SinterCast

Annual Report 2007

Table of Contents

Notes: This document is an unofficial translation of the official Swedish Annual Report
Pages 12–35 conform to IFRS (International Financial Reporting Standards)

SinterCast in Brief

- Current series production of approximately 30,000 SinterCast-CGI cylinder blocks per month
- SinterCast-CGI cylinder blocks available in 18 passenger vehicles and 9 car brands
- SinterCast-CGI cylinder blocks available in 8 commercial vehicle engines
- Series production increased by 50% during 2007 to an annualised year-end rate of over 525,000 Engine Equivalents
- Current series production and product development provides near-term market potential of 5.5 million Engine Equivalents, corresponding to annual revenue in excess of SEK 100 million
- Technology agreements encompassing 31 foundries in 14 countries
- SinterCast-CGI engines provide approximately 50 g/km lower CO_2 emissions than the nearest available petrol engine

Global Presence

- Headquarters with sales activity, customer support and Group management in London, England
- Technical development, production, customer support and finance and administration in Katrineholm, Sweden
- Local customer support for North and South America in Chicago
- Local customer support for China in Shanghai
- Local representation in Australia, Japan and Korea
- Global technical and marketing alliance with Ashland Casting Solutions
- Technical partnerships with ABP Process Industries (foundry automation), Grainger & Worrall (rapid prototyping) and MAG Industrial Automation Systems (high volume machining)

SinterCast is…

… the world's leading provider of control technology for the reliable high volume production of Compacted Graphite Iron (CGI). With at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium, CGI allows engine designers to improve performance, fuel economy and durability while reducing weight, noise and emissions. SinterCast produces a variety of CGI components ranging from 8 kg to 17 tonnes, all using the same proven process control technology. The end-users of SinterCast-CGI components include Aston Martin, Audi, Caterpillar, Chrysler, Ford, General Electric Transportation Systems, General Motors, Hyundai, International Truck and Engine, Jaguar, Kia, Land Rover, MAN, MAN B&W Diesel, PSA Peugeot-Citroën, Rolls-Royce Power Engineering, Toyota, Volkswagen, Volvo and Waukesha Engine. SinterCast is the global market leader for CGI process control technology and CGI know-how and is welcomed by the automotive and foundry industries as a reliable and trustworthy technology partner.

The Five Waves

First introduced in 2002, the Five Wave scenario continues to provide the basis for how SinterCast views the potential CGI market development. An overview of the Five Wave status at the end of 2007 is provided in the following table:

Wave 1 V-diesels in Europe	Annualised year-end production rate: >350,000 Engine Equivalents per year Series production for: Audi, Ford, PSA and Volkswagen SinterCast-CGI components: 4 cylinder blocks available in 16 vehicles and 7 car brands Outlook: Long-term stable production with growth opportunity
Wave 2 Commercial Vehicles	Annualised year-end production rate: >75,000 Engine Equivalents per year Series production for: Ford-Otosan, Hyundai, International-Navistar, MAN and Volvo SinterCast-CGI components: 8 cylinder blocks and 1 cylinder head Outlook: On-going ramp-up with long-term growth opportunity
Wave 3 In-line Diesels in Europe	Current status: Development delayed by intense cost pressure in small vehicle sector Outlook: Long-term potential dependent on performance and emissions requirements No significant production opportunity in near-term (<5 year) period
Wave 4 Diesels Beyond Europe	Annualised year-end production rate: >25,000 Engine Equivalents per year Series production for: Hyundai, Kia SinterCast-CGI components: 1 cylinder block available in 2 vehicles and 2 car brands Outlook: Ramp-up during 2008 as export sales begin in Europe Near-term growth opportunity for V-diesel sector in North America
Wave 5 Petrol Engines	Current status: Motorsport production for rally cars, touring/stock cars, dragsters and open-wheel Formula cars. Approximately 80% of the current NASCAR grid relies on SinterCast-CGI cylinder blocks Outlook: Long-term potential for highly-charged and/or direct injection petrol engines No significant production opportunity in the near-term (<5 year) period

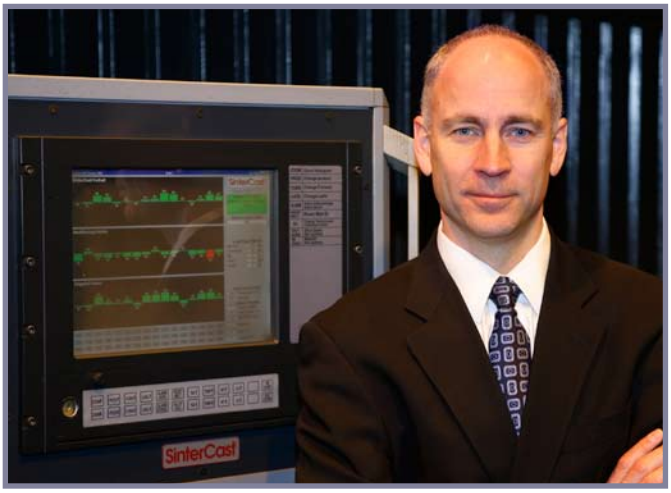
Potential Steps

Cylinder Heads – Diesel Passenger Vehicles	Current status: Initial product development Outlook: Long-term potential for mid-range (4~7 litre) diesels. No significant production opportunity in the near-term (<5 year) period
Automotive – Non Block & Head	Series Production: Clutch components for Aston Martin Production Ready: Exhaust manifolds and turbocharger housings at Da Shiang foundry in China Outlook: Growth opportunity including new installations, particularly in Eastern Europe and Asia
Non-Automotive (Industrial Power)	Annualised year-end production rate: >50,000 Engine Equivalents per year Series Production for: Daros, General Electric, Rolls-Royce and Waukesha Engine SinterCast-CGI components: Available in marine, locomotive and stationary power generating applications Outlook: Long-term stable production with growth opportunity

SinterCast-CGI Benefits in Cylinder Block Applications

The Ford 3.6 litre V8 diesel engine used in Land Rover applications (courtesy Ford of Europe)

- 10~20% Weight reduction
- 10~20% Increased specific performance (kW/litre)
- 75~100% Improved durability
- 10~20% Length reduction
- 5~10% Height and width reduction
- 20~30% Less cylinder bore distortion
- 25~50% Improved wear resistance
- 5~10% Reduced operating noise
- Lower oil consumption
- Emissions compliance throughout engine life
- More recyclable than aluminium
- Future upgrade potential



CEO Message

It wasn't so long ago that SinterCast had to promote its technology through presentations and publications, theory and debate. But that's changed. Today, we demonstrate the reliability and robustness of our technology by pointing at SinterCast-CGI engines on the road. And, it's becoming easier to point. By year-end, the combined series production in Europe, Asia, North America and South America resulted in the sale of approximately 30,000 engines per month, one SinterCast-CGI vehicle every 90 seconds.

The year 2007 was a breakthrough year for SinterCast. In the commercial vehicle sector, eight new engines began series production, providing eight SinterCast-CGI cylinder blocks and one SinterCast-CGI cylinder head. These programmes were already running at an annualised production rate of more than 75,000 Engine Equivalents* by year-end, and will grow to provide approximately 600,000 Engine Equivalents when mature volumes are reached. Financially, 2007 also marked a milestone for SinterCast with the Company's first full-year positive cashflow result. The result of SEK +0.8 million satisfied the "neutral cashflow" objective presented in early-2007 and extended the positive cashflow period to 15 months, dating from October 2006. During this period, the liquidity increased by 27%, from SEK 12.8 million to SEK 16.3 million. With increasing series production, new orders in the pipeline, and effectively no burn rate, the liquidity is secure.

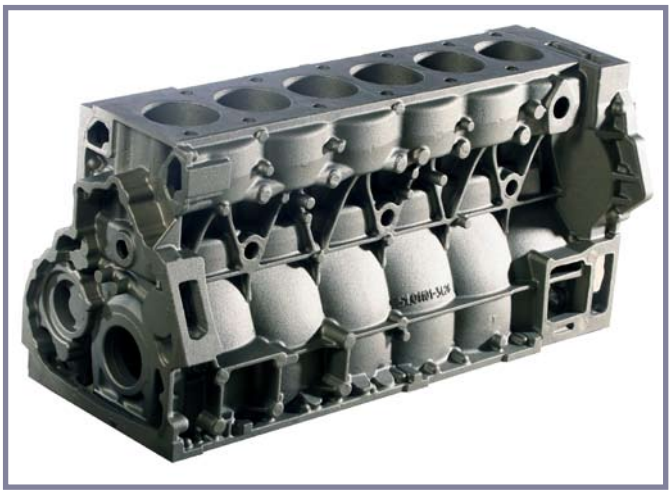
Overall, 2007 was a year of growth. Our series production grew by over 50% and the combined volume of SinterCast-CGI programmes currently in production and under development grew to approximately 5.5 million Engine Equivalents. Based on the current business model, these programmes represent annual running revenues in excess of SEK 100 million and provide for SinterCast's near-term growth. However, 2007 also brought financial challenges, particularly with the continuing decline of the U.S. dollar. Although we have hedged our U.S. dollar exposure throughout 2007 and 2008, the current exchange rate has effectively increased SinterCast's breakeven volume (assuming no revenue from new installations or Engineering Service) from approximately 700,000 to one million Engine Equivalents. With the exception of the U.S. dollar exchange rate, all other market factors have continued to evolve in SinterCast's favour.

* Each Engine Equivalent represents one 50 kg casting

Market Opportunity

SinterCast's primary market opportunity is for V-diesel cylinder blocks in passenger vehicles and for cylinder blocks and heads in commercial vehicles. These applications require the strength and durability of high-quality CGI and also provide high production volumes. In Europe and North America, with a significant market share of V-engines, both of these opportunities are active. However, in the rest-of-world regions, where V-engined passenger vehicles are less common, the near-term market growth is primarily linked to commercial vehicles. SinterCast's current series production accounts for approximately 12% of the global V-diesel market opportunity and approximately 1% of the global commercial vehicle opportunity. This penetration rate provides a credible high volume reference for SinterCast's technology, while allowing for significant growth opportunities within the core sector.

While the near-term growth will come from the ramp-up of the existing series production programmes and from the start of production of the programmes that are currently under development, SinterCast's long term growth will benefit from the expanding V-diesel and commercial vehicle markets. We estimate that the global 2007 passenger vehicle V-diesel production was approximately 3 million Engine Equivalents and that this may grow to approximately 7 million Engine Equivalents in 2012, primarily fuelled by increased diesel uptake in the U.S. Likewise, we estimate that the commercial vehicle market may grow from approximately 7.5 million Engine Equivalents in 2007 to approximately 10.5 million Engine Equivalents in 2012, primarily driven by increased market demand in Eastern Europe and Asia. The result is a combined core-market potential of 18 million Engine Equivalents, of which SinterCast's current pool of 5.5 million Engine Equivalents represents approximately 30% market penetration. Even as we elevate programmes from the current development pipeline into series production, the core market continues to provide significant growth opportunities. SinterCast can grow by continuing to do what it does best: providing process control and technical support for the reliable high volume production of complex CGI cylinder blocks and heads.



Eight new SinterCast-CGI commercial vehicle engines were launched during 2007, including the MAN 10.5 and 12.4 litre engines (courtesy MAN and Tupy)

SinterCast will also grow beyond the core V-diesel and commercial vehicle sectors. At present, approximately 10% of our series production revenue is derived from products other than automotive cylinder blocks and heads, and the volume contribution from this sector will increase as the production of exhaust manifolds, turbocharger housings and other components come on-stream. Equally important, the growth in this sector can provide opportunities for new foundry installations, particularly in Eastern Europe and Asia.

Environmental Demands

Rising fuel prices, declining oil reserves, political instability in the main oil supplying regions and increasing greenhouse gases are certain to affect vehicle purchasing habits, even without government legislation. However, the added pressure of new CO_2 legislation in Europe and new fuel economy legislation in North America will accelerate this change. With 20~30% superior fuel economy, diesel penetration is certain to benefit from the increasing emphasis on carbon-friendly mobility.

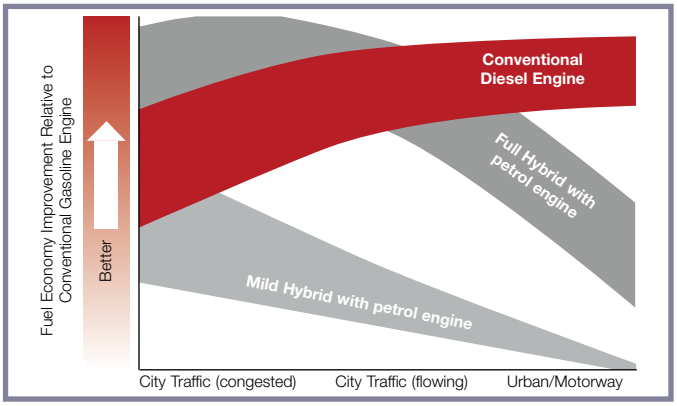
On 19 December 2007, President Bush signed the 'Energy Bill' into law, increasing the Corporate Average Fuel Economy (CAFE) standards in the U.S. from 27.5 mpg (8.6 L/100 km) for cars and 22.5 mpg (10.5 L/100 km) for pick-ups and SUVs to 35 mpg (6.7 L/100 km) for all passenger vehicles by 2020. While this will result in a shift in the North American vehicle mix, a mass consumer movement toward smaller vehicles is unlikely. Much of the required 25~55% CAFE improvement will be realised through increased diesel penetration. This movement toward diesels will benefit SinterCast, especially considering the American preference for large vehicles and V-engines.

SinterCast and the Environment

Engine	Power (ps)	Torque (Nm)	Fuel Economy mpg (L/100 km)	CO_2 (g/km)
Jaguar V6 Diesel (CGI)	207	435	37.6 (7.5)	199
Jaguar V6 Petrol	238	216	26.8 (10.5)	249
Audi V6 Diesel (CGI)	233	332	34.0 (8.3)	223
Audi V6 Petrol	256	244	25.9 (10.9)	262
Land Rover V8 Diesel (CGI)	271	640	25.5 (11.1)	294
Land Rover V8 Petrol	396	560	17.7 (16.0)	376

SinterCast-CGI engines emit 20~25% less CO_2 emissions than the nearest available petrol alternatives

Also on 19 December 2007, the European Commission proposed challenging legislation requiring maximum CO_2 emissions of 130 g/km by 2012. The average 2007 CO_2 emission level for the entire European fleet was 163 g/km, reduced from 181 g/km in 1995. The further decrease to 130 g/km by 2012 will require an annual rate of CO_2 reduction that is 4.4 times faster than during the 1995–2007 period. A variety of technologies will be required to meet the 130 g/km fleet average, and one contributing factor will be the increased use of diesel engines, particularly as consumer preferences continue to evolve toward larger vehicles. On



The diesel engine provides superior overall fuel efficiency for the vast majority of European and American driving conditions (courtesy Ricardo)

average, SinterCast's V-diesel engines emit approximately 50 g/km less CO_2 than the nearest available petrol option. Again, SinterCast can contribute, and benefit.

Within the environmental debate, SinterCast's market development is not influenced by hybrid vehicles, biofuels or any of the other engine technologies that are currently under development. Beyond congested inner-city driving in major cities, we are convinced that modern diesel engines are the best alternative for personal mobility and the environment. This is evident from the recent Darwin-to-Adelaide 3,000 km solar challenge where Audi and Hyundai vehicles, equipped with showroom-standard diesel engines, completed the event with a fuel economy of 3.3 L/100 km and CO_2 emissions of only 98 g/km. In contrast, the Toyota Prius Hybrid consumed 5.6 L/100 km and emitted 146 g/km CO_2 while the Saab Flexfuel E85 consumed 9.3 L/100 km and emitted 148 g/km CO_2. In the best interest of the environment, we implore politicians to tax vehicles directly on CO_2 results rather than providing incentives for specific high profile technologies.

The Next Steps

While the revised CAFE standards will prompt a change in the North American diesel/petrol split by 2020, the need to improve profitability will motivate a more immediate change in the industry. Within the U.S. market, pick-ups and SUVs generate profit while many small cars sell at a loss. However, pick-up sales have declined sharply as fuel prices have increased. For example, the Ford F series pick-up, the best selling vehicle in America in 2004 with sales of 900,000 units, sold only 700,000 units in 2007. At an assumed profit of USD 5,000 per vehicle, the reduced sales correspond to annual lost profit of approximately one billion dollars.

The increased use of diesel engines in North America provides reduced operating costs for the vehicle owner, improved profitability for the OEM, reduced reliance on imported oil and a 20~40% reduction in CO_2 emissions relative to the current petrol alternatives. Market analysts and industry suppliers predict a sharp increase in diesel sales in North America over the next decade, with a consensus of approximately 1.5 million diesel engines per year in 2012. This represents a growth of one million units relative to the current diesel uptake and, assuming an average V-diesel

US Diesel Penetration Estimates

Company	Units*	Percent	Year
Ricardo	1.1	6	2010
Bosch	1.1	6	2010
JD Power	1.3	7	2012
PricewaterhouseCoopers	1.6	9	2012
Ricardo	1.4~1.6	8~9	2013
Martec Group	1.8~2.2	10~12	2013
Bosch Automotive	2.7	15	2015
JD Power	1.8~2.7	10~15	2015
University of Michigan	2.7	15	2015
University of Michigan	3.2	18	2020
BorgWarner	2.7~3.6	15~20	2020

*Note: Millions of engines per year

Diesel penetration in the US market is forecast to increase sharply over the next decade

engine size of 4.5 litres, has the potential to provide over 1.5 million additional Engine Equivalents in the market.

In parallel with our efforts to support the burgeoning U.S. market opportunity, we have also increased our presence and support in the Asian market. The most obvious commitment is the recent registration and opening of our new representative office in Shanghai. The local office will promote SinterCast's technology in the largest commercial vehicle market in the world and will provide technical support for the expected start of series production of exhaust manifolds and turbocharger housings at the Da Shiang Precision foundry in Tianjin. We will also accelerate our efforts in India – the fourth largest commercial vehicle market in the world – and Russia, and continue to build on our strong market presence in Korea. Each of these countries have adopted Euro emissions legislation and, as the commercial vehicle OEMs in these markets eventually face the same emissions challenges as their European counterparts, they will likely adopt many of the same solutions, including CGI. Having established our technology and operating routines in the home markets of Europe and the Americas, Asia will become a prime focus for SinterCast's market development over the next few years.

Leadership and Brand

SinterCast's leadership position was reinforced during 2007 by the continued successful ramp-up of series production, by the positive feedback received from our customers and by new System 2000 installation orders and series production commitments being awarded to SinterCast. Our series production record and our efforts to support the market development of CGI have earned SinterCast widespread respect and have established the "Supermetal CGI" brand throughout the industry. Perhaps the strongest endorsement of our technology is that, without exception, every OEM that has launched a SinterCast-CGI engine has also proceeded to develop additional SinterCast-CGI engines.

Approximately 80% of the NASCAR grid relies on SinterCast-CGI cylinder blocks

Dr. S. Dawson
President & CEO

The Business Model

SinterCast provides on-line process control technology to the cast iron foundry industry to enable the reliable high volume production of Compacted Graphite Iron. CGI is primarily used in diesel engine cylinder blocks and heads, for passenger vehicle, commercial vehicle and industrial power applications. SinterCast:

The System 2000

The Sampling Cup

- Sells or leases the System 2000 hardware platform. The System 2000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €300~450,000, depending on the configuration and installation requirements. For leased systems, the typical lease period is seven years.
- Leases the System 2000 software. The software applies the metallurgical know-how and provides the operating logic for the System 2000 hardware. SinterCast charges an Annual Software Licence Fee and retains ownership of the software.
- Sells the sampling consumables: the Sampling Cup and the Thermocouple Pair. One Sampling Cup is consumed with each measurement. The Thermocouple Pair is re-used for approximately 150 measurements. One SinterCast measurement (one Sampling Cup plus 1/150 of a Thermocouple Pair) is required for each production ladle.
- Charges a Production Fee for each tonne of shipped castings, based on the as-cast (not machined) weight. There are 20 Engine Equivalents (50 kg each) per tonne.
- Provides technical support for product development, new installations and calibrations, and ongoing customer service.

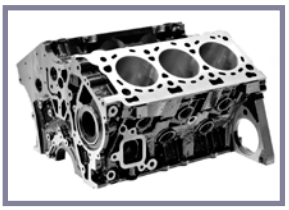
The ultimate running fees (sampling consumables plus Production Fee) depend on the ladle size and the casting yield. Typical series production conditions for a V6 passenger vehicle diesel engine are:

As-cast cylinder block:	60~70 kg
Ladle weight:	1,000~2,000 kg
Casting yield:	55~65%

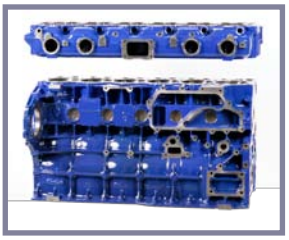
Under these conditions, and depending on currency exchange rates, the current typical running fees are approximately €40~50 per tonne of castings, equivalently, €2~2.50 for each Engine Equivalent.

SinterCast and the Market

With current operating expenses of approximately €2.5 million per year and running revenues derived from series production of approximately €2~2.50 per Engine Equivalent, plus revenue from System 2000 installations and technical support, SinterCast requires less than one million Engine Equivalents for breakeven.



Hyundai 3.0 litre V-diesel CGI cylinder block (courtesy Hyundai)



Ford-Otosan 9.0 litre CGI cylinder block and head (courtesy Ford-Otosan)

- Annualised year-end series production was over 525,000 Engine Equivalents. The current series production programmes will provide approximately one million Engine Equivalents when fully ramped to mature volume.
- Beyond the current series production programmes, SinterCast is supporting the development of new programmes that can provide approximately 4.5 million additional Engine Equivalents. Many of these programmes will begin series production within the next 12~24 months and reach mature volume within approximately two years thereafter.
- As the programmes currently in the development pipeline are launched, new programmes will continuously enter the development pipeline.
- The market opportunity for CGI in Europe and North America is for passenger vehicle V-diesel cylinder blocks and for commercial vehicle cylinder blocks and heads. In the rest-of-world regions, with minimal large/luxury vehicle production, the market opportunity is based on commercial vehicles.
- CGI has effectively become a 'standard' for V-diesel engines and this sector provides growth opportunities. Each of the US 'Big 3' have announced pre-2010 CGI V-diesel launches in the 4~5 litre size range, potentially providing over 1.5 million Engine Equivalents.
- Commercial vehicle applications will grow in the western world, as specific performance and emissions requirements continue to increase. Growth opportunities will also develop in China, India and Russia as modern diesels and Euro emissions legislations are introduced. A typical commercial vehicle cylinder block provides 5~7 Engine Equivalents.

SinterCast's current series production and product development activities have the potential to provide running revenues in excess of €10 million per year. Additional revenues will be realised from new installations and Engineering Service. Over the same period, operating expenses are not expected to increase beyond approximately €4 million per year.

Invited Article – Diesel Progress

Michael J Osenga is president of Diesel & Gas Turbine Publications and publisher of *Diesel Progress* and *Diesel Progress International*, industry-leading trade magazines for the global diesel engine and diesel engine-powered equipment markets. In over 30 years with *Diesel Progress*, Mike has written more than 1,000 feature articles on literally every aspect of the diesel engine and diesel engine equipment business. From his unique industry perspective, Mike shares his thoughts on the development of the diesel market.

The diesel engine world was a pretty tame place to be before 1990. Like any product and any market, things were always changing and improving, but the rate of change was steady and somewhat methodical, with not a great deal of outside pressure on the manufacturers of these widely used engines. Then came 1990 and the entire world of diesel engine design, manufacturing and application turned upside down, and it has still not righted itself.

In 1990, the U.S. Environmental Protection Agency (EPA), with the passage of the Clean Air Act, followed closely by the emerging European Union, placed the emissions of diesel engines directly in its line of fire. Concurrent with a rise in environmental interest and awareness globally, diesel engines, which had never been subject to significant regulatory pressure, would now be forced, starting in 1995 in the U.S., to progressively reduce their exhaust emissions by over 95% across-the-board and over 98% for some pollutants. And the diesel world would be required to do this in about 20 years, compared to the 30+ years the American automotive world was given to clean up its tailpipe emissions.

Suddenly the diesel engine was under a microscope. The fuel systems were changing, eventually even the fuel itself changed. The way in which a diesel engine used air changed, which meant advancements in turbocharging and the redesign of manifolds. Heat increased which meant changes in engine cooling. Literally every nook and cranny of a diesel engine was subject to change.

Throughout all the myriad developments one thing was constant – higher and higher pressures throughout the engine with every successive level of regulation. To burn the fuel more efficiently, the injection pressures increased significantly on almost an annual basis. The air handling systems demanded more pressure. As the more and more restrictive tiers and stages of regulations began in the early years of the 21st century, manufacturers began recirculating exhaust gases for even better efficiencies, but also with an increase in pressure and heat.

This led the diesel engine design world, in an effort to maintain power density, performance, weight-to-output ratios and fuel economy, both in the burgeoning diesel automotive markets of Europe and Asia and in the heavy duty diesel world of the U.S., to begin a comprehensive evaluation of the materials used in diesel engines and the many components of those engines.

The materials used in pre-1990s era diesels, even with better sealing throughout, were being studied and in many cases alternatives were introduced. Into that rapidly changing design world CGI-Compacted Graphite Iron began to find a need. With SinterCast breaking into the market in 1999 with the Audi 3.3L diesel (now a 4.2L engine), and with production of approximately 30,000 cylinder blocks per month today, SinterCast has certainly moved from a pioneering CGI company to an increasingly important supplier to the global diesel engine business.

The heavy duty world, especially in North America, however, had heretofore been slower to adapt newer technologies and always cast a wary eye on anything that comes out of automotive. However, there is a dawning realization that CGI may be a key element, for example, in saving Vee-type diesel engines, which the North America truck market has historically been fond of. There is however little doubt that as the 2010 on-highway standards approach, followed closely by the 2011 Interim Tier 4 off-highway standards, leading to the final Tier 4 regulations in 2014, that this examination of all things diesel is far from over.

The International-Navistar Maxxforce™ 11 and 13 Big Bore engines became the first CGI engines in North America, with sales launch during 2007 (courtesy International)

In fact, many diesel designers today feel the rate of change of diesel technology is about to shift into overdrive. The developments from 1995 through today have been extensive and exhaustive, yet those changes may pale at the breadth and especially at the speed at which things change between now and 2014.

For a material like CGI, the future may actually have just arrived. The American truck and engine manufacturer International is using CGI with its new MaxxForce™ Big Bore engines, the platforms that the iconic U.S. manufacturer is counting on to pave the way into its second 75 years of diesel engine manufacturing.

There are many that feel the diesel engine is the savior of SUVs and other such consumer vehicles in North America. With fuel prices high and going higher, at least by American standards, the automotive industry is scrambling to find technologies that can save what has been the most profitable vehicles produced for the North America markets. Suddenly, fuel economy is king.

Enter the Vee configuration diesel engine. Cummins, GM and Ford have all announced new diesel engine models for this heavy duty segment of the consumer market, all of which should be welcome news for CGI.

Paralleling this is an expected explosion in diesel powered cars in North America. Because of the experiences in the later 1970s, when poorly prepared diesels were rushed to market, American drivers have been slow to embrace diesels for their cars. The image of clunky, noisy, smelly and slow, not to mention having to sit in a frozen car in colder climes waiting for a glow plug to (slowly) heat the engine have not fully dissipated.

But that could change, and when it does, it could change very quickly. Turning the American advertising community loose on a product that is 20–30% more fuel efficient, is incredibly clean in the emissions it produces and has the same performance as larger gasoline engines, is not going to be a hard sell. And once again that sort of development causes the door to fly wide open for a material like CGI.

CGI and SinterCast have seen remarkable growth from the early days as a pioneering, but niche material for the diesel engine market. Today, it has advanced to become an accepted alternative for many diesel engine uses.

But as outlined above, with the pace of diesel technology about to explode globally, and especially in North America, while the past has been impressive, the future has the potential to be incredible.

Michael J Osenga
Publisher, Diesel Progress and Diesel Progress International

SinterCast and the Environment

CGI and Diesels

SinterCast's technology enables the reliable high volume production of Compacted Graphite Iron. In turn, the improved strength of CGI allows diesel engines to operate at higher temperatures and pressures. Ultimately, the increased temperatures and pressures result in smaller and more fuel efficient engines that emit less CO_2 while providing the noise refinement and performance demanded by modern consumers.

Much of the global growth over the next decade will be in the small low-cost vehicle sector. However, OEMs will continue to develop and sell large high-cost vehicles, both to satisfy consumer demand and to improve profitability. Approximately 13 million of the 65 million passenger vehicles sold globally during 2007 were equipped with engines larger than 2.5 litres. SinterCast's environmental contribution is to improve the fuel efficiency of these engines, thereby reducing the overall CO_2 fleet average. In comparison to the nearest available petrol options, SinterCast's CGI V-diesel engines provide 20~30% lower fuel consumption and 15~25% less CO_2 emissions, corresponding to an average CO_2 reduction of approximately 50 g/km.

US Legislation

The Environmental Protection Agency (EPA) in the US is responsible for the protection of public health. Therefore, US legislation has historically focused on toxic emissions such as particulate matter (PM) and oxides of nitrogen (NO_x), rather than non-toxic greenhouse gases (CO_2). This focus, combined with historically low fuel prices, led to the unlikely combination of high fuel consumption with stringent PM and NO_x limits. US 2007 NO_x limits will not be equalled in Europe until 2014.

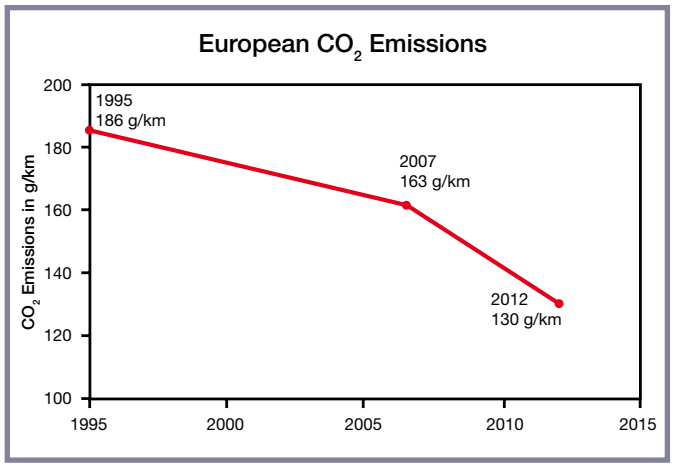
The US focus has begun to change. On 19 December 2007, the US 'Energy Bill' became law, requiring significant improvements in fuel efficiency by 2020. The Corporate Average Fuel Economy (CAFE) standards of 27.5 mpg (8.6 L/100 km) for cars and 22.5 mpg (10.5 L/100 km) for pick-ups and SUVs – unchanged since 1990 – will increase to 35 mpg (6.7 L/100 km) for 2020. Beyond the CAFE requirements, California and 9 other states that account for 30% of all US vehicle sales are pushing for a 30% CO_2 reduction by 2016.

With 40% of all new US vehicle sales based on large petrol-engined pick-ups and SUVs, conversion to diesel is one of the fastest and most cost-effective approaches to meeting the new fuel economy and CO_2 requirements. This diesel conversion provides an opportunity for SinterCast to make further contributions to the environment, while growing within its core competence for CGI V-diesels.

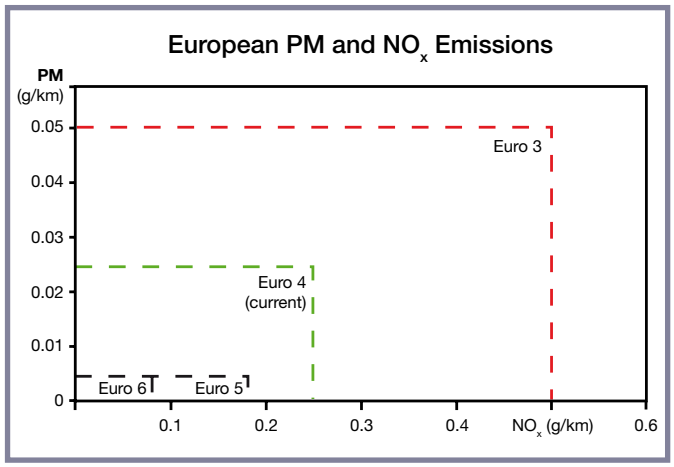
EURO Legislation

European legislation has targeted both toxic (PM and NO_x) and non-toxic (CO_2) emissions. Although the present European legislation allows six times higher NO_x emissions than current US limits, the recent announcement of Euro VI legislation in 2014 effectively aligns European and US emissions standards.

Many industry insiders believe that, with Euro VI legislation, toxic pollution is effectively solved and that the remaining area for improvement is in CO_2 reduction. This belief is reflected in recent European Commission CO_2 legislation requiring a maximum of 130 g/km by 2012, a 20% reduction from the 2007 fleet average of 163 g/km. Non-compliance penalties have also been proposed such that Mercedes Benz, currently the highest CO_2 brand in Europe (188 g/km), would receive a 2015 penalty of €5,500 per vehicle sold if its CO_2 average did not change. Even PSA, currently the lowest CO_2 brand in Europe (142 g/km) would face 2015 penalties of €1,140 per vehicle. With penalties capable of erasing profit margins, and less than four years to react, increased diesel penetration – particularly in the large vehicle sector – is likely. This provides additional opportunities for SinterCast to contribute to the environment, and to grow.



Compliance with the European CO_2 legislation of 130 g/km by 2012 will require a rate of improvement 4.4 times faster than the CO_2 reduction during the 1995–2007 period.



Euro VI toxic emissions levels for 2014 represent a 75% reduction in NO_x and effectively align European and U.S. NO_x limits.

The SinterCast Board

Ulla-Britt Fräjdin-Hellqvist
MSc Eng, Ph, Chairman
Stockholm, Sweden
Born 1954, Nationality: Swedish
Main duties: Fräjdin & Hellqvist AB
Other Board duties: Castellum AB, Finnveden AB, Friskvårdschecken, Generic Sweden AB, Kongsberg Automotive ASA, Ruter Dam (Chairman), Rymdbolaget AB, Stiftelsen för Strategisk Forskning (Chairman), Svedbergs and Tällberg Advisors
Member of the Board since 2002
No. of shares*: 2,000

Aage Figenschou
LLM, Vice Chairman
Oslo, Norway
Born 1948, Nationality: Norwegian
Main duties: Lawyer, Aage Figenschou AS
Other Board duties: B Skaugen AS, Blue Water Insurance Co ASA (Chairman), Norwegian Shareholders Association (Chairman), Pareto Worldwide Shipping ASA, Simmons & Co International Inc, Sagex Oil ASA (Chairman) and Stiftelsen AksjeNorge
Member of the Board since 1998
No. of shares*: 10,200

Andrea Fessler
BA, JD
Hong Kong, China
Born 1968, Nationality: Canadian
Main duties: Consultant, Legal & Business Affairs, Star TV
Member of the Board since 2003
No. of shares*: 5,000

Robert Dover
FR Eng, FIED, FRSA
London, United Kingdom
Born 1945, Nationality: British
Professor of Industrial Manufacturing, Warwick University
Former Chairman and CEO of Jaguar and Land Rover. Former Chairman and CEO Aston Martin
Other Board duties: British Motor Industry Heritage Trust (Chairman), Jaguar Daimler Heritage Trust, Cambridge University IMRC Advisory Board (Chairman)
Member of the Board since 2004
No. of shares*: 4,000

Steve Dawson
B.Eng, M.A.Sc., PhD, P.Eng
London, United Kingdom
Born 1962, Nationality: Canadian
Member of the Board since 2007
No. of shares*: 25,000
No. of warrants+: 150,000

* As of 1 March 2008
+ Warrant exercise date: 1 November 2009 – 31 January 2010

The SinterCast Management

Steve Wallace
Operations Director
Rejmyre, Sweden
Born 1967
Nationality: British
Employed since 2003
No. of shares*: 1,000
No. of warrants+: 12,000

Steve Dawson
President & CEO
London, United Kingdom
Born 1962, B.Eng, M.A.Sc., PhD, P.Eng
Nationality: Canadian
Employed since 1991
No. of shares*: 25,000
No. of warrants+: 150,000

Daphner Uhmeier
Finance Director
Rönninge, Sweden
Born 1962, BSc
Nationality: Swedish
Employed since 2004
No. of shares*: 0
No. of warrants+: 12,000

* As of 1 March 2008. + Warrant exercise date: 1 November 2009 – 31 January 2010.

The Competitive Position

Foundry: SinterCast's process control technology is proven and widely accepted by the global foundry and OEM communities. SinterCast currently supports the production of approximately 30,000 CGI cylinder blocks per month. To SinterCast's knowledge, no other provider of CGI process control technology has any active CGI cylinder block production.

Aluminium: The higher strength of CGI allows CGI V-diesel engines to be smaller and lighter than equivalent-performance aluminium engines. CGI also provides cost and cradle-to-grave environmental advantages relative to aluminium. Of the last eight V-diesel engines launched, only one was aluminium – seven were CGI.

Hybrids: Hybrid vehicles provide an alternative for congested inner-city driving, but emit more CO_2 than diesels in open road driving. Hybrids compete primarily in the small vehicle sector and do not affect SinterCast's core V-diesel and commercial vehicle market. Market penetration of hybrid vehicles in 2007 was 0.25% in Europe and 1.4% in the US.

Biofuels: Biofuels contribute to carbon-neutral transportation. However, sustainability, environmental benefits and life-cycle economics must still be proven. Biofuels do not influence diesel engine cylinder block design and therefore have no impact on SinterCast's market development.

Fuel Cells: Fuel cells may eventually become the dominant powerplant for vehicular transportation. However, significant cost and technical obstacles must still be overcome. The development of the fuel cell will not affect SinterCast's market development within the next 15~20 year period.

Micro Cars: Global vehicle production will grow from 65 million units in 2007 to 100 million by 2020. Much of this growth will be for ultra-low-cost micro cars, primarily in Asia. This growth may also lure some Western consumers away from the current small car segments, but will not affect SinterCast's core passenger vehicle V-diesel market.

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 2007. SinterCast AB is the parent company of the SinterCast Group, with its registered office located in Stockholm, Sweden.

Series Production

Building on the start of series production of commercial vehicle cylinder blocks for Hyundai, International-Navistar, MAN Nutzfahrzeuge and Volvo Powertrain, plus the continued ramp-up of passenger vehicle V-diesel cylinder block production for Audi-Volkswagen, Ford-PSA Peugeot-Citroën and Hyundai, production volume reached an all time high of more than 600,000 Engine Equivalents during October 2007. The annualised production rate remained in excess of 500,000 Engine Equivalents throughout the quarter, despite the December summer shutdown at SinterCast's largest production foundry in Brazil. The fourth quarter production volume represents a 43% increase relative to fourth quarter 2006. Further growth is expected during 2008 as the new production programmes continue to ramp-up and additional production programmes come on-stream. The mature volume of the current series production programmes is estimated to be approximately one million Engine Equivalents.

Following the January 2008 launch of the Kia Mohave SUV in Korea, with the Hyundai 3.0 litre V6 engine, SinterCast-CGI cylinder blocks are now available for purchase in 18 vehicles and nine car brands. Combined with the commercial vehicle programmes, automotive cylinder block and head production currently accounts for approximately 90% of SinterCast's production volume. The remaining 10% is derived from large industrial power applications, small automotive components and motorsport cylinder blocks. Approximately 80% of the NASCAR racing grid currently relies on SinterCast-CGI cylinder blocks.

Market Development

During the period, the Da Shiang foundry in China, the Halberg foundry in Germany and the Cifunsa foundry in Mexico each ordered additional SinterCast Sampling Modules. The additional Sampling Modules can be incorporated into the existing System 2000 hardware platform to effectively double the production capacity. The investment at Da Shiang was made to support the planned start of high volume production of exhaust manifolds and turbocharger housings, while the installation at Halberg was motivated by increased market demand for the Audi 4.2 litre V8 TDI cylinder block. The additional Sampling Module for Cifunsa was shipped during December 2007 for new CGI series production programmes that are currently in the prototyping and pre-production phases.

Within the passenger vehicle sector, SinterCast's market development activities continue to focus primarily on V-diesel cylinder blocks. Since early-2006, seven of the last eight V-diesel engines launched in the market were based on CGI cylinder blocks. The overall market potential for SinterCast and CGI in V-diesel applications received further support during the 19-27 January 2008 Detroit Auto Show, where each of the US 'Big 3' automakers confirmed new V-diesel engines for light duty pick-up and SUV applications. It is estimated that these 'Big 3' programmes alone could provide more than 1.5 million additional V-diesel Engine Equivalents in the market. The vehicles are expected to appear in dealer showrooms before 2010.

SinterCast's current market development extends beyond the core European and American cylinder block and head activities. Product development and new foundry installation discussions are underway for engine components in Asia and for applications such as turbocharger housings, exhaust manifolds and clutch components. Development of these components and increased brand awareness of SinterCast in Asia are primary goals for 2008.

Market Outlook

The typical concept-to-showroom development cycle for new engine programmes in the automotive industry is approximately four years. The planning of the automotive OEMs therefore allows SinterCast to estimate the Start of Production (SOP) dates for new engine programmes within the near-term (<5 year) period. Following the start of series production, the ramp-up rates for new production programmes and the time required to reach mature volume depend largely on the sales success of the vehicles and are therefore more difficult to forecast. In general, new engine programmes reach mature volume within approximately two years after SOP. While SinterCast does conduct sales and marketing activities that are targeted toward development programmes beyond the near-term period, these are more speculative and are generally not included in the Development Pipeline. Many of the programmes in the Development Pipeline have already progressed through the initial product development stages and are expected to begin foundry production within the next 1~2 years. Based on current activities and knowledge, the near-term market opportunity can be summarised as follows:

	Approximate Annual Engine Equivalents (Thousands)	
Activity	**31 December 2007**	**30 September 2007**
Current Series Production[1]	525	450
Potential Mature Volume[2]	1,000	875
Announced Programmes[3]	200	385
Development Pipeline[4]	4,300	4,285
	Total[5]: 5,500	**Total[5]: 5,545**

[1] Current annualised production rate

[2] Annualised potential mature volume of current series production when fully ramped-up

[3] Annualised mature volume of programmes that have been announced, but have not yet started series production

[4] Annualised mature volume of development programmes that SinterCast is currently supporting, but have not yet been announced

[5] Sum of items 2, 3 and 4

With SinterCast's current business model, the total near-term market opportunity, when fully ramped to mature volume, provides for running revenues in excess of SEK 100 million per year. Additional revenues will continue to be realised from Engineering Services, new System 2000 installations and other business activities.

SinterCast's near-term growth is primarily linked to the passenger vehicle V-diesel and the commercial vehicle cylinder block and head sectors. In total, global production in these two sectors is expected to increase from approximately 10 million Engine Equivalents in 2007 to approximately 18 million Engine Equivalents in 2012, primarily fuelled by growth in the commercial vehicle sector. This provides for continuous growth opportunities in SinterCast's core sector. The current series production level of 525,000 Engine Equivalents represents a penetration rate of approximately 5%, establishing an excellent reference for the robustness of the SinterCast process control technology while still providing significant growth potential within the core market.

Market Penetration and Competition

Virtually every company encounters competition, and SinterCast is no exception. Some foundries, for example in Germany, follow in-house CGI production techniques to differentiate their offering from off-shore competition. However, in the global market, SinterCast enjoys the respect of the industry as the market leader for CGI process control technology and CGI know-how, and is welcomed as a reliable and trustworthy technology partner. At present, SinterCast's market penetration in comparison to the combined penetration of other companies that may present themselves as providers of CGI process control technology can be summarised as follows:

Category	SinterCast	All Others
CGI Cylinder Blocks/month	~ 30,000	0
Last 5 CGI foundry installation orders	5	0
Penetration: global cast iron block & head capacity (%)	50	0

Based on its leading technology and engineering service, SinterCast will continue to support new CGI development activities and further increase its share of the world CGI cylinder block and head production capacity.

Patents and R&D

SinterCast currently holds 18 (23) patents. The core technology is primarily protected by 10 (10) of the most recent patents, filed since 1997. These patents will remain valid until approximately 2015 and provide long-term security for the technology and the market position. In the meantime, new patents will be filed to extend the scope and duration of the formal protection. During 2007, several patents were intentionally allowed to lapse. It was judged that these older patents no longer reflected SinterCast's current technology and that the protection offered did not warrant continued payment of the annual fees. SinterCast currently maintains 91 (103) individual national phase patents granted or pending worldwide. The 18 base patents address SinterCast's metallurgical technology (9), sampling technique and hardware (3), product applications (3) and CGI machining (3).

SinterCast's Research and Development (R&D) activities are based at the Technical Centre in Katrineholm, Sweden. While the technical focus has evolved from R&D toward series production and customer support, research activities continue toward the continuous improvement of the accuracy and reliability of the sampling consumables and the expansion of the System 2000 user-friendliness and functionality in order to maintain and extend SinterCast's market leadership position.

Organisation and Human Resources

The Group management and sales activities are based at the headquarter office in London, UK. The Technical Centre based in Katrineholm, Sweden is responsible for technical and commercial support of ongoing foundry production activities, product development, production of the control systems and sampling consumables, ISO 9001:2000 quality certification, and finance and administration. Local support of customer activities in North and South America is provided by SinterCast Inc., based in Chicago, USA with key technical support provided by the Technical Centre in Katrineholm. A representation office was established in China during March 2008, headed by Dr. X.F. Zhang, a new employee who joined the group on 1 January 2008.

In order to expand SinterCast's market reach, representation agreements have been established with Ashland Casting Solutions on a global basis, ASD International in Japan, Pantech Engineering in Australia and with the STPC (Swedish Trade Promotion Center) in Korea. A representation agreement with ABB Elektrik in Turkey has also been active since 2003. Following the successful introduction of SinterCast's technology in Turkey, notice regarding cancellation of the representation agreement with ABB Elektrik has been served. SinterCast will begin to directly represent itself in Turkey from early-2008, as it does in most other countries. Ad-hoc consultancy agreements have also been established to support SinterCast's local sales activities in France and India. Together with the global presence of technology partners such as ABP for foundry automation, Grainger & Worrall for rapid prototyping and MAG Industrial Automation Systems for manufacturing, the representation agreements and ad-hoc consultants provide a familiar and respected local presence for the SinterCast technology.

The SinterCast employees comprise a technology-oriented and technology-driven team that has the knowledge, competence, experience and motivation to support all aspects of CGI product development, series production and customer service. As SinterCast is a knowledge-intensive company, it is essential to maintain and develop in-house specialist skills and to nurture external contacts to continuously develop the specialist know-how.

The human resource development takes place through regular appraisal discussions, in-house exchange of know-how and through development of skills and expertise. The objective is to support, motivate and stimulate the employees to improve their expertise in order to assume greater responsibility within the company and towards the customer. The Company strives to improve the working environment and has not had any incidents or injuries during the year. The Company works with preventive measures against sickness and ill health. Exercise activities are encouraged through, for example, various forms of discounts in health club memberships.

The number of employees as of 31 December 2007 was 14 whereof three were female. Two new university graduate metallurgical engineers were recruited during 2007. Further technical and commercial recruitment is planned to support the increasing market demand. No employees left the Company during the year. The Company had 17 absence days due to illness and no absenteeism due to longer illness periods.

Environment

SinterCast's environmental contribution centres around the ability of CGI to improve the fuel economy and emissions performance of internal combustion engines. The higher strength of CGI enables smaller engines to provide higher performance levels. The smaller CGI engines provide 20~25% less CO_2 emissions (approximately 50 g/km) than the nearest available petrol engine alternative. Further, as the strength of CGI provides improved dimensional stability in the engine, the superior emissions performance related to oil consumption and blow-by emissions remain throughout the life of the vehicle – not just for the first 100,000 km. The application of the SinterCast process control technology during foundry production does not constitute any incremental environmental concern. SinterCast operates within the environmental limits established by local and national legislation and does not have any operations that require any specific environmental permission or concessions from the authorities.

Board of Directors and Corporate Governance

According the Articles of Association, the Board of Directors shall be elected annually at the Annual General Meeting and the Directors' mandate shall last until the conclusion of the next Annual General Meeting. The Board of Directors elects a Chairman and a Vice-Chairman from its members. The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The tasks and duties of the Board of Directors are laid down primarily in the Articles of Association, the Swedish Companies Act and other relevant laws and the Listing Agreement with the Nordic Exchange, Stockholm. Changes to the Articles of Association are decided by the General Meeting. The Articles of Association does not regulate dismissal of directors.

The Board of Directors of SinterCast consists of five members elected at the Annual General Meeting 2007. The majority of the elected Board Members are independent of the company and of the shareholders. The Board elected Ulla-Britt Fräjdin-Hellqvist as Chairman and Aage Figenschou as Vice Chairman at the Statutory Board Meeting.

A Nomination Committee elected by the Annual General Meeting 2007 consists of Bertil Hagman, Chairman, Ulla-Britt Fräjdin-Hellqvist and Lars Ahlström. The task of the Nomination Committee is, after consultation with major shareholders, to nominate members for election to the Board, to make recommendations on remuneration of the Board of Directors, and to establish certain other proposals for consideration at the Annual General Meeting.

A Compensation Committee elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou and Bertil Hagman. On behalf of the Board, the task of the Compensation Committee is to decide on the employment agreement for the Managing Director and, after consulting with the Managing Director, for the Senior management. In addition, Aage Figenschou and Bertil Hagman decide upon the conditions of the agreement with the Chairman.

The Annual General Meeting decided in 2007 upon a remuneration policy in respect of Senior Management in accordance with the following main principles: The total remuneration shall be competitive and in line with market conditions, and give room for reflection of outstanding achievements. The benefits shall consist of fixed salary, possible variable remuneration, other customary benefits and pension. The principles have been followed during the year. The Board will propose to the 2008 Annual General Meeting that the principles for compensation and other terms of employment for Senior management will remain unchanged.

Taking into account the membership of the Board and the nature and size of SinterCast's operations, the Board has not considered it necessary to set up other committees to prepare matters for which the Board is responsible.

Each year the Board adopts a written work plan which lays out the Board's responsibilities and which regulates the Board's and directors' internal division of duties, the decision-making process within the Board, the Board's meeting schedule, summonses to board meetings, agendas and minutes, and the Board's work on accounting and auditing matters and financial reporting. The work plan also regulates how the Board is to receive information and documentation for its work so as to be able to make well informed decisions.

During 2007 the Board of Directors of SinterCast carried out seven minuted meetings. At each meeting in connection with a quarterly report, the CEO presents the market outlook, an economic and financial report on operations and important events. In addition the CEO serves the Board with monthly reports on significant events and summary financial information. During the year, the Board of Directors have dealt with long-term strategies, structural organisational issues and approval of the budget for the following year. Individual Board members also assisted the management group in various strategic and operational matters. The Board has no audit committee. However, at least once a year the Board meets with the Company's auditors without the presence of the CEO or any other representative from the Company and each year the Board reviews the auditors' report.

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organisation in designed in such a way that the bookkeeping, financial management and the Company's financial conditions in general are controlled in a satisfactory manner. The Swedish Code of Corporate Governance will be extended to all listed companies on the Nordic Exchange, Stockholm as of 1 July 2008. The code clarifies and prescribes that the Board is responsible for internal control. SinterCast will comply with the extended rules and has started the process of how to implement the code in an appropriate way.

Risk Management, Risks and Uncertainty Factors

The Board of Directors has established SinterCast's finance policy to provide a framework for how different types of 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. For further information on risks and uncertainty factors please see note 28.

Significant Events

As of the 31 December 2007 balance sheet date the entire carried forward tax losses could not be recognised. Therefore, no deferred tax assets have been recognised in the annual report 2007.

In the meantime, the Company has adopted a step-by-step approach to the utilisation of the accumulated tax losses. Based on volume forecasts provided by the production foundry and/or by the automotive end-user, including prudent probability factors, the Company recognised SEK 75 million of its accumulated tax losses during March 2007. The recognition results in a statutory income of SEK 21 million in the Company's first quarter result for 2008.

Operating Result, Liquidity, Investments and Option Programme

SinterCast's revenue primarily relates to income from new installations, series production and Engineering Service.

During 2007, approximately 50,200 (40,900) Sampling Cups were delivered to customers. The full year result has improved by SEK 5.2 million (54%) compared to 2006 and the full year cashflow result of SEK 0.8 million represents an improvement of SEK 5.5 million compared to 2006, providing a Group liquidity of SEK 16.3 million on 31 December 2007 (SEK 15.5 million). Investments continue on a low level and relate mainly to office equipment.

	January–December	
	2007	**2006**
Revenue	**22.8**	18.1
Result after calculated tax	**-4.5**	-9.7
Result after tax per share (SEK)	**-0.8**	-1.7
Cashflow	**0.8**	-4.7
Liquidity	**16.3**	15.5
Investments	**0.4**	0.5

(Note: Values in SEK million unless otherwise stated)

As of 31 December 2007, the cost of the employee stock option programme was calculated at a total amount of approximately SEK 5.0 million (SEK 3.5 million), based on a share price of SEK 140 (SEK 75). During 2007, SEK 1.7 million (SEK 0.6 million) has been accounted for as costs related to the option programme.

Proposed Allocation of Accumulated Deficit

The Annual General Meeting will decide on the treatment on the loss of the parent company, SinterCast AB (publ), shown below:

Accumulated deficit: SEK -66,787,747
Net loss for 2007: SEK -4,952,066
Total accumulated deficit: SEK -71,739,813

The Board of Directors and the Managing Director propose that SEK 71,739,813 of the statutory reserve be used to cover the accumulated deficit amounting to -71,739,813 and that there shall be no dividend for the operations of 2007.

Share and Shareholders

The SinterCast share is quoted on the Small Cap segment of the Nordic Exchange, Stockholm. Trading on the Nordic Exchange, Stockholm began on 2 October 2006. The SinterCast share has previously been listed on the Stockholmsbörsen O-List since 26 April 1993. As of 1 October 2007, Remium, Stockholm, Sweden was appointed as liquidity provider for the SinterCast share in order to improve the liquidity and decrease the difference between quoted prices.

SinterCast had 3,806 shareholders on 28 December 2007. The ten largest, of which four were nominee shareholders, controlled 44.17% of the capital and votes (41.97% 29 June 2007). As of 28 December 2007, the SinterCast Board, management and employees controlled 0.9% of the capital and votes (0.9% 29 June 2007). At year-end Gandhara Capital owned 12.1% of the shares in SinterCast. As shown below, no other shareholder owns – directly or indirectly – more than 10% of the shares (votes and capital).

The employees do not own shares in pension funds which the voting rights for such shares cannot be exercised directly. The total number of shares is 5,552,900 and all shares have equal voting rights at the General Meeting. SinterCast's Articles of Association do not contain any voting restrictions other than those in the Swedish Companies Act. All shares carry equal dividend rights. The Articles of Association do not include constraints that limit the right to transfer shares and SinterCast has not entered into any agreements that limit the right to transfer shares. SinterCast has not repurchased any shares during the year and does not hold any shares.

The SinterCast share capital on 28 December 2007 was SEK 5.6 million, at par value of SEK 1 per share.

Major Shareholders per 28 December 2007

Name		No. of shareholders	Country	No. of shares	% of total share capital and votes
Gandhara Capital	(nom. shareholder)		HK	674,255	12.14%
Ahlström, Lars incl. affiliates			SE	393,983	7.10%
Nordnet Pensionsförsäkring AB	(nom. shareholder)		SE	333,507	6.01%
Goldman Sachs International			GB	282,000	5.08%
Stenbeck, Ulf incl. affiliates			SE	204,800	3.69%
Hagman, Bertil incl. affiliates			GB	161,700	2.91%
Credit Suisse sec Europé Ltd	(nom. shareholder)		GB	125,692	2.26%
Försäkringsbolaget Avanza Pension	(nom. shareholder)		SE	110,596	1.99%
Ingelman, Carl-Gustaf			SE	85,000	1.53%
Fagerberg, Marie			SE	82,000	1.48%
Subtotal		**10**		**2,453,533**	**44.2%**
Other shareholders approx.		3,796		3,099,367	55.8%
TOTAL		**3,806**		**5,552,900**	**100.0%**
Total foreign shareholders		207		1,824,022	32.8%
Total Swedish shareholders		3,599		3,728,878	67.2%

Distribution of Share Ownership 28 December 2007

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of share capital
1–500	2,920	76.72%	438,508	7.90%
501–10,000	822	21.60%	1,627,637	29.31%
10,001–20,000	35	0.92%	512,393	9.23%
Above 20,000	29	0.76%	2,974,362	53.56%
Total	**3,806**	**100.00%**	**5,552,900**	**100.00%**

Historical Summary – SinterCast Group

AMOUNTS IN SEK MILLION	**2007**	2006	2005	2004	2003	2002	2001
Profit and Loss accounts							
Revenue	**22.8**	18.1	17.2	9.2	6.9	9.7	6.2
Operating loss	**-5.1**	-10.0	-13.1	-19.8	-20.8	-17.4	-32.3
Financial net	**0.6**	0.3	0.7	0.9	0.8	1.1	1.0
Income tax	**0**	0.0	0.0	0.0	0.0	-0.1	–
Result for the year for parent company shareholders	**-4.5**	**-9.7**	**-12.4**	**-18.9**	**-20.0**	**-16.4**	**-31.3**
Cashflow statement							
Cashflow from operating activities before change in working capital	**-2.2**	-6.9	-8.6	-15.9	-16.2	-15.2	-28.2
Change in working capital	**4.4**	2.7	-3.0	-1.8	-2.8	-2.1	-0.1
Cashflow from operating activities	**2.2**	-4.2	-11.6	-17.7	-19.0	-17.3	-28.3
Cashflow from investing activities	**-1.4**	-0.5	-0.4	-1.5	-0.1	-5.1	-3.1
Cashflow from financial activities	**0**	0.0	1.0	10.0	26.9	40.5	-0.1
Change in cash and cash equivalents	**0.8**	**-4.7**	**-11.0**	**-9.2**	**7.8**	**18.1**	**-31.5**
Balance sheet							
Assets							
Fixed assets	**4.7**	5.5	7.7	11.4	13.5	16.5	13.4
Current assets	**7.1**	9.3	14.2	8.5	9.0	7.4	9.5
Cash and bank deposits	**16.3**	15.5	20.2	31.2	40.4	32.6	14.5
Total assets	**28.1**	**30.3**	**42.1**	**51.1**	**62.9**	**56.5**	**37.4**
Total shareholders' equity	**20.0**	**23.4**	**33.0**	**44.7**	**54.7**	**47.1**	**23.8**
Long-term liabilities	**0.0**	1.0	1.0	1.4	1.0	1.0	1.0
Current liabilities	**8.1**	5.9	8.1	5.0	7.2	8.4	12.6
Total shareholders' equity and liabilities	**28.1**	**30.3**	**42.1**	**51.1**	**62.9**	**56.5**	**37.4**
Key ratios							
Solidity, %	**71.2**	77.2	78.4	87.5	87.0	83.4	63.6
Adjusted shareholders' equity	**20.0**	23.4	33.0	44.7	54.7	47.1	23.8
Capital employed	**20.0**	23.4	33.0	44.7	54.7	47.1	23.8
Total assets	**28.1**	30.3	42.1	51.1	62.9	56.5	37.4
Return on shareholders' equity, %	**-20.7**	-34.4	-31.9	-38.0	-39.3	-46.3	-80.3
Return on capital employed, %	**-19.2**	-33.7	-31.3	-37.2	-38.7	-44.9	-79.1
Return on total assets, %	**-29.7**	-26.3	-26.1	-32.5	-34.0	-26.1	-59.5
Debt-to-equity ratio	**–**	–	–	–	–	–	–
Employees							
Number of employees at the end of the period	**14**	12	11	13	15	16	17
Average number of employees	**13**	12	12	14	16	16	22

Definition of key ratios can be found in Note 27

2003–2000 are not recalculated according to IFRS

Profit and Loss Accounts

		GROUP		PARENT COMPANY	
AMOUNTS IN SEK MILLION	Note	**2007**	2006	**2007**	2006
Revenue	1, 2, 11	**22.8**	18.1	**20.7**	17.5
Cost of goods sold	4, 17	**-8.7**	-7.5	**-8.3**	-8.9
Gross result		**14.1**	**10.6**	**12.4**	**8.6**
Cost of sales and marketing	4, 7, 11	**-9.8**	-9.8	**-8.8**	-7.9
Cost of administration	4, 7, 9, 11	**-6.3**	-6.0	**-6.2**	-5.7
Cost of research & development	3, 4, 7, 11	**-4.1**	-4.0	**-4.1**	-4.0
Other operating income	10	**1.0**	0.0	**1.0**	0.0
Other operating costs	10	**0.0**	-0.8	**0.0**	-0.8
Operating result	1	**-5.1**	**-10.0**	**-5.7**	**-9.8**
Interest income and similar items	12	**0.9**	0.5	**1.0**	0.5
Interest expenses and similar items	12	**-0.3**	-0.2	**-0.3**	-0.2
Write down of shares in subsidiaries	12	**–**	–	**–**	-0.2
Financial net		**0.6**	**0.3**	**0.7**	**0.1**
Result after financial income and expenses		**-4.5**	**-9.7**	**-5.0**	**-9.7**
Income tax	24	**0.0**	0.0	**0.0**	0.0
Result for the year for the parent company shareholders		**-4.5**	**-9.7**	**-5.0**	**-9.7**
Average number of shares, thousands	26	**5,552.9**	5,552.9	**5,552.9**	5,552.9
Earnings per share, SEK		**-0.81**	-1.7	**-0.90**	-1.7
Earnings per share diluted, SEK		**-0.81**	-1.7	**-0.90**	-1.7
Dividend		**–**	–	**–**	–

Cashflow Statement

		GROUP		PARENT COMPANY	
AMOUNTS IN SEK MILLION	Note	**2007**	2006	**2007**	2006
Operating activities					
Operating result		**-5.1**	-10.0	**-5.7**	-9.8
Adjustments for items not included in the cashflow					
Depreciation	13, 14	**1.3**	2.4	**1.1**	2.4
Other		**0.9**	0.6	**0.7**	0.6
Exchange rate differences		**0.1**	-0.2	**0.0**	0.0
Received interest income and similar items	12	**0.9**	0.5	**0.8**	0.5
Paid interest expenses and similar items	12	**-0.3**	-0.2	**-0.3**	-0.4
Income tax		**0.0**	0.0	**0.0**	0.0
Total cashflow from operating activities before change in working capital		**-2.2**	**-6.9**	**-3.4**	**-6.7**
Change in working capital					
Stock	17	**0.3**	0.2	**0.3**	0.2
Operating receivables		**1.9**	4.7	**0.5**	4.6
Operating liabilities		**2.2**	-2.2	**4.4**	0.1
Total change in working capital		**4.4**	**2.7**	**5.2**	**4.9**
Cashflow from operating activities		**2.2**	**-4.2**	**1.8**	**-1.8**
Investing activities					
Acquisition of intangible assets	13	**-0.3**	-0.3	**-0.3**	-0.3
Acquisition of tangible assets	14	**-0.1**	0.0	**-0.1**	0.0
Increase/decrease in long-term receivables	16	**-1.0**	-0.2	**-1.0**	0.1
Cashflow from investing activities		**-1.4**	**-0.5**	**-1.4**	**-0.2**
Change in cash and cash equivalents*		**0.8**	-4.7	**0.4**	-2.0
Cash – opening balance		**15.5**	20.2	**15.0**	17.0
Cash – closing balance		**16.3**	**15.5**	**15.4**	**15.0**

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

Balance Sheet – Group

AMOUNTS IN SEK MILLION	Note	**31 Dec 2007**	31 Dec 2006
ASSETS			
Fixed assets			
Intangible assets	13		
Patents		**4.4**	5.2
Total intangible assets		**4.4**	**5.2**
Tangible assets	14		
Computers, fixtures, and fittings		**0.1**	0.1
Plant and machinery		**0.0**	0.0
Total tangible assets		**0.1**	**0.1**
Financial assets			
Other long-term receivables	16	**0.2**	0.2
Total financial assets		**0.2**	**0.2**
Total fixed assets		**4.7**	**5.5**
Current assets			
Stock	17		
Finished products		**3.2**	3.5
Total stock		**3.2**	**3.5**
Short-term receivables			
Trade debtors	15, 28	**2.5**	4.8
Other debtors	18, 28	**0.4**	0.0
Prepaid expenses and accrued income	19	**1.0**	1.0
Total short-term receivables		**3.9**	**5.8**
Short-term deposits	28	**11.9**	11.0
Cash at bank and in hand	28	**4.4**	4.5
Total cash and cash equivalents		**16.3**	**15.5**
Total current assets		**23.4**	**24.8**
TOTAL ASSETS	1	**28.1**	**30.3**

Balance Sheet – Group (Continued)

AMOUNTS IN SEK MILLION	Note	31 Dec 2007	31 Dec 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	26, 28	**5.6**	5.6
Additional paid in capital		**81.2**	81.2
Exchange differences		**6.3**	6.0
Accumulated deficit		**-73.1**	-69.4
Total shareholders' equity		**20.0**	**23.4**
Long-term liabilities			
Loan	20	**–**	1.0
Other long-term liabilities		**0.0**	–
Total long-term liabilities		**0.0**	**1.0**
Current liabilities			
Accounts payable	28	**2.7**	0.6
Other current liabilities	21, 28	**1.6**	1.3
Accrued expenses and prepaid income	22	**3.8**	4.0
Total current liabilities		**8.1**	**5.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**28.1**	**30.3**

Statement of Changes in Equity – Group

		GROUP				
AMOUNTS IN SEK MILLION	Note	Share Capital	Additional Paid In Capital	Exchange differences	Accumulated Deficit*	Total Equity
Opening Balance 1 January 2006		**5.55**	**81.27**	**6.45**	**-60.27**	**33.0**
Exchange rate differences foreign subsidiaries		–	–	-0.40	–	-0.40
Result for the period		–	–	–	-9.73	-9.73
Total recognised income and expense for 2006		**–**	**–**	**-0.40**	**-9.73**	**-10.13**
Employee stock option programme		–	–	–	0.56	0.56
Closing Balance 31 December 2006	26	**5.55**	**81.27**	**6.05**	**-69.44**	**23.43**
Exchange rate differences foreign subsidiaries		–	–	0.24	–	0.24
Result for the period		–	–	–	-4.55	-4.55
Total recognised income and expense for 2007		**–**	**–**	**0.24**	**-4.55**	**-4.31**
Employee share option scheme		–	–	–	0.93	0.93
Closing Balance 31 December 2007	26	**5.55**	**81.27**	**6.29**	**-73.06**	**20.05**

*Including loss for the year.

Balance Sheet – Parent Company

AMOUNTS IN SEK MILLION	Note	**31 Dec 2007**	31 Dec 2006
ASSETS			
Fixed assets			
Intangible assets	13		
Patents		**4.4**	5.2
Total intangible assets		**4.4**	**5.2**
Tangible assets	14		
Computers, fixtures and fittings		**0.1**	0.1
Plant and machinery		**0.0**	0.0
Total tangible assets		**0.1**	**0.1**
Financial assets			
Shares in subsidiaries	25	**1.0**	0.4
Total financial assets		**1.0**	**0.4**
Total fixed assets		**5.5**	**5.7**
Current assets			
Stock	17		
Finished products		**3.2**	3.5
Total stock		**3.2**	**3.5**
Short-term receivables			
Trade debtors	28	**1.7**	3.3
Inter company receivables		**0.4**	0.0
Other debtors	18, 28	**0.4**	0.0
Prepaid expenses and accrued income	19	**0.6**	0.3
Total short-term receivables		**3.1**	**3.6**
Short-term deposits	28	**11.9**	11.0
Cash at bank and in hand	28	**3.5**	4.0
Total cash and cash equivalents		**15.4**	**15.0**
Total current assets		**21.7**	**22.1**
TOTAL ASSETS		**27.2**	**27.8**

Balance Sheet – Parent Company (Continued)

AMOUNTS IN SEK MILLION	Note	31 Dec 2007	31 Dec 2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	26, 28	**5.6**	5.6
Statutory reserve		**81.2**	81.2
Accumulated deficit			
Loss brought forward		**-66.8**	-58.0
Loss for the year		**-5.0**	-9.7
Total shareholders' equity		**15.1**	**19.1**
Long-term liabilities			
Loan	20	**–**	1.0
Other long-term liabilities		**0.1**	0.1
Total long-term liabilities		**0.1**	**1.1**
Current liabilities			
Accounts payable	28	**2.2**	0.3
Inter company payable		**5.2**	3.1
Other current liabilities	21, 28	**1.5**	0.9
Accrued expenses and prepaid income	22	**3.1**	3.3
Total current liabilities		**12.0**	**7.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27.2**	**27.8**
Pledged assets		**–**	**–**
Contingent liability			
Buy-back option for equipment	23	**0.3**	0.3

Statement of Changes in Equity – Parent Company

		PARENT COMPANY					
AMOUNTS IN SEK MILLION	Note	Share Capital	Statutory Reserve	Share Premium Reserve	Loss Brought Forward	Loss For The Year	Total Equity
Opening balance 1 January 2006		**5.55**	**81.27**	**–**	**-44.64**	**-14.25**	**27.93**
Appropriation of last year's loss		–	–	–	-14.25	14.25	–
Result from the merger with SinterCast Technologies AB*	25	–	–	–	0.31	–	0.31
Loss for the year		–	–	–	–	-9.70	-9.70
Total recognised income and expense for 2006		**–**	**–**	**–**	**-13.94**	**4.55**	**-9.39**
Employee Stock Option Programme		–	–	–	0.56	–	0.56
Closing balance 31 December 2006	26	**5.55**	**81.27**	**–**	**-58.02**	**-9.70**	**19.10**
Appropriation of last year's loss		–	–	–	-9.70	9.70	–
Loss for the year		–	–	–	–	-4.95	-4.95
Total recognised income and expense for 2007		**–**	**–**	**–**	**-9.70**	**4.75**	**-4.95**
Employee share option scheme		–	–	–	0.93	–	0.93
Closing balance 31 December 2007	26	**5.55**	**81.27**	**–**	**-66.79**	**-4.95**	**15.08**

* The subsidiary SinterCast Technologies AB, corporate identity number 556473-1668, was merged with SinterCast AB and formally closed on 20 May 2006. During 2006, and until the merger was completed, SinterCast Technologies had revenue amounting to SEK 2.6 million and an Operating Result amounting to SEK 0.9 million. The net result of the merger is accounted for as "merger result" amounting to an equity transfer of SEK 0.3 million to the Parent Company.

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2007 were approved on 27 March 2008 by the Board of Directors and the Managing Director, for publication on 18 April 2008 and will be presented at the Annual General Meeting on 6 May 2008 for approval. SinterCast AB (publ) is the parent company of the SinterCast Group with its registered office located in Stockholm, Sweden. SinterCast is the world leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI).

Basis of Preparation

The consolidated financial statements for 2007 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 Accounting Standards Council's recommendation RR 30:06 – Supplemental Accounting Rules for Groups. The accounts of the parent company comply with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32:06 – Accounting for Legal Entities. The accounting policies used by the parent company comply with the policies used by the Group unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

As from 1 January 2007 the Group has applied the following new and revised standards and interpretations. Applying the new standards and interpretations has not had a significant impact on the result or shareholders' equity. The new standards have mainly increased the amount of notes to the financial statements.

The standard IFRS 7, Financial Instruments, disclosures in financial statements has been implemented during 2007. The standard requires information on the nature and scope of risks arising from financial instruments and on the significance of financial instruments for an entity's financial position.

Amendment to IAS 1 presentation of financial statements – Information on equity to be presented in financial statements. The amended IAS requires information to be presented on the level of the entity's equity and its administration during the fiscal period and will most certainly be effective from 1 January 2009.

The standard IFRS 8, Operating Segments, is effective from 1 January 2009. The standard deals with the financial presentation of entity activities into different segments. According to the standard, SinterCast should present its operations in accordance with the internal reporting structure used by management

Critical Accounting Judgements and Estimates

To establish financial statements according to IFRS, judgement of how to use accounting policies is needed. Further, the management must estimate how to apply chosen accounting principles. The principle of capitalisation of patent costs and the valuation of deferred taxes on tax losses carried forward are important for SinterCast. Costs that are directly associated with filing a patent controlled by the Group in a new market, and where the patent will probably generate economic benefits exceeding costs beyond one year, are recognised in the balance sheet. In applying this principle, management carefully considers the probability of future benefits in the specific local market, for each patent.

As of 31 December 2007, SinterCast had yet to recognise its carried forward unused tax losses. These tax losses represent a possible tax benefit since they can be utilised against future taxable profits. The standard for accounting for deferred tax is IAS 12 "Income Taxes". SinterCast's interpretation of IAS 12 is that recognition of deferred tax assets for the carry forward of unused tax losses, when no taxable profit has yet been reported, is subject to meeting two criteria.

The first criterion is that deferred tax assets 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. The second criterion is that, for a business that has yet not reported taxable profits, convincing evidence must be presented to demonstrate that sufficient taxable profit will be available.

SinterCast uses a model to determine when the recognition criterion of convincing evidence can be met. Convincing evidence, that can be objectively established, is obtained from the SinterCast business model in the form of its contracts with foundries for the engine programmes that are in current series production, or where SinterCast's foundry customers have received definitive orders for future series production. The input for the model includes the profit margins for each engine programme, the historically evidenced production volume and the expected future production volumes and duration for each programme, as communicated by the foundry and/or OEM.

The above model is only used to decide when the convincing evidence criterion required by IAS 12 is met. It does not constitute to a profit forecast. As of the 31 December 2007 balance sheet date, the model described above did not provide sufficient evidence that the entire carried forward tax losses could be recognised. Therefore, no deferred tax assets have been recognised in the annual report 2007.

Share based Compensation Plan

The Group has an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions for social security costs are calculated pursuant to RR Emerging issues taskforce statement URA 46 by applying the same valuation model used when the options were issued. The provision is re-valued at the end of each accounting period on the basis of the calculation of the expenditure that may arise when the instruments are exercised. The calculated amount is accrued in relation to the vesting period.

SinterCast conducts valuation pursuant to the Black & Scholes model, which considers factors such as share price, remaining time to exercise, volatility and risk-free interest rates. The payment of social security costs coincident with employees' exercise of options is offset against the provisioning pursuant to the above.

Stock options attributable to the staff of the subsidiary SinterCast Ltd. are accounted for pursuant to IFRIC 11. In this context, the issuance of options is regarded as a shareholders' contribution from the parent company to the subsidiary, and accordingly, this is accounted as an investment in subsidiaries. Like other contributions, this investment is then subject to an impairment test. If there is a need for write-downs on shares in subsidiaries, the effect is a financial cost posted to the SinterCast AB Income statement. IFRIC 11 had an effective date of 1 March 2007. However SinterCast has chosen to adopt this interpretation prior to 1 March 2007 since it was believed to give the best possible guidance for the accounting.

Consolidation

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

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

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. 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 provides only one product, process control systems for the reliable production of Compacted Graphite Iron, and related services for product development, installations, calibration, and technical support. The company judges that the opportunities and risks are not primarily related to the geographical markets but associated with the overall CGI market development. The operation is defined as the primary segment and no further split has been made other than the presented financial statements.

Based on the present customer base and the geographical areas, the secondary segment has been split into Europe, Asia and the Americas. The income, operating results, assets, and investments presented are allocated based on the location of the individual customers in these geographical areas.

Capital injections and consequent write downs of shares in subsidiaries are accounted for as financial expenses in the Parent Company accounts.

Tangible Assets

Tangible assets consist of machinery and equipment, installed process control equipment, and office furniture. The tangible assets are stated at historical cost less depreciation. Expenses for improvement of the assets are included in the carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenses for maintenance and repair are expensed. The assets are depreciated systematically over their anticipated useful life using the straight-line method. The rate of depreciation, after evaluation of the useful life for each asset is 33% for machinery and equipment, 24–33% for installed process control equipment and 20% for office furniture.

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

Intangible Assets

Capitalised Patent Expenses

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

Capitalised Development Costs

Costs that have been directly associated with the production of specific and unique customer products controlled by the group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised development costs related to specific customer projects are amortised over their estimated useful lives. Amortisation on capitalised patent development costs is included in the costs for research & development.

Production Agreements

Acquired production agreements are shown at historical cost. Production agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of agreements over their estimated useful lives. Amortisation on production agreements is included in the costs for sales & marketing.

The rate of depreciation, after evaluation of the useful lives is 8% for patents and similar rights, 24% for purchased production agreements, and 33% for capitalised development.

Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable.

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.

Financial Instruments

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 the risks and rewards of ownership. SinterCast classifies its instruments in the following categories:

– Held-to-maturity investments, consists of governmental bonds or commercial paper. These investments are presented in the balance sheet as short-term deposits.

– Loans and receivables, consists of the balance sheet items, trade debtors and other debtors.

– Financial liabilities, consists of loans, accounts payable and other current liabilities.

Investments are initially recognised at fair value plus transaction costs. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the effective interest rate.

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

Foreign Currency Translation

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

Transactions and Balances

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

Translation of Group Companies

Translating the foreign subsidiaries' to Swedish Kronor has been made with 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 a separate component of equity.

Revenue Recognition

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

Revenue is recognised as follows:

– Sales of goods are recognised when an entity in the Group has delivered a product to a customer, the customer has accepted the product, and collectibles of the related receivable is reasonably assured.

– Sales of services provided to customers are recognised in the accounting period in which the service is performed.

– Revenues from customers' series production are recognised on an accrual basis according to the substance of the relevant agreement.

– Lease payments under operating leases are credited to the profit and loss statement on a straight-line basis over the contractual period of the lease.

Stock

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 has been reliably 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 in the period when the notice was served.

If future period benefits are received from the employee the expense will be recognised as cost in that future accounting period.

The pension plan for all foreign employees is based on a 5% contribution of the salary for employees in the UK and 15% for employees in the US, 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 Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The pension plan for employees in Sweden follows the ITP-plan. 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 fulfils 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. The pension age for all SinterCast employees is 65 years.

Leasing Agreements

SinterCast as Lessor

The Group has classified its lease agreements as operational because the Group maintains the ownership and associated risks and returns.

SinterCast as Lessee

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

Taxes

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

Cashflow Analysis

The cashflow analysis is presented using the indirect method and includes only cashflow related items. The cash position represents only cash and cash equivalents available with less than three months' notice.

Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

1 Revenue, Operating Result, Assets and Investment per Geographical Market

	Revenue		Operating results		Total assets		Investments	
GROUP	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Europe	**8.0**	4.7	**-16.7**	-18.9	**27.9**	29.0	**0.4**	0.5
Americas	**11.8**	8.8	**9.2**	6.1	**0.2**	1.3	**0.0**	0.0
Asia	**3.0**	4.6	**2.4**	2.8	**–**	–	**–**	–
Total	**22.8**	**18.1**	**-5.1**	**-10.0**	**28.1**	**30.3**	**0.4**	**0.5**

The allocation of revenue, results, assets and investments is based on where the customer is located. For the parent company, 7% (13%) of the revenue represents internal sales and 61% (28%) of the expenses represents internal purchases. The internal sales represent delivery to foreign subsidiaries of equipment and engineering services. Internal purchases represent produced equipment and services provided by the subsidiaries.

2 Revenue per Revenue Category

GROUP	**2007**	2006
Equipment	**6.9**	5.3
Production	**13.9**	10.9
Engineering Service	**1.9**	1.8
Other	**0.1**	0.1
Total	**22.8**	18.1

Equipment includes sold and leased System 2000, Mini-System 2000 and Spare Parts. Market rights assignment amounting to SEK 0.2 million (0.3) for the Piston Ring Market is also accounted for as Equipment. Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces.

3 Research & Development

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Costs for personnel and administration	**2.6**	1.7	**2.6**	1.7
External expenses	**0.4**	0.4	**0.4**	0.4
Depreciation	**1.1**	1.9	**1.1**	1.9
Total	**4.1**	**4.0**	**4.1**	**4.0**

4 Costs per Category

	GROUP	
	2007	2006
Personnel expenses	**15.7**	13.6
Cost of goods sold	**4.8**	3.3
Depreciation	**1.3**	2.4
Office and related costs	**1.6**	1.9
Travel, exhibition and similar	**1.6**	1.7
Consultants sales, marketing and administrations	**1.1**	1.4
Other	**1.8**	3.0
Total	**27.9**	**27.3**

5 Average Number of Employees employed during the year

	2007		2006	
GROUP	Total	Male	Total	Male
United Kingdom	**2**	**1**	2	1
Sweden	**10**	**9**	9	8
USA	**1**	**1**	1	1
Total	**13**	**11**	**12**	**10**
PARENT COMPANY				
Sweden	**10**	**9**	9	8

6 Board and Senior Management

	2007		2006	
GROUP	Total	Male	Total	Male
Board members	**11**	**7**	19	15
CEO and senior management	**3**	**3**	3	3
PARENT COMPANY				
Board members	**5**	**3**	5	3
CEO and senior management	**3**	**3**	3	3

7 Salaries, Remuneration, and Social Security Costs*

THE PARENT COMPANY ALL AMOUNTS IN SEK THOUSANDS	2007 Salaries and remuneration	2007 Social security costs	2007 Pension costs	2006 Salaries and remuneration	2006 Social security costs	2006 Pension costs
Sweden	6,477	2,618	850	5,710	1,965	902
United Kingdom	–	–	–	–	–	–
Total	**6,477**	**2,618**	**850**	**5,710**	**1,965**	**902**
GROUP						
United Kingdom	4,114	782	291	3,832	462	295
Sweden	6,477	2,618	850	5,710	1,965	902
USA	1,150	50	0	1,177	62	0
Total	**11,741**	**3,450**	**1,141**	**10,719**	**2,489**	**1,197**

Salaries and remuneration allocated per country and between Board, President and Employees.*

THE PARENT COMPANY ALL AMOUNTS IN SEK THOUSANDS	2007 Board, President and Senior Management	2007 Others	2006 Board, President and Senior Management	2006 Others
Sweden	2,556	3,921	2,299	3,411
Total	**2,556**	**3,921**	**2,299**	**3,411**
GROUP				
United Kingdom	3,602	512	3,370	462
Sweden	2,556	3,921	2,299	3,411
USA	–	1,150	–	1,177
Total	**6,158**	**5,583**	**5,669**	**5,050**

* Employee Stock Option Programme Costs according to IFRS-2 included in the figures.

The Board of Directors

The Chairman received renumeration of SEK 0.2 million (0.2). No bonus scheme, pension commitments, or pension liabilities exist. Remuneration of the other Board members 4 (4) has been within the limits laid down by the Annual General Meeting on 15 May 2007 and amounted to SEK 0.4 million (0.4) divided equally among the Board Members (excluding social security costs), with no Board fees being allocated to the CEO. The Board, with the exception of the CEO, was not included in the employee stock option programme implemented during 2006.

CEO and Senior Management

The remuneration to the President & CEO amounted to SEK 3.6 million (3.4) including taxable benefits in the form of insurance premiums paid for life, long term disability, and medical and school fees amounting to SEK 0.4 million (0.4). The pension costs, which are based on contributions made without any further commitments, amounted to SEK 0.3 million (0.3) and the social costs amounted to SEK 0.7 million (0.4). The remuneration to the other members of the Group Management, two people, presented on page 11, amounted to SEK 2.0 million (1.7). The pension costs amounted to SEK 0.4 million (0.4) and the social costs amounted to SEK 0.7 million (0.5). The pension plan follows the Swedish ITP-Plan.

The President & CEO holds 150,000 options and the other members of the Group Management hold 12,000 options each. No bonus schemes exist beyond the employee stock option programme. The pension age for the CEO and the Senior Management is 65 years.

The terms of employment stipulate a mutual period of notice for the CEO of 12 months and for the Senior Management of six months. In the event of a change in the controlling interest of the company, the mutual period of notice for the CEO shall increase to 24 months. In the case of notice by the Company, no deduction should be made for remuneration paid by another employer during the notice period if the new employment is approved by SinterCast. No other commitments regarding severance pay exist.

The remuneration of the President & CEO is decided by the Compensation Committee. The remuneration of the other members of the Senior Management is also decided by the Compensation Committee, after consultation with the President & CEO.

Incentive Programme

An employee stock option programme for the period 2006-2010 was approved at the Annual General Meeting of 24 May 2006. The total number of employee stock options issued was 240,000 whereof the President & CEO received 150,000 Options. Options were allocated to all employees.

The employee stock options shall have an option period up to and including 31 January 2010, with the right to subscribe to shares from and including 1 November 2009, provided that the option holders have not had their employment terminated before 31 December 2008, or voluntarily left their employment before 1 November 2009. The strike price is 121 SEK. The cost of the employee stock options is estimated at approximately SEK 5.0 million (SEK 3.5 million) including social security costs during the period 2006-2010.

Social security charges will arise on the benefit incurred in holding the employee stock options. The charges will be expensed as social cost and credited to a provision during the option period based on the change in value of the options. A fair value (SEK 42) calculation is continuously made according to Black & Scholes, considering share prices (SEK 140), remaining time (2.10 years) to exercise, volatility (35%) and risk-free interest rates (4.13%). The provision is made on the basis of the calculation of the expenditure that may arise when the instruments are exercised.

Employee Stock Option Programme Costs according to IFRS-2 and URA 46	2007 Salaries and remuneration	2007 Social security costs	2006 Salaries and remuneration	2006 Social security costs
Sweden	**0.3**	**0.4**	0.2	0.0
United Kingdom	**0.6**	**0.4**	0.3	0.1
Total	**0.9**	**0.8**	**0.5**	**0.1**

Number of options expected to vest	2007	2006
Total Options	**240,000**	240,000
Allocated	**237,000**	237,000
To be distributed	**3,000**	3,000
Surrendered due to resignation	**0**	0
Total number of options expected to vest	**240,000**	**240,000**

8 Transactions with Related Parties

During 2007, no substantial transactions took place between the SinterCast Group and the Board and the Management. Transactions have been carried out at market value.

9 Auditors' Fees

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
PricewaterhouseCoopers				
Audit fees	**0.3**	0.3	**0.3**	0.3
Other services	**0.3**	0.3	**0.3**	0.3
Other auditors				
Audit fees	**0.1**	0.1	**–**	–
Other services	**0.1**	–	0.0	–
Total	**0.8**	**0.7**	**0.6**	**0.6**

10 Other Operating Income and Costs

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Other Income				
Other Income*	**1.0**	0.0	**1.0**	0.0
Exchange gains from operations	**0.0**	0.0	**0.0**	0.0
Total	**1.0**	**0.0**	**1.0**	**0.0**
Other Costs				
Exchange loss from operations	**0.0**	-0.8	**0.0**	-0.8
Total	**0.0**	**-0.8**	**0.0**	**-0.8**

*The conditional development support loan given by Handelsbankens Innovationsfond is not subject to repayment.

11 Leasing

SinterCast as Lessor	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Income from leased equipment	**0.9**	1.1	**0.6**	0.8
Contracted future income	**4.7**	4.7	**3.2**	3.2
Payable within 1 year	**0.9**	0.9	**0.6**	0.6
Payable within 2–5 years	**3.8**	3.8	**2.6**	2.6
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leased equipment refers to Agreements with Motor Castings, V. Luzuriaga, ICC and Teksid.

SinterCast as Lessee	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Cost from leased premises and equipment	**1.2**	1.3	**0.7**	0.8
Contracted future commitments	**5.9**	6.4	**3.5**	4.0
Payable within 1 year	**1.3**	1.3	**0.8**	0.8
Payable within 2–5 years	**4.6**	5.1	**2.7**	3.2
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

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

12 Financial Income and Expenses

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Interest				
Interest	**0.5**	0.3	**0.5**	0.3
Total	**0.5**	**0.3**	**0.5**	**0.3**
Translation differences				
Exchange gain	**0.4**	0.2	**0.3**	0.2
Exchange loss	**-0.3**	-0.2	**-0.3**	-0.2
Exchange gain/loss Group	**–**	–	**0.2**	0.0
Total	**0.1**	**0.0**	**0.2**	**0.0**
Write down of shares in subsidiaries*				
SinterCast Technologies AB	**–**	–	**–**	–
SinterCast SA de CV	**–**	–	**–**	-0.2
Total	**–**	**–**	**–**	**-0.2**
Total financial income and expenses	**0.6**	**0.3**	**0.7**	**0.1**

* SinterCast SA de CV, Mexico, has received conditional shareholders' contribution amounting to SEK 151,178.

13 Intangible Assets

GROUP	Capitalised costs for patent development		Capitalised development		Total	
	2007	2006	**2007**	2006	**2007**	2006
Acquisition value brought forward	**19.2**	18.9	**2.4**	2.4	**21.6**	21.3
Acquisitions during the year						
Research & development	**0.2**	0.3	**–**	–	**0.2**	0.3
Accumulated acquisition carried forward	**19.4**	**19.2**	**2.4**	**2.4**	**21.8**	**21.6**
Depreciation brought forward	**14.0**	12.7	**2.4**	1.8	**16.4**	14.5
Depreciation for the year						
Research & development	**1.0**	1.3	**–**	0.6	**1.0**	1.9
Accumulated depreciation carried forward	**15.0**	**14.0**	**2.4**	**2.4**	**17.4**	**16.4**
Book value carried forward	**4.4**	**5.2**	**0.0**	**0.0**	**4.4**	**5.2**

PARENT COMPANY	Capitalised costs for patent development		Capitalised development and production agreements*		Total	
	2007	2006	**2007**	2006	**2007**	2006
Acquisition value brought forward	**19.2**	18.9	**6.6**	6.6	**25.8**	25.5
Acquisitions during the year						
Research & development	**0.2**	0.3	**–**	–	**0.2**	0.3
Accumulated acquisition carried forward	**19.4**	**19.2**	**6.6**	**6.6**	**26.0**	**25.8**
Depreciation brought forward	**14.0**	12.7	**6.6**	5.9	**20.6**	18.6
Depreciation for the year						
Sales and marketing	**–**	–	**–**	–	**–**	0.0
Research & development	**1.0**	1.3	**–**	0.7	**1.0**	2.0
Accumulated depreciation carried forward	**15.0**	**14.0**	**6.6**	**6.6**	**21.6**	**20.6**
Book value carried forward	**4.4**	**5.2**	**0.0**	**0.0**	**4.4**	**5.2**

*Acquired from SinterCast Group. All other intangibles are internally developed.

14 Tangible Fixed Assets

GROUP	Computers, fixtures and fittings		Plant and machinery		Total	
	2007	2006	**2007**	2006	**2007**	2006
Acquisition value brought forward	**6.5**	6.4	**10.7**	11.8	**17.2**	18.2
Foreign exchange differences opening balance 2006	**–**	0.0	**–**	0.0	**–**	0.0
Acquisitions during the year						
Administration	**0.1**	0.1	**–**	–	**0.1**	0.1
Disposals						
Sales and marketing	**-2.8**	–	**-0.8**	-1.1	**-3.6**	-1.1
Accumulated acquisition carried forward	**3.8**	**6.5**	**9.9**	**10.7**	**13.7**	**17.2**
Depreciation brought forward	**6.4**	6.3	**10.7**	11.0	**17.1**	17.3
Foreign exchange differences opening balance 2006	**–**	0.0	**–**	0.0	**–**	0.0
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.5	**0.0**	0.5
Administration	**0.1**	0.1	**–**	–	**0.1**	0.1
Disposals						
Sales and marketing	**-2.8**	–	**-0.8**	-0.8	**-3.6**	-0.8
Accumulated depreciation carried forward	**3.7**	**6.4**	**9.9**	**10.7**	**13.6**	**17.1**
Book value carried forward	**0.1**	**0.1**	**0.0**	**0.0**	**0.1**	**0.1**

PARENT COMPANY	Computers. fixtures and fittings		Plant and machinery		Total	
	2007	2006	**2007**	2006	**2007**	2006
Acquisition value brought forward	**4.1**	–	**6.3**	3.7	**10.4**	3.7
Acquisition value brought forward from SinterCast Technologies AB	**–**	4.1	**–**	3.7	**–**	7.8
Acquisition during the year						
Administration	**0.1**	–	**–**	–	**0.1**	–
Disposals						
Sales and marketing	**–**	–	**0.0**	-1.1	**0.0**	-1.1
Accumulated acquisition carried forward	**4.2**	**4.1**	**6.3**	**6.3**	**10.5**	**10.4**
Depreciation brought forward	**4.0**	–	**6.3**	3.1	**10.3**	3.1
Depreciation brought forward from SinterCast Technologies AB	**–**	4.0	**–**	3.6	**–**	7.6
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.4	**0.0**	0.4
Administration	**0.1**	–	**–**	–	**0.1**	–
Disposals						
Sales and marketing	**–**	–	**–**	-0.8	**–**	-0.8
Accumulated depreciation carried forward	**4.1**	**4.0**	**6.3**	**6.3**	**10.4**	**10.3**
Book value carried forward	**0.1**	**0.1**	**0.0**	**0.0**	**0.1**	**0.1**

15 Account Receivables – Trade

	GROUP	
	2007	2006
Accounts receivables not due	**2.0**	3.5
Accounts receivables due 0–30 days	**0.4**	0.8
Accounts receivables due 31–90 days	**0.1**	0.4
Accounts receivables due 91–180 days	**0.0**	0.1
Accounts receivables due 181–360 days	**–**	–
Accounts receivables more than 360 days	**–**	–
Provision for doubtful debts	**–**	–
Accounts receivables net	**2.5**	**4.8**

16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Deposits	**0.2**	0,2	**–**	–
Total	**0.2**	0,2	**–**	–

17 Stock

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Finished products	**3.2**	3.5	**3.2**	3.5
Total	**3.2**	**3.5**	**3.2**	**3.5**

The amount of inventories recognised as an expense during the period	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Expensed to cost of goods sold.	**4.5**	3.3	**4.5**	3.3

18 Other Debtors

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
VAT and tax receivables	**0.4**	0.0	**0.4**	0.0
Other receivables	**0.0**	0.0	**0.0**	0.0
Total	**0.4**	**0.0**	**0.4**	**0.0**

19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Prepaid rents	**0.2**	0.2	**0.1**	0.1
Accrued interest	**0.0**	0.0	**0.0**	0.0
Others	**0.8**	0.8	**0.5**	0.2
Total	**1.0**	**1.0**	**0.6**	**0.3**

20 Long Term liabilities

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Loan from Svenska Handelsbanken's Innovationsfond*	**–**	1.0	**0.0**	1.0
Other long term liabilities	**0.0**	0.0	**0.1**	0.1
Total	**0.0**	**1.0**	**0.1**	**1.1**

* The conditional development support loan given by Handelsbankens Innovationsfond is not subject to repayment.

21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Withholding tax and national insurance contributions for employees	**0.5**	0.4	**0.5**	0.4
Other current liabilities	**1.1**	0.9	**1.0**	0.5
Total	**1.6**	**1.3**	**1.5**	**0.9**

22 Accrued Expenses and Prepaid Income

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Accrued personnel expenses	**1.3**	1.0	**0.9**	0.7
Accrued rent	**0.0**	0.0	**0.0**	0.0
Deferred income	**2.3**	3.0	**2.2**	2.6
Others	**0.2**	0.0	**–**	0.0
Total	**3.8**	**4.0**	**3.1**	**3.3**

23 Contingent Liabilities

Guarantee to re-purchase system

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Buy-back option for one System 2000 (1998–2007)	**0.0**	0.2	**–**	–
Buy-back option for a second System 2000 (1999–2008)	**0.2**	0.3	**0.3**	0.3
Bank guaranties	**0.2**	0.5	**0.2**	0.5
Total contingent liabilities	**0.4**	**1.0**	**0.5**	**0.8**

24 Tax

	GROUP		PARENT COMPANY	
	2007	2006	**2007**	2006
Difference between the tax expenses for the Group and tax expenses based on actual tax rate				
Result before tax	**-4.5**	-9.7	**-5.0**	-9,7
Tax calculated based on Swedish tax rate	**1.3**	2.7	**1.4**	2,7
Tax effect on non tax deductible expenses	**0.0**	0.0	**0.0**	0,0
Tax effect on non taxable revenues	**0.0**	0.0	**0.0**	0,0
Tax effect on non capitalised tax losses	**-1.3**	-2.7	**-1.4**	-2,7
Effect foreign tax rates	**0.0**	0.0	**0.0**	0,0
Tax on the result for the period as per the profit and loss statements	**0.0**	**0.0**	**0.0**	**0.0**

The income tax rate valid for the Group amounts to 28% (28%).

Based on the filed tax returns for the financial year 2006, the following carried forward tax losses were available to offset future taxable profits.

Country	**2007**	2006	**Valid until**
Sweden	506.9	497.4	indefinitely
United Kingdom	44.1	47.1	indefinitely
USA	43.5	50.0	15 years from the year of filing
Total	**594.5**	**594.5**	

No other temporary differences exist.

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

ALL AMOUNTS IN SEK

	2007	2006
Acquisition value brought forward	**61,365,185**	60,784,678
Acquisition during the year		
New share issue	**611,290**	580,507
Accumulated acquisition value carried forward	**61,976,475**	**61,365,185**
Depreciation brought forward	**-60,935,853**	-60,784,673
Depreciation for the year		
Write-off of equity in subsidiaries	**-**	-151,180
Accumulated depreciation carried forward	**-60,935,853**	**-60,935,853**
Accumulated acquisition value carried forward	**1,040,622**	**429,332**

List of subsidiaries to SinterCast AB (publ)		Registration number	Votes and percentage of equity, %	Book Value
SinterCast Ltd.	London, UK	2021239	100	940,619
SinterCast, Inc.	Chicago, USA	187363	100	1
SinterCast Personnel AB	Katrineholm, Sweden	556702-5092	100	100,000
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	1
Total				**1,040,622**

26 Share Capital Development in SinterCast AB (publ)

	Number of Shares				
	A*	B**	Total	Nominal Value (SEK)	Share Capital (SEK)
Share capital as of 1 January 1993	101,200	2,660	103,860	0.50	51,930
March 1993: Share issue I	161,200	2,660	163,860	0.50	81,930
April 1993: Split 10:1	1,612,000	26,600	1,638,600	0.05	81,930
April–May: 1993: Share issue II	2,084,600	26,600	2,111,200	0.05	105,560
April–May: 1993: Share issue III	2,311,350	26,600	2,337,950	0.05	116,898
December 1993: Bonus issue	2,311,350	26,600	2,337,950	1.00	2,337,950
January 1994: Directed share issue	2,811,350	26,600	2,837,950	1.00	2,837,950
October 1994: Directed share issue	2,811,350	626,600	3,437,950	1.00	3,437,950
October 1995: Directed share issue	3,435,350	626,600	4,061,950	1.00	4,061,950
December 1995: Subscription via warrants	3,435,350	628,600	4,063,950	1.00	4,063,950
June 1996: Subscription via warrants	3,435,350	655,600	4,090,950	1.00	4,090,950
February 2002: Directed share issue	4,235,350	655,600	4,890,950	1.00	4,890,950
	Number of Outstanding Shares				
June 2002: Change share structure* (B shares converted to A)	4,890,950			1.00	4,890,950
September 2002: Subscription via warrants	4,900,062			1.00	4,900,062
November 2003: Subscription via warrants	5,364,200			1.00	5,364,200
December 2003: Subscription via warrants	5,389,200			1.00	5,389,200
December 2004: Subscription via warrants	5,552,900			1.00	5,552,900
Share capital as of 31 December 2007	5,552,900			1.00	5,552,900

* One vote per share
** One tenth vote per share

27 Definitions

Average number of shares	Weighted average of the number of shares outstanding
Average number of shares adjusted for outstanding warrants	No outstanding warrants
Adjusted equity per share	Adjusted shareholders' equity divided by the average number of shares
Earnings per share (EPS)	Net result divided by the average number of shares
Share price at year-end	Latest paid price for the SinterCast share at the OMX Nordic Exchange in Stockholm
Number of shareholders	The total number of registered shareholders at the year-end
Non-Swedish shareholdings	The total share capital controlled by non-Swedish shareholders at the year-end divided by total outstanding share capital
Market value	The total market value of outstanding shares
Capital employed	Total assets less non-interest bearing liabilities including deferred tax liabilities
Adjusted shareholders' equity	Shareholders' equity plus 72 percent of untaxed reserves
Solidity	Adjusted shareholders' equity expressed as percentage of total assets
Return on shareholders' equity	Net result as a percentage of average adjusted shareholders' equity
Return on capital employed	Net result after financial items plus financial expenses as a percentage of average capital employed
Return on total assets	Net result after financial items plus financial expenses as a percentage of total average assets
Debt-to-equity ratio	Interest bearing liabilities divided by adjusted shareholders' equity
Number of employees	The number of employees employed by the SinterCast Group at the year-end
Average number of employees	Average number employed during the year
Value presented as "0.0"	Amount below SEK 50,000
Value presented as "–"	No amount applicable

The Board of Directors has established SinterCast's finance policy to provide a framework for how different types of 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. External monitoring is conducted by the auditors. Internal monitoring at SinterCast takes place in accordance with the operating principles approved by the Board of Directors, and these are based on the Group's internal reporting. Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimise indemnity. SinterCast is currently not involved in any legal disputes. All business and share-ownership involves some measure of risk. The risk exposure can be divided into Operational risks and Financial risks.

The following sections highlight some of the risk factors that are important to control for the future development of SinterCast. The main uncertainty factor for SinterCast is the timing of the CGI market ramp-up, which is addressed in the Market Outlook section. Factors are not listed in order of priority and do not claim to cover all aspects.

Operational Risks

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 support and develop the underlying technology and maintain the customer support and sales activities. SinterCast's future development is linked to these key people remaining within the organisation. The departure of one or more of these persons could have a negative effect on the company's business. The Board of Directors have implemented an incentive programme to manage this risk, and SinterCast strives to provide a challenging and rewarding work environment.

Market Risk and Major Customers

SinterCast believes that alternative technologies such as biofuels, hybrids and fuel cells do not affect SinterCast's market development, neither in the near-term nor in the long-term. Beyond the potential development of these technologies in SinterCast's end-user market, SinterCast must also maintain its leadership position in the foundry market. SinterCast currently enjoys clear leadership in the field of CGI process control and invests in research, development and support of OEM CGI programmes to maintain and extend its leadership position.

SinterCast has broadened its customer base, thereby decreasing the dependence on any single customer. However, SinterCast still has relatively few customers, which means that important occurrences at one major customer can have significant short term consequences for the company. However, the growing demand for CGI is expected to secure SinterCast's long-term market.

Price Risk

SinterCast enters into long term agreements with its foundry customers and price review periods are clearly defined and linked to published indicies such as Producer Price Indicies for related industrial sectors. The SinterCast revenues are primarily related to know-how and are not significantly exposed to commodity or energy price fluctuations.

Financial Risks and Financial Instruments

Please see page 23 regarding more information of SinterCast's classification of its instruments.

Financing, Liquidity and Interest Risk

SinterCast has historically been financed by risk capital provided by its shareholders. SinterCast regularly monitors its financing risk and cash position with reference to market forecasts and expense budgets. During recent years, the expense level has been reduced and revenues have been increased, thus reducing the financing risk. SinterCast Equity amounted to SEK 15.1 million (SEK 19.1 million) and SinterCast regularly monitors its need for equity. SinterCast has no loans. The foreign subsidiaries have been financed by internal loans and equity.

The Group's liquidity on 31 December 2007 amounted to SEK 16.3 million (SEK 15.5 million). Held-to-maturity instruments consists of governmental bonds or commercial paper with high availability and creditworthiness and within the determined limits for each counter party. The liquidity invested in short-term bonds amounted to SEK 11.9 million (SEK 11.0 million). The remaining liquidity, SEK 4.4 million (SEK 4.5 million), was held in bank deposits. Total cash, cash equivalents and receivables due within 30 days amounted to SEK 19.1 million (SEK 19.8 million). Other financial receivables and liabilities are derived from leases where incomes from leases within one year amounted to 0.9 (0.9) and 3.8 (3.8) to more than one year. Expenses from leases within one year amounted to 5.9 (6.4) and 4.6 (5.1) amounted to more than one year.

Interest Risk

An interest rate change of one percentage point up or down corresponds to an interest risk of approximately SEK 0.1 million for each SEK 10 million invested during a 12 month period.

Credit Risk

Credit risk is handled by the responsible Sales Engineer under the supervision of 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. There is no concentration of credit risks. Historical and present bad debt losses are insignificant. SinterCast therefore operates without credit insurance in most countries. At year-end, Trade Receivables amounted to SEK 2.5 million (SEK 4.8 million), of which SEK 0.4 million (SEK 0.8 million) was due within 30 days and SEK 0.1 million (SEK 0.4 million) was due within 60 days. No provision for bad debt has been made.

Exchange Rate Risk

SinterCast is exposed to exchange risk in two ways: first, through export sales (transaction exposure) and; second, when converting net profit and net assets from foreign subsidiaries (translation exposure). SinterCast's net inflow of foreign currency consists primarily of USD and EUR. During 2007 net inflow of these currencies amounted to approximately USD 1.7 million (USD 1.7 million) and EUR 0.5 million (EUR 0.6 million). In accordance with the Group's financial policy, the expected and budgeted flow of USD is hedged for the following 12 month period. The translation exposure of net assets in foreign subsidiaries is not hedged. In the absence of any foreign exchange contracts, a 5% increase or decrease in the USD or EUR (SEK 6.46 and SEK 9.48) currency rate would affect pre-tax profits by SEK 0.5 million and SEK 0.2 million respectively. Of outstanding forward exchange contracts on the balance sheet date, totaling to SEK 0.6 million (SEK 0.0 million), contracts with a value of SEK 0.3 million (SEK 0.0 million) have a duration of up to 6 months and contracts with a value of SEK 0.3 million (SEK 0.0 Million) have a maturity between 6 and 12 months.

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 27 March 2008

Ulla-Britt Fräjdin-Hellqvist
Chairman

Aage Figenschou
Vice Chairman

Andrea Fessler
Board Member

Robert Dover
Board Member

Steve Dawson
Board Member & Managing Director

Our audit report was submitted on 14 April 2008

PricewaterhouseCoopers AB

Liselott Stenudd
Authorised Public Accountant

To the annual meeting of the shareholders of SinterCast AB (publ)

Corporate identity number 556233-6494

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of SinterCast AB for the year 2007. The company's annual accounts and the consolidated accounts are included in the printed version pages 12–15 and 17–32. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

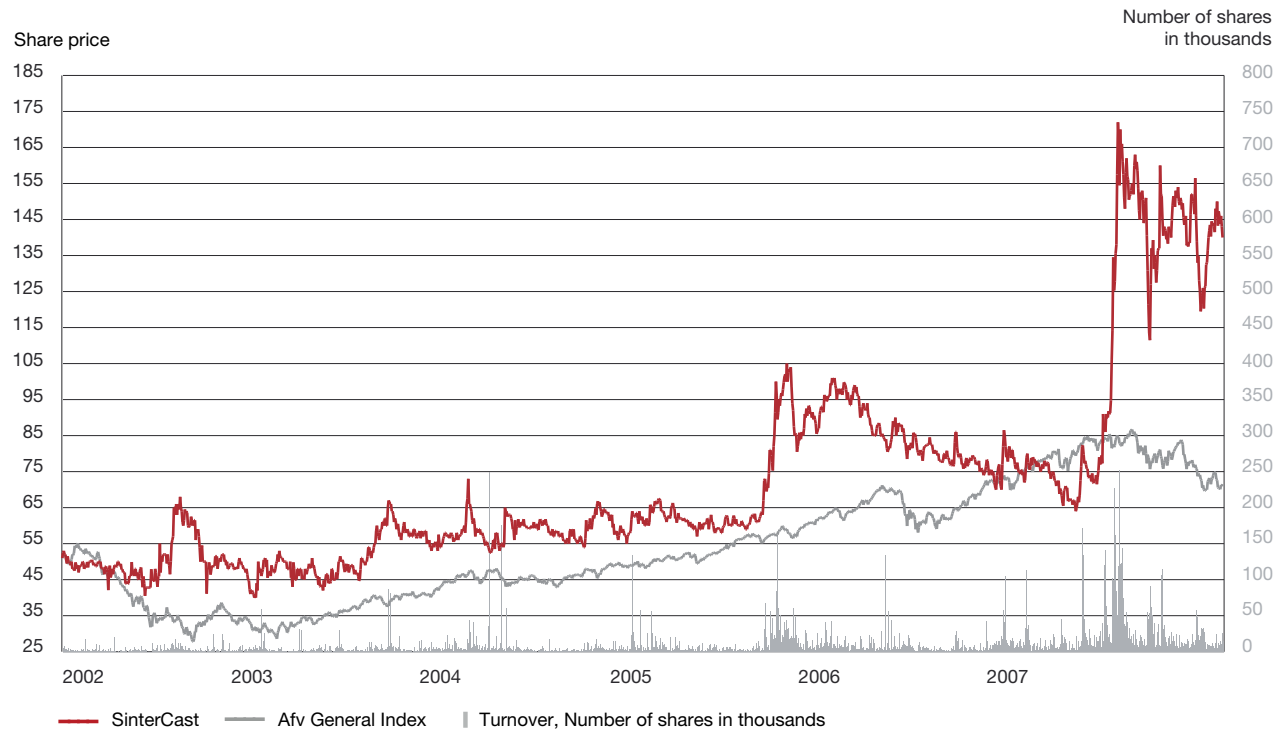
We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 14 April 2008

PricewaterhouseCoopers AB

Liselott Stenudd
Authorised Public Accountant

SinterCast Share Price January 2002–December 2007



Share Data

	2007	2006	2005	2004	2003 [6]	2002 [6]	2001 [6]
Number of shares at the end of the period	**5,552,900**	5,552,900	5,552,900	5,552,900	5,389,200	4,900,062	4,090,950
Average number of shares during the period	**5,552,900**	5,552,900	5,552,900	5,402,842	4,977,418	4,760,654	4,090,950
Average number of shares during the period adjusted for outstanding warrants [1]	**–**	–	–	5,402,842	4,977,418	4,760,654	4,090,950
EPS [2] average number of shares, SEK	**-0.8**	-1.7	-2.2	-3.5	-4.0	-3.4	-7.7
EPS [2] average number of shares adjusted for outstanding warrants, SEK	**–**	–	–	-3.5	-4.0	-3.4	-7.7
Adjusted equity per share [3], SEK	**3.6**	4.2	5.9	8.3	11.0	9.9	5.8
Adjusted equity per share [3] adjusted for outstanding warrants, SEK	**–**	–	–	8.3	11.0	9.9	5.8
Dividends, SEK	**–**	–	–	–	–	–	–
Share price at the end of the period, SEK [4]	**140.0**	82.5	101.0	64.0	57.5	40.0	55.0
Highest share price during the period, SEK [4]	**172.0**	93.5	105.5	74.0	70.0	74.5	74.0
Lowest share price during the period, SEK [4]	**64.0**	70.5	58.0	50.0	39.0	34.0	36.0
B-share price at the end of the period, SEK [5]	**–**	–	–	–	–	–	52.0
Highest B-share price during the period, SEK [5]	**–**	–	–	–	–	51.0	73.0
Lowest B-share price during the period, SEK [5]	**–**	–	–	–	–	43.0	36.0
Number of shareholders	**3,806**	3,698	3,512	3,292	3,545	3,667	3,757
Non-Swedish shareholdings, % of share capital	**33**	38	39	43	46	45	44
Swedish shareholdings, % of share capital	**67**	62	61	57	54	55	56
Market value, MSEK	**777.4**	458.1	560.8	342.2	309.9	196.0	223.0

Notes:

1 Calculated as per the recommendations of the IAS 33

2 Net result divided by the average number of shares

3 Adjusted shareholders' equity divided by the average number of shares

4 A-share between 2000 and 2001

5 B-shares were converted to single class shares on 11 June 2002

6 Not adjusted to IFRS.

For definitions see Note 27.

Important Dates

Annual General Meeting

The Annual General Meeting of SinterCast AB (publ) will be held on 6 May 2008 at 16:00, at the premises of the Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The Interim Report January-March 2008 will be published on 29 April 2008.

The Interim Report April-June 2008 will be published on 20 August 2008.

The Interim Report July-September 2008 will be published on 5 November 2008.

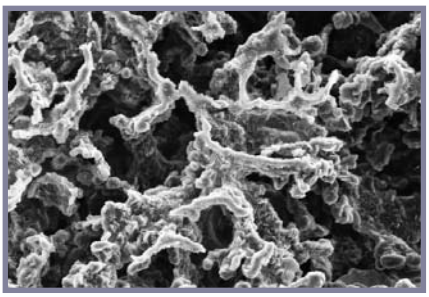
The Interim Report October-December 2008 and Full Year Results 2008 will be published on 9 February 2009.

This Annual Report has been sent to those shareholders who have requested such information via the Swedish Security Register, VPC AB, or via SinterCast. This report is available in Swedish and English. The English version is an unofficial translation of the Swedish original.

Interim Reports and the Annual Report can be obtained by contacting SinterCast AB (publ), or at the SinterCast website:

www.sintercast.com





SinterCast
— Supermetal CGI —



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