

• NEWS RELEASE • PRESSE INFORMATION • COMMUNIQUE DE PRESSE •  
INFORMAZIONE STAMPA • COMUNICADO DE PRENSA • PRESSMEDDELANDE  
• NEWS RELEASE • PRESSE INFORMATION • COMMUNIQUE DE PRESSE •  
INFORMAZIONE STAMPA • COMUNICADO DE PRENSA • PRESSMEDDELANDE

## Interim Report January-June 1998

*The SinterCast Process is recognized and accepted by the industry as the proven world leading technology in its field.*

- *Commercial production of SinterCast CGI, although initially in limited scale, will commence by the end of 1998 or early 1999 following three installations of the SinterCast System 2000 this year.*
- *A North American world leading company in the field of heavy automotive Diesel engines has completed a two-year evaluation period and issued a letter of intent appointing SinterCast sole supplier of CGI process control technology. An agreement is expected to be signed later this autumn followed by the installation of a SinterCast System 2000 before the end of the year and commercial production in limited scale as from the beginning of next year.*
- *SinterCast can now disclose that its recently announced installation of a SinterCast System 2000 in Germany is with the foundry Halberg Guss. Halberg has received the production order for a CGI High Speed Direct Injection Diesel engine block from a European Car Company and production at Halberg is commencing in 1999.*
- *The previously announced installation of a System 2000, at the VDP foundry in Italy, is now scheduled to be completed in August, whereafter production of large stationary Diesel engine blocks will commence for a European engine manufacturer.*
- *The SinterCast System previously installed at the Sakana foundry in Spain was upgraded during June to System 2000 compatibility in order to accommodate the increased sales growth for stationary Diesel engine blocks that have been in production since 1996.*
- *The Brazilian foundry Tupy has purchased and installed a SinterCast wire-feeder to facilitate the production of prototype CGI engine components. A complete installation is expected when the foundry receives a customer production order.*

### **Further market progress**

The first half of 1998 has been promising in both the Americas and Europe. Our relationships with the foundry industry and end-users continue to strengthen and several joint projects are currently under way.

Although the interest in CGI in both Japan and Korea remains high, development projects have slowed due to the weak financial situation and declining production forecasts. Commercial activities cannot be expected until after year 2000, but the long term prognosis for Japan, Korea and China remains positive.

SinterCast now holds 20 patents - granted or as applications. We consider our technology and our trademark well protected world-wide beyond year 2010. Our development work continues to reinforce and expand our protection both in scope, in time and geographically.

By invitation of the American Foundrymen's Society (AFS), SinterCast has written the CGI chapter in the revised edition of the Iron Castings Handbook, considered the 'bible' for iron foundries world-wide. Also by invitation, SinterCast participated in the AFS Casting Congress in Atlanta, in May, by presenting the process control requirements for CGI production. These activities are signs of recognition by the foundry industry of our role as the world leader in CGI technology.

All companies within the SinterCast Group maintain their ISO 9001 certification. Preparation for QS 9000 continues.

As the industrial interest in CGI continues to grow, SinterCast's commercial breakthrough draws nearer. The recent customer orders from North America and Europe show that SinterCast is the market leader in licensing CGI process control technology. While we are confident that this market recognition will continue, the cost pressures facing the automotive supplier industry will also undoubtedly affect SinterCast.

### **Remaining technical obstacle: high speed cylinder bore finishing on transfer lines**

Based on their own research work and stimulated by several flagship CGI engine projects, European engine manufacturers are now looking toward volume production once this high speed machining issue has been resolved. SinterCast is collaborating with leading producers such as Ford Europe and GM Europe to achieve a way forward for high speed bore finishing. Tool manufacturers such as General Electric, Ingersoll, Mapal, Nagel, Sandvik and Sumitomo are all actively pursuing machining solutions. The machining project at the University of Darmstadt continues to shed new light on the tool wear mechanisms.

## **Operating result and investments**

Operating income for the Group for the period January - June 1998 was SEK 1.4 million (SEK 2.4 million for the corresponding period of the previous year). The revenues mainly relate to income from production and installations. The result for the Group, after financial items and estimated tax, amounted to SEK -21.1 million, SEK-5.2 per share (SEK -31.3 million, SEK -7.6 per share). The change is primarily due to a cost reduction program, described in the Annual Report, which will reduce the operating costs by approximately 30% for 1998.

Items affecting comparability for 1997 and 1998 consist of participating loans and write-down of shares in subsidiaries.

Other operating income and other operating expenses relate to sub-letting of office space.

Investments by the Group during the period amounted to SEK 0.2 million (SEK 1.6 million).

## **Liquidity**

The Group's liquidity on 30 June 1998 amounted to SEK 143.9 million (SEK 194.9 million). With current market assumptions, excluding expected revenues, this liquidity will cover the company's anticipated expenses up to and inclusive of the year 2001.

## **Still high risk**

The commercial risk remains high until large-scale production has commenced.

Stockholm, 27 July 1998

On behalf of the Board of Directors

Bertil Hagman  
President and CEO

This Interim Report has not been subject to special examination by the company's auditors.

**For current and relevant information, please visit our website:**  
**<http://www.sintercast.com>**

For further information  
Bertil Hagman  
Tel: +46 8 660 77 50  
Fax: +46 8 661 79 79

## PROFIT AND LOSS STATEMENTS

AMOUNTS IN SEK MILLIONS	THE GROUP		THE PARENT COMPANY	
	January-June 1998	1997	January-June 1998	1997
Operating income	1.4	2.2	0.3	0.3
Operating expenses	-26.1	-37.5	-9.8	-10.9
Items affecting comparability	-	-	-0.9	-1.8
Other operating income	1.0	0.2	-	-
Other operating expenses	-0.8	-0.2	-	-
<b>Operating loss</b>	<b>-24.5</b>	<b>-35.3</b>	<b>-10.4</b>	<b>-12.4</b>
Financial income and expenses, net	3.4	4.0	4.3	6.2
Tax	-	-	-	-
<b>Result after tax for the period</b>	<b>-21.1</b>	<b>-31.3</b>	<b>-6.1</b>	<b>-6.2</b>

## CASHFLOW STATEMENTS

AMOUNTS IN SEK MILLIONS	THE GROUP		THE PARENT COMPANY	
	January-June 1998	1997	January-June 1998	1997
Total cash-flow from operations before change in working capital	-19.1	-29.1	-5.2	-4.3
Total change in working capital	-3.2	-4.0	-8.6	-23.3
<b>CASH-FLOW FROM OPERATIONS</b>	<b>-22.3</b>	<b>-33.1</b>	<b>-13.8</b>	<b>-27.6</b>
<b>CASH-FLOW FROM INVESTMENTS</b>	<b>-0.8</b>	<b>-1.3</b>	<b>-10.4</b>	<b>-7.5</b>
<b>CASH-FLOW FROM FINANCIAL OPERATIONS</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
<b>CHANGE IN CASH POSITION</b>	<b>-23.0</b>	<b>-34.4</b>	<b>-24.1</b>	<b>-35.1</b>

## BALANCE SHEETS

AMOUNTS IN SEK MILLIONS	THE GROUP			THE PARENT COMPANY		
	30 June 1998	31 Dec 1997	30 June 1997	30 June 1998	31 Dec 1997	30 June 1997
Fixed assets	13.0	13.4	14.9	22.8	12.6	13.7
Current assets	150.2	170.7	203.0	207.7	214.8	227.3
<b>TOTAL ASSETS</b>	<b>163.2</b>	<b>184.1</b>	<b>217.9</b>	<b>230.5</b>	<b>227.4</b>	<b>241.0</b>
Shareholders' equity	151.0	172.0	208.2	170.0	176.0	222.8
Long term liabilities	1.8	1.0	1.0	1.8	1.0	2.4
Current liabilities	10.4	11.1	8.7	58.7	50.4	15.8
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>163.2</b>	<b>184.1</b>	<b>217.9</b>	<b>230.5</b>	<b>227.4</b>	<b>241.0</b>

## **THE SINTERCAST SHARE**

### **KEY RATIOS**

	1998	1997	January-June 1996	1995	1994
<b>Key ratios</b>					
Turnover, SEK million	1.4	2.2	1.1	1.1	1.5
Net result, SEK million	-21.1	-31.3	-27.5	-27.9	-29.7
Adjusted shareholders' equity, SEK million	151.0	208.2	267.2	131.2	50.0
Capital employed, SEK million	151.0	208.2	267.2	131.2	50.0
Return on shareholders' equity, %	-14.0	-15.0	-10.3	-21.3	-59.4
Return on capital employed, %	-14.0	-15.0	-10.3	-21.3	-59.4
Solidity, %	92.5	95.5	97.2	91.4	85.9
Debt-to-equity ratio, %	0.0	0.0	0.0	0.0	0.0

### **Data per share**

Average number of shares, thousands	4,091.0	4,091.0	4,068.0	3,438.0	2,755.0
Number of shares at 30 June, thousands	4,091.0	4,091.0	4,091.0	3,438.0	2,838.0
Adjusted equity	36.9	50.9	65.3	38.2	17.6
Earnings, SEK	-5.2	-7.6	-6.8	-8.1	-10.5
Dividends, SEK	-	-	-	-	-
Share price at 30 June, SEK (SinterCast A)	65.5	92.5	450.0	240.0	180.0

\*Key ratios and data per share are adjusted where necessary for changes in accounting principles for extraordinary income and expenses.

### **FINANCIAL INFORMATION**

Interim Report for nine months      9 November 1998  
Preliminary Financial report for 1998   15 February 1999

Interim reports will be distributed to those shareholders who have requested such information.

Reports can also be obtained by contacting SinterCast AB (publ).

Annual Report and Interim Reports can be found at the SinterCast website:

**<http://www.sintercast.com>**

**SinterCast AB (publ)**

**Box 10203**

**100 55 Stockholm**

**Sweden**

**Tel: +46 8 660 77 50**

**Fax: +46 8 661 79 79**

**E-mail: [info@sintercast.com](mailto:info@sintercast.com)**