million
- \* 2019**
  - > Series production surpasses three million Engine Equivalents
  - > Launch of System 4000
  - > Record installations, Record revenue and Record operating result
- \* 2018**
  - > Start of production of inline diesel engines for passenger vehicles
  - > SinterCast Cast Tracker® launched
  - > Wards *10 Best Engine* award for SinterCast-CGI diesel in Ford F-150
- \* 2016–2017**
  - > Cumulative dividend reaches SEK 100 million
  - > Ford announces SinterCast-CGI diesel in F-150 pick up
  - > Wards *10 Best Engine* award for Ford 2.7 litre V6 petrol engine
  - > SinterCast Ladle Tracker® launched
- \* 2015**
  - > Series production surpasses two million Engine Equivalents
  - > Third consecutive Wards *10 Best Engine* award for Ram EcoDiesel
  - > One millionth Sampling Cup produced
- \* 2012–2014**
  - > First high volume CGI petrol engine begins sales
  - > Engine commitments in full-size pick ups for Ram, Ford and Nissan
  - > First bespoke CGI agriculture engine launched
- \* 2011**
  - > 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
- \* 2010**
  - > Land Rover, Navistar and VM Motori launch new SinterCast-CGI engines
  - > Series production surpasses one million Engine Equivalents
- \* 2009**
  - > Launch of third generation process control system: System 3000
  - > Ford begins series production of first CGI engine in North America
- \* 2005–2008**
  - > Eight new SinterCast-CGI commercial vehicle engines launched
  - > Start of series production in Korea: Hyundai 3.0 litre V6
  - > First SinterCast installation in China
- \* 2003**
  - > First high-volume production: Ford 2.7 litre V6
  - > ISO 9001:2000 Certification
- \* 1999**
  - > First series production reference: Audi 3.3 litre V8
- \* 1997–1998**
  - > Development and launch of second generation process control system: System 2000
  - > Development of high-volume machining solutions
- \* 1996**
  - > First commercial installation of System 1000: Cifunsa, Mexico
  - > ISO 9001 certification
- \* 1992–1994**
  - > Development of first industrial product: System 1000
  - > Dual marketing toward foundries and automotive OEMs
  - > IPO on Stockholm Stock Exchange: 26 April 1993
- \* 1984–1991**
  - > Fundamental research on the solidification of CGI
  - > Initial technical trials and demonstrations
- \* 1983**
  - > SinterCast AB founded
  - > First patent filed

### Current Status

- > 25 fully automated process control systems, 25 mini-systems & five tracking systems installed in 14 countries and supported in 11 languages
- > Series production for passenger vehicle, commercial vehicle and industrial power applications
- > More than 75 components in series production, from 2.7 kg to 9 tonnes
- > Successful production references for Ladle Tracker and Cast Tracker technologies



## The SinterCast Group Management



*The executive management with more than 60 years of combined service*

### Steve Wallace Operations Manager

Norrköping, Sweden  
Born 1967

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

### Steve Dawson President & CEO

London, United Kingdom  
Born 1962

BEng, MAsc, PhD, PEng, FIMechE  
Nationality: Canadian, British  
Employed since 1991  
\*No. of shares: 37,500

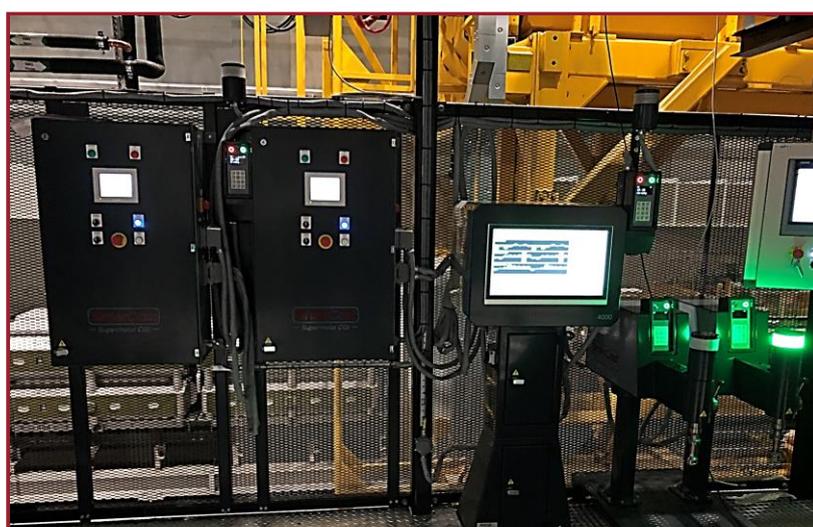
### Daphner Uhmeier Finance Director

Rönninge, Sweden  
Born 1962

BSc  
Nationality: Swedish  
Employed since 2004  
\*No. of shares: 13,300

\*As of 31 March 2021

## Three Years of Teamwork



*On 14 December 2017, Scania announced that it would invest SEK 1.5 billion to build a bespoke new foundry for the production of heavy-duty cylinder blocks and heads. Three years later – after joint planning of the layout and process flow – the SinterCast System 4000 Plus was powered on for the first time on 15 December 2020, ready to take the first CGI sample.*

## The SinterCast Board



**Jan Åke Jonsson**  
Chairman, Board Member  
BBA

Göteborg, Sweden  
Born: 1951, Nationality: Swedish

**Other Assignments**

Chairman of the Board of Directors of Easy Mining AB, Väst kustens Affärsänglar AB, Datachassi Larm AB and Intervex AB

**Professional background**

Former CEO Saab Automobile, former Director for After Sales & Services of Saab, Vice President for Sales and Marketing for Saab USA, Vehicle Line Executive and Director Commercial Vehicles at General Motors Europe

Elected 2019  
5,000 SinterCast Shares



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

London, United Kingdom  
Born: 1945, Nationality: British

**Other Assignments**

Chairman, e-PPI Ltd, Autoscan Ltd, Advanced Propulsion Centre UK Ltd and Dymag Ltd

**Professional background**

Professor of Manufacturing, Warwick University, Professor of Engineering, Coventry University, Former Chairman and CEO of Jaguar and Land Rover. Former Chairman and CEO Aston Martin, Former Vice President, Ford Motor Company

Elected 2004  
1,249 SinterCast Shares



**Jun Arimoto**  
Board Member  
BEng

Rickmansworth, United Kingdom  
Born 1954, Nationality: Japanese

**Other Assignments**

No other Board duties

**Professional background**

Former Powertrain Executive of ISUZU MOTORS Ltd, Japan. Former Managing Director and Member of the Board of ISUZU subsidiary companies in Europe and China for 16 years in total. Former General Sales Manager of Perkins Engines (Peterborough) Ltd.

Elected 2018  
1,409 SinterCast Shares



**Steve Gill**  
Board Member  
BEng

Chelmsford, UK  
Born: 1966, Nationality: British

**Other Assignments**

No other Board duties

**Professional background**

Independent automotive consultant, currently serving as Consultant Director to AVL. Former Director – Powertrain Engineering, Ford of Europe, former Chief Engineer for gasoline engines, Ford Motor Company, and former Chief Engineer of Perkins Engines Ltd.

Elected 2020  
0 SinterCast Shares



**Åsa Källenius**  
Board Member  
BA, Business Administration

Stockholm, Sweden  
Born: 1967, Nationality: Swedish

**Other Assignments**

Board member and Chairman of the Audit Committee of Green Landscaping AB; Board member of KAAX Investment AB, Scylla och Charybdis AB, ANNMAKA AB and Källenius Invest AB.

**Professional background**

Current CFO of Mekonomen Group AB. Former CFO of Tele2 Sweden and former CFO of Inflight Service.

Elected 2020  
1,000 SinterCast Shares



**Steve Dawson**  
President & CEO, Board Member  
BEng, MSc, 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  
37,500 SinterCast Shares

Information regarding Board meeting presence is presented on page 29  
Information regarding Board remuneration is presented on pages 29 and 52-53  
Note: All information as of 31 March 2021.

## 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 2020. 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

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 and 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 is 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 agriculture, marine, rail, off-road and stationary engine applications. SinterCast supports the series production of components ranging from 2.7 kg to 9 tonnes, all using the same proven process control technology. As a specialist supplier of precision measurement and process control solutions to the metals industry, SinterCast also supplies the SinterCast Ladle Tracker® and SinterCast Cast Tracker® technologies, to improve process control, productivity and traceability in a variety of applications. With 55 installations in 14 countries, SinterCast is a publicly traded company, quoted on the Small Cap segment of the Nasdaq Stockholm stock exchange (SINT).

### 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, Korea and Germany.

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, for the active development of new foundry and OEM business opportunities, and for overall quality management, including the current ISO 9001:2015 certification. The Operations function is responsible for the production and supply of the control systems, tracking systems and sampling consumables, and commissioning of new installations. 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. The Remuneration Policy for Group Management is included in the Corporate Government Report.

### Legal Structure

SinterCast AB (publ) is the Parent Company of the SinterCast Group, with its registered office located in Stockholm, Sweden. On 31 December 2020, the Parent Company had 23 (18) employees. The average number of employees during the period was 21 (17). The majority of the operations are managed by 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 2020, the Group had 28 (23) employees, five (four) of whom are female. The average number of employees during the period was 26 (22). 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 and Tracking Technologies. 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 eight (eight) patents, granted or pending, and maintains 42 (42) individual national phase patents worldwide. These patents address the SinterCast metallurgical technology, thermal analysis, the Sampling Cup, product applications and machining.

Research & Development is a key focus area for SinterCast, representing 17% (16%) of the total operating cost. The emphasis of the R&D activity is to continuously improve the accuracy and the reliability of the thermal analysis and process control software and to develop the SinterCast Tracking Technologies. The SinterCast Ladle Tracker® technology ensures that all treatments and processes are performed within the specified limits, improving process efficiency, product quality, and productivity. The SinterCast Cast Tracker® offers complete traceability of each casting from the date of manufacture of the cores (inception), shelf storage time, pouring (birth) to shake out. Installation discussions are ongoing for CGI process control

systems and for the new Tracking Technologies, for, grey, CGI and ductile iron foundries, and for other metal processing applications. As production references become established, the suite of Tracking Technologies will begin to contribute to the total installation revenue. 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 diesel engines produced using SinterCast-CGI provide approximately 20% better fuel efficiency and 20% less CO<sub>2</sub> emissions than the nearest available petrol engine options.

### Risks and Uncertainty Factors

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. Covid-19 has quickly evolved to dominate the near-term risk outlook for the global foundry and automotive industries. At the start of 2021, infection rates were rising in most countries and, although vaccination programmes have begun, is not yet possible to predict the recovery or the overall impact on the near-term market development. While it is prudent to expect that series production may be influenced through much of 2021, SinterCast remains confident in the long-term growth of CGI. Other factors that may influence the market risk for SinterCast and its end-user industries include the current global political uncertainty, the renegotiation

of international tariffs and free-trade agreements on vehicle sales, and the overall demand for goods transportation. No significant risk of material adjustment to the carrying amounts of assets and liabilities has been identified at the balance sheet date and no costs have been taken to the profit and loss due to the Covid-19 virus. For additional risk and uncertainty factor information, please see note 26.

## Financial Summary

### Revenue

The revenue for the SinterCast Group relates primarily to income from equipment, series production and engineering service. The 2020 revenue amounted to SEK 95.4 million (SEK 116.5 million). Equipment revenue increased by 40% during 2020 to SEK 16.6 million (SEK 11.9 million), primarily due to the System 4000 *Plus* installations at the First Automobile Works (FAW) foundry in China and at the new Scania foundry in Sweden, plus the productivity upgrade at the Teksid foundry in Mexico, combined with the exercise of the System 4000 purchase option at the WHB foundry in Brazil. Full-year series production finished at 2.5 (3.3) million Engine Equivalents, corresponding to 76% of the 2019 volume. Sampling Cup shipments decreased by 26% to 140,600 (189,800), resulting in a 25% reduction in series production revenue to SEK 77.1 million (SEK 102.3 million). Engineering Service amounted to SEK 1.7 million (SEK 2.3 million).

### 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.

The 2020 operating result amounted to SEK 21.7 million (SEK 40.1 million), primarily because of a SEK 21.1 million decrease in revenue.

### Results Summary

| (Amounts in SEK million)        | 2020 | 2019 |
|---------------------------------|------|------|
| Operating Result                | 21.7 | 40.1 |
| Income tax                      | -0.1 | 8.3  |
| Result for the period after tax | 22.2 | 48.2 |
| Earnings per Share (SEK)        | 3.1  | 6.8  |

The result for the period after tax amounted to SEK 22.2 million (SEK 48.2 million), primarily due to the lower revenue and a decrease of SEK 8.4 million in income tax (primarily related to the revaluation of the deferred tax asset in 2019). During the period, no governmental support in relation to Covid-19 was received, other than a reduced general payroll tax amounting to SEK 0.3 million.

### Income Tax and Deferred Tax Asset

Tax income for 2020 amounted to SEK -0.1 million (SEK 7.4 million). The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2020, SEK 214.1 million (SEK 213.1 million) of the SinterCast total carried-forward tax losses are the basis of the updated calculation, resulting in SEK 44.1 million (SEK 44.1 million) being capitalised as a deferred tax asset. The deferred tax asset calculation is based on historical eight-year average currency rates.

### Cashflow, Liquidity and Investments

2020 cashflow from operations decreased by SEK 15.7 million primarily because of lower revenue of SEK 21.1 million resulting in lower gross results of SEK 20.7 million, and decrease in working capital of SEK 1.9 million primarily related to decreased operating receivables. Total investments amounted to SEK 2.8 million (SEK 1.2 million), Cashflow from financing activities increased by SEK 10.5 million, primarily due to the dividend in the amount of SEK 24.8 million (SEK 35.5 million). Total cashflow amounted to SEK -6.6 million (SEK 0.1 million). Liquidity on 31 December 2020 was SEK 26.3 million (SEK 32.9 million). SinterCast has no loans.

### Annual General Meeting 2021

The Annual General Meeting 2021 of SinterCast AB (publ) will be held on Tuesday 18 May 2021.

Shareholders wishing to have a matter considered at the Annual General Meeting were requested to 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.

### Dividend Distributed in 2020

The initial dividend proposal for 2019 was withdrawn on 15 May 2020 due to market uncertainty related to Covid-19. The Extraordinary General Meeting of SinterCast AB (publ) held on 9 November 2020 ultimately approved a dividend of SEK 3.50 per share (totally SEK 24,815,465.50) for the financial year 2019 and that the parent company shall retain the remaining part of non-restricted equity of SEK 56,786,526.50.

### Proposed Dividend 2021

The Board of Directors propose an ordinary dividend of SEK 4.00 per share (SEK 3.50 per share) with an extraordinary dividend amounting to SEK 0.00 (SEK 0.00 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 2020, distributed to the shareholders in two equal payments of SEK 2.00 per share. The Board proposes 20 May 2021 as the record date for the first dividend and 19 November 2021 as the record date for the second dividend. In deciding the amount of the ordinary dividend to be proposed to the AGM 2021, 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.

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 liquidity of the Parent Company and the Group, the need for financial resources, the current financial position, and the long-term ability to meet commitments. At year-end, the Group reported an equity ratio of 85% (90%) and a net cash amount of SEK 26.3 million (SEK 32.8 million). The Board of Directors also considered the Parent Company's result and financial position, recent changes in market risk and uncertainty, 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. It is the Board's assessment that the

dividend proposal 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 reserve                                    | 35,336,610        |
| Result brought forward                                   | 21,647,786        |
| Result for the year                                      | 22,039,658        |
| <b>Total non-restricted equity of the Parent Company</b> | <b>79,024,054</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*                | 50,663,522        |
| <b>Total</b>   | <b>79,024,054</b> |
| * of which Share premium reserve                     | 35,336,610        |

### Events after the Balance Sheet Date

No material transactions have taken place between SinterCast and the Board or the Management during the period. There have been no significant events since the balance sheet date of 31 December 2020 that could materially change these financial statements. The following press releases have been issued:

**14 January 2021** – Series production 2.4 million Engine Equivalents in December – Record installation revenue

**8 February 2021** – Series production improves to 2.7 million Engine Equivalents in January

**10 February 2021** – SinterCast Results October–December 2020

**12 March 2021** – Series production decreases to 2.5 million Engine Equivalents in February

**26 March 2021** – Hyundai Motor Company orders SinterCast Ladle Tracker® technology

## Corporate Governance Report 2020

### 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. As a technology led company, SinterCast is able to grow and prosper by earning the respect of its customers. The objective of Corporate Governance at SinterCast is to ensure continued strong development of the company and 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. SinterCast had approximately 4,000 (4,020) shareholders on 31 December 2020. The ten largest, of which two (five) were nominee shareholders, controlled 47.6% (53.0%) of the capital and votes. On 31 December 2020, Swedish shareholders held and controlled 82.3% (82.7%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension AB (Sweden), held 13.0% (11.7%) of the capital and votes as a nominee shareholder. As of 31 December 2020, the SinterCast Board, management and employees controlled 1.1% (1.1%) of the capital and votes. The paid dividend was the only transaction between the company and the shareholders during the year. 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 2020*

The Nomination Committee, elected by the AGM 2019, consisted of Ulla-Britt Fräjdin-Hellqvist (Chairman), Jan Åke Jonsson (Chairman of the Board of Directors), Andrea Fessler and Aage Figenschou. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. Prior to the AGM 2020, the Board Members Caroline Sundewall and Lars Hellberg declined re-election. As a result of the declined re-elections and the Board composition review, and after consultations with the shareholders, the Nomination Committee proposed to the AGM 2020 that the Board Members, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. The Nomination Committee proposed the Board remuneration to the AGM and nominated the Auditor for election, for the period until the next AGM.

## Overview of Corporate Governance of SinterCast



### Annual General Meeting (AGM) 2020

On 30 March 2020 it was announced that the Annual General Meeting (AGM) was postponed from 19 May to 23 June 2020 because of the development of the COVID-19 virus resulting in shutdowns at several foundry customers and automotive end users. The duration of these shutdowns, and the uncertainty of the ramp-up when production could resume, made the economic outlook difficult to assess. In advance of the meeting, an abridged CEO presentation was posted on the SinterCast website. The pre-recorded presentation provided a summary of the progress achieved in 2019, an overview of recent market activities, and an outlook for the potential short-term and long-term market development. Dr Dawson commented on the current market uncertainty, but also expressed confidence in the installation outlook for 2020 and the long-term trend toward CGI. Dr Dawson also reiterated the company's ambition to convene an Extraordinary General Meeting on or before 20 November to present a dividend proposal to shareholders.

At the AGM 2020, all Board Members were present or available via telephone. The AGM was attended by 9 (36) shareholders and employees, in person or by proxy, representing 1,090,067 (1,303,729) votes.

During the AGM, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. Caroline Sundewall and Lars Hellberg declined re-election and were thanked for their contributions.

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 2019, 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, six ordinary Board Members; that the company shall have a registered auditing company as auditor; that the Board shall receive a total remuneration of SEK 1,110,000 (SEK 1,110,000), unchanged, with no remuneration for the Managing Director and that the Nomination Committee shall consist of four (four) Members.

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 the acquisition and disposal of SinterCast shares, as proposed by the Board of Directors. All of the proposals presented to the AGM were approved by the shareholders.

### Board of Directors

At the AGM 2020, Jan Åke Jonsson, Robert Dover, Jun Arimoto and Steve Dawson were re-elected as Board Members, with Mr Jonsson being reappointed as Chairman. Steve Gill and Åsa Källenius were elected as new Board members. The Board remuneration, decided at the AGM 2020, shall be divided between the Chairman SEK 390,000 (SEK 390,000) and four (four) ordinary Board Members SEK 180,000 (SEK 180,000) 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. However, Jun Arimoto assisted and has been paid for minor market support in Japan. 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 20. The content of the main meetings is summarised in the table below.

### Extraordinary General Meeting 2020

The SinterCast AB (publ) Extraordinary General Meeting (EGM) was held on 9 November 2020 in Stockholm. The meeting was convened to decide upon the dividend proposal for the financial year 2019, following the withdrawal of the original dividend proposal on 15 May 2020. The EGM approved the proposed ordinary dividend of SEK 3.50 per share, with no extraordinary dividend, for the financial year 2019. Accordingly, the total dividend for the financial year 2019 is SEK 24.8 million.

### Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, Jan Åke Jonsson was re-confirmed as Chairman of the Board. Jan Åke Jonsson and Åsa Källenius were elected to constitute the Compensation Committee. 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.

### 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 2020, 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

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 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.

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

| February                            | March/April                             | May/June  | August/September                    | October   |
|-------------------------------------|---|---|-------------------------------------|---|
| Market Report and Financial Outlook | Postpone Annual Report                  | Withdrawal Dividend Proposal                    | Market Report and Financial Outlook | Market Report and Financial Outlook             |
| Approve Book Closing Report         | Postpone Annual General Meeting         | AGM Board Meeting                               | Approve 2Q Interim Report           | Approve 3Q Interim Report                       |
| Evaluate Managing Director          | Approve 1Q Interim Report               | Market Report and Financial Outlook             | Approve Strategy and Business Plan  | Propose Dividend and EGM Notice                 |
| AGM preparations and decisions      | Approve Annual Report                   | Auditor participated in Audit Committee Meeting | Revise and approve Work Programme   | Approve Budget for the coming year              |
| Decide upon incentive programmes    | AGM preparations and approval of notice | Statutory Board Meeting                         | Review Technical Progress           | Auditor participated in Audit Committee Meeting |

## Board Meeting and Remuneration Summary

|                              | Board Remuneration   |                  | Presence Calendar Year 2020 |                 |                        | Independent <sup>2</sup> |
|------------------------------|----------------------|------------------|-----------------------------|-----------------|------------------------|--------------------------|
|                              | Adopted at AGM (SEK) |                  | Board Meetings              | Audit Committee | Compensation Committee |                          |
|                              | 2020                 | 2019             |                             |                 |                        |                          |
| Jan Åke Jonsson <sup>3</sup> | 390,000              | 390,000          | 12/12                       | 4/4             | 2/2                    | Yes                      |
| Robert Dover                 | 180,000              | 180,000          | 12/12                       | 4/4             |                        | Yes                      |
| Jun Arimoto                  | 180,000              | 180,000          | 12/12                       | 4/4             |                        | Yes                      |
| Åsa Källenius <sup>1,3</sup> | 180,000              | -                | 4/12                        | 1/4             | 1/2                    | Yes                      |
| Steve Gill <sup>1</sup>      | 180,000              | -                | 5/12                        | 2/4             |                        | Yes                      |
| Steve Dawson                 | -                    | -                | 12/12                       | 4/4             |                        | No                       |
| Caroline Sundewall           | -                    | 180,000          |                             |                 |                        |                          |
| Lars Hellberg                | -                    | 180,000          |                             |                 |                        |                          |
| <b>Summary</b>               | <b>1,110,000</b>     | <b>1,110,000</b> |                             |                 |                        |                          |

1. Åsa Källenius and Steve Gill were elected on 23 June 2020 at the AGM 2020  
2. Independent of the company, the management and major shareholders  
3. Member of compensation committee

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 19.

### Compensation Committee

The Compensation Committee, elected by the Board, consists of Jan Åke Jonsson and Åsa Källenius. 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 2020, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and ratified its proposals.

### Remuneration Policy for Group Management 2020 and 2021

The Annual General Meeting 2020 decided upon a remuneration policy (guidelines) to contribute to the company's business strategy, long-term interest and sustainability in respect of the Managing Director, other members of the Group Management, other

employees and Board Members. The following italic text was approved by the 2020 AGM:

#### **Remuneration etc. in relation to the Managing Director and other members of the Group Management**

##### *Remuneration, pension and benefits*

*The remuneration to members of the Group Management 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 level and the individual level, 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 entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Variable remuneration and special compensation in extraordinary situations shall not constitute a basis for pension as far as this does not conflict with applicable collective agreement. Pension contributions may not exceed an amount corresponding to 30 percent of the fixed*

annual salary. Other benefits may include, for example, life insurance, medical insurance and company car. Costs for such benefits may not amount to more than 10 percent of the base salary.

#### *Termination of employment*

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.

#### **Remuneration etc. in relation to Board Members**

Remuneration to Board Members (aside from Board Fee) shall only be paid in case Board Members (either personally or through a company) perform work for the company in addition to their ordinary board work. Such remuneration (consultancy fee) may not exceed, on a yearly basis, the Board Fee. The remuneration shall be based on current market rates and be proportionate to the benefit for the company and to the extent to which such work contributes to the development of SinterCast. Consultancy agreements with Board Members may be terminated by the company at any time by giving two months' notice.

#### **Salary and employment terms for other employees of the company**

When preparing the Board's proposed guidelines for remuneration to senior executives, consideration was given to the salary and employment terms of the company's other employees. The Board considered the total remuneration, the components of the remuneration, and the increase and rate of increase of the remuneration over time as part of the basis upon which the Board assessed whether the guidelines and the resulting limitations were reasonable.

#### **Decision-making process for adopting, reviewing and implementing the guidelines**

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting for decision. The Compensation Committee established by the Board shall continuously review and assess the guidelines and the implementation of the guidelines. To avoid conflicts of interests, no member of the Group Management shall participate in discussions or decisions which may affect their own remuneration or terms of

employment. Further, the Board shall decide on the remuneration (consultancy fees) to any individual Board Member in the absence of the concerned Member.

#### **Description of significant changes in the guidelines and how shareholders' views are taken into account.**

The proposed guidelines do not entail any significant changes in relation to existing compensation guidelines at SinterCast. SinterCast has not received any direct input from the shareholders.

#### **Deviation from the guidelines**

The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the above guidelines if, in an individual case, there are specific reasons for this and a deviation is necessary to meet the long-term interests and sustainability of SinterCast or to secure financial viability of SinterCast.

The main conditions for remuneration to the 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.

The remuneration policy (guidelines) in respect of the Managing Director, other members of the Group Management, other employees and Board Members is proposed to be unchanged in 2021.

#### **Audit Committee**

During the Statutory Board Meeting, all Board Members were elected to the Audit Committee.

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 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 2021. 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 2020.

### External Auditor

At the AGM 2020, KPMG was appointed as Auditor and Jonas Eriksson was appointed as Auditor in charge by KPMG. The Auditor in charge has had three 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 2020, in conjunction with the approval of the Annual Report 2019, the previous Auditor from PwC, Tobias Strähle, met with the Audit Committee. The Auditor met with the Board of Directors at the Board meeting in June, where the Auditor reported observations directly to the Board of Directors both with and without the presence of the Group Management. 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 2020. 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.

After at the AGM 2020, at the Statutory Board Meeting, the new Auditor presented the Audit Plan for 2020 and provided a follow-up of the Audit Plan during the October and March Audit Committee meetings. In October he presented the result from the review of the financial report for the period January–September 2020 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2020. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

In conjunction with the approval of this Annual Report 2020 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 2020*

At the AGM 2020, Victoria Skoglund (Chairman), Jan Åke Jonsson, Andrea Fessler, Aage Figenschou, and Carina Andersson were elected to the Nomination Committee. After serving SinterCast for 18 years; as a member of the Board; as Chairman of the Board; and most recently, as Chairman of the Nomination Committee, Ulla-Britt Fräjdin-Hellqvist declined re-election and was thanked for her longstanding dedication, support and service.

The Nomination Committee is judged to be independent of the company and the largest shareholders.

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 2021 are to be presented in the notice of the AGM and on the company website. During the AGM 2021 the Nomination Committee will also present how it conducted its work and will explain its proposals. Since the AGM 2020 the Nomination Committee of SinterCast carried out several informal meetings and two minuted meetings. According to rules regarding

equal gender representation, the Nomination Committee intends to report to the upcoming AGM how it has fulfilled its work regarding gender representation in the Board. The Nomination Committee can be contacted at the following e-mail address: [nomination.committee@sintercast.com](mailto:nomination.committee@sintercast.com).

### Information

SinterCast must comply with the EU Market Abuse Regulation nr 596/2014 (MAR), which includes strict requirements of how SinterCast shall manage inside information. The MAR rules address how insider information shall be disclosed; under which conditions the disclosure may be postponed; and when SinterCast is obliged to keep a list of persons having access to inside information (a so-called logbook).

During 2020, the company has used a digital Logbook to ensure compliance under the EU market abuse regulation and the insider policy of the company; from the decision to postpone the disclosure of insider information; up to the mandatory message including the closure of the logbook and the disclosure date, to the Swedish Finansinspektionen. Only authorised personnel have access to the Logbook.

### 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 shall 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.

The Board has decided 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.



*Ready to ship! The First Automobile Works (FAW) System 4000 Plus was shipped from the SinterCast Technical Centre in Sweden on 29 January 2020. Following delays caused by Covid-restrictions, the system was successfully installed at the FAW foundry in Changchun, China during the autumn of 2020.*

## 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 related 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, to ensure the quality of the financial reports and that appropriate relations are maintained with the Auditor. 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, revenue recognition and the principle of capitalisation of research and development 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: review of the estimated future taxable profit and deferred tax asset calculation, by reviewing the forecast for secured series production programmes and probability factors (the forecasted contribution from secured production, reduced by the forecasted expenses for the operations provides the base for the final deferred tax asset calculation); the revenue recognition of system sales and related revenue streams, in which contract performance obligations review is included to define the individual revenue streams (equipment, Engineering Service, Annual Software Licence Fee); and, review of research and 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. 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. Reports from the Auditors have been distributed to the Board.

### Information and Communication

All external information must be provided in accordance with the listing agreement for listed companies in Sweden and according to EU market abuse regulation MAR. 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 – Group

| Amounts in SEK million                                 | Note:       | 2020        | 2019        |
|--|-------------|-------------|-------------|
| Revenue  | 1, 9        | 95.4        | 116.5       |
| Cost of goods sold                                     | 3, 17       | -27.1       | -27.5       |
| <b>Gross result</b>                                    |             | <b>68.3</b> | <b>89.0</b> |
| Cost of sales and marketing                            | 3, 5, 9     | -25.0       | -27.3       |
| Cost of administration                                 | 3, 4, 5, 10 | -8.5        | -8.9        |
| Cost of research & development                         | 2, 3, 5, 10 | -11.6       | -12.0       |
| Other operating costs                                  | 10          | -1.6        | -0.7        |
| <b>Operating result</b>                                |             | <b>21.7</b> | <b>40.1</b> |
| Financial income                                       |             | 1.1         | 0.2         |
| Financial costs  |             | -0.5        | -0.4        |
| <b>Financial net</b>                                   | <b>11</b>   | <b>0.6</b>  | <b>-0.2</b> |
| <b>Result before income tax</b>                        |             | <b>22.3</b> | <b>39.9</b> |
| Income tax   | 12          | -0.1        | 8.3         |
| <b>Result for the year</b>                             |             | <b>22.2</b> | <b>48.2</b> |
| <b>Result attributable to:</b>                         |             |             |             |
| Equity holder of the parent company                    |             | 22.2        | 48.2        |
| Non-controlling interests                              |             | -           | -           |
| Earnings per share, SEK                                |             | 3.1         | 6.8         |
| Earnings per share, diluted, SEK                       |             | 3.1         | 6.8         |
| Number of shares at the close of the period, thousands | 25, 29      | 7090.1      | 7090.1      |
| Average number of shares, thousands                    | 29          | 7090.1      | 7090.1      |
| Average number of shares, diluted                      | 29          | 7090.1      | 7090.1      |

## Statement of Result and Other Comprehensive Income – Group

| Amounts in SEK million                                   | 2020        | 2019        |
|--|-------------|-------------|
| <b>Result for the period</b>                             | <b>22.2</b> | <b>48.2</b> |
| <b>Other comprehensive income</b>                        |             |             |
| <i>Items may be reclassified to the income statement</i> |             |             |
| Translation differences, foreign subsidiaries            | -0.4        | -0.2        |
| <b>Other comprehensive income, net of tax</b>            | <b>-0.4</b> | <b>-0.2</b> |
| <b>Total comprehensive income for the period</b>         | <b>21.9</b> | <b>48.0</b> |
| <b>Total comprehensive income attributable to:</b>       |             |             |
| Shareholder of the parent company                        | 21.9        | 48.0        |
| Non-controlling interests                                | -           | -           |

## Balance Sheet – Group

| Amounts in SEK million   | Note:      | 2020         | 2019         |
|--|------------|--------------|--------------|
| <b>ASSETS</b>  |            |              |              |
| <b>Fixed assets</b>  |            |              |              |
| Capitalised development  |            | 5.2          | 5.6          |
| Patents  |            | 1.0          | 1.1          |
| <b>Total intangible assets</b>                                   | 13         | <b>6.2</b>   | <b>6.7</b>   |
| Laboratory & production equipment, facility upgrades & computers |            | 2.8          | 1.8          |
| Process control equipment  |            | 0.1          | 0.0          |
| Right of use assets  |            | 3.9          | 2.7          |
| <b>Total tangible assets</b>                                     | 14         | <b>6.7</b>   | <b>4.5</b>   |
| Other long-term receivables                                      | 23         | 5.8          | 0.4          |
| <b>Total financial assets</b>                                    | 16         | <b>5.8</b>   | <b>0.4</b>   |
| Deferred tax asset   | 12, 16     | 44.1         | 44.1         |
| <b>Total fixed assets</b>  |            | <b>62.8</b>  | <b>55.8</b>  |
| <b>Current assets</b>  |            |              |              |
| Inventory  | 17         | 9.4          | 8.4          |
| <b>Total inventory</b>   |            | <b>9.4</b>   | <b>8.4</b>   |
| Trade debtors  | 15, 23, 26 | 21.8         | 27.9         |
| Other debtors  | 18, 23     | 1.6          | 1.4          |
| Prepaid expenses and accrued income                              | 19         | 5.6          | 1.4          |
| <b>Total short-term receivables</b>                              |            | <b>29.1</b>  | <b>30.6</b>  |
| Total cash and cash equivalents                                  | 23, 26     | 26.3         | 32.9         |
| <b>Total current assets</b>                                      |            | <b>64.9</b>  | <b>71.8</b>  |
| <b>Total assets</b>  |            | <b>127.7</b> | <b>127.6</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                      |            |              |              |
| Share capital  | 24, 25     | 7.1          | 7.1          |
| Additional paid in capital                                       |            | 44.9         | 44.9         |
| Translation differences, foreign subsidiaries                    | 26         | 1.2          | 1.6          |
| Accumulated result including result for the year                 |            | 55.6         | 58.1         |
| <b>Total shareholders' equity</b>                                |            | <b>108.8</b> | <b>111.7</b> |
| Other long term liabilities                                      | 20         | 3.2          | 1.9          |
| <b>Total long term liabilities</b>                               |            | <b>3.2</b>   | <b>1.9</b>   |
| Accounts payable   | 23, 26     | 3.4          | 5.1          |
| Other current liabilities  | 21, 23, 26 | 1.6          | 1.6          |
| Accrued expenses and prepaid income                              | 22         | 10.7         | 7.5          |
| <b>Total short term liabilities</b>                              |            | <b>15.7</b>  | <b>14.0</b>  |
| <b>Total liabilities</b>   |            | <b>18.9</b>  | <b>15.9</b>  |
| <b>Total shareholders' equity and liabilities</b>                |            | <b>127.7</b> | <b>127.6</b> |

## Statement of Changes in Equity – Group

| Amounts in SEK million                  | Note: | Share<br>Capital | Additional<br>Paid in<br>Capital | Exchange<br>Differences | Cumulative<br>Results | Total<br>Equity |
|---|-------|------------------|----------------------------------|-------------------------|-----------------------|-----------------|
| <b>Opening balance 1 January 2019</b>   |       | <b>7.1</b>       | <b>44.9</b>                      | <b>1.8</b>              | <b>45.4</b>           | <b>99.2</b>     |
| Total comprehensive income              |       | -                | -                                | -0.2                    | 48.2                  | 48.0            |
| Dividend                                |       | -                | -                                | -                       | -35.5                 | -35.5           |
| <b>Closing balance 31 December 2019</b> | 25    | <b>7.1</b>       | <b>44.9</b>                      | <b>1.6</b>              | <b>58.1</b>           | <b>111.7</b>    |
| <b>Opening balance 1 January 2020</b>   |       | <b>7.1</b>       | <b>44.9</b>                      | <b>1.6</b>              | <b>58.1</b>           | <b>111.7</b>    |
| Total comprehensive income              |       | -                | -                                | -0.4                    | 22.3                  | 21.9            |
| Dividend                                |       | -                | -                                | -                       | -24.8                 | -24.8           |
| <b>Closing balance 31 December 2020</b> | 25    | <b>7.1</b>       | <b>44.9</b>                      | <b>1.2</b>              | <b>55.6</b>           | <b>108.8</b>    |

## Cashflow Statement – Group

| Amounts in SEK million   | Note:          | 2020         | 2019         |
|--|----------------|--------------|--------------|
| <b>Operating activities</b>  |                |              |              |
| Operating result   |                | 21.7         | 40.1         |
| Adjustments for items not included in the cash flow                              |                |              |              |
| Depreciation   | 13, 14         | 3.7          | 3.2          |
| Unrealised exchange rate differences   |                | 0.5          | -0.2         |
| Received interest  |                | 0.0          | 0.1          |
| Paid interest  |                | -0.4         | -0.2         |
| Paid income tax  |                | -0.1         | 0.0          |
| <b>Total cashflow from operating activities before change in working capital</b> |                | <b>25.4</b>  | <b>43.0</b>  |
| <b>Change in working capital</b>   |                |              |              |
| Inventory  | 17             | -1.1         | -1.8         |
| Operating receivables  | 15             | -3.9         | -5.3         |
| Operating liabilities  | 18, 19, 21, 22 | 1.7          | 2.0          |
| <b>Total change in working capital</b>   |                | <b>-3.3</b>  | <b>-5.2</b>  |
| <b>Cashflow from operations</b>  |                | <b>22.1</b>  | <b>37.8</b>  |
| <b>Investing activities</b>  |                |              |              |
| Acquisition of intangible assets   | 13             | -1.2         | -0.6         |
| Acquisition of tangible assets   | 14             | -1.6         | -0.6         |
| <b>Cashflow from investing activities</b>  |                | <b>-2.8</b>  | <b>-1.2</b>  |
| <b>Financing activities</b>  |                |              |              |
| Payment lease liability  |                | -1.1         | -1.0         |
| Dividend   |                | -24.8        | -35.5        |
| <b>Cashflow from financing activities</b>  |                | <b>-25.9</b> | <b>-36.5</b> |
| Exchange rate differences in cash and cash equivalents                           |                | 0.0          | 0.0          |
| Cashflow for the period  |                | -6.6         | 0.1          |
| Cash - opening balance   |                | 32.9         | 32.8         |
| <b>Cash - closing balance*</b>   | 26             | <b>26.3</b>  | <b>32.9</b>  |

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

## Income Statement – Parent Company

| Amounts in SEK million          | Note:       | 2020        | 2019        |
|---------------------------------|-------------|-------------|-------------|
| Revenue                         | 1, 9        | 94.6        | 115.2       |
| Cost of goods sold              | 3, 17       | -27.5       | -27.8       |
| <b>Gross result</b>             |             | <b>67.1</b> | <b>87.4</b> |
| Cost of sales and marketing     | 3, 5, 9     | -25.0       | -27.3       |
| Cost of administration          | 3, 5, 9     | -8.6        | -8.9        |
| Cost of research & development  | 2, 3, 5, 10 | -11.6       | -12.0       |
| Other operating costs           | 10          | -0.8        | -1.2        |
| <b>Operating result</b>         |             | <b>21.1</b> | <b>38.0</b> |
| Financial income                |             | 1.1         | 0.2         |
| Financial costs                 |             | -0.1        | -0.1        |
| <b>Financial net</b>            | <b>11</b>   | <b>1.0</b>  | <b>0.1</b>  |
| <b>Result before income tax</b> |             | <b>22.1</b> | <b>38.1</b> |
| Income tax                      | 12          | -0.1        | 8.3         |
| <b>Result for the period</b>    |             | <b>22.0</b> | <b>46.4</b> |
| <b>Result attributable to:</b>  |             |             |             |

## Statement of Result and Other Comprehensive Income – Parent Company

| Amounts in SEK million                           | 2020        | 2019 |
|--|-------------|------|
| <b>Result for the period</b>                     | <b>22.0</b> | 46.4 |
| <b>Total comprehensive income for the period</b> | <b>22.0</b> | 46.4 |

## Balance Sheet – Parent Company

| Amounts in SEK million   | Note:      | 2020         | 2019         |
|--|------------|--------------|--------------|
| <b>ASSETS</b>  |            |              |              |
| Capitalised development  |            | 5.2          | 5.6          |
| Patents  |            | 1.0          | 1.1          |
| <b>Total intangible assets</b>                                   | 13         | <b>6.2</b>   | <b>6.7</b>   |
| Laboratory & production equipment, facility upgrades & computers |            | 2.8          | 1.8          |
| Process control equipment  |            | 0.1          | 0.0          |
| <b>Total tangible assets</b>                                     | 14         | <b>2.8</b>   | <b>1.8</b>   |
| Shares in subsidiaries   | 24         | 1.9          | 1.9          |
| Intercompany receivables long term                               |            | 0.0          | 0.3          |
| Other long-term receivables                                      | 16, 23     | 5.5          | 0.1          |
| Deferred tax asset   | 12, 16     | 44.1         | 44.1         |
| <b>Total financial assets</b>                                    |            | <b>51.5</b>  | <b>46.4</b>  |
| <b>Total fixed assets</b>  |            | <b>60.4</b>  | <b>54.9</b>  |
| Inventory  | 17         | 9.3          | 8.3          |
| <b>Total inventory</b>   |            | <b>9.3</b>   | <b>8.3</b>   |
| Trade debtors  | 23, 26     | 21.2         | 26.7         |
| Intercompany receivables   |            | 2.7          | 3.1          |
| Other debtors  | 18, 23, 26 | 1.6          | 1.2          |
| Prepaid expenses and accrued income                              | 19         | 5.2          | 1.1          |
| <b>Total short-term receivables</b>                              |            | <b>30.7</b>  | <b>32.2</b>  |
| Cash at bank and in hand   | 23, 26     | 22.7         | 30.5         |
| <b>Total current assets</b>                                      |            | <b>62.7</b>  | <b>70.9</b>  |
| <b>Total assets</b>  |            | <b>123.2</b> | <b>125.9</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                      |            |              |              |
| Share capital  | 24, 25     | 7.1          | 7.1          |
| Statutory reserve  |            | 9.5          | 9.5          |
| Other reserve  |            | 5.0          | 5.2          |
| <b>Total restricted capital</b>                                  |            | <b>21.6</b>  | <b>21.8</b>  |
| Share premium reserve  |            | 35.3         | 35.3         |
| Result brought forward   |            | 21.6         | -0.1         |
| Result for the year  |            | 22.0         | 46.4         |
| <b>Total retained capital</b>                                    |            | <b>79.0</b>  | <b>81.6</b>  |
| <b>Total Shareholders' equity*</b>                               |            | <b>100.7</b> | <b>103.4</b> |
| Long term liabilities  | 20         | 0.0          | 0.0          |
| Accounts payable   | 23, 26     | 3.2          | 4.9          |
| Intercompany receivables   |            | 11.0         | 11.6         |
| Other current liabilities  | 21, 23, 26 | 1.2          | 1.2          |
| Accrued expenses and prepaid income                              | 22         | 7.0          | 4.8          |
| <b>Total short term liabilities</b>                              |            | <b>22.5</b>  | <b>22.4</b>  |
| <b>Total liabilities</b>   |            | <b>22.5</b>  | <b>22.4</b>  |
| <b>Total shareholders' equity and liabilities</b>                |            | <b>123.2</b> | <b>125.9</b> |
| Adjusted equity per share, SEK                                   |            | 14.2         | 14.6         |

## Statement of Changes in Equity – Parent Company

| Amounts in SEK million                  | Note: | Restricted Equity |                   |                           | Unrestricted Equity   |                         |                      | Total Equity |
|---|-------|-------------------|-------------------|---------------------------|-----------------------|-------------------------|----------------------|--------------|
|   |       | Share Capital     | Statutory Reserve | Reserve Development Costs | Share Premium Reserve | Results Brought Forward | Results for the Year |              |
| <b>Open balance 1 January 2019</b>      |       | 7.1               | 9.5               | 6.0                       | 35.3                  | 3.2                     | 31.4                 | 92.5         |
| Appropriation of last year's result     |       | -                 | -                 | -                         | -                     | 31.4                    | -31.4                | 0.0          |
| Capitalised development costs           |       | -                 | -                 | 0.5                       | -                     | -0.5                    | -                    | 0.0          |
| Depreciation, development costs         |       | -                 | -                 | -1.3                      | -                     | 1.3                     | -                    | 0.0          |
| Result of the year*                     |       | -                 | -                 | -                         | -                     | -                       | 46.4                 | 46.4         |
| Dividend                                |       | -                 | -                 | -                         | -                     | -35.5                   | -                    | -35.5        |
| <b>Closing balance 31 December 2019</b> | 25    | <b>7.1</b>        | <b>9.5</b>        | <b>5.2</b>                | <b>35.3</b>           | <b>-0.1</b>             | <b>46.4</b>          | <b>103.4</b> |
| <b>Open balance 1 January 2020</b>      |       | 7.1               | 9.5               | 5.2                       | 35.3                  | -0.1                    | 46.4                 | 103.4        |
| Appropriation of last year's result     |       | -                 | -                 | -                         | -                     | 46.4                    | -46.4                | 0.0          |
| Capitalised development costs           |       | -                 | -                 | 1.2                       | -                     | -1.2                    | -                    | 0.0          |
| Depreciation, development costs         |       | -                 | -                 | -1.4                      | -                     | 1.4                     | -                    | 0.0          |
| Result of the year*                     |       | -                 | -                 | -                         | -                     | -                       | 22.0                 | 22.0         |
| Dividend                                |       | -                 | -                 | -                         | -                     | -24.8                   | -                    | -24.8        |
| <b>Closing balance 31 December 2020</b> | 25    | <b>7.1</b>        | <b>9.5</b>        | <b>5.0</b>                | <b>35.3</b>           | <b>21.7</b>             | <b>22.0</b>          | <b>100.7</b> |

\* Result of the year corresponds to total comprehensive income for the year

## Cashflow Statement – Parent Company

| Amounts in SEK million   | Note:          | 2020         | 2019         |
|--|----------------|--------------|--------------|
| <b>Operating activities</b>  |                |              |              |
| Operating result   |                | 21.1         | 38.0         |
| Adjustments for items not included in the cash flow                              |                |              |              |
| Depreciation   | 13, 14         | 2.4          | 2.0          |
| Unrealised exchange rate differences   |                | 1.0          | 0.0          |
| Received interest  |                | 0.1          | 0.1          |
| Paid interest  |                | -0.1         | -0.1         |
| Paid income tax  |                | -0.1         | 0.0          |
| <b>Total cashflow from operating activities before change in working capital</b> |                | <b>24.4</b>  | <b>40.0</b>  |
| <b>Change in working capital</b>   |                |              |              |
| Inventory  | 17             | -1.0         | -1.8         |
| Operating receivables  | 15             | -3.7         | -7.4         |
| Operating liabilities  | 18, 19, 21, 22 | 0.1          | 4.9          |
| <b>Total change in working capital</b>   |                | <b>-4.6</b>  | <b>-4.4</b>  |
| <b>Cashflow from operations</b>  |                | <b>19.8</b>  | <b>35.6</b>  |
| <b>Investing activities</b>  |                |              |              |
| Acquisition of intangible assets   | 13             | -1.2         | -0.6         |
| Acquisition of tangible assets   | 14             | -1.6         | -0.6         |
| <b>Cashflow from investing activities</b>  |                | <b>-2.8</b>  | <b>-1.2</b>  |
| <b>Financing activities</b>  |                |              |              |
| Dividend   |                | -24.8        | -35.5        |
| <b>Cashflow from financing activities</b>  |                | <b>-24.8</b> | <b>-35.5</b> |
| Exchange rate differences in cash and cash equivalents                           |                | 0.0          | 0.0          |
| Cashflow for the period  |                | -7.8         | -1.1         |
| Cash - opening balance   |                | 30.5         | 31.2         |
| <b>Cash - closing balance*</b>   | 26             | <b>22.7</b>  | <b>30.5</b>  |

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

## Accounting Policies

### General Information

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). The consolidated financial accounts for SinterCast AB (publ) for the financial year ending 31 December 2020 were approved on 31 March 2021 by the Board of Directors and the Managing Director, for publication on 1 April 2021 and will be presented at the Annual General Meeting on 18 May 2021.

### Basis of Preparation

The consolidated financial statements for 2020 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. IFRS-16 leases is not used by the parent company according RFR 2.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated. 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 2020 that had 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 valuation of deferred taxes on tax losses carried

forward, revenue recognition of system sales and capitalisation of Research & Development costs are important for SinterCast.

The standard for accounting for deferred tax is IAS 12 "Income Taxes". 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 carried forward tax losses can be utilised. The calculation is based on the SinterCast business model in the form of its contracts with foundries for the programs that are in current series production or where foundry customers have received definitive orders for future series production in SinterCast-CGI. 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 program. The programs 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 calculations are based on historical eight-year average currency rates.

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.

In revenue recognition of system sales, SinterCast needs to assess whether the revenue will be recognised over time or at a point in time. The effect of variable considerations and the time value of money on transaction price need to be assessed and quantitative and qualitative disclosures about the entity's agreements with customers, performance obligations in the contracts and significant judgements may be required. Revenue recognition of system sales and related revenue streams, in which contract performance obligations review is included to define the individual revenue

streams (Equipment, Engineering Service, Annual Software Licence Fee).

Development costs that have been directly associated with 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 when all criteria for recognition have been fulfilled. In applying this principle, management also considers the ability of market success and the future economic benefits.

### Group 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. A controlling influence exists if the Parent Company has influence over the investment object, is exposed to or has the right to variable returns from its engagement and can use its influence over the investment to affect the returns. In the assessment as to whether a controlling influence exists, potential shares that entitle the holder to votes are taken into account as well as whether de facto control exists. 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. Intercompany 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 two products: process control systems for the reliable production of Compacted Graphite Iron with related services for product development, installations, calibration, and technical support; and, a suite of tracking technologies, including the SinterCast Ladle Tracker® and SinterCast Cast Tracker®, to improve process control, productivity and traceability in a variety of applications. 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 the company's business activities that management uses to plan, control and follow.

### Intangible Assets

#### *Capitalised Patent 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 development 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.

Capitalised development costs in the Parent Company are reported as restricted equity in other reserves. Depreciation of capitalised development costs recognised in profit for the year is transferred from restricted equity to non-restricted equity to the extent that depreciation relates to these investments.

#### *Depreciation*

The rate of depreciation, after evaluation of the useful lives is 12 years (8%) for patents and similar rights and 5–7 years (14–20%) 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 a quarterly basis.

#### **Tangible Assets**

Tangible assets consist of laboratory and production equipment, facility upgrades, computers, installed process control equipment, lease agreements for facilities and vehicles and office furniture's. 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 computers, 3-4 years (24-33%) for laboratory and production equipment, 3–4 years (24–33%) for installed process control equipment, 7 years (14%) for short-term facility upgrades and lease agreements and 10 years (10%) for production tooling and long-term facility upgrades and work shop equipment.

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.

#### **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 liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. Financial liabilities are also derecognised when the contractual rights to receive the cashflows have been materially modified. If modified, a new financial liability is recognised, measured at amortised cost. When a financial liability is derecognised, the difference between the recognised value and the proceeds received is accounted for in the profit and loss statement.

#### *Classification*

SinterCast classifies its instruments in the following measurement categories:

- Financial assets at fair value through profit or loss
- Financial assets to be measured at amortised cost
- Financial liabilities to be measured at amortised cost

The classification for interest-bearing assets is based on the nature of the assets' cash flows and business model. Investments in equity instruments shall be measured at fair value in accordance with IFRS 9. SinterCast has chosen to report the changes in value of such instruments in the income statement.

#### *Financial Asset at Amortised Cost*

Interest-bearing assets (debt instruments) held for the purpose of collecting contractual cash flows and where these cash flows consist only of principal amounts and interest are valued at amortised cost. The carrying amount of these assets is adjusted with any expected loan losses (see paragraph below). Interest income from these financial assets is reported using the effective interest method and is

reported as financial income. The Group's financial assets that are valued at amortised cost consist of long term receivables, trade debtors and cash and cash equivalents.

#### *Financial Asset at Fair Value Through Profit or Loss*

The Group's financial assets at fair value through profit or loss consist of funds, short term investments and derivative instruments.

Short-term investments are valued at fair value through the income statement as the Group's business model is to manage the funds based on value development and to continuously realise results by divesting parts of the investments. Equity instruments where the Group has chosen to report these at fair value through the income statement are also included in this category. A gain or loss on a financial asset recognised at fair value through the income statement is recognised net in the income statement in the period in which the gain or loss arises.

Derivative Instruments, included in other debtors or other creditors are always recognised at fair value through the income statement and gain or loss is recognised in the financial net in the income statement in the period in which the gain or loss arises.

#### *Financial Liabilities at Amortised Cost*

The Group's financial liabilities are classified as valued at amortised cost using the effective interest method. Financial liabilities at amortised cost consist of accounts payable and other liabilities, excluding accruals. Liabilities are initially reported at fair value, net after transaction costs. Liabilities are subsequently reported at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is reported in the statement of comprehensive income distributed over the loan period, applying the effective interest method. Liabilities is classified as short-term in the balance sheet if the company does not have an unconditional right to postpone the debt's regulation for more than twelve months after the reporting period. Dividends are reported as a

liability after the Annual General Meeting approval. Accounts payable and other operating liabilities have short expected maturities and are valued without discounting at nominal amounts.

#### *Impairment of Financial Assets*

At each reporting date, the Group assesses the future expected loan losses that are linked to assets reported at accrued acquisition value based on forward-looking information. The Group's financial assets for which expected loan losses are expected to consist essentially of accounts receivable and other receivables. The Group applies the simplified approach for credit reservation, that is, the reserve will correspond to the expected loss over the entire life of the accounts receivable.

#### **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**

Consideration is paid in the form of payments for the delivery of Equipment, Series Production and Engineering Service. SinterCast also needs to assess whether the revenue will be recognised over time or at a point in time. The effect of variable considerations and the time value of money on transaction price need to be assessed and quantitative and qualitative disclosures about the entity's agreements with customers, performance obligations in the contracts and significant judgements may be required. The sale of spare parts, consumables and stand-alone equipment components that are delivered without interconnected services are usually recognised as revenue in connection with the shipment of the goods. Transport is normally ex-works according to Incoterms rules. Payment terms is normally 30 days net.

#### *Agreements*

When SinterCast becomes a party to an agreement, the agreement is analysed to determine how many distinct performance obligations it contains. The consideration received or to be received under the agreement, i.e. the transaction price, is allocated to each distinct performance obligation based on the relative share of each obligation on the estimated stand-alone selling price for the total contractual obligation. The allocated amount is then recognised as revenue when the obligation is fulfilled, either at a point in time or over time. The following describes how and when each revenue stream is recognised

#### *Sales of Systems*

Consideration for the sale of a system is and based on payment for hardware, software and installation, calibration of the system at the customer site and when applicable, additional services. A standard agreement system sale, containing an interconnected hardware supply, software delivery

and on-site services for commissioning and hardware calibration, is a joint undertaking (one bundled performance obligation). The reason why these different parts of the agreement are regarded as one bundled performance obligation is that the total promise to the customer is that the customer buys fully installed, calibrated equipment, normally according to the standard installation specification, and is reported as revenue at a point in time when the following criteria are fulfilled: the customer has legal ownership, physical possession, control and benefits of the calibrated installed system; and, SinterCast has the right to payment i.e., the control has been transferred to the customer.

In addition, agreements may also include services to be delivered after the installation, such as process support, product calibration, or additional process support services, training, or additional engineering services. Revenue recognition of such additions are treated as distinct obligations and accounted for over time, separately from the bundled system sale described above. In these circumstances an allocation of the total transaction price is performed. The total transaction price in the agreement is split between the bundled equipment component and the additional services. System sale is allocated into the revenue streams Equipment and Annual Software License Fee. Agreement for unique, non-standard, special purpose customer built systems are recognised over time.

#### *Series Production*

Series Production revenue is comprised of consumables, production fee and annual software license fee.

The sale of consumables is usually reported in connection with the delivery of the goods, i.e., the following criteria have been established; the goods are delivered, the customer has legal ownership and physical possession.

The production fee per tonne of cast goods, based on the intellectual property rights of SinterCast, shall be recognised as revenue when the license is distinct and based on the use of the intellectual

property right, i.e. the revenues relate specifically to the license and not to other obligations. Production fees are recognised on an accrual basis when the customer has reported shipped castings. Estimates are made to account for late production reporting.

Software License Fee identified as separate performance commitments are of the character "right to use". A "right to use" license means the right to use the intellectual property of SinterCast in its existing condition at the time the license is granted. The right to use licenses is reported at a given time, i.e. at the time when the customer gets control of the license. Typically, distinct licenses of the kind are "the right to use" because the services that could affect the value and benefit of the license are reported separately as a separate distinct performance obligation. SinterCast defines the licenses as "right to use" and an annual software license fee is charged according to the customer agreement. The license fee is reported in the income statement at the time when the lease term starts, and the customer has control over the asset.

#### *Engineering Service*

Revenue from services refer to service contracts where no assets are created and where the customer consumes the service when it is provided. The obligation is assessed to be met over time. Service revenue is recognised in the accounting period in which the service is performed when SinterCast has the right to invoice the customer.

#### **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 on December 31, 2020 of 148 (148) 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 (0.00239%) for Alecta in relation to their total pension commitments. SinterCast represents 0.00289% of the total number of insured individuals at Alecta.

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

Lease payments under operational 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.

#### *SinterCast as Lessee*

The Group's lease agreements consist mainly of offices, warehouses, company cars and office equipment. The average lease period for buildings is approximately five years, and for machinery and equipment approximately three years.

The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. Whether a contract contains a lease is determined based on whether SinterCast has the right to control the use of an identified asset for a period of time.

At the commencement date, a right-of-use asset as defined by IFRS 16 is measured at cost. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions

of the lease, unless those costs are incurred to produce inventories.

The nominal lease liability is initially measured at the present value of the lease payments over the lease term. The lease payments include fixed payments, amounts to be expected to be paid under residual value guarantees, the exercise price of reasonably certain extension options, and payments of penalties for terminating a lease in case this reflects the lease term. The lease payments are discounted at a single discount rate. The lease term is the non-cancellable period of the lease plus period covered by an option to extend or option to terminate if the lessee is reasonably certain to exercise the extension option. Management judgment based on realistic estimates is used when determining the lease term. The right-of-use assets are depreciated and interest on lease liabilities recognised in the statement of income over the lease term. The lease liabilities are subsequently measured at initial recognition less occurring lease payments that are allocated to the principal.

The lease liability for premises with an index-linked rent is calculated with the rent at the end of the reporting period. The liability is adjusted with the corresponding amount as the right of use asset is adjusted at the last notice date within the previously assessed leasing period or when significant events occur, or circumstances change significantly in a way that is within the Group's control and affects the current assessment of the leasing period.

Lease payments are presented as repayments of liabilities and related interest expenses. The lease payments are presented in the cash flow from financing activities and the interest related to leases are presented in the cash flow from operating activities. Lease payments related to short-term leases, low-value assets and variable payments are presented in the cash flow from operating activities.

The lease and non-lease components are separated. Modifications to lease agreements may

result in adjustments to existing right-of-use assets and lease liabilities. A gain or loss arising from a modification and a termination of a lease agreement is recognised in other operating income or other operating expenses in the statement of income. Lease contracts shorter than 12 months or ending within 12 months at the date of application are considered short-term and hence not recognised as lease liability or right-of-use asset. Low value contracts (with a value below EUR 5,000) are also excluded from being recognised as lease liability or right-of-use asset.

The parent company use the exception in RFR 2 to not report lease agreements in accordance with IFRS 16.

#### *SinterCast as Lessor*

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

#### **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 months' notice.

#### **Rounding**

The total amount in tables and statements might not always sum up to the same number due to differences in rounding. The aim is to have each line item corresponding to the source and it might therefore be rounding differences in the total.

Amount below SEK 50,000 is presented as "0.0". Where no amount is applicable, the value is presented as "-".

## Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

### 1 Revenue Breakdown

Equipment includes sold and leased CGI and Tracking 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 |              |
|---|-------------|--------------|----------------|--------------|
|   | 2020        | 2019         | 2020           | 2019         |
| Equipment   | 16.6        | 11.9         | 16.6           | 8.8          |
| Series Production   | 77.1        | 102.3        | 74.8           | 99.0         |
| Engineering Service   | 1.7         | 2.3          | 1.6            | 1.9          |
| Group Sales   | -           | -            | 1.7            | 5.5          |
| <b>Total</b>  | <b>95.4</b> | <b>116.5</b> | <b>94.6</b>    | <b>115.2</b> |
| Group sales of total sales for the Parent Company               |             |              | 2%             | 5%           |
| Group purchases of costs of goods sold for the Parent Company   |             |              | 18.2           | 19.5         |
| Group purchases of costs of goods sold for the Parent Company % |             |              | 53%            | 54%          |

| Revenue Breakdown per Country | GROUP       |              |
|-------------------------------|-------------|--------------|
|                               | 2020        | 2019         |
| Brazil                        | 52.9        | 50.9         |
| Mexico                        | 20.6        | 38.2         |
| Sweden                        | 9.5         | 6.0          |
| China                         | 3.9         | 3.7          |
| Korea                         | 3.6         | 5.3          |
| USA                           | 1.8         | 3.8          |
| Germany                       | 1.6         | 5.3          |
| Japan                         | 0.4         | 0.6          |
| Canada                        | 0.4         | 1.4          |
| Other                         | 0.7         | 1.4          |
| <b>Total</b>                  | <b>95.4</b> | <b>116.5</b> |

### 2 Research & Development

|  | GROUP       |             | PARENT COMPANY |             |
|--|-------------|-------------|----------------|-------------|
|  | 2020        | 2019        | 2020           | 2019        |
| Costs for personnel and administration | 7.5         | 7.6         | 7.5            | 7.6         |
| Material in R&D                        | 1.6         | 1.5         | 1.6            | 1.5         |
| Depreciation and write down            | 1.8         | 1.2         | 1.8            | 1.2         |
| Capitalised development                | -1.2        | -0.4        | -1.2           | -0.4        |
| Other                                  | 1.9         | 2.1         | 1.9            | 2.1         |
| <b>Total</b>                           | <b>11.6</b> | <b>12.0</b> | <b>11.6</b>    | <b>12.0</b> |

### 3 Costs per Category

|  | GROUP       |             | PARENT COMPANY |             |
|--|-------------|-------------|----------------|-------------|
|  | 2020        | 2019        | 2020           | 2019        |
| Personnel expenses                                   | 38.8        | 36.3        | 22.9           | 20.5        |
| Material costs of goods sold and R&D                 | 16.0        | 16.8        | 15.9           | 16.7        |
| Consultants; sales, marketing and administration     | 7.4         | 7.0         | 6.9            | 6.5         |
| Travel, commission, exhibition and other sales costs | 1.9         | 6.9         | 1.4            | 4.8         |
| Office and related costs                             | 3.3         | 3.2         | 2.7            | 2.6         |
| Depreciation and write down                          | 3.7         | 3.2         | 2.4            | 2.0         |
| Operational foreign exchange difference              | 1.6         | 0.7         | 0.8            | 1.2         |
| Other  | 2.4         | 2.7         | 3.6            | 3.8         |
| Group purchase                                       | -           | -           | 18.2           | 19.5        |
| <b>Total</b>   | <b>75.0</b> | <b>76.8</b> | <b>74.7</b>    | <b>77.6</b> |

### 4 Auditors' Fees

|  | GROUP      |            | PARENT COMPANY |            |
|--|------------|------------|----------------|------------|
|  | 2020       | 2019       | 2020           | 2019       |
| <b>PricewaterhouseCoopers (Sweden)</b>                   |            |            |                |            |
| Audit fees   | -0.1       | 0.4        | -0.1           | 0.4        |
| Other statutory audit fees                               | 0.1        | 0.2        | 0.1            | 0.2        |
| Tax consultancy  | 0.0        | 0.1        | 0.0            | 0.1        |
| <b>Total</b>   | <b>0.0</b> | <b>0.6</b> | <b>0.0</b>     | <b>0.6</b> |
| <b>KPMG (Sweden)</b>                                     |            |            |                |            |
| Audit fees   | 0.3        | 0.0        | 0.3            | 0.0        |
| Other statutory audit fees                               | 0.1        | 0.0        | 0.1            | 0.0        |
| Other services   | 0.0        | 0.0        | 0.0            | 0.0        |
| <b>Total</b>   | <b>0.4</b> | <b>0.0</b> | <b>0.4</b>     | <b>0.0</b> |
| <b>Timothy N. Horne Ltd &amp; Darby (United Kingdom)</b> |            |            |                |            |
| Audit fees   | 0.0        | 0.1        | 0.0            | 0.0        |
| Tax consultancy  | 0.0        | 0.0        | 0.0            | 0.0        |
| <b>Total</b>   | <b>0.1</b> | <b>0.1</b> | <b>0.0</b>     | <b>0.0</b> |
| <b>Beijing Jiarun CPA Ltd (China)</b>                    |            |            |                |            |
| Audit fees   | 0.0        | 0.0        | 0.0            | 0.0        |
| <b>Total</b>   | <b>0.5</b> | <b>0.7</b> | <b>0.4</b>     | <b>0.6</b> |

## 5 Salaries and Remunerations

### Salaries, Remuneration, Pension and Benefits

Salaries and remunerations consist of fixed remunerations, taxable benefits in the form of insurance premiums paid for life, long term disability and medical, school fees, company cars and variable remunerations. Taxable benefits amount to less than 10 percent of the base salary. Variable remuneration has been awarded to almost every employee and the variable part constituted a minor part of the total remuneration package. During the financial and prior year, no share based related benefits existed. 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. Pension contributions amount less than 30 percent of the fixed annual salary. Pension costs include additional voluntary contributions.

### Total Salaries, Remunerations and Board Remunerations Expensed Allocated Per Country and Category

ALL AMOUNTS IN SEK

| GROUP          | 2020                      |                       |                  | 2019                      |                       |                  |
|----------------|---------------------------|-----------------------|------------------|---------------------------|-----------------------|------------------|
|                | Salaries and remuneration | Social security costs | Pension costs    | Salaries and remuneration | Social security costs | Pension costs    |
| China          | 1,580,459                 | 117,898               | 0                | 1,549,544                 | 181,155               | 0                |
| Korea          | 1,897,908                 | 0                     | 168,048          | 1,962,762                 | 0                     | 184,403          |
| Sweden         | 16,329,026                | 4,682,217             | 2,757,734        | 14,107,571                | 4,678,411             | 2,522,230        |
| United Kingdom | 4,881,103                 | 659,337               | 973,343          | 4,750,345                 | 631,537               | 904,935          |
| USA            | 4,785,243                 | 213,029               | 523,672          | 4,800,465                 | 212,529               | 529,017          |
| <b>Total</b>   | <b>29,473,739</b>         | <b>5,672,481</b>      | <b>4,422,797</b> | <b>27,170,687</b>         | <b>5,703,632</b>      | <b>4,140,585</b> |

#### Per Category

|                                  |                   |                  |                  |                   |                  |                  |
|----------------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| Employees                        | 20,283,655        | 3,793,357        | 2,615,968        | 18,651,786        | 3,881,198        | 2,363,286        |
| Group management                 |                   |                  |                  |                   |                  |                  |
| Managing Director <sup>1</sup>   | 4,881,103         | 659,337          | 973,343          | 4,750,345         | 631,537          | 904,935          |
| Other two Directors <sup>2</sup> | 3,199,667         | 1,051,703        | 833,486          | 2,703,220         | 978,210          | 872,364          |
| Board                            | 1,109,314         | 168,084          | -                | 1,065,336         | 212,687          | -                |
| <b>Total</b>                     | <b>29,473,739</b> | <b>5,672,481</b> | <b>4,422,797</b> | <b>27,170,687</b> | <b>5,703,632</b> | <b>4,140,585</b> |

#### Variable remuneration from the incentive programme for the group management is included in the table above

|                        |         |         |
|------------------------|---------|---------|
| 1. Managing Director   | 657,048 | 647,463 |
| 2. Other two Directors | 503,038 | 330,450 |

#### PARENT COMPANY

|                        |                   |                  |                  |                   |                  |                  |
|------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| Sweden                 |                   |                  |                  |                   |                  |                  |
| Employees <sup>3</sup> | 12,020,045        | 3,462,430        | 1,924,248        | 10,339,015        | 3,487,514        | 1,649,866        |
| Group management       | 3,199,667         | 1,051,703        | 833,486          | 2,703,220         | 978,210          | 872,364          |
| Board                  | 1,109,314         | 168,084          | -                | 1,065,336         | 212,687          | -                |
| <b>Total</b>           | <b>16,329,026</b> | <b>4,682,217</b> | <b>2,757,734</b> | <b>14,107,571</b> | <b>4,678,411</b> | <b>2,522,230</b> |

3. Contributions to the Alecta ITP-2 pension plan amounted to SEK 0.8 million (0.7). The expected contribution for next year is approximately SEK 0.8 million.

### Remuneration Guidelines for Senior Executives

The Annual General Meeting 2020 adopted Guidelines for remuneration to Senior Executives, i.e. the Managing Director, other members of the Group Management and Board Members. The complete Guidelines are presented in the Corporate Governance section.

### Remuneration, Pension and Benefits

The remuneration to members of the Group Management 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 level and the individual level, 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 entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Variable remuneration and special compensation in extraordinary situations shall not constitute a basis for pension as far as this does not conflict with applicable collective agreement. Pension contributions may not exceed an amount corresponding to 30 percent of the fixed annual salary.

Other benefits may include, for example, life insurance, medical insurance and company car. Costs for such benefits may not amount to more than 10 percent of the base salary.

### Group Management

The remuneration to the Managing Director is allocated according to the compensation committee's resolution and includes variable remuneration, taxable benefits in the form of insurance premiums paid for life, long term disability and medical, and school fees. Pension contributions (30% of salary) are based on contributions made without any further commitments. The remuneration to the other two (two) members of the Group Management, the Operations Director and the Finance Director, presented on page 19, include variable remuneration and benefits for company car. In addition, pension contributions were paid, including additional voluntary contributions. The pension plan follows the Swedish ITP-Plan, according to collective agreement.

### The Board of Directors

The Annual General Meeting decides upon a total Board remuneration, for the period until the next AGM, with no Board remuneration for the Managing Director. The Board remuneration during the financial and prior year has been in accordance with the AGM decision. 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. Board Member Jun Arimoto received minor remunerations for consulting services in Japan according to the Consulting Agreement approved by the Board.

### Total Board Remuneration Adopted at AGM

ALL AMOUNTS IN SEK

|                                 | 2020             | 2019             |
|---------------------------------|------------------|------------------|
| Jan Åke Jonsson <sup>1</sup>    | 390,000          | 390,000          |
| Robert Dover                    | 180,000          | 180,000          |
| Jun Arimoto                     | 180,000          | 180,000          |
| Åsa Källenius <sup>2</sup>      | 180,000          | -                |
| Steve Gill <sup>2</sup>         | 180,000          | -                |
| Steve Dawson                    | -                | -                |
| Caroline Sundewall <sup>3</sup> | -                | 180,000          |
| Lars Hellberg <sup>3</sup>      | -                | 180,000          |
| <b>Total</b>                    | <b>1,110,000</b> | <b>1,110,000</b> |

1. Chairman

2. Elected as new Board Members at the AGM held on 23 June 2020

3. Declined re-election at the AGM held on 23 June 2020

## 6 Transactions with Related Parties

No substantial transactions took place between SinterCast and the Board or management during 2020 other than disclosed in note 5.

## 7 Board and Group Management

| GROUP                    | 2020  |        |         | 2019  |        |         |
|--------------------------|-------|--------|---------|-------|--------|---------|
|                          | Total | Female | Female% | Total | Female | Female% |
| Board Members            | 13    | 2      | 15%     | 13    | 2      | 15%     |
| CEO and Group Management | 3     | 0      | 0%      | 3     | 0      | 0%      |
| <b>PARENT COMPANY</b>    |       |        |         |       |        |         |
| Board Members            | 6     | 1      | 17%     | 6     | 1      | 17%     |
| CEO and Group Management | 3     | 0      | 0%      | 3     | 0      | 0%      |

## 8 Average Number of Employees During the Year

| GROUP                 | 2020      |           | 2019      |           |
|-----------------------|-----------|-----------|-----------|-----------|
|                       | Total     | Male      | Total     | Male      |
| China                 | 1         | 1         | 1         | 1         |
| Korea                 | 1         | 1         | 1         | 1         |
| Sweden                | 21        | 16        | 17        | 13        |
| United Kingdom        | 1         | 1         | 1         | 1         |
| USA                   | 2         | 2         | 2         | 2         |
| <b>Total</b>          | <b>26</b> | <b>21</b> | <b>22</b> | <b>18</b> |
| <b>PARENT COMPANY</b> |           |           |           |           |
| Sweden                | 21        | 16        | 17        | 13        |
| <b>Total</b>          | <b>21</b> | <b>16</b> | <b>17</b> | <b>13</b> |

## Number of Employees at Year End

| GROUP                 | 2020      |           | 2019      |           |
|-----------------------|-----------|-----------|-----------|-----------|
|                       | Total     | Male      | Total     | Male      |
| China                 | 1         | 1         | 1         | 1         |
| Korea                 | 1         | 1         | 1         | 1         |
| Sweden                | 23        | 18        | 18        | 13        |
| United Kingdom        | 1         | 1         | 1         | 1         |
| USA                   | 2         | 2         | 2         | 2         |
| <b>Total</b>          | <b>28</b> | <b>23</b> | <b>23</b> | <b>18</b> |
| <b>PARENT COMPANY</b> |           |           |           |           |
| Sweden                | 23        | 18        | 18        | 13        |
| <b>Total</b>          | <b>23</b> | <b>18</b> | <b>18</b> | <b>13</b> |



| <b>Amounts Recognised in Cashflow Statement</b>                                   | <b>GROUP</b> |             |
|---|--------------|-------------|
|   | <b>2020</b>  | <b>2019</b> |
| Amortisation of lease liabilities (included in finance activities)                | <b>-1.1</b>  | -0.9        |
| Interest expense (included in operating activity cashflow)                        | <b>-0.3</b>  | -0.2        |
| Interest income (included in operating activity cashflow)                         | -            | -           |
| Expenses related to short term leases (included in operating activity cashflow)   | <b>0.0</b>   | 0.0         |
| Expenses related to leases of low value (included in operating activity cashflow) | <b>0.0</b>   | 0.0         |

### 10 Other Operating Income and Costs

|   | <b>GROUP</b> |             | <b>PARENT COMPANY</b> |             |
|---|--------------|-------------|-----------------------|-------------|
|   | <b>2020</b>  | <b>2019</b> | <b>2020</b>           | <b>2019</b> |
| <b>Other Income</b>                           |              |             |                       |             |
| Exchange gains from operations                | <b>4.4</b>   | 2.1         | <b>5.8</b>            | 2.3         |
| <b>Total</b>                                  | <b>4.4</b>   | <b>2.1</b>  | <b>5.8</b>            | <b>2.3</b>  |
| <b>Other Costs</b>                            |              |             |                       |             |
| Exchange loss from operations                 | <b>-5.9</b>  | -2.8        | <b>-6.6</b>           | -3.5        |
| <b>Total</b>                                  | <b>-5.9</b>  | <b>-2.8</b> | <b>-6.6</b>           | <b>-3.5</b> |
| <b>Total other operating income and costs</b> | <b>-1.6</b>  | <b>-0.7</b> | <b>-0.8</b>           | <b>-1.2</b> |

### 11 Financial Income and Expenses

|  | <b>GROUP</b> |             | <b>PARENT COMPANY</b> |             |
|--|--------------|-------------|-----------------------|-------------|
|  | <b>2020</b>  | <b>2019</b> | <b>2020</b>           | <b>2019</b> |
| <b>Interest</b>  |              |             |                       |             |
| Interest income  | <b>0.0</b>   | 0.1         | <b>0.1</b>            | 0.1         |
| Interest cost  | <b>-0.4</b>  | -0.4        | <b>-0.1</b>           | -0.1        |
| <b>Total</b>   | <b>-0.4</b>  | <b>-0.3</b> | <b>0.0</b>            | <b>0.0</b>  |
| <b>Revaluation Differences of Forward Exchange Contracts and Investments</b> |              |             |                       |             |
| Exchange gain, forward contracts   | <b>1.0</b>   | 0.1         | <b>1.0</b>            | 0.1         |
| Exchange loss, forward contracts   | <b>0.0</b>   | -0.1        | <b>0.0</b>            | 0.0         |
| <b>Total</b>   | <b>1.0</b>   | <b>0.0</b>  | <b>1.0</b>            | <b>0.1</b>  |
| <b>Total financial income and expenses</b>                                   | <b>0.6</b>   | <b>-0.2</b> | <b>1.0</b>            | <b>0.1</b>  |

## 12 Tax

|  | GROUP       |             | PARENT COMPANY |             |
|--|-------------|-------------|----------------|-------------|
|  | 2020        | 2019        | 2020           | 2019        |
| <b>Income Tax</b>                                    |             |             |                |             |
| Current income tax for the year                      | -0.1        | -0.3        | -0.1           | -0.3        |
| Deferred income tax for the year                     | <b>0.0</b>  | 8.5         | <b>0.0</b>     | 8.5         |
| <b>Income tax in the income statement</b>            | <b>-0.1</b> | <b>8.3</b>  | <b>-0.1</b>    | <b>8.3</b>  |
| <b>Deferred Tax Asset</b>                            |             |             |                |             |
| Deferred tax asset brought forward                   | <b>44.1</b> | 35.6        | <b>44.1</b>    | 35.6        |
| Capitalised carry forward tax losses during the year | <b>0.0</b>  | 8.5         | <b>0.0</b>     | 8.5         |
| <b>Accumulated value carried forward</b>             | <b>44.1</b> | <b>44.1</b> | <b>44.1</b>    | <b>44.1</b> |

Deferred tax asset relates to carry forward tax losses in Sweden, only. No tax effects on items included in other comprehensive income. The deferred tax asset calculation is based on historical eight-year average currency rates.

### Carry Forward Tax Losses

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

| Country        | Valid until                      | 2020         | 2019         | Tax Rate     |
|----------------|----------------------------------|--------------|--------------|--------------|
| Sweden         | indefinitely                     | 322.2        | 352.9        | 20.6%        |
| United Kingdom | indefinitely                     | 29.9         | 33.1         | 20.0%        |
| USA*           | 20 years from the year of filing | 22.2         | 26.1         | 15-35%       |
| <b>Total**</b> |                                  | <b>374.3</b> | <b>412.1</b> | <b>20.6%</b> |

\* Of which USD 2.3 (2.4) million is due within 5 years, USD 0.4 (0.4) million within 10 years.

\*\* SEK 214.1 million (SEK 213.1 million) of the Group's total carried-forward tax losses have been used as the basis of the deferred tax asset calculation SEK 160.2 million (SEK 199.0 million) of the Group's carried forward tax losses have not yet been used.

|  | GROUP       |             | PARENT COMPANY |             |
|--|-------------|-------------|----------------|-------------|
|  | 2020        | 2019        | 2020           | 2019        |
| <b>Tax Expenses Based on Actual Tax Rate</b>                         |             |             |                |             |
| Result before tax  | <b>22.3</b> | <b>39.9</b> | <b>22.1</b>    | <b>38.1</b> |
| Tax calculated based on Swedish tax rate                             | <b>-4.8</b> | -8.5        | <b>-4.7</b>    | -8.2        |
| Tax effect on utilised carried forward tax losses                    | <b>4.8</b>  | 8.5         | <b>4.7</b>     | 8.2         |
| Tax effect on capitalised tax losses                                 | <b>-0.1</b> | 8.3         | <b>-0.1</b>    | 8.3         |
| <b>Tax on the result for the period as per the income statements</b> | <b>-0.1</b> | <b>8.3</b>  | <b>-0.1</b>    | <b>8.3</b>  |

The income tax rate valid for the Group was 21.4% (21,4%). The income tax rate valid for Sweden was 21.4% (21.4%).

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

## 13 Intangible Assets\*

| GROUP  | 2020        | Patent      |             | Capitalised Development |             | Total       |
|--|-------------|-------------|-------------|-------------------------|-------------|-------------|
|  |             | 2019        | 2020        | 2019                    | 2020        | 2019        |
| Acquisition value brought forward              | 5.0         | 15.8        | 8.8         | 9.0                     | 13.8        | 24.8        |
| <b>Acquisitions during the year</b>            |             |             |             |                         |             |             |
| Research & development                         | -           | 0.1         | 1.2         | 0.5                     | 1.2         | 0.6         |
| Disposals                                      | -2.5        | -10.9       | -0.8        | -0.7                    | -3.3        | -11.6       |
| <b>Accumulated acquisition carried forward</b> | <b>2.5</b>  | <b>5.0</b>  | <b>9.2</b>  | <b>8.8</b>              | <b>11.7</b> | <b>13.8</b> |
| Depreciation brought forward                   | -3.9        | -14.6       | -3.2        | -2.6                    | -7.1        | -17.2       |
| <b>Depreciation for the year</b>               |             |             |             |                         |             |             |
| Research & development                         | -0.1        | -0.2        | -1.6        | -1.3                    | -1.7        | -1.5        |
| Disposals                                      | 2.5         | 10.9        | 0.8         | 0.7                     | 3.3         | 11.6        |
| <b>Accumulated depr. carried forward</b>       | <b>-1.5</b> | <b>-3.9</b> | <b>-4.0</b> | <b>-3.2</b>             | <b>-5.5</b> | <b>-7.1</b> |
| <b>Book value carried forward</b>              | <b>1.0</b>  | <b>1.1</b>  | <b>5.2</b>  | <b>5.6</b>              | <b>6.2</b>  | <b>6.7</b>  |

| PARENT COMPANY                                 | 2020        | Patent      |             | Capitalised Development |             | Total       |
|--|-------------|-------------|-------------|-------------------------|-------------|-------------|
|  |             | 2019        | 2020        | 2019                    | 2020        | 2019        |
| Acquisition value brought forward              | 5.0         | 15.8        | 8.8         | 9.0                     | 13.8        | 24.8        |
| <b>Acquisitions during the year</b>            |             |             |             |                         |             |             |
| Research & development                         | -           | 0.1         | 1.2         | 0.5                     | 1.2         | 0.6         |
| Disposals                                      | -2.5        | -10.9       | -0.8        | -0.7                    | -3.3        | -11.6       |
| <b>Accumulated acquisition carried forward</b> | <b>2.5</b>  | <b>5.0</b>  | <b>9.2</b>  | <b>8.8</b>              | <b>11.7</b> | <b>13.8</b> |
| Depreciation brought forward                   | -3.9        | -14.6       | -3.2        | -2.6                    | -7.1        | -17.2       |
| <b>Depreciation for the year</b>               |             |             |             |                         |             |             |
| Research & development                         | -0.1        | -0.2        | -1.6        | -1.3                    | -1.7        | -1.5        |
| Disposals                                      | 2.5         | 10.9        | 0.8         | 0.7                     | 3.3         | 11.6        |
| <b>Accumulated depr. carried forward</b>       | <b>-1.5</b> | <b>-3.9</b> | <b>-4.0</b> | <b>-3.2</b>             | <b>-5.5</b> | <b>-7.1</b> |
| <b>Book value carried forward</b>              | <b>1.0</b>  | <b>1.1</b>  | <b>5.2</b>  | <b>5.6</b>              | <b>6.2</b>  | <b>6.7</b>  |

\* All intangible assets are related to Sweden.

## 14 Tangible Fixed Assets

| GROUP   | Production Equipment,<br>Office Equipment and<br>Computers |             | Process Control<br>Equipment |             | Total       |             |
|---|--|-------------|------------------------------|-------------|-------------|-------------|
|   | 2020   | 2019        | 2020                         | 2019        | 2020        | 2019        |
| Acquisition value brought forward               | 6.0  | 5.8         | 2.1                          | 2.1         | 8.1         | 7.9         |
| <b>Acquisitions during the year</b>             |  |             |                              |             |             |             |
| Administration                                  | 1.5  | 0.3         | 0.1                          | -           | 1.6         | 0.3         |
| <b>Disposals</b>                                |  |             |                              |             |             |             |
| Administration                                  | -  | -0.1        | -                            | -           | -           | -0.1        |
| <b>Accumulated acquisition carried forward</b>  | <b>7.5</b>   | <b>6.0</b>  | <b>2.2</b>                   | <b>2.1</b>  | <b>9.7</b>  | <b>8.1</b>  |
| Depreciation brought forward                    | -4.2   | -3.8        | -2.1                         | -2.1        | -6.3        | -5.9        |
| <b>Depreciation for the year</b>                |  |             |                              |             |             |             |
| Administration                                  | -0.6   | -0.5        | 0.0                          | -           | -0.6        | -0.5        |
| <b>Disposals</b>                                |  |             |                              |             |             |             |
| Administration                                  | -  | 0.1         | -                            | -           | -           | 0.1         |
| <b>Accumulated depreciation carried forward</b> | <b>-4.8</b>  | <b>-4.2</b> | <b>-2.1</b>                  | <b>-2.1</b> | <b>-6.9</b> | <b>-6.3</b> |
| <b>Book value carried forward</b>               | <b>2.7</b>   | <b>1.8</b>  | <b>0.1</b>                   | <b>0.0</b>  | <b>2.8</b>  | <b>1.8</b>  |

### Right of Use Assets

| GROUP   | Offices & Warehouses |             | Cars & Photocopiers |             | Total       |             |
|---|----------------------|-------------|---------------------|-------------|-------------|-------------|
|   | 2020                 | 2019        | 2020                | 2019        | 2020        | 2019        |
| Acquisition value brought forward               | 3.0                  | 2.9         | 0.9                 | 0.7         | 3.9         | 3.6         |
| <b>Acquisitions during the year</b>             |                      |             |                     |             |             |             |
| Administration                                  | 2.5                  | 0.1         | -                   | 0.2         | 2.5         | 0.3         |
| <b>Disposals</b>                                |                      |             |                     |             |             |             |
| Administration                                  | -                    | -           | -                   | -           | -           | -           |
| <b>Accumulated acquisition carried forward</b>  | <b>5.5</b>           | <b>3.0</b>  | <b>0.9</b>          | <b>0.9</b>  | <b>6.4</b>  | <b>3.9</b>  |
| Depreciation brought forward                    | -1.0                 | -           | -0.2                | -           | -1.2        | 0.0         |
| <b>Depreciation for the year</b>                |                      |             |                     |             |             |             |
| Administration                                  | -1.0                 | -1.0        | -0.3                | -0.2        | -1.3        | -1.2        |
| <b>Disposals</b>                                |                      |             |                     |             |             |             |
| Administration                                  | -                    | -           | -                   | -           | -           | -           |
| <b>Accumulated depreciation carried forward</b> | <b>-2.0</b>          | <b>-1.0</b> | <b>-0.5</b>         | <b>-0.2</b> | <b>-2.5</b> | <b>-1.2</b> |
| <b>Book value carried forward</b>               | <b>3.5</b>           | <b>2.0</b>  | <b>0.4</b>          | <b>0.7</b>  | <b>3.9</b>  | <b>2.7</b>  |

|   | Production Equipment,<br>Office Equipment and<br>Computers |             | Process Control<br>Equipment |             | Total       |             |
|---|--|-------------|------------------------------|-------------|-------------|-------------|
|   | 2020   | 2019        | 2020                         | 2019        | 2020        | 2019        |
| <b>PARENT COMPANY</b>                           |  |             |                              |             |             |             |
| Acquisition value brought forward               | 6.0  | 5.8         | 1.7                          | 1.7         | 7.7         | 7.5         |
| <b>Acquisitions during the year</b>             |  |             |                              |             |             |             |
| Administration                                  | 1.5  | 0.3         | 0.1                          | -           | 1.6         | 0.3         |
| <b>Disposals</b>                                |  |             |                              |             |             |             |
| Administration                                  | -  | -0.1        | -                            | -           | -           | -0.1        |
| <b>Accumulated acquisition carried forward</b>  | <b>7.5</b>   | <b>6.0</b>  | <b>1.8</b>                   | <b>1.7</b>  | <b>9.3</b>  | <b>7.7</b>  |
| Depreciation brought forward                    | -4.2   | -3.8        | -1.7                         | -1.7        | -5.9        | -5.5        |
| <b>Depreciation for the year</b>                |  |             |                              |             |             |             |
| Administration                                  | -0.6   | -0.5        | 0.0                          | -           | -0.6        | -0.5        |
| <b>Disposals</b>                                |  |             |                              |             |             |             |
| Administration                                  | -  | 0.1         | -                            | -           | -           | 0.1         |
| <b>Accumulated depreciation carried forward</b> | <b>-4.8</b>  | <b>-4.2</b> | <b>-1.7</b>                  | <b>-1.7</b> | <b>-6.5</b> | <b>-5.9</b> |
| <b>Book value carried forward</b>               | <b>2.7</b>   | <b>1.8</b>  | <b>0.1</b>                   | <b>0.0</b>  | <b>2.8</b>  | <b>1.8</b>  |

All fixed assets in the Parent Company and the Group relates to Sweden. Regarding Right of Use assets, leased premises exist also in Korea and China and company cars exist also in Korea (1), Germany (1) and US (2).

## 15 Accounts Receivable – Trade

|   | GROUP       |             |
|---|-------------|-------------|
|   | 2020        | 2019        |
| Accounts receivable not due             | 16.7        | 17.4        |
| Accounts receivable overdue 0–30 days   | 3.0         | 6.2         |
| Accounts receivable overdue 31–90 days  | 0.9         | 1.4         |
| Accounts receivable overdue 91–180 days | 0.1         | 0.3         |
| Accounts receivable overdue >180 days   | 2.4         | 3.8         |
| Accounts receivables gross              | 23.1        | 29.1        |
| Provision for expected credit losses    | -1.3        | -1.2        |
| <b>Accounts receivables net</b>         | <b>21.8</b> | <b>27.9</b> |

Accounts receivable net, including provision expected credit losses. The carrying amount of accounts receivable represents the fair value. The provision for expected credit losses refer to account receivables overdue >180 days.

## 16 Other Long Term Receivables

|   | GROUP       |             | PARENT COMPANY |             |
|---|-------------|-------------|----------------|-------------|
|   | 2020        | 2019        | 2020           | 2019        |
| Long term customer receivable & deposits* | 5.8         | 0.4         | 5.5            | 0.1         |
| Deferred Tax Asset                        | 44.1        | 44.1        | 44.1           | 44.1        |
| Accrued Interest from subsidiary          | -           | -           | 0.0            | 0.3         |
| <b>Total</b>                              | <b>49.9</b> | <b>44.5</b> | <b>49.6</b>    | <b>44.5</b> |

\* Mainly long term customer receivable and SEK 0.4 million office rental deposits.

## 17 Inventory

|                                    | GROUP      |            | PARENT COMPANY |            |
|------------------------------------|------------|------------|----------------|------------|
|                                    | 2020       | 2019       | 2020           | 2019       |
| Raw material and finished products | 7.6        | 6.0        | 7.5            | 5.9        |
| Work in progress                   | 1.8        | 2.3        | 1.8            | 2.3        |
| <b>Total</b>                       | <b>9.4</b> | <b>8.4</b> | <b>9.3</b>     | <b>8.3</b> |

|  | 2020 | 2019 | 2020 | 2019 |
|--|------|------|------|------|
| Inventory expensed as cost of goods sold | 14.3 | 15.7 | 14.2 | 15.5 |

## 18 Other Debtors

|                           | GROUP      |            | PARENT COMPANY |            |
|---------------------------|------------|------------|----------------|------------|
|                           | 2020       | 2019       | 2020           | 2019       |
| VAT and tax receivables   | 0.5        | 1.1        | 0.5            | 1.2        |
| Other current receivables | 1.1        | 0.3        | 1.1            | 0.1        |
| <b>Total</b>              | <b>1.6</b> | <b>1.4</b> | <b>1.6</b>     | <b>1.2</b> |

## 19 Prepaid Expenses and Accrued Income

|                      | GROUP      |            | PARENT COMPANY |            |
|----------------------|------------|------------|----------------|------------|
|                      | 2020       | 2019       | 2020           | 2019       |
| Prepaid rents        | 0.1        | 0.1        | 0.1            | 0.0        |
| Prepaid insurance    | 0.5        | 0.6        | 0.5            | 0.5        |
| Accrued sales income | 4.0        | 0.1        | 3.8            | 0.1        |
| Others               | 1.1        | 0.6        | 0.8            | 0.5        |
| <b>Total</b>         | <b>5.6</b> | <b>1.4</b> | <b>5.2</b>     | <b>1.1</b> |

## 20 Long Term Liabilities

|                                    | GROUP      |            | PARENT COMPANY |            |
|------------------------------------|------------|------------|----------------|------------|
|                                    | 2020       | 2019       | 2020           | 2019       |
| IFRS 16, long term lease liability | 3.2        | 1.9        | -              | -          |
| Other                              | 0.0        | 0.0        | 0.0            | 0.0        |
| <b>Total</b>                       | <b>3.2</b> | <b>1.9</b> | <b>0.0</b>     | <b>0.0</b> |

## 21 Other Current Liabilities

|  | GROUP      |            | PARENT COMPANY |            |
|--|------------|------------|----------------|------------|
|  | 2020       | 2019       | 2020           | 2019       |
| Withholding tax and national insurance contributions for employees | 1.5        | 1.4        | 1.2            | 1.2        |
| Other current liability  | 0.0        | 0.0        | 0.0            | 0.0        |
| <b>Total</b>   | <b>1.6</b> | <b>1.4</b> | <b>1.2</b>     | <b>1.2</b> |

## 22 Accrued Expenses, Prepaid Income and Provisions

|                            | GROUP       |            | PARENT COMPANY |            |
|----------------------------|-------------|------------|----------------|------------|
|                            | 2020        | 2019       | 2020           | 2019       |
| Accrued personnel expenses | 4.4         | 4.4        | 3.2            | 2.9        |
| Deferred income            | 4.3         | 1.3        | 2.9            | 1.1        |
| Short term lease liability | 1.0         | 0.9        | -              | -          |
| Others                     | 1.1         | 0.8        | 0.9            | 0.8        |
| <b>Total</b>               | <b>10.7</b> | <b>7.5</b> | <b>7.0</b>     | <b>4.8</b> |

## 23 The Link Between IFRS 9 Categories and SinterCast Balance Sheet Items in the Balance Sheet

|                           | Financial Assets at<br>Fair Value Through<br>Profit and Loss |            | Financial Assets at<br>Amortised Cost |             | Financial Liabilities at<br>Amortised Cost |             | Total       |             |
|---------------------------|--|------------|---------------------------------------|-------------|--|-------------|-------------|-------------|
|                           | 2020   | 2019       | 2020                                  | 2019        | 2020                                       | 2019        | 2020        | 2019        |
| Other long term receiv.   | -  | -          | 5.8                                   | 0.4         | -  | -           | 5.8         | 0.4         |
| Trade debtors             | -  | -          | 21.8                                  | 27.9        | -  | -           | 21.8        | 27.9        |
| Other debtors             | -  | -          | 1.1                                   | 1.3         | -  | -           | 1.1         | 1.3         |
| Cash and cash eqvns       | -  | 4.9        | 26.3                                  | 28.0        | -  | -           | 26.3        | 32.9        |
| Accounts payable          | -  | -          | -                                     | -           | -3.4                                       | -5.1        | -3.4        | -5.1        |
| Other current liabilities | -  | -          | -                                     | -           | -1.6                                       | -1.4        | -1.6        | -1.4        |
| <b>Total</b>              | <b>-</b>   | <b>4.9</b> | <b>55.0</b>                           | <b>57.5</b> | <b>-9.1</b>                                | <b>-9.4</b> | <b>45.9</b> | <b>53.1</b> |

The Group holds short-term investments that are included in cash and bank balances which are valued at level 1 (quoted prices in an active market).

The short-term investments in the form of municipality bonds are managed as a group of financial assets and are reported at fair value through profit and loss.

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

| ALL AMOUNTS IN SEK                                   | 2020               | 2019              |
|--|--------------------|-------------------|
| Acquisition value brought forward                    | <b>66,268,332</b>  | 66,268,332        |
| <b>Accumulated acquisition value carried forward</b> | <b>66,268,332</b>  | <b>66,268,332</b> |
| Impairment brought forward                           | <b>-64,352,300</b> | -64,352,300       |
| <b>Accumulated impairment carried forward</b>        | <b>-64,352,300</b> | -64,352,300       |
| <b>Book value carried forward</b>                    | <b>1,916,032</b>   | <b>1,916,032</b>  |

| <b>List of subsidiaries to SinterCast AB (publ)</b> | Corporate Identification Number | Votes and Equity, % | Book Value 2020 | Book Value 2019  |                  |
|---|---------------------------------|---------------------|-----------------|------------------|------------------|
| SinterCast Trading (Beijing) Co., Ltd.              | Beijing, China                  | 911101055976721753  | 100%            | 1,848,047        | 1,848,047        |
| SinterCast Korea Co., Ltd                           | JeonJu-City, 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 Shares |  |                  |             |                  |
|---|------------------|--|------------------|-------------|------------------|
| June 2002: (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</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. Operating procedures have also been implemented to reduce the risk of IT interruptions and recovery procedures have been established. 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.

COVID-19 has quickly evolved to dominate the near-term risk outlook for the global foundry and automotive industries. At the start of 2021, infection rates were rising in most countries and, although

vaccination programmes have begun, is not yet possible to predict the recovery or the overall impact on the near-term market development. While it is prudent to expect that series production may be influenced through much of 2021, SinterCast remains confident in the long-term growth of CGI. Other factors that may influence the market risk for SinterCast and its end-user industries include the current global political uncertainty, the renegotiation of international tariffs and free-trade agreements on vehicle sales, climate change legislation, and the overall demand for goods transportation.

#### Product Applications

Series production is diversified between diesel and petrol engines for passenger vehicles including cars, SUVs and pick-ups; commercial vehicle cylinder blocks and heads; and other applications such as automotive components and industrial power components. During 2020, the SinterCast production mix was approximately 60% passenger vehicle, 35% commercial vehicle and 5% other 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. The SinterCast Tracking Technologies provide the opportunity for supplemental revenue beyond the core CGI business.

#### 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 internal

combustion engines for passenger cars. Currently, two-thirds of the SinterCast passenger vehicle production is allocated to Super-Duty pick-up trucks and one-fifth is allocated to petrol engines. Accordingly, less than 15% of the SinterCast passenger vehicle production is exposed to the passenger car diesel sector. For long-haul commercial vehicles, which represent the largest growth opportunity for CGI, diesel engines are expected to remain the dominant powertrain technology beyond 2035, providing long-term growth opportunities.

Within the passenger vehicle market, the adoption of new powertrain technologies, such as vehicle electrification will grow. However, penetration rates remain low. In Europe, passenger vehicle sales during 2020 were approximately 47.5% petrol, 28% diesel, 11.9% hybrid, 10.5% electrified (plug-in hybrids plus battery electric vehicles) and 2.1% alternate fuel (propane, natural gas, etc). In the United States, the largest passenger vehicle market for SinterCast, passenger vehicle sales during 2020 were approximately 90% petrol, 4.5% diesel, 3.2% hybrid and 2.2% electrified (plug-in hybrids plus battery electric vehicles). The market opportunity for SinterCast in China is primarily related to commercial vehicles. Nonetheless, the passenger vehicle powertrain breakdown in China during 2020 was 91% petrol, 2% hybrid, 5.8% electrified (of which, plug-in hybrid (19%) and battery electric (81%)) and 1% alternate fuel.

While some municipal and federal governments discuss bans on the internal combustion engine, such bans are primarily contemplated for the mid 2030's. This provides a prolonged market opportunity for SinterCast in the passenger vehicle sector. The general consensus for heavy-duty commercial vehicles is that the diesel engine will continue to dominate for at least the next 15 years. In the meantime, the internal combustion engine, both diesel and petrol, will continue to make efficiency improvements to defend its position as a cost-efficient and convenient powertrain option. These gains will include downsizing, increased

thermal and mechanical loading, and increased specific performance. These developments can benefit from stronger materials 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 31 March 2021, SinterCast has 54 installations in 14 countries and 11 different languages. In 2020, the three largest customers represented SEK 44.5 million (SEK 48.5 million), SEK 14.6 million (SEK 34.7 million) and SEK 8.1 million (SEK 5.3 million) of the company's sales while the five largest customers accounted for approximately SEK 76.3 million (SEK 89.8 million) of sales. As a result, the loss of a single foundry customer, capacity constraints at any such customer, or stoppages in the production of any high-volume engine programme 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

short-term and long-term 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. 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, planned customer visits 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 "Accounting Policies" for more detailed information regarding the SinterCast classification of 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.

| Liquidity                       | Group       |             | Parent Company |             |
|---------------------------------|-------------|-------------|----------------|-------------|
|                                 | 2020        | 2019        | 2020           | 2019        |
| Amounts in SEK million          |             |             |                |             |
| Bonds, fixed income instruments | 1.0         | 4.9         | 1.0            | 4.9         |
| Cash at bank                    | 25.3        | 28.0        | 21.7           | 25.6        |
| <b>Total</b>                    | <b>26.3</b> | <b>32.9</b> | <b>22.7</b>    | <b>30.5</b> |

| Maturity Structure         | 2020              |                   | 2019              |                   |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
|                            | Total             | <30 days          | Total             | <30 days          |
| Group (Parent Company)     |                   |                   |                   |                   |
| Total cash & equivalents   | 26.3(22.7)        | 25.7(22.1)        | 32.9(30.5)        | 31.5(29.1)        |
| Receivables                | 27.2(21.2)        | 3.0(3.0)          | 27.9(26.7)        | 6.2(6.0)          |
| Income from leases         | 0.1(0.1)          | 0.0(0.0)          | 0.1(0.1)          | 0.0(0.0)          |
| <b>Total</b>               | <b>53.6(44.0)</b> | <b>28.7(25.1)</b> | <b>60.9(57.3)</b> | <b>39.1(36.5)</b> |
| Total payable, ex salaries | 4.2(4.0)          | 4.1(3.9)          | 5.5(5.3)          | 5.4(5.2)          |
| Expenses from leases       | 1.8(1.2)          | 0.1(0.1)          | 1.4(0.9)          | 0.1(0.1)          |
| <b>Total</b>               | <b>6.0(5.2)</b>   | <b>4.2(4.0)</b>   | <b>6.9(6.2)</b>   | <b>5.5(5.3)</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 forecasts 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 7 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 bad debt losses have been insignificant. However, the most recent years we have experienced an increase in bad debts. SinterCast operates with credit insurance, with individual limits for each customer. Provision for bad debts has been made amounting to SEK 1.3 million (SEK 1.2 million).

| Credit Risk                    | Group       |             | Parent Company |             |
|--------------------------------|-------------|-------------|----------------|-------------|
|                                | 2020        | 2019        | 2020           | 2019        |
| Amounts in SEK million         |             |             |                |             |
| Receivables, not due           | 16.7        | 17.4        | 16.2           | 16.5        |
| Due <30 days                   | 3.0         | 6.2         | 3.0            | 6.0         |
| Due 31-90 days                 | 0.9         | 1.4         | 0.8            | 1.3         |
| Due 91-180 days                | 0.1         | 0.3         | 0.1            | 0.3         |
| Due > 180 days                 | 2.4         | 3.8         | 2.4            | 3.8         |
| Provision bad debts            | -1.3        | -1.2        | -1.3           | -1.2        |
| <b>Total trade receivables</b> | <b>21.8</b> | <b>27.9</b> | <b>21.2</b>    | <b>26.7</b> |

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, lease liabilities 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 0.1 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.

### Major Currencies Exchanged

| Currency      | 2020 | 2019 | Diff |
|---------------|------|------|------|
| <b>Sold</b>   |      |      |      |
| USD           | 7.0  | 6.7  | 0.3  |
| EUR           | 1.9  | 2.7  | -0.8 |
| <b>Bought</b> |      |      |      |
| GBP           | 1.1  | 1.0  | 0.1  |
| SEK           | 72.8 | 75.6 | -2.8 |

The Group's net inflow of foreign currency primarily consists of USD and EUR while its expenses are primarily in SEK. Increased revenue in foreign currency will increase the transaction exposure and increased expenses outside Sweden paid in USD or

EUR will increase the natural hedge of the USD and EUR inflow and thereby reduce the transaction exposure.

The net surplus of foreign currency primarily consists of USD and EUR which are primarily exchanged to SEK and GBP. During 2020, foreign currencies exchanged to SEK amounted to approximately USD 7.0 million (USD 6.7 million) and EUR 1.9 million (EUR 2.7 million). Foreign currencies exchanged to GBP amounted to approximately USD 1.1 million (USD 1.0 million).

During 2020, the average USD/SEK exchange rate decreased by 3%, from 9.5 to 9.2. The EUR/SEK exchange rate decreased by 1% from 10.6 to 10.5.

#### Average Exchange Rate Changes Major Currencies

| versus SEK | 2020 | 2019 | %   |
|------------|------|------|-----|
| USD        | 9.2  | 9.5  | -3% |
| EUR        | 10.5 | 10.6 | -1% |
| GBP        | 11.8 | 12.1 | -2% |

The exchange rate movement in these currencies in 2020 effected the net currency flow by approximately SEK -0.2 million (SEK 0.7 million).

#### Exchange Rate Movements in Net Currency Flow

| (SEK)        | 2020        | 2019       | Diff        |
|--------------|-------------|------------|-------------|
| USD          | -0.2        | 0.6        | -0.8        |
| EUR          | 0.0         | 0.1        | -0.1        |
| <b>Total</b> | <b>-0.2</b> | <b>0.7</b> | <b>-0.9</b> |

An exchange rate increase of 10 percent in the main net currency flows versus SEK, has an effect of approximately (USD) SEK 6.4 million and (EUR) SEK 2.0 million on the future net currency flows.

#### Risk in Net Currency flow

| (+10%)       | 2020       | 2019       | Diff        |
|--------------|------------|------------|-------------|
| USD          | 6.4        | 6.4        | 0.0         |
| EUR          | 2.0        | 2.3        | -0.3        |
| <b>Total</b> | <b>8.4</b> | <b>8.7</b> | <b>-0.3</b> |

All presented figures above are before consideration of hedges made in accordance with the Finance Policy. The combined currency movement, phasing on conversions made and other currency effects on the Income Statement during 2020, amounted to approximately SEK -1.6 million (SEK -0.7 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 SEK million | 2020  |          | 2019  |          |
|------------------------|-------|----------|-------|----------|
|                        | Total | <6 month | Total | <6 month |
| USD                    | 1.2   | 0.8      | 0.6   | 0.6      |
| EUR                    | 0.6   | 0.2      | 1.0   | 1.0      |

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 8.3 million, (SEK 8.4 million) and was distributed among the following currencies:

#### Net Assets in Foreign Subsidiaries

| Amounts in SEK million | 2020 | 2019 |
|------------------------|------|------|
| USD                    | 4.5  | 4.7  |
| GBP                    | 2.3  | 2.1  |
| KRW                    | 0.9  | 0.9  |
| RMB                    | 0.4  | 0.5  |
| 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 in Net Assets in Subsidiaries**

| Amounts in SEK million | 2020 | 2019 |
|------------------------|------|------|
| USD                    | 0.5  | 0.5  |
| GBP                    | 0.2  | 0.2  |
| KRW                    | 0.1  | 0.1  |
| RMB                    | 0.0  | 0.1  |

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 distribute 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 2020 amounted to SEK 108.8 million (SEK 111.7 million). The equity of SinterCast AB amounted to SEK 100.7 million (SEK 103.4 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:

**14 January 2021** – Series production 2.4 million Engine Equivalents in December – Record installation revenue

**8 February 2021** – Series production improves to 2.7 million Engine Equivalents in January

**10 February 2021** – SinterCast Results October–December 2020

**12 March 2021** – Series production decreases to 2.5 million Engine Equivalents in February

**26 March 2021** – Hyundai Motor Company orders Ladle Tracker® technology

There have been no other significant events since the balance sheet date of 31 December 2020 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 2021.

## 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 reserve                                    | 35,336,610        |
| Result brought forward                                   | 21,647,786        |
| Result for the year                                      | 22,039,658        |
| <b>Total non-restricted equity of the Parent Company</b> | <b>79,024,054</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                 | 50,663,522        |
| <b>Total</b>   | <b>79,024,054</b> |
| * of which Share premium reserve                     | 35,336,610        |

## 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 %

Adjusted 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.

### Return on capital employed %

Result for the period as a percentage of average capital employed

### Return on total assets %

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

### 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

## 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 31 March 2021

Jan Åke Jonsson  
Chairman of the Board

Robert Dover  
Member of the Board

Jun Arimoto  
Member of the Board

Steve Gill  
Member of the Board

Åsa Källenius  
Member of the Board

Steve Dawson  
Member of the Board &  
Managing Director

Our audit report was submitted on 31 March 2021  
KPMG AB

Jonas Eriksson  
Authorised Public Accountant

# Auditor's Report

To the general meeting of the shareholders of SinterCast AB (publ), corp. id 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 2020, except for the corporate governance statement on pages 25-32. The annual accounts and consolidated accounts of the company are included on pages 21-72 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 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 2020 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 statement on pages 25-32. 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. Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### 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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Other Matter

The audit of the annual accounts for year 2019 was performed by another auditor who submitted an auditor's report dated 18 May 2020, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

### 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.

#### Deferred tax asset – valuation of tax losses carried forward

See disclosure 12 and accounting principles on page 42 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

The consolidated and the parent company's balance sheet include the asset 'Deferred taxes'. As per year end 2020, this amounts to SEK 44 (44) million, which corresponds to 36% of balance sheet totals and is attributable to taxable deficit deductions in Sweden of SEK 214 (213) million of which could be used against future taxable surpluses according to the company management's assessment. Details of the total tax losses are disclosed in note 12 in the financial statements.

The estimation of future taxable surpluses requires both judgment and interpretations of the tax legislation as estimates of future market conditions. The accounted value of deferred taxes may vary significantly if other assumptions is used when expecting future profits and the possibilities to use the deficit deductions.

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 carry forward is calculated, based on a mathematical model.

With reference to that the accounted value of the deferred taxes are based on judgments of applicable law and future profits, there is a risk that the value could be over- or underestimated and every correction of the value directly affects the period's result, whereof the valuation of the deficit deductions is deemed to be a key audit matter.

#### Response in the audit

Our audit has included the following:

- We have obtained the mathematical model and assessed if it is mathematical correct and if it is consistently applied. Also, applied exchange rates have been reviewed.
- We have assessed the reasonableness of the calculation by comparing estimated future production rates, revenue and cost levels against historical information in the company's system and we have compared revenue data that is applied in the model against underlying agreements on sample basis.
- We have challenged management assessments as to whether the data relating to future taxable income is reasonable and if there are any known changes regarding income from production fees and consumables.
- We have also made inquiries to management and board regarding the fairness and sustainability of future production levels and revenues.

We have also assessed the underlying facts and circumstances which is presented in the annual report and reviewed if the information is extensive enough to understand the company management's assessment.

## 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 1–20 and on pages 76–79. The other information comprises also of the remuneration report which we expect to obtain after the date of this auditor's report. 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 intend 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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## 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 2020 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 fulfill 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 25-32 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 RevR 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.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of SinterCast AB (publ) by the general meeting of the shareholders on the June 23<sup>rd</sup> 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2020.

Stockholm 31 March 2021

KPMG AB

Jonas Eriksson

Authorized Public Accountant

Auditor's report SinterCast AB (publ), corp. id 556233-6494, 2020

## Historical Summary – Group

| Amounts in SEK million                                    | 2020         | 2019         | 2018         | 2017         | 2016         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Profit and Loss accounts</b>                           |              |              |              |              |              |
| Revenue   | 95.4         | 116.5        | 87.7         | 65.6         | 75.4         |
| Operating result  | 21.7         | 40.1         | 29.4         | 17.7         | 26.4         |
| Financial net   | 0.6          | -0.2         | 0.0          | 0.0          | -0.6         |
| Tax   | -0.1         | 8.3          | 3.3          | 0.9          | 1.0          |
| <b>Result for the year</b>                                | <b>22.2</b>  | <b>48.2</b>  | <b>32.7</b>  | <b>18.6</b>  | <b>26.8</b>  |
| <b>Cashflow analysis</b>                                  |              |              |              |              |              |
| Cashflow from operations before change in working capital | 25.4         | 43.0         | 31.6         | 18.9         | 26.9         |
| Change in working capital                                 | 2.1          | -5.2         | -6.8         | -2.0         | -1.5         |
| <b>Cashflow from operations</b>                           | <b>27.5</b>  | <b>37.8</b>  | <b>24.8</b>  | <b>16.9</b>  | <b>25.4</b>  |
| Cashflow from investments                                 | -2.8         | -1.2         | -2.6         | -3.7         | -3.3         |
| Cashflow from financial operations                        | -31.3        | -36.5        | -19.5        | -28.4        | -24.8        |
| <b>Change in cash position</b>                            | <b>-6.6</b>  | <b>0.1</b>   | <b>2.7</b>   | <b>-15.2</b> | <b>-2.7</b>  |
| <b>Balance sheet</b>                                      |              |              |              |              |              |
| <b>Assets</b>   |              |              |              |              |              |
| Fixed assets  | 62.8         | 55.8         | 45.7         | 42.1         | 38.8         |
| Other current assets                                      | 38.6         | 38.9         | 31.7         | 22.5         | 23.4         |
| Cash and bank deposits                                    | 26.3         | 32.9         | 32.8         | 30.1         | 45.3         |
| <b>Total assets</b>                                       | <b>127.7</b> | <b>127.6</b> | <b>110.2</b> | <b>94.7</b>  | <b>107.5</b> |
| <b>Total shareholders' equity</b>                         | <b>108.8</b> | <b>111.7</b> | <b>99.2</b>  | <b>85.8</b>  | <b>95.8</b>  |
| Long-term liabilities                                     | 3.2          | 1.9          | 0.0          | 0.0          | 0.0          |
| Current liabilities                                       | 15.7         | 14.0         | 11.0         | 8.9          | 11.7         |
| <b>Total shareholders' equity and liabilities</b>         | <b>127.7</b> | <b>127.6</b> | <b>110.2</b> | <b>94.7</b>  | <b>107.5</b> |
| <b>Key ratios</b>   |              |              |              |              |              |
| Operating margin, %                                       | 22.7         | 34.4         | 33.5         | 27.0         | 35.0         |
| Solidity, %   | 85.2         | 89.7         | 90.0         | 90.6         | 89.1         |
| Capital employed  | 112.0        | 113.6        | 99.2         | 85.8         | 95.8         |
| Return on shareholders' equity, %                         | 20.2         | 45.7         | 35.4         | 20.5         | 28.4         |
| Return on capital employed, %                             | 19.7         | 45.7         | 35.4         | 20.5         | 28.4         |
| Return on total assets, %                                 | 17.4         | 40.5         | 31.9         | 18.4         | 25.1         |
| Earnings per share, SEK                                   | 3.1          | 6.8          | 4.6          | 2.6          | 3.8          |
| Dividend per share, SEK                                   | 3.5          | 5.0          | 2.8          | 4.0          | 3.5          |
| Cashflow from operations/share, SEK                       | 3.9          | 5.3          | 3.5          | 2.4          | 3.6          |
| <b>Employees</b>  |              |              |              |              |              |
| Number of employees at the end of the period              | 28           | 23           | 21           | 21           | 21           |
| Average number of employees                               | 26           | 22           | 21           | 21           | 20           |

Definition of key ratios can be found in Note 29.



## SinterCast Share January 2016–December 2020



## Share Data

| Amounts in SEK  | 2020             | 2019      | 2018      | 2017      | 2016      |
|---|------------------|-----------|-----------|-----------|-----------|
| Number of shares at the end of the period   | <b>7,090,133</b> | 7,090,133 | 7,090,133 | 7,090,133 | 7,090,133 |
| Average number of shares during the period  | <b>7,090,133</b> | 7,090,133 | 7,090,133 | 7,090,133 | 7,090,133 |
| 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 | 7,090,133 | 7,090,133 |
| Earnings per share  | <b>3.1</b>       | 6.8       | 4.6       | 2.6       | 3.8       |
| Earnings per share diluted  | <b>3.1</b>       | 6.8       | 4.6       | 2.6       | 3.8       |
| Equity per share  | <b>15.3</b>      | 15.8      | 14.0      | 12.1      | 13.5      |
| Equity per share adjusted for outstanding warrants  | <b>15.3</b>      | 15.8      | 14.0      | 12.1      | 13.5      |
| Dividends per share   | <b>3.5</b>       | 5.0       | 2.8       | 4.0       | 3.5       |
| Share price at the end of the period  | <b>124.2</b>     | 195.0     | 80.8      | 65.0      | 81.8      |
| Highest share price during the period   | <b>222.0</b>     | 195.5     | 94.6      | 83.8      | 91.8      |
| Lowest share price during the period  | <b>91.6</b>      | 78.0      | 63.8      | 64.5      | 77.5      |
| Number of shareholders  | <b>3,999</b>     | 4,019     | 2,783     | 2,909     | 3,172     |
| Non-Swedish shareholdings, % of share capital   | <b>18.0</b>      | 17.0      | 19.0      | 19.0      | 17.0      |
| Swedish shareholdings, % of share capital   | <b>82.0</b>      | 83.0      | 81.0      | 81.0      | 83.0      |
| Market value, SEK million   | <b>880.6</b>     | 1382.6    | 572.9     | 460.9     | 580.0     |

## Notes:

1 Calculated as per the recommendations of IAS 33

For definitions see Note 29

## Important Dates

### Annual General Meeting

The Annual General Meeting 2021 will be held on 18 May 2021.

### Information

The financial report January–March 2021 will be published on 21 April 2021.

The financial report April–June 2021 will be published on 18 August 2021.

The financial report July–September 2021 will be published on 27 October 2021.

The financial report October–December and Full Year Results 2021 will be published on 8 February 2022.

## SinterCast Offices

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The Annual Report 2020 is distributed in PDF-format and is available on the SinterCast website. The Annual Report 2020 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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