

SinterCast

 Annual Report 2009

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Notes: This document is an unofficial translation of the official Swedish Annual Report

Pages 13–44 conform to IFRS (International Financial Reporting Standards)

Business Description

SinterCast provides process control technology solutions that enable the world foundry industry to reliably control the high volume production of Compacted Graphite Iron (CGI).

Objective and Strategy

SinterCast will continue to focus primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast will promote CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of Compacted Graphite Iron and support the larger objective of increasing the long-term value of the Company for its shareholders. SinterCast, a technology led company, will grow and prosper by earning the respect of its customers.

The Five Waves Strategy

Introduced in 2002, the Five Waves strategy continues to provide the basis for how the Company views the overall market development. The status of the Five Waves as of 31 December 2009 is summarised in the following table:

Wave 1 V-diesels in Europe	Actual full-year production: 150,000 Engine Equivalents (7,500 tonnes) Series production for: Audi, Jaguar Land Rover, PSA Peugeot-Citroën, Porsche and Volkswagen SinterCast-CGI Components: 5 cylinder blocks available in 19 vehicles and 8 brands (2.7–4.2 Litres) Outlook: Reduced near-term (<5 year) volumes due to economy, but long-term growth opportunity
Wave 2 Commercial Vehicles	Actual full-year production: 105,000 Engine Equivalents (5,250 tonnes) Series production for: DAF, Ford-Otosan, Hyundai, Navistar, MAN and Volvo SinterCast-CGI Components: 11 cylinder blocks and 3 cylinder heads (3.9–12.9 Litres) Outlook: Reduced near-term volumes due to economy, but long-term growth opportunity
Wave 3 In-line Diesels in Europe	Current status: Initial enquiries and some product development underway Outlook: Long-term potential depends on engine performance and emissions requirements Potential for initial programme decisions in the near-term (<5 year) period
Wave 4 Diesels Beyond Europe	Actual full-year production: 65,000 Engine Equivalents (3,250 tonnes) Series production for: Ford, Hyundai, Kia SinterCast-CGI Components: 5 cylinder blocks available in 7 vehicles and 3 brands (3.0 & 6.7 Litres) Outlook: Continued growth opportunity as the Ford 6.7 Litre ramps up to full volume
Wave 5 Petrol Engines	Current status: Motorsport production for rally cars, touring/stock cars, dragsters and open-wheel Formula cars. Initial enquiries and some product development underway Outlook: Potential application for highly charged and/or direct injection petrol or ethanol engines Potential for initial programme decisions in the near-term (<5 year) period

Other Growth Opportunities

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	Actual full-year production: 60,000 Engine Equivalents (3,000 tonnes) Series production for: Audi, Ford, Renault and Volkswagen SinterCast-CGI Components: Exhaust manifolds, turbocharger housings and clutch components Outlook: Growth opportunity, including new installations
Non-Automotive (Industrial Power)	Actual full-year production: 40,000 Engine Equivalents (2,000 tonnes) 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 growth opportunity

Compacted Graphite Iron

Compacted Graphite Iron is a form of cast iron that provides at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium. The properties of CGI allow engine designers to improve performance, fuel economy and durability while reducing weight, noise and emissions. The primary application of CGI is in diesel engine cylinder blocks and heads used in passenger vehicles, commercial vehicles and industrial power applications. The SinterCast process is also used for the production of a variety of other CGI components including turbocharger housings, exhaust manifolds and clutch components.

Market Penetration

SinterCast's process control systems are installed at 22 foundries in 14 countries in Europe, North America, South America and Asia. During 2009, the SinterCast technology supported the production of more than 800,000 CGI castings ranging from 2 kg to more than 8 tonnes. The end-users of SinterCast-CGI components include Aston Martin, Audi, Caterpillar, Chrysler, DAF Trucks, Ford, Ford-Otosan, General Electric Transportation Systems, General Motors, Hyundai, Navistar, Jaguar, Kia, Land Rover, MAN, Porsche, PSA Peugeot-Citroën, Renault, Rolls-Royce Power Engineering, Toyota, Volkswagen, Volvo and Waukesha Engine.

Environment

The SinterCast process control technology contributes directly to the environment by helping foundries to produce CGI castings right-first-time. The resulting reduction in scrap rates reduces energy consumption and factory emissions by reducing the amount of metal that needs to be re-processed. For every one million Engine Equivalents, each 1% reduction in foundry scrap, or 1% improvement in mould yield, provides a CO₂ reduction of approximately 2,500 tonnes per year. Indirectly, the SinterCast process enables the production of smaller and more fuel efficient engines, reducing fuel consumption and CO₂ emissions. SinterCast is a member of the U.S. Coalition for Advanced Diesel Cars, a Washington based advocacy group that promotes technology neutral regulatory policies, energy efficiency and the environmental benefits of clean diesel technology for passenger vehicles.

Business Model

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



System 3000



Sampling in the foundry

- **System 3000 Hardware Platform:** The System 3000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €300,000–500,000 for the full System 3000 and €50,000–100,000 for the Mini-System 3000, depending on the configuration and installation requirements. For leased systems, the typical lease period is seven years.
- **Process Control Software:** The software applies the metallurgical know-how and provides the operating logic for the System 3000 hardware. SinterCast charges an Annual Software Licence Fee and retains ownership of the software.
- **Sampling Consumables:** The consumables consist of the Sampling Cup and the Thermocouple Pair. One Sampling Cup is consumed with each measurement. The Thermocouple Pair is re-used for 150–200 measurements. One SinterCast measurement is required for each production ladle.
- **Production Fee:** A running fee levied for each tonne of shipped castings, based on the as-cast (not machined) weight. There are 20 Engine Equivalents (50 kg each) per tonne.
- **Technical Support:** Engineering service for product development, new installations and calibrations, and ongoing customer service.

The total running fees (sampling consumables plus Production Fee) depend on the ladle size and the casting yield. For typical cylinder block production, the current running fees provide a revenue of approximately €40–50 per tonne of castings, equivalently, €2–2.50 for each 50 kg Engine Equivalent. The SinterCast business model is highly scalable, allowing profitability to rise as the installed base grows and as more programmes enter series production.



Dr Steve Dawson, President & CEO, congratulates Mr Ma, Shun Long, Director of FAW Foundry Co., Ltd., at the SinterCast Technical Centre in Sweden as FAW takes possession of its Mini-System 3000 on 5 February 2010

CEO Message

As a SinterCast stakeholder, you don't need me to tell you that 2009 was a difficult year for the global manufacturing sector, but maybe I can help to put the challenges of 2009 into perspective – not only for the foundry and automotive industries, but also for SinterCast.

By the end of 2009, European passenger vehicle sales reached 14.5 million units which was better than expected and effectively equal to 2008. The European results were buoyed by attractive car scrappage (cash-for-clunkers) incentives in most member states and by the onset of a sales recovery in the second half of 2009. In contrast to Europe, however, U.S. sales were severely affected by the downturn, with year-end sales reaching just 10.4 million vehicles, down 21% from 2008 and 35% from 2007. For the U.S., 2009 was the worst year for new vehicle sales since 1982. Not surprisingly, these results were mirrored in the U.S. foundry industry, where 2009 casting shipments were just 7.9 million tonnes – the lowest shipped tonnage since World War II.

Commercial vehicle sales, often regarded as a leading economic indicator, were down significantly in both Europe and the U.S. In Europe, sales of all commercial vehicles were down by 32% with the heavy-duty sector being hardest hit, down 48% from 2008. Similarly, sales of all commercial vehicles in the U.S. (Class 4 to 8) fell 30% compared to 2008, while Class 8 vehicles were off by more than 50%.

But it's not all doom and gloom. In December 2009, European passenger vehicle sales were 16% higher than December 2008 while in the U.S., January 2010 was 6% better than January 2009. Overall, most analysts forecast North American new passenger vehicle sales of around 12 million units in 2010, up 15% from 2009. At the same time, January sales of large

commercial vehicles in the U.S. rose 3% compared to the year earlier level, the first rise in commercial vehicle sales in 25 months. Also in the U.S., the American Foundry Society issued a forecast stating that the demand for iron castings will increase by 9.3% in 2010, and that demand will reach parity with pre-downturn levels in the 2013–2014 timeframe.

For SinterCast, 2009 was a year of two halves. The first half was characterised by slow and static production caused primarily by reduced vehicle sales and compounded by OEM strategies to reduce stock levels. However, the second half of the year provided new achievements, growth and motivation. Building on the start of series production of the Ford 6.7 litre V8 cylinder block at the Tupy foundry in Brazil, announced on 24 September 2009, and the ramp-up of high volume exhaust components at the Dashieng foundry in China, all of SinterCast's key indicators showed positive growth from August onwards, and finished well ahead of overall vehicle sales statistics. For example, Sampling Cup shipments increased from 20,600 units in the first half to 54,600 at year-end, just 5% behind the full-year 2008 shipments of 57,600. Likewise, series production revenue increased from SEK 6.4 million in the first half to SEK 15.6 million by year-end, just 9% behind the full-year 2008 production revenue of SEK 17.2 million. The increased activity during the second half of 2009 underscores a positive trend that we can all look forward to.

2009 also marked the launch of SinterCast's third generation technology, the System 3000. Announced on 15 December 2009, the launch represented the culmination of a 14 month development campaign, involving every employee in the SinterCast Group and providing an immense sense of pride and motivation for the entire team. Employee motivation was further reinforced by our second straight year with a Customer Quality Feedback rating in excess of 96% and, above all, by the support and confidence shown by our shareholders through the oversubscription of the new rights issue in September.

Although a widespread freeze in capital expenditure in the global foundry industry hampered installation commitments during 2009, a Mini-System 2000 was sold to the Luitpoldhütte foundry in Germany in May, and our sales efforts during the second half of 2009 eventually led to the sale of a Mini-System 3000 to First Automobile Works, the largest vehicle producer in China, during January 2010. And beyond our work with new installations, our development and sales efforts of the past were rewarded with the launch of the Navistar 6.4 litre V8 commercial vehicle engine at the NTEA Work Truck Show in St Louis on 10 March 2010. Each of these developments provide opportunities for future growth.

Looking back, 2009 was both a challenge and an education, but it was also a year of resilience, milestones and growth for SinterCast. Despite the difficulties, it was a good year after all.

Dr Steve Dawson
President & CEO

Market Development

SinterCast continues to view the overall market development in terms of the Five Waves strategy that was first introduced in 2002. The Five Waves are presented as a function of the main types of engines found in the automotive sector and in different geographical regions, specifically: V-diesel engines in Europe; commercial vehicle engines; In-line diesel engines; V-diesels outside of Europe; and, petrol engines. In addition to these engine categories, SinterCast also supports product development and series production of automotive components other than cylinder blocks and heads, and of large industrial power castings for marine, locomotive and stationary power generating engines. These two activities are viewed separately from the Five Waves. For each type of product, SinterCast presents the production volume in terms of Engine Equivalents, where each Engine Equivalent is defined to weigh 50 kg. Accordingly, there are 20 Engine Equivalents per tonne of castings. The development of SinterCast's series production since 2007 is summarised in the following table:

SinterCast Wave/Sector	Actual Production (Thousands of Engine Equivalents)			
	FY2007*	FY2008*	HY2009*	FY2009*
1. V-Diesels in Europe	315	260	65	150
2. Commercial Vehicles	50	235	55	105
3. In-Line Diesels	0	0	0	0
4. V-Diesels Beyond Europe	35	40	10	65
5. Petrol Engines	0	0	0	0
Automotive Non Block & Head	5	40	15	60
Industrial Power	45	60	20	40
Total:	450	635	165	420

* FY=Full year, HY=Half year

The 40% increase in production from 2007 (450,000 Engine Equivalents) to 2008 (635,000 Engine Equivalents) was achieved following a 50% increase in series production from 2006 to 2007. This growth shows the positive development of SinterCast's business as the overall awareness of CGI grew in the foundry and automotive markets and as new SinterCast-CGI products came on-stream. The 40% growth in 2008 was primarily due to the launch of eight new commercial vehicle engines and the start of production of exhaust components in China. However, during the fourth quarter of 2008, with the onset of the global economic crisis, series production declined and remained low throughout the first half of 2009.

The impact of the global economic crisis can be inferred by comparing the production volumes of 2008 and 2009, particularly with reference to the 2009 half-year results. The first wave, V-diesel passenger vehicle engines in Europe, decreased by 50% during the first half of 2009, largely in line with the decline in sales in the medium-premium vehicle segment. Thereafter, first wave production began to increase during the second half of 2009, due to an improvement in vehicle sales and also a correction in OEM stock levels. The second wave, commercial vehicles, was down by approximately 55% in 2009, again paralleling the decrease in the overall market. Unlike the first wave, however, volumes remained low throughout the year, reflecting no recovery in commercial vehicle sales. The 10 March 2010 announcement of the Navistar MaxxForce® 7, combined with a wider recovery in the on-road commercial vehicle sector, will contribute to the recovery and growth of the second wave.

The fourth wave, V-diesels beyond Europe, also showed a 50% reduction in the first half of 2009, but increased significantly as the Ford 6.7 litre V8 cylinder block began series production. This wave will continue to grow during 2010 as the Ford engine ramps to full volume. Likewise, production in the automotive 'non block and head' sector increased during 2009 as new exhaust manifold and turbocharger housing products were launched into series production at the Dashieng foundry in China. Finally, the industrial power sector was

down by approximately 35% throughout the year, with stable volumes that reflected the global reduction in infrastructure investment.

The Five Waves summary table provided in this section presents the actual production results. In contrast, SinterCast's Interim Reports provide an annualised assessment of the current production, in order to present a snapshot of the current production activities. The fourth quarter report of 2009 showed that the annualised production for December 2009 was approximately 550,000 Engine Equivalents, representing a growth of 30% relative to the actual full year 2009 production of 420,000 Engine Equivalents and a 67% increase relative to the pro-rata half year production rate of 330,000 Engine Equivalents. The December results indicate a continued recovery of the SinterCast production volume.

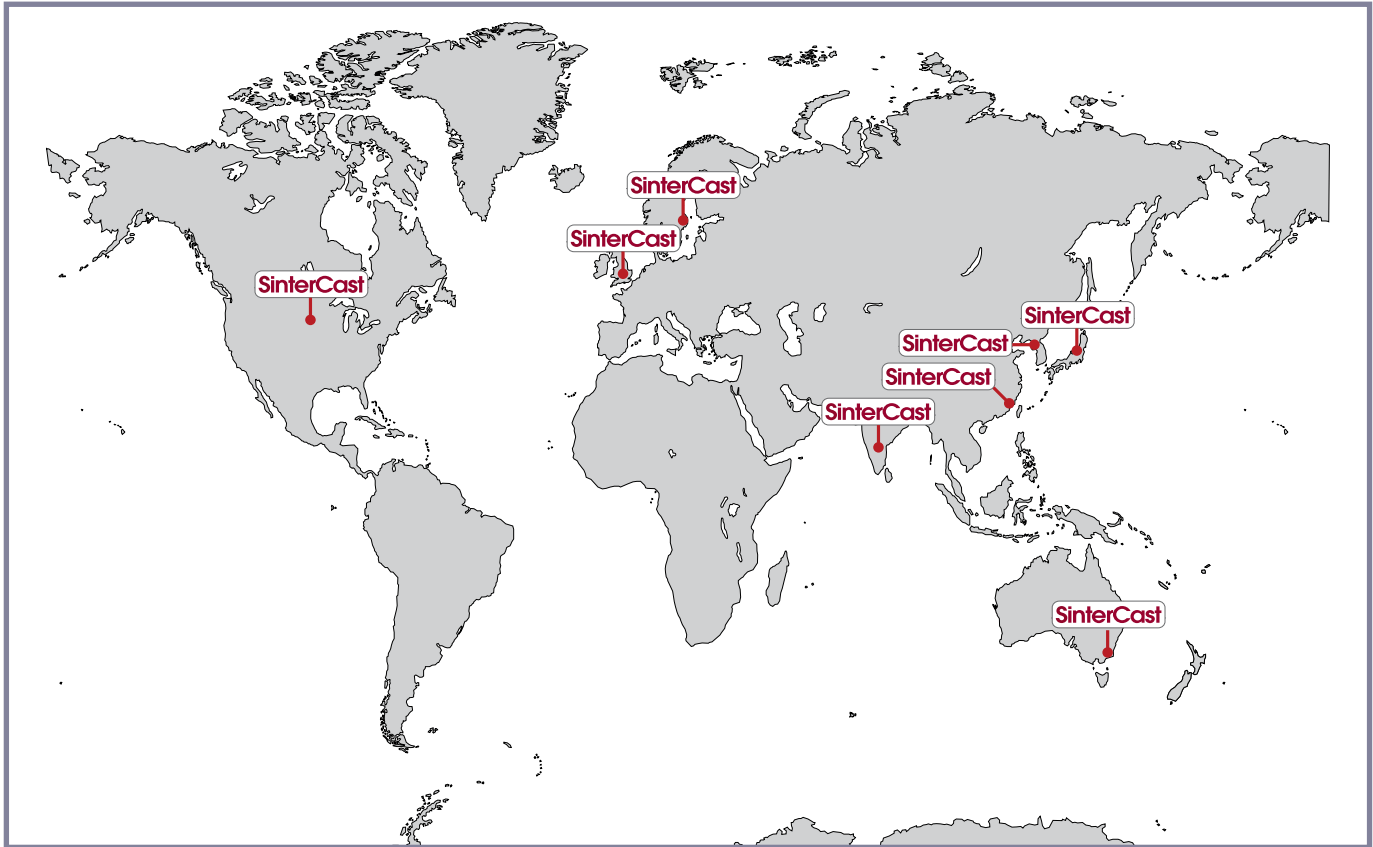
The market opportunity can also be considered in terms of SinterCast's current penetration in the active engine categories. Full year 2009 production of V-diesel engines was approximately 215,000 Engine Equivalents, representing a penetration rate of approximately 10% of the total V-diesel sector, currently estimated at about two million Engine Equivalents per year. Likewise, the commercial vehicle production of approximately 105,000 Engine Equivalents represents a penetration rate of approximately 1.5% of the estimated seven million Engine Equivalent commercial vehicle sector. While the current production of V-diesel and commercial vehicle engine components provides a credible high volume reference for SinterCast, the as yet low penetration rates indicate a significant growth opportunity in these sectors which have already embraced the benefits of CGI. Further growth opportunities exist in the in-line diesel sector (Wave 2) and in the petrol engine sector (Wave 5), where it remains likely that continued technical development of these types of engines will lead toward production opportunities for CGI.

The SinterCast market development can also be viewed in terms of the total near term market opportunity. This statistic is based on SinterCast's internal five year forecast and is presented in each Interim Report as the sum of: the potential mature volume of the current series production programmes; secured orders that have not yet started series production; and product development activities that SinterCast is supporting but have not yet been approved for series production. This total 'pool' comprised 5.5 million Engine Equivalents at the end of 2007, but decreased to 4.9 million Engine Equivalents at the end of 2008 and decreased further to 4.1 million Engine Equivalents by mid-2009, reflecting the effects of the global economic crisis. As of end-2009, the total pool had begun to recover to 4.3 million Engine Equivalents, indicating the onset of a renewal in development activity and overall vehicle demand within the five year forecast period.

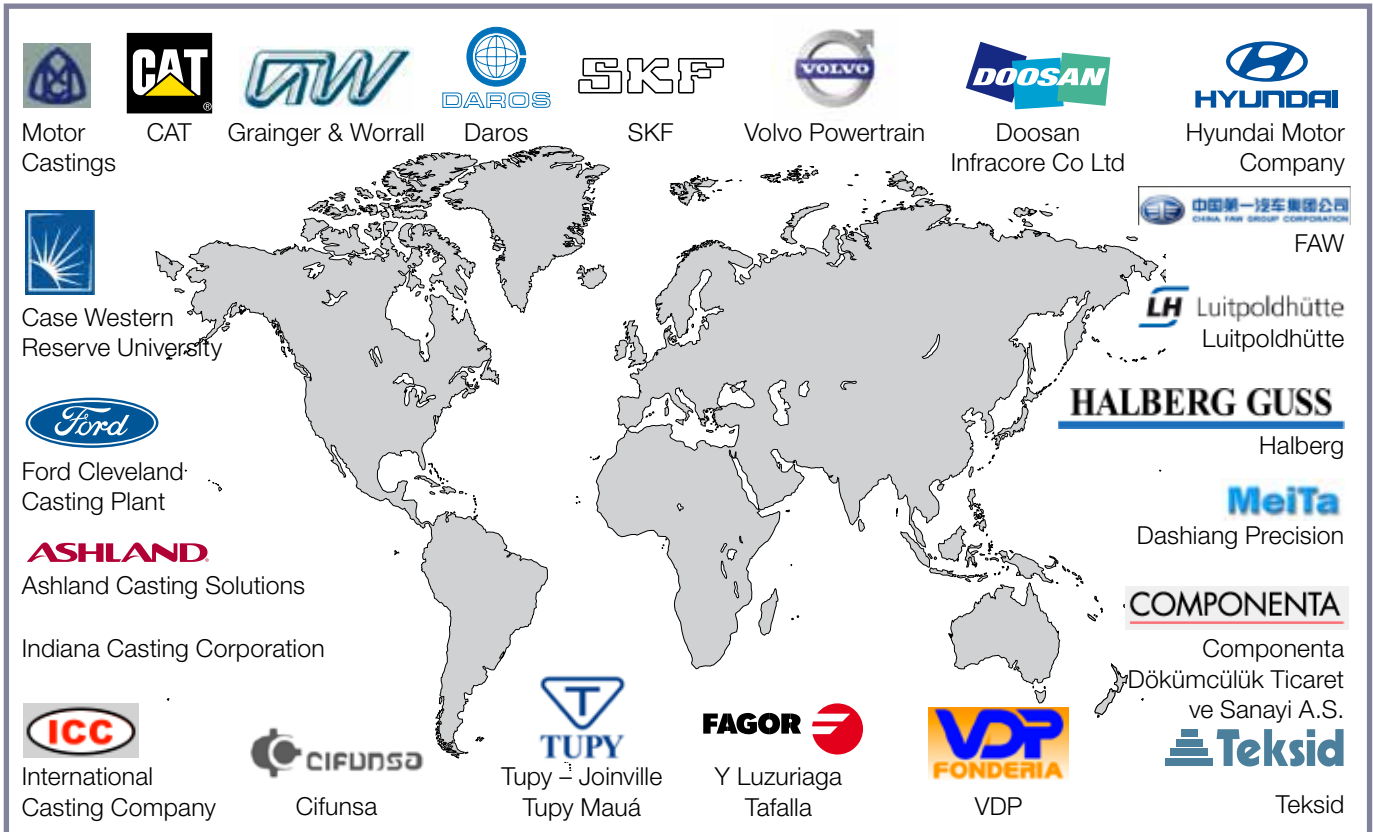
While the economies of Europe and North America continue to be affected by the economic crisis, SinterCast has focused more of its recent market development activities on China and India. Because the domestic demand for V-diesel engines in these countries is very low, the near-term market opportunity consists primarily of commercial vehicles and new foundry installations for domestic and export production. At present, China accounts for approximately half of the global demand for on-highway heavy duty diesel engines, but this is expected to return to approximately one-third as the western economies recover. SinterCast has established a respected market presence in both India and China and this presence is expected to grow as the demand for CGI increases, although the pricing sensitivity in these markets does present a challenge for new technologies.

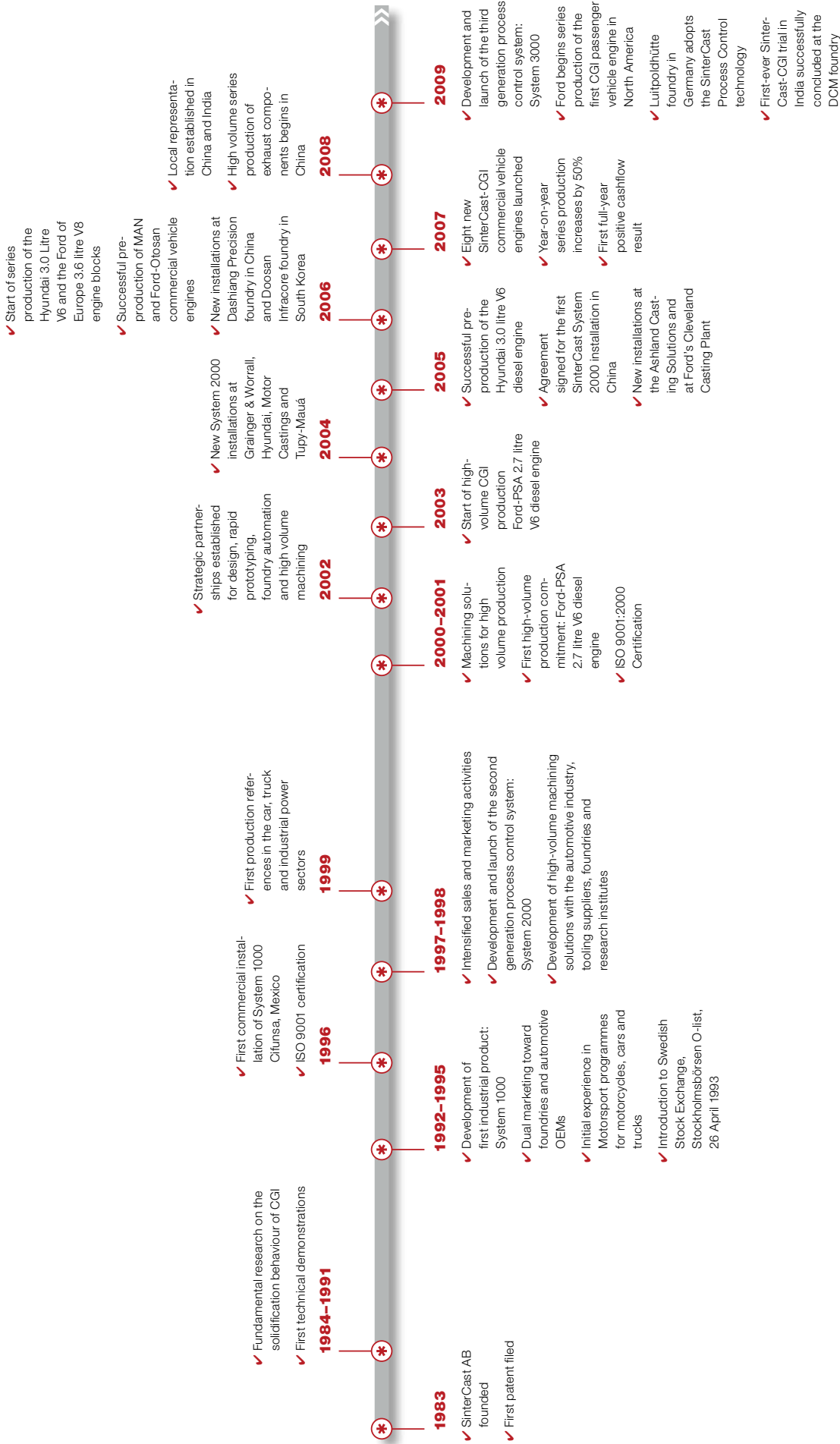
SinterCast's market strategy continues to focus entirely on Compacted Graphite Iron, and SinterCast is widely accepted as the global leader for CGI process control and product applications. SinterCast will continue to work together with the global foundry and automotive industries, and its technology partners, to promote the overall growth of Compacted Graphite Iron.

SinterCast Offices and Representation



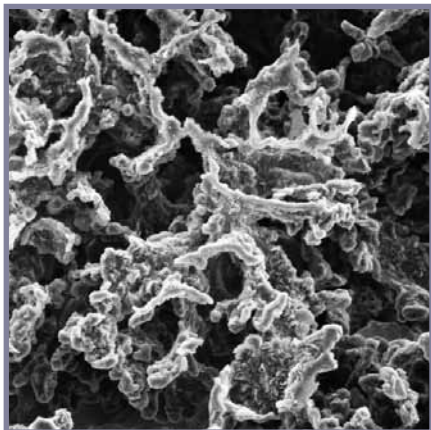
Global Customer Base





Current status

- ✓ 15 fully automated process control systems and 7 mini-systems installed in 11 countries
- ✓ 11 SinterCast-CGI cylinder blocks and 3 cylinder heads, 3.9 – 12.9 litres, in 6 Commercial Vehicle brands
- ✓ 7 SinterCast-CGI cylinder blocks, 2.7 – 6.7 litres, in 26 Passenger Vehicles and 11 car brands
- ✓ 13 patents, pending or granted in 63 national phase filings worldwide



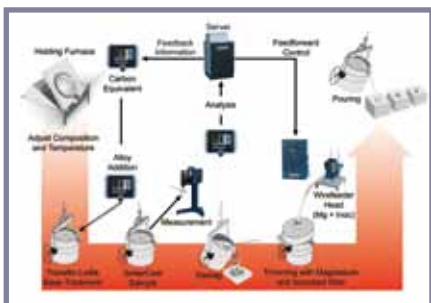
Compacted Graphite Iron

Compacted Graphite Iron is an engineered form of cast iron. It is at least 75% stronger and 45% stiffer than the standard grey cast iron and aluminium alloys. More importantly, CGI provides double the fatigue strength of grey iron and up to five times the fatigue strength of aluminium at elevated temperatures. In new designs, these properties allow engineers to reduce size and weight. For existing components, the properties of CGI provide improved durability and allow operating loads to be increased. CGI is ideally suited to components that have simultaneous mechanical and thermal loading, such as cylinder blocks and heads, exhaust manifolds, turbocharger housings and clutch components. CGI provides benefits for engines in passenger vehicles, commercial vehicles, and industrial power engines for marine, locomotive and power generation applications. SinterCast has established successful production references in each of these sectors.



System 3000

Launched on 15 December 2009 as SinterCast's third generation technology, the System 3000, provides a flexible and user-friendly platform that can be configured to suit the layout and process flow of any foundry. The System 3000 suite of technologies incorporates all new electronic hardware, the latest SinterCast process control software configured for both pressurised pouring furnaces and ladle pouring, and a new Sampling Cup with expanded thermal analysis measurement capability. The fully automated System 3000, designed for high volume series production, and the Mini-System 3000 designed for prototyping and niche volume production, were launched following extensive durability testing corresponding to the production of more than three million cylinder blocks under typical foundry production conditions. The System 3000 platform provides increased levels of flexibility, robustness, accuracy and independence for SinterCast's foundry customers.



The SinterCast Process

The SinterCast process begins with an accurate analysis of the liquid iron, conducted in the patented SinterCast Sampling Cup. Based on the result of this measurement, additional alloying elements (Magnesium and Inoculant) are automatically added to each ladle, in wire form, to optimise the composition of the iron prior to casting. During series production, the average corrective addition of magnesium is approximately 20 grams per tonne. The two-step measure-and-correct control strategy eliminates process variation and ensures cost-effective CGI series production. The results of each SinterCast analysis can be automatically downloaded to the foundry quality system to satisfy QS9000 traceability requirements.



CGI Engine Benefits

CGI enables automotive engines to be 10–20% lighter than conventional cast iron engines and 10–20% shorter than aluminium engines. The reduced length means that all of the components that span the length of the engine are also shorter, and therefore lighter. The net result is that fully assembled CGI engines are effectively the same weight as aluminium engines. CGI also allows for 10–20% increased specific performance (kW/litre), 75–100% improved durability, and 5–10% reduced operating noise. The properties of CGI allow engines to satisfy emissions legislation throughout the life of the vehicle. Compared to aluminium, CGI is stronger, more recyclable, and less expensive.

Diesel – An Important Part of the Carbon Solution in America

Based on an editorial written by Steve Dawson and published in The Detroit News on the opening day of the North American International Auto Show in Detroit on 11 January 2009.

So much of the media attention surrounding the US auto industry is garnered by vehicle electrification – hybrids, plug-ins and fuel cells. However, the technology that could provide the biggest bang for the buck in America – diesel – gets significantly less attention. But North America may be seeing the seeds of change. In December 2009, the Audi A3 TDI diesel was named “Green Car of the Year” at the Los Angeles Auto Show and, the following week, The Detroit News named the same vehicle its “Car of the Year.” At the same time, Wards’, one of the leading automotive trade journals in the US, included two diesels on its list of the Top Ten Engines for 2009.

In today’s market, the objectives are clear: consumers need to reduce their fuel bills, car manufacturers need to meet increased CAFE (Corporate Average Fuel Economy) standards from the current 27.5 mpg (8.6 litres/100 km) to 35.5 mpg (6.6 litres/100 km) by 2016 and, as a nation, the US needs to reduce CO₂ emissions and limit its dependency on foreign oil.

So why so little attention for the off-the-shelf diesel engine that is specified in 50% of all new vehicle sales in Europe? Well, it’s apparently not because Americans don’t want to buy diesels. Diesel uptake on vehicles with diesel options is surprisingly high. During 2009, Volkswagen Jetta sales were over 35% diesel, the Audi Q7 was 30% diesel, the Mercedes M class was over 25% and the BMW X5 was over 20%, all significantly above the national passenger vehicle average of about 1.5%. The message is clear – if the US car makers build diesels, consumers will buy them.

In very general terms, let’s consider that the US passenger vehicle mix is one-third small, one-third midsize, and one-third large (pick-ups and SUVs). If we further assume that, on average, the small cars in the US consume 40 mpg (5.9 litres/100 km), midsize cars get 30 mpg (7.8 litres/100 km), and large vehicles achieve 20 mpg (11.8 litres/100 km), the math tells us that large vehicles consume about 47% of the nation’s oil, compared to 30% for midsize cars and 23% for small cars. In order to realize the largest saving, ironically, the US needs to focus on making the big cars better, not on making the small cars smaller.

For right or for wrong, Americans like and want big vehicles and that reality is unlikely to change in the near term. Despite the economic downturn, and all of the discussion about the paradigm shift toward small cars in the US, the Ford F-Series pick-up was still the top selling vehicle in the US during 2009, and the Chevy Silverado and the Dodge Ram pick-up trucks were both also in the top ten. As the economy recovers, US consumers will again allocate their disposable income toward luxury items and that means cars, probably big cars.

Diesels could save 1.4 million barrels a day

The Environmental Protection Agency (EPA) in the US has calculated that, if one-third of the passenger vehicles in the US used diesel engines, foreign oil imports could be reduced by 1.4 million barrels per day. That saving is 40% greater than the one million barrels the US currently imports from Saudi Arabia,

every day. In parallel, the reduced crude oil consumption would reduce US CO₂ emissions by over 180 million tonnes per year.

The fuel saving capability of diesel engines in the US has already been demonstrated by the use of diesels in super duty pick-up trucks, popular with both tradesmen and private drivers. The three diesel engines sold by Dodge, Ford and GM in the 2500 vehicle class from 2003 to 2008 saved more than six billion gallons of fuel (over 20 billion litres) compared to the petrol engine options for the same vehicles. This is 20 times more fuel savings than provided by all hybrid vehicles sold in the US during the same period, and the associated reduction in CO₂ emissions was more than the CO₂ savings provided by all of the hybrid vehicles produced in the world to date.

Diesels best suited for big vehicles, open road driving

Diesels save fuel, reduce CO₂ emissions, and are best suited for the large vehicles and open road driving modes that predominate in the US. However, in order to comply with US emissions legislations, which are already stricter than the European emissions will be in 2014, diesel engines need additional filters to remove particulates and catalytic exhaust treatment systems to remove oxides of nitrogen. These additions increase the cost relative to petrol engines – not as much as the added cost for a hybrid powertrain – but still, a significant premium. Even though diesel prices at US pumps are now at parity with, or even slightly less than gasoline prices, the higher cost for the exhaust treatment makes it difficult for the individual consumer to realise a payback on the increased sticker price. The payback will come, perhaps in year five or beyond, and certainly in terms of higher residual values for diesel vehicles, but that time horizon is too long for many consumers. And, unlike hybrid owners where the purchase is predominantly emotional and where surveys indicate that less than 5% of hybrid buyers do the payback calculation, diesel buyers do seem to do the math.

Washington can lead the way

If the diesel offers so many benefits in terms of fuel economy, CO₂ reduction and driveability, why doesn’t the US government provide more motivation to support potential diesel buyers? The automakers can’t give rebates to offset the emissions equipment, that’s not their responsibility and the US needs its automakers to be healthy, profitable companies. So that leaves Washington to send a signal that diesel is not just good, but in many applications, better than the other technologies that receive more attention and funding. That signal doesn’t need to come in the form of subsidies, but rather, priorities and policies.

Let’s assume that half of the one million barrels imported from Saudi Arabia every day end up as fuel at the pumps. At \$100 per barrel, that’s \$50 million per day. At the same time, let’s assume that the on-cost for diesel exhaust treatment in pick-up and SUV applications is \$5,000 per vehicle. In a direct trade, the \$50 million per day that the US currently sends offshore could be used to offset the diesel on-cost for about 3.7 million pick-ups or SUVs per year. Based on 2009 sales volumes in the US, that reallocation of priorities could fund a 100% conversion of the US pick-up and SUV fleet to diesel, at no cost to the consumer, the OEMs or the government. It may not be as simple as that, but it could certainly get things moving in the right direction, and it wouldn’t hurt CO₂ emissions or the US trade deficit either.

SinterCast

— Supermetal CGI —

SinterCast, the world's leading provider of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI), launches its third generation technology: System 3000

- Extended thermal analysis measurement capability
- Modular hardware to suite any layout and process flow
- Control solutions for ladle pouring and pouring furnaces
- Local customer support in North America, Europe and Asia
- Flexible, robust, accurate and independent CGI series production



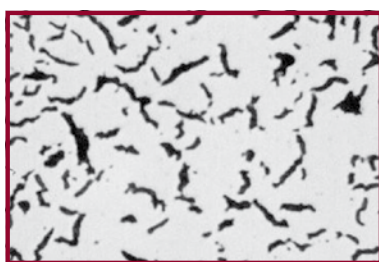
System 3000: Fully automated for high volume series production



Mini-System 3000: Prototyping and niche volume production

Compacted Graphite Iron allows engine designers to improve performance, fuel economy and durability while reducing engine weight, noise and emissions. SinterCast produces a variety of CGI components ranging from 2 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, DAF Trucks, Ford, Ford-Otosan, General Electric Transportation Systems, General Motors, Hyundai, Navistar, Jaguar, Kia, Land Rover, MAN, MAN Diesel, Porsche, PSA Peugeot-Citroën, Renault, Rolls-Royce Power Engineering, Toyota, Volkswagen, Volvo and Waukesha Engine. The SinterCast CGI process control technology has been adopted by 24 leading foundries in 11 countries around the world, including Componenta in Turkey, Dashiang in China, Halberg in Germany, Hyundai in Korea, Tupy in Brazil, Volvo in Sweden and the international Teksid group.

Big Enough to Deliver – Small Enough to Care



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System 3000 advertisement, as published in the February 2010 edition of the Indian Foundry Journal to coincide with the annual conference of Indian Foundrymen.

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, e-man AB, Fouriertransform AB, Friskvårdschecken, Kongsberg Automotive ASA, Ruter Dam (Chairman), Rymdbolaget AB, Stiftelsen för Strategisk forskning (Chairman), Stockholm

Environment Institute, Tällberg Foundation Service AB

Member of the Board since 2002

No. of shares: 4,666

No. of share warrants: 666



Aage Figenschou

LLM, Vice Chairman

Oslo, Norway

Born 1948, Nationality: Norwegian

Main duties: MD, Aage Figenschou AS

Other Board duties: Camillo Eitzen & Co ASA, Eitzen Chemical ASA, Pareto Worldwide Shipping ASA,

Simmons & Co International Inc, Sagex Oil ASA (Chairman) and Unison Forsikring ASA

Member of the Board since 1998

No. of shares: 11,666

No. of share warrants: 1,666



Andrea Fessler

BA, JD

Hong Kong, China

Born 1968, Nationality: Canadian

Main duties: Executive Director, Premiere Performances of Hong Kong

Member of the Board since 2003

No. of shares: 5,833

No. of share warrants: 833



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) and Hayes Lemmerz

Member of the Board since 2004

No. of shares: 1,166

No. of share warrants: 166



Steve Dawson

B.Eng, M.A.Sc., PhD, P.Eng, FIMechE

London, United Kingdom

Born 1962, Nationality: Canadian

Member of the Board since 2007

No. of shares: 31,500

No. of share warrants: 4,500

No. of warrants⁺: 150,000, No. of warrants⁺⁺: 150,000

⁺ The employee stock option programme 2006–2009 was terminated on 1 January 2010 without subscription.

⁺⁺ The employee stock option programme 2009–2013 agreements were signed on 1 January 2010.

Auditor



PricewaterhouseCoopers AB

Liselott Stenudd, Authorised Public Accountant

Company auditor since 2006.

Assignments: Haldex AB, the Swedish Cargotec companies, Diamyd Medical AB and Eltel Group.

Note: All information as of 1 April 2010.

The SinterCast Team



Steve Wallace Operations Director

Rejmyre, Sweden
Born 1967
Nationality: British
Employed since 2003
No. of shares*: 1,823
No. of share warrants*: 323
No. of warrants⁺: 12,000
No. of warrants⁺⁺: 20,000

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*: 31,500
No. of share warrants*: 4,500
No. of warrants⁺: 150,000
No. of warrants⁺⁺: 150,000

Daphner Uhmeier Finance Director

Rönninge, Sweden
Born 1962, BSc
Nationality: Swedish
Employed since 2004
No. of shares*: 606
No. of share warrants*: 106
No. of warrants⁺: 12,000
No. of warrants⁺⁺: 20,000

* As of 1 April 2010. + The employee stock option programme 2006–2009 was terminated on 1 January 2010 without subscription. ++ The employee stock option programme 2009–2013 agreements were signed on 1 January 2010.



The Katrineholm Team celebrates the launch of System 3000

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 2009. SinterCast AB, the parent company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. Throughout this report, the use of the term SinterCast shall be regarded as referring to the SinterCast Group.

SinterCast AB had 3,748 (3,686) shareholders on 31 December 2009. The largest shareholder, SIX SIS AG, controlled 12.61% (11.86%) of the capital and votes as a nominee shareholder. The ten largest shareholders, of which five were nominee shareholders, controlled 47.86% (47.29%) of the capital and votes. Additional information about the SinterCast share and shareholders can be found in the Share Data section of this Annual Report, page 42.

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.

Financial Statements

The following parts of the Annual Report are financial statements and have been audited: Directors' Report; Income Statement; Cashflow Statement; Balance Sheet and Changes in Equity Capital for both the consolidated Group and the parent company; accounting policies and, the Notes. The Auditor has reviewed the remainder of this Annual Report.

Financial Summary

Revenue

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

Revenue Breakdown (Amounts in SEK million if not otherwise stated)	January – December	
	2009	2008
Number of Sampling Cups shipped	54,600	57,600
Equipment ¹	2.6	5.7
Series Production ²	15.6	17.2
Engineering Service ³	1.7	1.8
Other	0.1	0.1
Total	20.0	24.8

¹ Includes revenue from System sales and leases, sales of the Mini-Systems and spare parts

² Includes revenue from production fees, consumables and software licence fees

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

During 2009, revenue amounted to SEK 20.0 million, representing 80% of the corresponding period in 2008 (SEK 24.8 million). The decreased revenue for the period results mainly from the decreased equipment revenue. Equipment revenue for the period was SEK 2.6 million (SEK 5.7 million) and is primarily related to the Mini-System 2000 installation at the Luitpoldhütte foundry in Germany, the hardware upgrades/expansions at the Tupy foundry in Brazil and the Cifunsa foundry in Mexico. Series production revenue amounted to SEK 15.6 million (SEK 17.2 million), representing 90% of series production revenues

during 2008. A total of 54,600 (57,600) Sampling Cups were sold during the period.

Results

Results Summary (Amounts in SEK million)	January – December	
	2009	2008
Operating Result	-6.3	-5.7
Result for the period	-2.7	13.1
Result after tax per share (SEK)	-0.5	2.4

The operating result for the 2009 period amounted to SEK -6.3 million and is SEK 0.6 million lower than the same period 2008. The lower result for the year-to-date period is primarily affected by lower gross result of SEK -2.4 million and lower costs of SEK 1.8 million. The lower costs were affected by income amounting to SEK 0.8 million referring to the capitalisation of the Pressurised Pouring Furnace and System 3000 development projects. The result after tax for the year-to-date period amounted to SEK -2.7 million (13.1 million). The difference of SEK 15.8 million primarily relates to revaluation of the deferred tax asset, as described in the following "Deferred Tax Asset" section.

Deferred Tax Asset

SinterCast calculates its estimated future taxable profit from secured production orders on a quarterly basis in order to determine the valuation of its deferred tax asset.

Deferred Tax Asset (Amounts in SEK million)	January – December	
	2009	2008
Estimated future taxable profit	80.3	70.1
Change in carry-forward tax loss taken into consideration	10.3	70.1
Deferred tax asset	21.2	18.5
Tax result	2.7	18.5

SinterCast has reassessed the estimated future taxable profit and deferred tax asset calculation from secured orders to reflect the current expectation of programme longevity and the typical lifecycle for engine programmes in the automotive industry. This reassessment reflects the Company's current judgement that the underlying automotive demand has stabilised. As of 31 December 2009, SEK 80.3 million (13.5%) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 21.2 million being capitalised as a deferred tax asset.



The Navistar 6.4 Litre V8 cylinder block began series production at the Cifunsa foundry in Mexico during 2009 (Courtesy, Navistar)



The Ford 6.7 Litre V8 cylinder block began series production at the Tupy Mauá foundry in Brazil during 2009 (Courtesy Ford)

Employee Stock Option Programme

As of 31 December 2009, the cost of the existing employee stock option programme 2006–2010 was calculated at a total amount of SEK 3.2 million (SEK 3.2 million as of 31 December 2008), based on a closing share price of SEK 50.5 on 31 December 2009 (SEK 32.5). During 2009, SEK 0.7 million (SEK 0.1 million) was accounted for as costs related to the option programme. No additional costs will be accounted for the option programme 2006–2010, as the programme has expired.

The Extraordinary General Meeting of the shareholders approved a new 2009–2013 employee stock option programme on 20 August 2009, effective on 1 January 2010. The number of stock options allotted to the employees was 285,000. According to the IFRS 2 accounting standard, the employee stock options should be expensed as a personnel cost during the period and reported directly against equity capital. The recorded IFRS 2 cost for employee stock options will amount to approximately SEK 2.7 million during the period 2010–2013. Assuming that all options will be realised at the maximum ceiling of SEK 50, the social security costs are expected to amount to approximately SEK 0.6 million, expensed continuously during the period in which they are incurred. Costs for the option programme 2009–2013 will be accounted for from 1Q 2010 and onwards.

Cashflow, Liquidity and Investments

The January–December 2009 cashflow result was SEK 15.8 million (SEK -7.3 million). The Sörmland Sparbank loan in the amount of SEK 3.0 million was reviewed during December 2009 and extended until the next annual review in December 2010. Investments during the period amounted to SEK 1.3 million (SEK 0.3 million), of which SEK 0.8 million refers to the activation of the Pressurised Pouring Furnace and System 3000 development projects.

Cashflow Summary

(Amounts in SEK million)	January – December	
	2009	2008
Cashflow from operating activities	-3.2	-3.3
Cashflow from working capital	-1.7	-3.7
Cashflow from investment activities	-0.6	-0.3
Cashflow from financing activities	21.3	–
Cashflow total	15.8	-7.3

Liquidity	24.8	9.0
Investments	1.3	0.3

The new rights issue provided a net cash injection of SEK 18.3 million, SEK 23.1 million prior to transaction costs. Current liquidity is SEK 24.8 million, with the prospect of an additional SEK 11.6 million being raised during September 2010 from the warrants related to the new rights issue.

Organisation and Human Resources

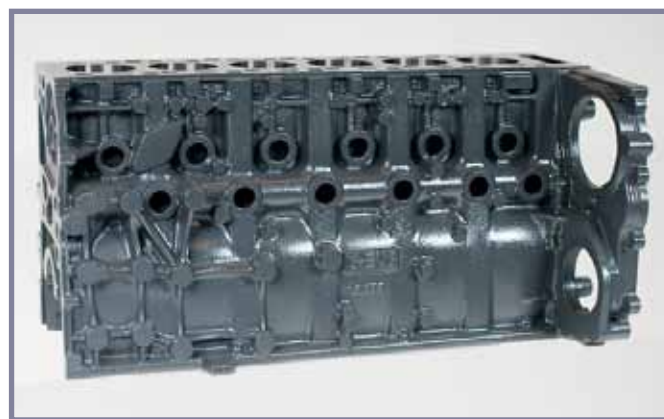
The Group management and sales activities are based at the headquarter office in London, UK. The Technical Centre based in Katrineholm, Sweden is responsible for technical and commercial support of ongoing foundry production activities, product development, production of the control systems and sampling consumables, ISO 9001:2008 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, while local support for the Chinese market is provided by the SinterCast AB Shanghai Representative Office. Engineering support for the US and Chinese offices is provided by the Technical Centre in Katrineholm.

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. 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 and consultancy agreements provide a familiar and respected local presence for the SinterCast technology.

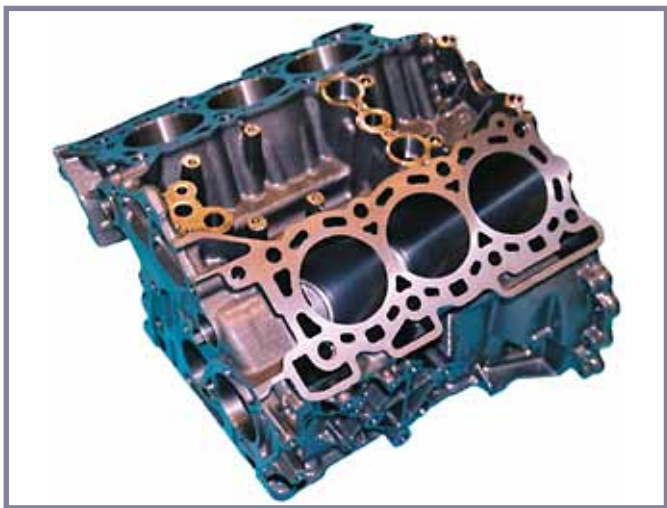
As of 31 December 2009, the Group had 13 (15) employees, two (three) of which were female. The reductions during 2009 were made within the administration functions of the company. Further recruitment will be phased with the development of field activities, particularly the need to support new installations.

Total absence from work within the SinterCast organisation due to illness as a percentage of regular working time during 2009 amounted to 1.8% (1.0% during 2008). Preventive actions have been prepared for implementation to continue to keep illness absence on a low level.

The Annual General Meeting 2009 decided upon a remuneration policy in respect of group management such that the total



The Hyundai 5.9 Litre commercial vehicle engine cylinder block began series production at the Hyundai Jeonju foundry in Korea during 2008. The 4-cylinder 3.9 Litre cylinder block is also produced in CGI at the Hyundai foundry (Courtesy, Hyundai)



The Ford 3.0 Litre V6 cylinder block began series production at the Tupy Joinville foundry in Brazil during 2008. The 3.0 Litre V6 is an upgrade of the 2.7 Litre V6, produced at Tupy since 2003 (Courtesy, Ford of Europe)

remuneration shall be competitive and in line with market conditions, and provide room for reflection of outstanding achievements. The benefits shall consist of fixed salary, possible variable remuneration, other customary benefits and pension, although it was decided that, in consideration of the economic downturn, no bonuses would be paid before the 2010 AGM. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2010 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

R&D and Patents

SinterCast's Research and Development (R&D) activities are based at the Technical Centre in Katrineholm, Sweden. During 2009, SinterCast has developed a suite of new technologies that combine to form the Company's third generation process control technology for the reliable series production of Compacted Graphite Iron (CGI). Branded as the System 3000, the technology advances include upgraded internal hardware components, a new operating system, new process control software, and extended measurement capability of the core thermal analysis sampling technology. The System 3000 maintains SinterCast's established modular hardware format to provide installation flexibility for any foundry layout and process flow, and is configurable for foundries that produce CGI from pressurised pouring furnaces or by ladle pouring. In parallel with the System 3000 launch, SinterCast also launched the new Mini-System 3000. The Mini-System 3000 uses the same sampling technology and software as the fully automated System 3000, but is based on a simplified hardware platform that has been specifically designed for CGI product development, prototyping and niche volume production.

During 2009, SinterCast continued with a previously announced 'extended production trial' which has further developed the control technology for the continuous production of CGI from pressurised pouring furnaces.

SinterCast currently holds 13 (16) patents. The core technology is primarily protected by ten of the most recent patents that

will remain valid until at least 2015. During the early 1990s, SinterCast's strategy was to aggressively file new patents, in order to establish and protect the value of the technology. As the market development has evolved, SinterCast has gradually transitioned from a strategy of publishing patents to retaining internal know-how.

During 2009, 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 63 (79) individual national phase patents granted or pending worldwide. The 13 base patents address SinterCast's metallurgical technology, the Sampling Cup, product applications and machining.

Environment

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. SinterCast's technology contributes to the environment directly by reducing scrap rates in the foundry and indirectly by enabling the production of fuel efficient and durable engines.

Risks and Uncertainty Factors

Market Development

The main uncertainty factor for SinterCast is the timing of the CGI market ramp-up, which primarily depends on the global economy for new vehicle sales and on the individual sales success of the vehicles equipped with SinterCast-CGI components. The economic conditions facing the global foundry and automotive industries have resulted in significant reductions in demand in both the passenger vehicle and commercial vehicle sectors, causing automotive OEMs to reduce production and, in some cases, delay production launches. The overall decline in the automotive market has resulted in a reduction of SinterCast's near-term market opportunity calculation from a peak of 5.7 million Engine Equivalents on 30 June 2008 to the current value of 4.3 million Engine Equivalents. It is noted that SinterCast's



The DAF 12.9 Litre commercial vehicle engine cylinder block began series production at the Tupy Mauá foundry in Brazil during 2008. The cylinder head is also produced in CGI at the Tupy Mauá foundry (Courtesy, DAF)



The Audi 4.2 Litre V8 cylinder block began series production at the Halberg foundry in Germany during 2005. The 4.2 Litre V8 is an upgrade of the 3.3 Litre V8, the first-ever series production CGI cylinder block, launched in 1999 (Courtesy, Audi)

production of components other than automotive cylinder blocks and heads has not decreased as significantly as the core cylinder block and head sector, thus providing a compensating effect on the overall series production volume. While SinterCast continues to support new product development activities, and anticipates new production launches and installation revenue, the Board believes that it is still not possible to determine the ultimate effect of the global economic recession or the timing and rate of the overall market recovery.

For further information on risks and uncertainty factors please see Note 27.

Liquidity

During 2009, SinterCast regularly monitored its cash position with reference to market forecasts and expense budgets, and implemented a pro-active liquidity protection plan that included personnel reductions. While the Company believes that new installation opportunities can provide cash injections to further reinforce the liquidity, and that new series production launches can provide a positive contribution to production volumes and revenues, the timing of the overall recovery in the automotive and foundry industries remains uncertain. The year-end annualised series production volume of approximately 550,000 Engine Equivalents is insufficient to provide positive cashflow. In consideration of all factors, the Board of Directors determined that it was in the best interest of the shareholders to proceed with a new rights issue, which was approved by an Extraordinary General Meeting of the Shareholders on 20 August 2009, and has since resulted in a net cash injection of SEK 18.3 million with the prospect of an additional SEK 11.6 million being raised during September 2010 from the warrants related to the new rights issue. The rights issue enables the Company to be more pro-active in its operations in advance of the market recovery.

Market Penetration and Competition

SinterCast has played a leading role in the development and application of CGI since the early 1990's. SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. However, virtually every company encounters competition, and SinterCast is no exception. As the CGI market has developed, some foundry supply companies have proposed alternative CGI

technologies. To SinterCast's knowledge, these have included Hereaus-Electronite, OxyCast, OCC and NovaCast. It is also possible that some foundries may opt to produce CGI using in-house control and discipline, but this is generally judged to become less likely as product complexity and production volumes increase, and as specification requirements become more rigidly enforced by the end-users. SinterCast judges that its technology and engineering know-how provides the most reliable and cost-effective solution for the production of high quality CGI. Based on its proven technology, production experience and engineering service, SinterCast will continue to support new CGI development activities to further increase its share of the world CGI production capacity. With respect to the development of alternative automotive technologies such as biofuels, hybrids and fuel cells, SinterCast does not expect these to have a significant effect on the Company's competitive position for the foreseeable future.

Events After the Balance Sheet Date

The following press releases have been issued:

12 January 2010 – First Automobile Works (FAW) China Adopts SinterCast Process Control Technology

10 March 2010 – Navistar Launches New V8 Diesel Engine with Compacted Graphite Iron Cylinder Block

There have been no significant events since the balance sheet date of 31 December 2009 that could materially change these financial statements.

The balance sheets and the income statements will be adopted at the Annual General Meeting of shareholders on 20 May 2010.

Annual General Meeting

The Annual General Meeting 2010 will be held at 15:00 on 20 May 2010 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Proposals to the Annual General Meeting 2010

The Board of Directors propose no dividend and that the Company shall retain the total amount of non-restricted equity, SEK 26,314,156.

The Board of Directors propose to authorise, on an annual basis, a share buy-back programme.



The MAN 10.5 and 12.9 Litre commercial vehicle engine cylinder block, produced since 2007 at the Tupy Mauá foundry in Brazil (Courtesy, MAN)

Income Statement

AMOUNTS IN SEK MILLION	Note	GROUP		PARENT COMPANY	
		2009	2008	2009	2008
Revenue	1, 10	20.0	24.8	19.3	22.3
Cost of goods sold	3, 18	-7.0	-9.4	-7.8	-9.3
Gross result		13.0	15.4	11.5	13.0
Cost of sales and marketing	3, 5, 10	-10.1	-11.0	-8.9	-11.1
Cost of administration	3, 4, 5, 10	-5.2	-6.5	-5.4	-6.6
Cost of research & development	2, 3, 5, 6, 10	-3.9	-3.9	-3.8	-3.9
Other operating income	11	0.0	0.3	0.0	0.2
Other operating costs	11	-0.1	0.0	-0.1	0.0
Operating result		-6.3	-5.7	-6.7	-8.4
Financial Income	12	1.8	0.7	1.8	0.6
Financial Costs	12	-0.9	-0.4	-0.9	-0.4
Financial net		0.9	0.3	0.9	0.2
Result after financial income and expenses		-5.4	-5.4	-5.8	-8.2
Income tax	13	2.7	18.5	2.7	18.5
Result for the year for the parent company shareholders		-2.7	13.1	-3.1	10.3
Average number of shares, thousands	26	5,815.1	5,552.9	5,815.1	5,552.9
Earnings per share, SEK		-0.5	2.4	-0.5	1.9
Earnings per share diluted, SEK		-0.5	2.4	-0.5	1.9
Dividend		-	-	-	-

Statement of Comprehensive Income

AMOUNTS IN SEK MILLION	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Results for the period	-2.7	13.1	-3.1	10.3
Other comprehensive income				
Translation differences, foreign subsidiaries	0.0	0.1	-	-
Other comprehensive income, net of tax	0.0	0.1	-3.1	10.3
Total comprehensive income	-2.7	13.2	-3.1	10.3
Total comprehensive income attributable to:				
Equity holder of the parent company	-2.7	13.2	-3.1	10.3
Non-controlling interests	-	-	-	-

Cashflow Statement

AMOUNTS IN SEK MILLION	Note	GROUP		PARENT COMPANY	
		2009	2008	2009	2008
Operating activities					
Operating result		-6.3	-5.7	-6.7	-8.4
Adjustments for items not included in the cashflow					
Depreciation	14, 15	1.5	1.2	1.5	1.2
Other		1.4	0.6	1.4	0.3
Exchange rate differences		0.4	0.3	0.4	0.2
Received interest	12	0.0	0.7	0.0	0.6
Paid interest	12	-0.2	-0.4	-0.2	-0.4
Income tax		0.0	0.0	0.0	0.0
Total cashflow from operating activities before change in working capital		-3.2	-3.3	-3.6	-6.5
Change in working capital*					
Stock	18	1.2	-1.8	2.0	-1.8
Operating receivables	16	0.6	-0.5	0.7	-0.3
Operating liabilities	19, 20, 22, 23	-3.5	-1.4	-3.6	1.7
Total change in working capital		-1.7	-3.7	-0.9	-0.4
Cashflow from operating activities		-4.9	-7.0	-4.5	-6.9
Investing activities					
Acquisition of intangible assets	14	-0.5	-0.2	-0.5	-0.2
Acquisition of tangible assets	15	-0.1	-0.1	-0.1	-0.1
Cashflow from investing activities		-0.6	-0.3	-0.6	-0.3
Financing activities					
Rights Issue		18.3	–	18.3	–
Bank loan		3.0	–	3.0	–
Cashflow from financing activities		21.3	–	21.3	–
Change in cash and cash equivalents		15.8	-7.3	16.2	-7.2
Cash – opening balance		9.0	16.3	8.2	15.4
Cash – closing balance	27	24.8	9.0	24.4	8.2

* Classification between individual items has been changed compared to Books Closing Report 2009.

Balance Sheet – Group

AMOUNTS IN SEK MILLION

	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Fixed assets			
Intangible assets	14		
Capitalised development		1.1	–
Patents		2.2	3.5
Total intangible assets		3.3	3.5
Tangible assets	15		
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	17	21.4	18.7
Total financial assets		21.4	18.7
Total fixed assets		24.8	22.3
Current assets			
Stock	18		
Finished products		3.8	5.0
Total stock		3.8	5.0
Short-term receivables			
Trade debtors	16, 27	3.0	2.5
Other debtors	19, 27	1.2	0.5
Prepaid expenses and accrued income	20, 27	1.6	1.4
Total short-term receivables		5.8	4.4
Cash and cash equivalents	27	24.8	9.0
Total cash and cash equivalents		24.8	9.0
Total current assets		34.4	18.4
TOTAL ASSETS		59.2	40.7

Balance Sheet – Group (Continued)

AMOUNTS IN SEK MILLION	Note	31 Dec 2009	31 Dec 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	25, 26	6.5	5.6
Additional paid in capital		26.9	9.5
Exchange differences	27	6.3	6.3
Accumulated result		10.8	12.7
Total shareholders' equity		50.5	34.1
Long-term liabilities			
Other long-term liabilities	21	0.0	0.0
Total long-term liabilities		0.0	0.0
Current liabilities			
Accounts payable	27	2.0	2.0
Other current liabilities	22, 27	4.4	1.0
Accrued expenses and prepaid income	23, 27	2.2	3.3
Provisions	23	0.1	0.3
Total current liabilities		8.7	6.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59.2	40.7

Statement of Changes in Equity – Group

AMOUNTS IN SEK MILLION	Note	Share Capital	Additional Paid In Capital	Exchange differences	Accumulated Results	Total Equity
Opening balance 1 January 2008		5.55	81.27	6.29	-73.06	20.05
Total comprehensive income		–	–	0.06	13.10	13.16
Total recognised income and expense for 2008		–	–	0.06	13.10	13.16
Transfer of tied up capital to accumulated deficit		–	-71.74	–	71.74	–
Employee stock option programme		–	–	–	0.94	0.94
Closing Balance 31 December 2008		5.55	9.53	6.35	12.72	34.15
Total comprehensive income		–	–	-0.05	-2.70	-2.75
Total recognised income and expense for 2009		–	–	-0.05	-2.70	-2.75
Employee stock option programme	5, 25	–	–	–	0.78	0.78
New Share Issue	26	0.93	17.37	–	–	18.30
Closing balance 31 December 2009	26	6.48	26.90	6.30	10.80	50.48

Balance Sheet – Parent Company

AMOUNTS IN SEK MILLION

	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Fixed assets			
Intangible assets			
	14		
Capitalised development		1.1	–
Patents		2.2	3.5
Total intangible assets		3.3	3.5
Tangible assets			
	15		
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	2.2	1.6
Deferred tax assets	13	21.2	18.5
Total financial assets		23.4	20.1
Total fixed assets		26.8	23.7
Current assets			
Stock			
	18		
Finished products		3.0	5.0
Total stock		3.0	5.0
Short-term receivables			
Trade debtors	27	2.5	1.8
Inter company receivables		0.4	0.8
Other debtors	19, 27	1.2	0.5
Prepaid expenses and accrued income	20	1.2	0.7
Total short-term receivables		5.3	3.8
Liquidity	27	24.4	8.2
Total liquidity		24.4	8.2
Total current assets		32.7	17.0
TOTAL ASSETS		59.5	40.7

Balance Sheet – Parent Company (Continued)

AMOUNTS IN SEK MILLION	Note	31 Dec 2009	31 Dec 2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	25, 26	6.5	5.6
Statutory reserve		9.5	9.5
Total restricted capital		16.0	15.1
Retained result			
Result brought forward		12.0	1.0
Share premium reserve		17.4	–
Result for the year		-3.1	10.3
Total retained capital		26.3	11.3
TOTAL SHAREHOLDERS' EQUITY		42.3	26.4
Long-term liabilities			
Other long-term liabilities	21	0.1	0.1
Total long-term liabilities		0.1	0.1
Current liabilities			
Accounts payable	27	1.3	1.5
Inter company payable		10.1	9.5
Other current liabilities	22, 27	4.3	0.7
Accrued expenses and prepaid income	23	1.4	2.5
Total current liabilities		17.1	14.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59.5	40.7
Contingent liability	24	–	1.0

Statement of Changes in Equity – Parent Company

AMOUNTS IN SEK MILLION	Note	Share Capital	Statutory Reserve	Share Premium Reserve	Results Brought Forward	Results For the Year	Total Equity
Opening balance 1 January 2008		5.55	81.27	–	-66.79	-4.95	15.08
Appropriation of last year's result		–	–	–	-4.95	4.95	–
Total comprehensive income		–	–	–	–	10.34	10.34
Total recognised income and expense for 2008		–	–	–	-4.95	15.29	10.34
Transfer of tied up capital to Accumulated results		–	-71.74	–	71.74	–	–
Employee stock option programme		–	–	–	0.94	–	0.94
Closing balance 31 December 2008		5.55	9.53	–	0.94	10.34	26.36
Appropriation of last year's result		–	–	–	10.34	-10.34	–
Total comprehensive income		–	–	–	–	-3.11	-3.11
Total recognised income and expense for 2009		–	–	–	10.34	-13.45	-3.11
Employee stock option programme	5, 25	–	–	–	0.78	–	0.78
New Share Issue	26	0.93	–	17.37	–	–	18.30
Closing balance 31 December 2009	26	6.48	9.53	17.37	12.06	-3.11	42.33

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2009 were approved on 1 April 2010 by the Board of Directors and the Managing Director, for publication on 20 April 2010 and will be presented at the Annual General Meeting on 20 May 2010 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 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union. The consolidated accounts of the Group also comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1.3 – Supplemental Accounting Rules for Groups. The accounts of the Parent Company comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.3 – 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 of 1 January 2009, amendments to existing standards, new interpretations and one new standard (IFRS 8) have come into effect. In accordance with IAS 1, SinterCast has opted to present the Group's total earnings divided into two statements: a separate income statement and a statement of comprehensive income. Furthermore, the consolidated statement of changes in shareholders' equity only includes transactions with the Group's owners. In compliance with IFRS 8, the Geographical Market presentation summary has been removed from the financial statements, to better correspond with the internal reporting within the Group.

As of 1 January 2010, several amendments to existing standards, new interpretations and one new standard (IFRS 3R) have come into effect. Applying the new standards and interpretations is not expected to have any significant impact on the result or the shareholders' equity. IFRS 3R – Business Combinations is currently not applicable for SinterCast. Revised disclosure requirement according to IFRS 7 – Financial Instruments will influence the information given for the Group and the Parent Company.

More information is available in the section entitled Critical Accounting Judgements and Estimates, Capitalised Development Costs and Segment Reporting.

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 valuation of deferred taxes on tax losses carried forward and the principle of capitalisation of patent costs are both important for SinterCast.

The standard for accounting for deferred tax is IAS 12 "Income Taxes". SinterCast's interpretation of IAS 12 is that recognition of deferred tax assets for the carry forward of unused tax losses, 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, also referred to as secured production. The input for the model includes forecasted tonnes, communicated by the foundry and/or OEM, adjusted with probability factors for each engine programme. The probability factors are reviewed regularly and include safety margins to mitigate possible overestimates.

The above model is only used to decide when the convincing evidence criteria required by IAS 12 are met, and does not constitute to a profit forecast.

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 considers the probability of future benefits in the specific local market, for each patent. During 2009, several national phase 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.

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 as salary costs, 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 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 and accounted for as social security costs. 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 the 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.

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.

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

Cost by Functions and Segment Reporting

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

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

Tangible Assets

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

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

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

- Directly attributable costs that are capitalised include direct employee costs and an appropriate portion of relevant overheads.

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 development costs is included in the costs for research & development.

Depreciation

The rate of depreciation, after evaluation of the useful lives is 8% for patents and similar rights, 24% for purchased production agreements, and 20–33% for capitalised development.

Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment test of capitalised development cost has been performed based on future estimated sales. No impairment was identified.

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. The following SinterCast balance sheet items do not constitute financial instruments:

- Fixed assets, including deferred tax assets and excluding deposits, equity and accrued expenses.

SinterCast classifies its instruments in the following categories:

- Financial assets at fair value through profit or loss, consists of Derivative instruments and are recognised as part of other receivables.
- Held-to-maturity investments, consisting of governmental bonds or commercial paper. These investments are presented in the balance sheet as short-term deposits.
- Loans and receivables, consisting of the balance sheet items, trade debtors and other short and long term debtors, excluding deferred tax assets.
- Financial liabilities, consisting of loans, accounts payable and other current liabilities, excluding accruals.

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 and presented as sales costs when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference

between the asset's carrying amount and the present value of estimated future cashflows, discounted at the 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 from recalculation of receivables or liabilities related to the operation are presented in the profit and loss statements and distributed to the functions.

Translation of Group Companies

Translating the foreign subsidiaries' financial statements into 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, the associated risks have been transferred and collectibles of the related receivable are reasonably assured.
- Sales of services and fixed price service agreements provided to customers are recognised in the accounting period in which the service is performed and recognised according to the percentage of completion method.
- 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. If equipment is sold after the lease period has expired, the revenue from the sale is accounted as revenue.

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 employees in the UK is based on a 10% contribution of the salary while, for employees in the US, it is based on a 15% contribution of the salary, without any future commitments in either country. All commitments to the employees are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The 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 fulfil the requirements in IAS 19 enabling defined benefit accounting, for the respective participating legal entities. The plan is therefore accounted for as a defined contribution plan. The pension age for all SinterCast employees is 65 years, however a legal right to work until the age of 67 years exists in Sweden.

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" and presented in the notes.

Liquidity/cash and cash equivalents

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

Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

1 Revenue Breakdown

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Equipment	2.6	5.7	2.2	3.5
Series Production	15.6	17.2	14.2	15.5
Engineering Service	1.7	1.8	1.6	1.2
Other	0.1	0.1	0.0	0.1
Group Sales	–	–	1.3	2.0
Total	20.0	24.8	19.3	22.3

Equipment includes sold and leased Systems, Mini-Systems and spare parts. Market rights assignment amounting to SEK 0.1 million (0.1) for the piston ring market is also accounted for as Equipment. Series Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. Revenue allocated to Brazil, 40% (36%), China 19% (15%), Korea 13% (11%), U.S. 7% (15%), Germany 6% (6%), Sweden 5% (6%) and other countries 10% (8%).

For the parent company, 9% (9%) of the revenue represents Group sales and 67% (67%) of Cost of goods sold represents Group purchases. The Group sales represent delivery to foreign subsidiaries of Equipment and Engineering Service. Group purchases represent produced equipment and services provided by the subsidiaries.

2 Research & Development

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Costs for personnel and administration	2.1	2.5	2.0	2.5
External expenses	0.4	0.3	0.4	0.3
Depreciation	1.4	1.1	1.4	1.1
Total	3.9	3.9	3.8	3.9

3 Costs per Category

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Personnel expenses	15.8	15.9	9.7	10.0
Cost of goods sold	3.1	4.9	10.2	13.0
Depreciation and write down*	1.5	1.2	1.5	1.2
Office and related costs	1.8	1.9	1.1	1.3
Travel, exhibition and similar	1.1	2.1	0.8	1.1
Consultants sales, marketing and administrations	1.2	1.3	1.0	1.1
Other	2.5	3.1	2.5	3.0
Capitalised development	-0.8	–	-0.8	–
Total	26.2	30.4	26.0	30.7

*Of which, SEK 0.8 million is related to patents allowed to lapse.

4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
PricewaterhouseCoopers				
Audit fees	0.3	0.2	0.3	0.2
Other services	0.2	0.3	0.2	0.3
Other auditors				
Audit fees	0.0	0.1	–	–
Other services	0.1	0.0	–	–
Total	0.6	0.6	0.5	0.5

5 Salaries, Remuneration, and Social Security Costs

The Board of Directors

The Chairman received remuneration of SEK 0.2 million (0.2). No bonus scheme, pension commitments, or pension liabilities exist. Remuneration for the other Board members 4 (4) has been within the limits laid down by the Annual General Meeting on 7 May 2009 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 Managing Director. The Board, with the exception of the Managing Director, was not included in any of the employee stock option programmes that were implemented during 2006 and 2009.

Group Management

The remuneration to the Managing Director amounted to SEK 3.3 million (2.8) including taxable benefits in the form of insurance premiums paid for life, long term disability, and medical and school fees and accrued holiday pay amounting to SEK 1.0 million (0.5). The pension costs, which are based on contributions made without any further commitments, amounted to SEK 0.2 million (0.2) and the social costs amounted to SEK 0.4 million (0.3). The remuneration to the other members of the Group Management, two people, presented on page 12, amounted to SEK 1.8 million (1.9). The pension costs amounted to SEK 0.5 million (0.4) and the social costs amounted to SEK 0.7 million (0.7). The pension plan follows the Swedish ITP-Plan.

The Managing Director 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 Managing Director and the Group Management is 65 years, however a legal right to work until the age of 67 years exists in Sweden.

The terms of employment stipulate a mutual period of notice for the Managing Director of 12 months and for the other members of the Group Management of six months. In the event of a change in the controlling interest of the company, the mutual period of notice for the Managing Director 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. Note that all results presented in this section include the costs for the employee stock option programmes, according to IFRS-2.

The remuneration of the Managing Director is decided by the Compensation Committee. The remuneration of the other members of the Group Management is also decided by the Compensation Committee, after consultation with the Managing Director.

THE PARENT COMPANY ALL AMOUNTS IN SEK THOUSANDS	2009			2008		
	Salaries and remuneration	Social security costs	Pension costs	Salaries and remuneration	Social security costs	Pension costs
China	913	–	–	820	–	–
Sweden	6,515	2,114	896	7,256	1,868	873
Total	7,428	2,114	896	8,076	1,868	873
GROUP						
China	913	–	–	820	–	–
Sweden	6,515	2,114	896	7,256	1,868	873
United Kingdom	3,839	364	224	4,237	18	261
USA	1,341	67	173	1,169	55	123
Total	12,608	2,545	1,293	13,482	1,941	1,257

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

THE PARENT COMPANY ALL AMOUNTS IN SEK THOUSANDS	2009		2008	
	Board and Group Management	Others	Board and Group Management	Others
China	–	913	–	820
Sweden	2,521	3,994	2,569	4,687
Total	2,521	4,907	2,569	5,507
GROUP				
China	–	913	–	820
Sweden	2,521	3,994	2,569	4,687
United Kingdom	3,839	–	3,445	792
USA	–	1,341	–	1,169
Total	6,360	6,248	6,014	7,468

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 of which the Managing Director received 150,000 Options. Options were allocated to all employees.

The employee stock options had 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 did not have their employment terminated on or before 31 December 2008, or voluntarily left their employment before 1 November 2009. The strike price was 121 SEK. The cost of the employee stock options was estimated at approximately SEK 3.2 million (SEK 3.2 million) including social security costs during the period 2006–2010.

Social security charges arose on the benefit incurred in holding the employee stock options. The charges were 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 0) calculation was continuously made according to Black & Scholes, considering share prices (SEK 50.5), remaining time (0 months) to exercise, volatility (35%) and risk-free interest rates (1.05%). The provision was made on the basis of the calculation of the expenditure that may arise when the instruments are exercised. The programme was terminated 1 January 2010 without subscription. Thereafter a new employee stock option programme 2009–2013 began.

A new employee stock option programme for the period 2009–2013 was approved at the SinterCast Extraordinary General Meeting (EGM) of 20 August 2009. The total number of employee stock options issued was 285,000 of which the Managing Director received 150,000 Options. Options were allocated to all employees. No cost for the new employee stock option programme is accounted for during 2009.

The cost of the employee stock options is estimated at approximately SEK 3.3 million including social security costs during the period 2010–2013. 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. The provision is made on the basis of the calculation of the expenditure that may arise when the instruments are exercised.

The options will run for a period of approximately four (4) years, where 15 percent of the allotted options can be subscribed for shares during the period of 1 November to 15 December one (1) year after the issue date, 20 percent can be subscribed for shares during the period of 1 November to 15 December after two (2) years, 25 percent during the period of 1 November to 15 December after three (3) years and the remaining 40 percent during the period of 1 November to 15 December after four (4) years, provided that the employee is still employed by the Group at the aforementioned point of times.

The subscription of shares via the options will take place annually over a four year period, with the subscription price being equivalent to an annual increase of ten (10) percent of SEK 36.6. The annual increase of ten percent corresponds to a 46.5% increase over the four year term of the programme. The employee stock options are subject to a ceiling such that any profit, at exercise, cannot exceed SEK 50 per option.

Employee Stock Option Programme Costs according to IFRS-2 and UFR 7

	2009		2008	
	Salaries and remuneration	Social security costs	Salaries and remuneration	Social security costs
Sweden	0.3	–	0.3	-0.4
United Kingdom	0.5	–	0.6	-0.4
Total	0.8	–	0.9	-0.8
Number of options expected to vest	2009		2008	
Total Options	240,000		240,000	
Allocated	221,000		233,000	
To be distributed	19,000		7,000	
Total number of options expected to vest	240,000		240,000	

6 Transactions with Related Parties

During 2009, no substantial transactions took place between the SinterCast and the Board and the Management, with the exception of their unanimous participation in the new rights issue. Transactions made have been carried out at market value.

7 Board and Group Management

GROUP	2009			2008		
	Total	Female	Female %	Total	Female	Female %
Board members	11	4	36	11	4	36
CEO and group management	3	0	0	3	0	0
PARENT COMPANY						
Board members	5	2	40	5	2	40
CEO and group management	3	0	0	3	0	0

8 Average Number of Employees Employed During the Year

GROUP	2009		2008	
	Total	Male	Total	Male
China	1	1	1	1
Sweden	10	8	12	10
United Kingdom	1	1	2	1
USA	1	1	1	1
Total	13	11	16	13
PARENT COMPANY				
China	1	1	1	1
Sweden	10	8	12	10

9 Absence from Work Due to Illness

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Total absence from work due to illness as a percentage of regular working time	1.77%	1.00%	2.09%	1.10%
Of which more than 60 days	0.00%	0.00%	0.00%	0.00%

No further breakdown is presented due to the small size of the sub-groups.

10 Leasing

SinterCast as Lessor

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Income from leased equipment	0.6	0.6	0.3	0.3
Contracted future income	2.5	3.5	1.5	1.7
Payable within 1 year	0.6	0.6	0.4	0.3
Payable within 2–5 years	1.9	2.9	1.1	1.4
Payable beyond 5 years	0.0	0.0	0.0	0.0

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

SinterCast as Lessee

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Cost from leased premises and equipment	1.3	1.3	0.8	0.8
Contracted future commitments	6.0	6.0	3.5	3.6
Payable within 1 year	1.2	1.3	0.7	0.8
Payable within 2–5 years	4.8	4.7	2.8	2.8
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.

11 Other Operating Income and Costs

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Other Income				
Other Income	–	–	–	–
Exchange gains from operations	0.3	0.4	0.3	0.4
Total	0.3	0.4	0.3	0.4
Other Costs				
Exchange loss from operations	-0.4	-0.1	-0.4	-0.2
Total	-0.4	-0.1	-0.4	-0.2

12 Financial Income and Expenses

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Interest				
Interest	-0.1	0.4	-0.1	0.3
Total	-0.1	0.4	-0.1	0.3
Translation differences				
Exchange gain	1.8	0.3	1.8	0.3
Exchange loss	-0.8	-0.4	-0.8	-0.4
Exchange gain/loss Group	–	–	–	–
Total	1.0	-0.1	1.0	-0.1
Total financial income and expenses	0.9	0.3	0.9	0.2

13 Tax

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Income tax				
Income tax for the year	0.0	0.0	0.0	0.0
Change in value of capitalised tax losses	2.7	18.5	2.7	18.5
Income tax in the income statement	2.7	18.5	2.7	18.5

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Deferred tax asset				
Deferred tax value brought forward	18.5	0.0	18.5	0.0
Capitalised during the year	2.7	18.5	2.7	18.5
Accumulated value carried forward	21.2	18.5	21.2	18.5

Carry forward tax losses

Based on the filed tax returns for the financial year 2008, the following carried forward tax losses were available to offset future taxable profits.

Country	2009	2008	Valid until
Sweden	519.9	511.8	indefinitely
United Kingdom	37.2	37.5	indefinitely
USA	40.2	44.6	15 years from the year of filing
Total	597.3 *	593.9	

*Of which, SEK 80.3 (70.1) million of the Company's total carried-forward tax losses, being used as the basis of the deferred tax asset calculation.

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Difference between the tax expenses for the Group and tax expenses based on actual tax rate				
Result before tax	-5.4	-5.4	-5.8	-8.2
Tax calculated based on Swedish tax rate	1.4	1.5	1.5	2.3
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	-1.4	-1.5	-1.5	-2.3
Tax effect on capitalised tax losses	2.7	18.5	2.7	18.5
Effect foreign tax rates	0.0	0.0	0.0	0.0
Tax on the result for the period as per the income statements	2.7	18.5	2.7	18.5

The income tax rate valid for the Group amounts to 26.3% (28%).

14 Intangible Assets*

	Patent		Capitalised development		Total	
GROUP	2009	2008	2009	2008	2009	2008
Acquisition value brought forward	19.2	19.4	2.4	2.4	21.6	21.8
Acquisitions during the year						
Research & development	0.2	0.2	1.1	–	1.3	0.2
Disposals	-3.2	-0.4	-2.4	–	-5.6	-0.4
Accumulated acquisition carried forward	16.2	19.2	1.1	2.4	17.3	21.6
Depreciation brought forward	15.7	15.0	2.4	2.4	18.1	17.4
Depreciation for the year						
Research & development	0.7	1.1	–	–	0.7	1.1
Disposals	-2.4	-0.4	-2.4	–	-4.8	-0.4
Accumulated depreciation carried forward	14.0	15.7	0.0	2.4	14.0	18.1
Book value carried forward	2.2	3.5	1.1	0.0	3.3	3.5

	Patent		Capitalised development		Total	
PARENT COMPANY	2009	2008	2009	2008	2009	2008
Acquisition value brought forward	19.2	19.4	6.6	6.6	25.8	26.0
Acquisitions during the year						
Research & development	0.2	0.2	1.1	–	1.3	0.2
Disposals	-3.2	-0.4	-2.4	–	-5.6	-0.4
Accumulated acquisition carried forward	16.2	19.2	5.3	6.6	21.5	25.8
Depreciation brought forward	15.7	15.0	6.6	6.6	22.3	21.6
Depreciation for the year						
Research & development	0.7	1.1	–	–	0.7	1.1
Disposals	-2.4	-0.4	-2.4	–	-4.8	-0.4
Accumulated depreciation carried forward	14.0	15.7	4.2	6.6	18.2	22.3
Book value carried forward	2.2	3.5	1.1	0.0	3.3	3.5

15 Tangible Fixed Assets*

	Computers, fixtures and fittings		Plant and machinery		Total	
GROUP	2009	2008	2009	2008	2009	2008
Acquisition value brought forward	3.9	3.8	8.8	9.9	12.7	13.7
Acquisitions during the year						
Administration	0.0	0.1	0.0	0.0	0.0	0.1
Disposals						
Sales and marketing	–	–	-0.9	-1.1	-0.9	-1.1
Administration	-1.6	–	–	–	-1.6	–
Accumulated acquisition carried forward	2.3	3.9	7.9	8.8	10.2	12.7
Depreciation brought forward	3.8	3.7	8.8	9.9	12.6	13.6
Depreciation for the year						
Sales and marketing	–	–	0.0	0.0	0.0	0.0
Administration	0.0	0.1	–	–	0.0	0.1
Disposals						
Sales and marketing	–	–	-0.9	-1.1	-0.9	-1.1
Administration	-1.6	–	–	–	-1.6	–
Accumulated depreciation carried forward	2.2	3.8	7.9	8.8	10.1	12.6
Book value carried forward	0.1	0.1	0.0	0.0	0.1	0.1

	Computers, fixtures and fittings		Plant and machinery		Total	
PARENT COMPANY	2009	2008	2009	2008	2009	2008
Acquisition value brought forward	4.3	4.2	5.2	6.3	9.5	10.5
Acquisition during the year						
Administration	0.0	0.1	0.0	0.0	0.0	0.1
Disposals						
Sales and marketing	–	–	-0.9	-1.1	-0.9	-1.1
Administration	-1.6	–	–	–	-1.6	–
Accumulated acquisition carried forward	2.7	4.3	4.3	5.2	7.0	9.5
Depreciation brought forward	4.2	4.1	5.2	6.3	9.4	10.4
Depreciation for the year						
Sales and marketing	–	–	0.0	0.0	0.0	0.0
Administration	0.0	0.1	–	–	0.0	0.1
Disposals						
Sales and marketing	–	–	-0.9	-1.1	-0.9	-1.1
Administration	-1.6	–	–	–	-1.6	–
Accumulated depreciation carried forward	2.6	4.2	4.3	5.2	6.9	9.4
Book value carried forward	0.1	0.1	0.0	0.0	0.1	0.1

* All fixed assets are related to Sweden.

16 Account Receivables – Trade

	GROUP	
	2009	2008
Accounts receivables not due	0.7	1.9
Accounts receivables due 0–30 days	2.0	0.5
Accounts receivables due 31–90 days	0.2	0.1
Accounts receivables due 91–180 days	0.1	0.0
Provision for bad debts	–	–
Accounts receivables net	3.0	2.5

17 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Deposits*	0.2	0.2	0.0	0.0
Deferred Tax Asset	21.2	18.5	21.2	18.5
Total	21.4	18.7	21.2	18.5

*Of which, 0.0 (0.0) has been paid during 2009.

18 Stock

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Finished products	3.8	5.0	3.0	5.0
Total	3.8	5.0	3.0	5.0

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
The amount of inventories recognised as an expense during the period	2.9	4.3	2.9	4.3
Expensed to cost of goods sold	2.9	4.3	2.9	4.3

19 Other Debtors

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
VAT and tax receivables	0.4	0.5	0.4	0.5
Fair value of forward contracts	0.8	0.0	0.8	0.0
Total	1.2	0.5	1.2	0.5

20 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Prepaid rents	0.2	0.2	0.1	0.1
Prepaid insurance	0.2	0.4	0.2	0.2
Prepaid benefit	0.2	0.1	–	–
Accrued income from Production Fee	0.5	0.3	0.5	0.2
Others	0.5	0.4	0.4	0.2
Total	1.6	1.4	1.2	0.7

21 Long Term liabilities

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Other long term liabilities	0.0	0.0	0.1	0.1
Total	0.0	0.0	0.1	0.1

22 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Withholding tax and national insurance contributions for employees	1.4	1.0	1.3	0.7
Bank loan	3.0	–	3.0	–
Total	4.4	1.0	4.3	0.7

23 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Accrued personnel expenses	0.5	0.6	0.3	0.2
Accrued administrative costs	0.3	0.4	0.3	0.3
Deferred income	0.7	1.7	0.5	1.5
Provisions for cost of goods sold*	0.1	0.3	–	–
Others	0.7	0.6	0.3	0.5
Total	2.3	3.6	1.4	2.5

* Outstanding estimated customer visit costs for one invoiced extended trial.

24 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Guarantee to re-purchase system	–	–	–	–
Buy-back option for a second System 2000 (1999–2008)	–	0.2	–	0.3
Bank guarantees	–	0.7	–	0.7
Total contingent liabilities	–	0.9	–	1.0

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

	2009	2008
All amounts in SEK		
Acquisition value brought forward	62,586,609	61,976,475
Acquisition during the year		
New share issue	508,444	610,134
Accumulated acquisition value carried forward	63,095,053	62,586,609
Depreciation brought forward	-60,935,853	-60,935,853
Depreciation for the year		
Write-off of equity in subsidiaries	–	–
Accumulated depreciation carried forward	-60,935,853	-60,935,853
Accumulated acquisition value carried forward	2,159,200	1,650,756

	Corporate identification number	Votes and percentage of equity, %	Book Value
List of subsidiaries to SinterCast AB (publ)			
SinterCast Ltd.	London, UK 2021239	100	2,059,197
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			2,159,200

26 Share Capital Development in SinterCast AB (publ)

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

* One vote per share

** One tenth vote per share

27 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. External monitoring is conducted by the auditors. Internal monitoring takes place in accordance with the operating principles approved by the Board of Directors. Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimise indemnity. SinterCast is currently not involved in any legal disputes.

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

Overall Summary

SinterCast's future sales depend on factors beyond the Company's control, such as the global economy, the overall state of the automotive market and the potential introduction of new technology. The current economic downturn has resulted in a precipitous decrease in demand in both the passenger vehicle and commercial vehicle sectors and this has had a significant effect on SinterCast's order book, sales and financial performance in both 2008 and in 2009. Global economic trends also influence the ability of SinterCast's customers to decide upon industrial investments and this has also influenced SinterCast's operational result. The main uncertainty factor for SinterCast is the timing of the CGI market ramp-up, which is addressed in the *Market Development* section of the Directors' Report.

Operational Risks

Market Risk

The economic conditions facing the global foundry and automotive industries have resulted in significant short-term reductions in demand in both the passenger vehicle and commercial vehicle sectors. However, the growing demand for CGI is expected to secure SinterCast's long-term market. At the present time, SinterCast holds a leading position in the CGI process control. Based on its leading technology and customer service, SinterCast will continue to support new investment in product development with the aim of increasing its share of the global CGI production capacity.

Major Customers

In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual customers. However, SinterCast still has relatively few customers. In 2009, SinterCast's three largest customers represented about 40% (36%), 19% (15%) and 11% (9%) of the Company's net sales while the five largest customers accounted for about 82% (82%) of sales. As a result, the loss of a single customer could – at least in the short term – have a significant negative effect on the Company's revenue and result.

Competition

Virtually every company encounters competition, and SinterCast is no exception. However, based on SinterCast's pioneering and leading role in the development and application of CGI since the early 1990's, SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. As the CGI market has developed, some foundry supply companies have proposed alternative CGI technologies. It is also possible that some foundries may opt to produce CGI using in-house control and discipline, but this is generally judged to become less likely as product complexity and production volumes increase, and as specification requirements become more rigidly enforced by the end-users. SinterCast judges that its technology and engineering know-how provides the most reliable and cost-effective solution for the production of high quality CGI. Based on its proven technology, production experience and engineering service, SinterCast will continue to support new CGI development activities to further increase its share of the world CGI cylinder block and head production capacity.

Alternative Technologies

With respect to the development of alternative automotive technologies such as biofuels, hybrids and fuel cells, SinterCast does not expect these to have a significant effect on the Company's competitive position for the foreseeable future. Although these technologies receive considerable media attention, the penetration rate remains low.

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.

Patents and Intellectual Property Rights

It is important for the Company to protect its technology through patents or other intellectual property rights in order to preserve its leading position within CGI process control. The Company therefore implements an active patent strategy which involves applying for patents in countries that are considered relevant. However, there is no guarantee that the Company will continue to be granted patents in the relevant geographic markets, or will be able to defend the patents that have been granted. There is also a risk that new technologies may be developed which circumvent or replace the Company's patents. During 2009, the Company allowed selected patents that were near the end of lifetime to lapse, as it was judged continued payment of the national phase annuities would not provide a return on the investment.

Price Risk

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

Financial Risks and Financial Instruments

Please see page 24 "*Financial Instruments*" for more detailed information of SinterCast's classification of its instruments.

Financing

SinterCast has historically been financed by risk capital provided by its shareholders.

SinterCast regularly monitors its cash position with reference to market forecasts and expense budgets, and has implemented a pro-active liquidity protection plan that has included personnel reductions. While the Company believes that new installation opportunities can provide cash injections to further reinforce the liquidity, and that new series production launches can provide a positive contribution to production volumes and revenues, the timing of the overall recovery in the automotive and foundry industries remains uncertain. During mid-2009, the stabilised series production volume was approximately 400,000 annualised Engine Equivalents and it was apparent that this was not sufficient to provide positive cashflow. In consideration of all factors, the Board of Directors determined that it was in the best interest of the shareholders to proceed with a new rights issue, which was approved by an Extraordinary General Meeting of the Shareholders on 20 August 2009, and has since resulted in a net cash injection of SEK 18.3 million with the prospect of an additional SEK 11.6 million being raised during September 2010 from the warrants related to the new rights issue. The rights issue ensures the long-term liquidity of the Company and enables the Company to be more pro-active in its operations in advance of the market recovery.

Liquidity

The Group's liquidity on 31 December 2009 amounted to SEK 24.8 million (SEK 9.0 million). Held-to-maturity instruments consist of governmental bonds or commercial paper with high availability. SinterCast also holds a loan in the amount of SEK 3.0 million from the Sörmland Sparbank.

Liquidity

(All amounts in SEK million)	2009	2008	2007
Bonds	20.0	6.0	11.9
Bank Deposits	4.8	3.0	4.4
Total	24.8	9.0	16.3

Liquidity

(All amounts in SEK million)	2009		2008	
	Total	<30 days	Total	<30 days
Total cash, cash equivalents and receivables	24.8	21.8	9.0	8.2
Total payable	5.1	1.9	6.6	2.5
Incomes from leases	0.6	0.0	0.6	0.0
Expenses from leases	1.3	0.1	1.3	0.1

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 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 for most contracts. At year-end, trade receivables amounted to SEK 3.0 million (SEK 2.5 million), of which SEK

2.0 million (SEK 0.5 million) was due within 30 days and SEK 0.2 million (SEK 0.1 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 2009, net inflow of these currencies amounted to approximately USD 0.7 million (USD 1.1 million) and EUR 0.8 million (EUR 1.1 million). In accordance with the Group's financial policy, part of the expected and budgeted flow of USD and EUR is hedged for the following 12 month period. Outstanding forward exchange contracts on the balance sheet date, was:

Forward Exchange Contracts (All amounts in SEK million)	2009		2008	
	Total	<6 month	Total	<6 month
USD	0.8	0.4	1.2	0.4
EUR	0.7	0.3	0.4	0.2

The translation exposure of net assets in foreign subsidiaries is not hedged. The value of the Group's net assets, meaning the difference between capital employed and net debt, totalled to SEK 10.9 million, (SEK 9.4 million) and was distributed among the following currencies:

Net Assets in Foreign Subsidiaries

(All amounts in SEK million)	2009	2008	2007
GBP	5.9	4.9	4.0
USD	4.7	4.2	1.7
MEX	0.2	0.2	0.2
SEK	0.1	0.1	0.1

Capital risk

The Group's objective in respect of the capital structure is to secure SinterCast's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. To manage the capital structure, the Group could issue new shares, buy-back shares, give dividend or take loans. The Group equity on 31 December 2009 amounted to SEK 50.48 million (SEK 34.15 million). SinterCast AB Equity amounted to SEK 42.33 million (SEK 26.4 million). SinterCast regularly monitors its need for equity. The foreign subsidiaries have been financed by internal loans and equity.

28 Events After the Balance Sheet Date

The following press releases have been issued:

12 January 2010 – First Automobile Works (FAW) China Adopts SinterCast Process Control Technology

10 March 2010 – Navistar Launches New V8 Diesel Engine with Compacted Graphite Iron Cylinder Block

There have been no significant events since the balance sheet date of 31 December 2009 that could materially change these financial statements.

The balance sheets and the income statements will be adopted at the Annual General Meeting of shareholders on 20 May 2010.

29 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 73.7 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

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 1 April 2010

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 7 April 2010

PricewaterhouseCoopers AB

Liselott Stenudd
Authorised Public Accountant

To the Annual Meeting of the Shareholders of SinterCast AB

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 2009. The company's annual accounts and the consolidated accounts are included on pages 13–35. 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 profit 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 7 April 2010

PricewaterhouseCoopers AB

Liselott Stenudd
Authorised Public Accountant

Corporate Governance Report

Background

Corporate governance is a question of ensuring that companies are run as efficiently as possible on behalf of their shareholders. The Swedish Companies Act defines the framework for limited liability companies including rules for the General Meeting (GM), the Articles of Association, the Board of Directors and other activities.

The Shareholders' main influence to govern the Company is during the GM, where all present shareholders have the right to vote on the presented proposals.

Within six months of the expiry of each financial year, the shareholders shall hold an ordinary General Meeting, since 2006 referred to as the Annual General Meeting (AGM), at which the Board of Directors shall present the Annual Report and Auditor's Report for the Parent Company and the Group.

The Board of Directors are elected at the AGM and the tasks and duties of the Board of Directors are laid down primarily in the Swedish Companies Act and other relevant laws, the Listing Agreement with the Nordic Exchange, Stockholm and the Swedish Code of Corporate Governance.

Corporate Governance in SinterCast

SinterCast AB (publ) is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. 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). CGI is primarily used in diesel engine cylinder blocks and heads, for passenger vehicle, commercial vehicle and industrial power applications. SinterCast AB (publ) is the Parent Company of SinterCast Group.

According to the Articles of Association, the Board of Directors shall be elected annually at the AGM and the Directors' mandate shall last until the conclusion of the next AGM. Effective as of 1 July 2008, the AGM elects a Chairman and a Vice-Chairman and decides on the remuneration of the members of the Board of Directors according to the Swedish Code of Corporate Governance. 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 do not regulate dismissal of directors. A majority of the members of the Board are to be independent of the company and its management and at least two members must also be independent of the company's major shareholders.

SinterCast has complied with the Swedish Code of Corporate Governance since 1 July 2008 without any reservations and presents a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting. The Corporate Governance report does not constitute a part of the formal Annual Report documentation and has not been reviewed by the Company's auditors.

Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment of the Nordic Exchange, Stockholm.

SinterCast AB had 3,748 (3,686) shareholders on 31 December 2009. The largest shareholder, SIX SIS AG, controlled 12.61% (11.86%) of the capital and votes as a nominee shareholder. The ten largest shareholders, of which five were nominee shareholders, controlled 47.86% (47.29%) of the capital and votes. As of 31 December 2009, the SinterCast Board, management and employees controlled 0.9% of the capital and votes (0.9% on 31 December 2008).

Parent Company Result 2009

The full year operating result amounted to SEK -6.7 million (SEK -8.4 million). The result is primarily affected by the economic conditions facing the global foundry and automotive industries which has resulted in reductions in demand in both the passenger vehicle and commercial vehicle sectors, causing automotive OEMs to reduce production and, in some cases, delay production launches. The result after financial net and taxes was SEK -3.1 million (SEK 10.3 million), which is SEK 13.4 million lower than the same period 2008, following changes in the capitalisation of deferred taxes.

Annual General Meeting (AGM)

The AGM was held on Tuesday 7 May 2009, in Stockholm, Sweden. All Members of the Board, the Management and the external Auditor were present during the meeting. The AGM was attended by 61 shareholders, in person or by proxy, representing 37% of the votes.

Jan Rynning was elected as Chairman of the AGM. The Managing Director informed the AGM of the Group's development and financial position, and commented on the results for 2008. The AGM adopted the Annual Report and the consolidated financial statements as of 2008, as presented by the Board of Directors and the Managing Director, decided upon allocation of the Company's result, and granted the Directors and the Managing Director discharge from liability. The Nomination Committee presented how it conducted its work during the year and presented its proposals. During the AGM, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Andrea Fessler, Robert Dover and Steve Dawson were re-elected as Board members and the AGM decided, for the period until the next AGM, that the Board shall receive an unchanged total remuneration of SEK 600,000. The remuneration shall be divided between the Chairman (SEK 225,000) and the three ordinary Board Members (SEK 125,000 each), with no remuneration for the Managing Director.

The Annual General Meeting 2009 decided upon a remuneration policy in respect of group management such that the total remuneration shall be competitive and in line with market conditions, and provide room for reflection of outstanding achievements. The benefits shall consist of fixed salary, possible variable remuneration, other customary benefits and pension, although it was decided that, in consideration of the economic downturn, no bonuses would be paid before the 2010 AGM. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2010 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

Extraordinary General Meeting (EGM)

The EGM was held on Tuesday 20 August 2009, in Stockholm, Sweden. The Board was represented by the Chairman, and two additional Board Members, Steve Dawson and Robert Dover. The Management was represented by The President & CEO and the Finance Director. The external Auditor was present during the meeting. The EGM was attended by 34 shareholders, in person or by proxy, representing 24% of the votes.

Jan Rynning was elected as Chairman of the EGM. During the EGM, the shareholders approved the Board of Directors' proposal for a new issue of shares and share warrants of Series 2009/2010 with pre-emption rights for existing shareholders. The rights issue comprises a maximum of 925,483 new shares and 925,483 new warrants. The gross amount of the new rights issue was SEK 23,137,075.

The shareholders also approved the Board of Directors' proposal for a new Employee Stock Option Programme for the period 2009-2013. The employee stock options shall be allocated to all staff employed in the SinterCast Group at the time of issue. The stock options entitle each such employee to acquire one (1) share in the Company. The number of stock options allotted was 285,000.

Statutory Board meeting

In the statutory Board meeting held immediately after the AGM, it was confirmed that Ulla-Britt Fräjdin-Hellqvist was re-elected as Chairman of the Board and Aage Figenschou was re-elected as Vice Chairman. The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. Steve Dawson was re-elected Managing Director for SinterCast AB (publ) and President & CEO of the SinterCast Group.

The Board of Directors

Name	Independent	Committees/attendance		
		Audit	Nomination	Compensation
Ulla-Britt Fräjdin-Hellqvist	Yes	Yes/100%	Yes/100%	Yes/100%
Aage Figenschou	Yes	Yes/100%		Yes/100%
Andrea Fessler	Yes	Yes/100%		
Robert Dover	Yes	Yes/100%		
Steve Dawson	No	Yes/100%		

The Board's Establishment of Committees and its Work

Nomination Committee

The task of the Nomination Committee is, after consultation with the major shareholders, to nominate members for election to the Board, to nominate Auditors for election, to make recommendations on remuneration of the external auditors, and to establish certain other proposals for consideration at each AGM. The majority of the members of the Nomination Committee are to be independent of the company and its executive management. No members of the executive management are to be members of the Nomination Committee and at least one member of the Nomination Committee is to be independent of the company's largest shareholder.

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

Nomination Committee prior to the AGM 2009

The Nomination Committee, elected by the AGM 2008, consisted of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström and Lennart Svantesson. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the Company's position and future focus. The Nomination Committee therefore proposed to the AGM 2009 that the Board of Directors be re-elected, with unchanged remuneration. A new composition of the Nomination Committee was also proposed.

Nomination Committee after the AGM 2009

The Nomination Committee, elected by the AGM 2009, consists of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström (the second largest shareholder as of 7 May 2009) and Torbjörn Nordberg. The Chairman of the Board has described to the Nomination Committee the process applied in conjunction with the annual evaluation of the Board of Directors, Managing Director and Senior Management and has also provided information regarding the results of the evaluation. The Nomination Committee's proposals are to be presented in the notice of the AGM and on the Company's website. The Nomination Committee will also present how it conducted its work and explain its proposals during the AGM.

Compensation Committee

The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. The task of the Compensation Committee is to make recommendations on remuneration of the Board of Directors and, on behalf of the Board, to decide upon the employment agreement for the Managing Director and, after consulting with the Managing Director, for the Senior Management.

The Board has not established a work programme for the work of the Compensation Committee. During 2009, the Compensation

Committee did not establish formal minutes. The Board was informed of the Compensation Committee's decision. The justification for the deviation from the code is that the company is small; the Compensation Committee is composed of only two persons; and, the overall objective of the Board to avoid unnecessary bureaucratisation of the business.

Audit Committee

SinterCast established an Audit Committee during 2008. All Board Members sit on the Audit Committee. Until the Audit Committee was established, the Board fulfilled the duties of the Audit Committee.

On behalf of the Board, the Audit Committee is responsible for the quality assurance of the Company's financial reporting to ensure that these systems meet the requirements of applicable laws and regulations, internal control and risk management. The Committee meets regularly with the Auditors during the year to discuss audit reports and audit plans. The Committee also meets with the Auditor in the absence of the Managing Director and Senior Management.

The Audit Committee is responsible for the evaluation of the Auditors' work and the Auditors' efficiency, qualifications, fees and independence. The Audit Committee must also assist the Nomination Committee with proposals for potential Auditors, which will be resolved during the Annual General Meeting. The Audit Committee also assists Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management.

External Auditor

At the AGM 2006, PricewaterhouseCoopers was re-appointed as Auditor until the AGM 2010. Liselott Stenudd was appointed as Auditor in charge by PricewaterhouseCoopers. The Auditor in charge has had three Auditors assisting in the audit work during the year. The audit follows an audit schedule agreed with the Audit Committee. After the Annual Report is approved, the Board of Directors meets with the Auditor at the May Board meeting where the Auditor reports its observations directly to the Board of Directors without the presence of the Group Management. The Auditor participates in the AGM to briefly describe the auditing work and to summarise the recommendations in the Auditor's Report for the shareholders. The Auditor provided a presentation of the Swedish Company's Act and the Audit plan for 2009 during the November Board Meeting and gave audit feedback on the Interim Report July-September 2009 and the 3Q audit.

Chairman of the Board

The Chairman directs the Board's activities and promotes the efficiency of the Board's activities. The Chairman ensures that the Board's activities are conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensures that the resolutions of the Board are implemented. The Chairman also ensures that the Board members receive any necessary training and is responsible for evaluating the Board's activities and sharing the evaluations with the Nomination Committee. The Chairman proposes the agenda for Board meetings in consultation with the Managing Director. The Chairman has regular communication with the Managing Director, relays opinions from the shareholders to other Board members and acts as spokesperson on behalf of the Board.

Board Meetings

During 2009, the Board of Directors of SinterCast carried out twelve minuted meetings. In connection with every quarterly report, the Managing Director presents the market and financial outlook and reports on operations and important current events. In addition, the Managing Director provides the Board with monthly reports on significant events and financial summary information. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors and risk assessment. Individual Board members also assisted the management group in various strategic and operational matters.

There were no material transactions between the Company and any of the Board members during the year, with the exception of their unanimous participation in the new rights Issue.

Work Programme

Each year the Board adopts a written Work Programme documenting the Board's responsibilities and regulating the internal division of duties between the Board and Group Management, the decision-making process within the Board, the Board's meeting schedule, summonses to board meetings, agendas and minutes, the division of duties between the Board and the Audit Committee, and the Board's work on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board is to receive information and documentation for its work so as to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation policy.

Managing Director and Group Management

SinterCast's Board has appointed a Managing Director who is responsible for the day-to-day management of the Company in

accordance with the Board of Directors' instructions and guidelines. The Managing Director assists the Chairman with the Board Meeting preparations and distributes information according to the Work Programme to be decided upon by the Board. The Managing Director has established, as the President & CEO for the SinterCast Group, the Group Management team including the Operations Director and the Finance Director.

Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organisation is designed in such a way that the bookkeeping, financial management and the Company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance was 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 complies with the extended rules and has implemented the code in full and the Board of Directors hereby submits its report on internal control of financial reporting. The Auditor has reviewed the Corporate Governance Report.

The Board of Directors' Report on Internal Control of Financial Reporting for the Financial Year 2009

Introduction

According to the Swedish Companies Act and the Swedish Code of Corporate Governance the Board of Directors' are responsible for internal control. This report is limited to the internal control regarding financial reporting.

Description

Control Environment

The Board of Directors has the overall responsibility for internal control relating to financial reporting and an important part of the Board's work is to issue controlling instructions. The Board has established a Work Programme that clarifies the Board's responsibilities and regulates the internal distribution of work between the Board, its Committees and the Management. The Finance Policy and the Authorisation Policy including the organisation chart constitute other important controlling documents. The Board of Directors has established SinterCast's Finance Policy to provide a framework for how different types of risks shall be managed. Operational risks have been discussed and evaluated during all Board Meetings. The objective of this policy is to maintain a low risk profile. Since November 2008 the entire Board constitutes the Audit Committee. The primary task of the Audit Committee is to ensure that established principles for financial reporting and internal control regarding financial reporting are followed and that appropriate relations are maintained with the Company's auditors.

Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during Board Meetings. Any significant risks will result in changes in the instructions for the preparation of Financial Reports. Processes to track

changes in accounting regulations to ensure that these changes are implemented correctly in the financial reporting are in place, in which the external auditors play an important role.

Control Activities

The primary purpose of control activities is to prevent, or discover at an early stage, errors in the financial reporting so that these can be addressed and rectified. Control activities take place on both higher and more detailed levels within the Group. Routines and activities have been designed in order to find and rectify significant risks associated with the financial reporting.

Information and Communication

All external information must be provided in accordance with the listing agreement for listed companies in Sweden. The Board of Directors approves the Group's annual report and interim reports. All financial reports are published on the website after having first been sent to OMX Nordic Exchange. Financial information concerning the Group may only be provided by the Managing Director.

Monitoring

The Board's monitoring of the internal control with respect of financial reporting takes place primarily through the Audit Committee follow-up on the Financial Reporting, by reports from the external auditors and through internal self-assessment reported to the Board.

Statement

The yearly evaluation of the need for a separate internal audit function has been discussed and, given the size of the company and the cost to add more functions, it was concluded that there is currently no need for a separate audit function.

The internal control over financial reporting has functioned well during the past financial year and no material weaknesses have been observed.

Stockholm 1 April 2010

Ulla-Britt Fräjdin-Hellqvist
Chairman

Aage Figenschou
Vice Chairman

Andrea Fessler
Board Member

Robert Dover
Board Member

Steve Dawson
Board Member & Managing Director

Historical Summary – SinterCast Group

AMOUNTS IN SEK MILLION

	2009	2008	2007	2006	2005	2004
Profit and Loss accounts						
Revenue	20.0	24.8	22.8	18.1	17.2	9.2
Operating loss	-6.3	-5.7	-5.1	-10.0	-13.1	-19.8
Financial net	0.9	0.3	0.6	0.3	0.7	0.9
Tax	2.7	18.5	0.0	0.0	0.0	0.0
Result for the year for parent company shareholders	-2.7	13.1	-4.5	-9.7	-12.4	-18.9
Cashflow analysis						
Cashflow from operations before change in working capital	-3.2	-3.3	-2.2	-6.9	-8.6	-15.9
Change in working capital	-1.7	-3.7	4.4	2.7	-3.0	-1.8
Cashflow from operations	-4.9	-7.0	2.2	-4.2	-11.6	-17.7
Cashflow from investments	-0.6	-0.3	-1.4	-0.5	-0.4	-1.5
Cashflow from financial operations	21.3	—	—	—	1.0	10.0
Change in cash position	15.8	-7.3	0.8	-4.7	-11.0	-9.2
Balance sheet						
Assets						
Fixed assets	24.8	22.3	4.7	5.5	7.7	11.4
Current assets	9.6	9.4	7.1	9.3	14.2	8.5
Cash and bank deposits	24.8	9.0	16.3	15.5	20.2	31.2
Total assets	59.2	40.7	28.1	30.3	42.1	51.1
Total shareholders' equity	50.5	34.1	20.0	23.4	33.0	44.7
Long-term liabilities	0.0	0.0	0.0	1.0	1.0	1.4
Current liabilities	8.7	6.6	8.1	5.9	8.1	5.0
Total shareholders' equity and liabilities	59.2	40.7	28.1	30.3	42.1	51.1
Key ratios						
Solidity, %	85.3	83.8	71.2	77.2	78.4	87.5
Adjusted shareholders' equity	50.5	34.1	20.0	23.4	33.0	44.7
Capital employed	53.5	34.1	20.0	23.4	33.0	44.7
Total assets	59.2	40.7	28.1	30.3	42.1	51.1
Return on shareholders' equity, %	-6.4	48.4	-20.7	-34.4	-31.9	-38.0
Return on capital employed, %	-5.6	50.0	-19.2	-33.7	-31.3	-37.2
Return on total assets, %	-4.1	66.5	-29.7	-26.3	-26.1	-32.5
Debt-to-equity ratio	—	—	—	—	—	—
Dividends, SEK	—	—	—	—	—	—
Employees						
Number of employees at the end of the period	13	15	14	12	11	13
Average number of employees	13	16	13	12	12	14

Definition of key ratios can be found in Note 29

The SinterCast Share

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.

Under the terms of the agreement, Remium undertakes to, in accordance with the guidelines issued by the Nordic Exchange, Stockholm, quote prices in at least four trading lots, on the buy side and sell side, for the SinterCast share. The Liquidity Provider guarantees that, for a minimum of 85% of the trading time at the Nordic Exchange, Stockholm, the difference between the bid and ask prices for the SinterCast share will not be more than 3%.

The SinterCast share capital on 31 December 2009 was SEK 6,478,383 at par value of SEK 1 per share.

SinterCast had 3,748 shareholders on 31 December 2009. The ten largest, of which five were nominee shareholders, controlled 47.86% of the capital and votes (47.84% 30 June 2009).

As of 31 December 2009, the SinterCast Board, management and employees controlled 0.9% of the capital and votes (0.9% 30 June 2009).

During 2009, a new issue of 925,483 shares and 925,483 share warrants with pre-emption rights for existing Shareholders were approved. The rights issue increased the number of shares to 6,478,383 shares.

Subscription of shares by virtue of the share warrants of series 2009/2010 shall be made during the period from 1–30 September 2010. Two (2) share warrants entitle the holder to subscribe to one (1) new share in the Company. The share warrants are quoted on the Nordic Exchange, Stockholm.

Major Shareholders per 31 December 2009

Name		No. of shareholders	Country	No. of shares 31 December 2009	% of total share capital and votes
SIX SIS AG	(nom. shareholder)		CH	817,162	12.6%
Nordnet Pensionsförsäkring AB	(nom. shareholder)		SE	594,434	9.2%
Ahlström, Lars incl. affiliates			SE	444,551	6.9%
Försäkringsbolaget Avanza Pension	(nom. shareholder)		SE	433,861	6.7%
Goldman Sachs International			GB	276,209	4.3%
Hagman, Bertil			SE	149,700	2.3%
Davegårdh & Kjell, Sverige	(nom. shareholder)		SE	131,003	2.0%
Svenska Handelsbanken Luxemburg	(nom. shareholder)		CH	96,833	1.5%
Ingelman, Carl-Gustaf			SE	93,197	1.4%
Svesten AB			SE	64,000	1.0%
Subtotal		10		3,100,950	47.9%
Other shareholders approx.		3,738		3,377,433	52.1%
TOTAL		3,748		6,478,383	100.0%
Total foreign shareholders		184		1,726,334	26.6%
Total Swedish shareholders		3,564		4,752,049	73.4%

Distribution of Share Ownership 31 December 2009

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of share capital
1–500	2,713	72.39%	413,069	6.38%
501–10,000	965	25.75%	1,850,137	28.56%
10,001–20,000	37	0.99%	543,654	8.39%
Above 20,000	33	0.88%	3,671,523	56.67%
Total	3,748	100.00%	6,478,383	100.00%



Share Data

	2009	2008	2007	2006	2005	2004
Number of shares at the end of the period	6,478,383	5,552,900	5,552,900	5,552,900	5,552,900	5,552,900
Average number of shares during the period	5,815,120	5,552,900	5,552,900	5,552,900	5,552,900	5,402,842
Average number of shares during the period adjusted for outstanding warrants ¹	–	–	–	–	–	5,402,842
EPS average number of shares, SEK ²	-0.5	2.4	-0.8	-1.7	-2.2	-3.5
EPS average number of shares adjusted for outstanding warrants, SEK ²	–	–	–	–	–	-3.5
Adjusted equity per share, SEK ³	8.7	6.1	3.6	4.2	5.9	8.3
Adjusted equity per share adjusted for outstanding warrants, SEK ³	–	–	–	–	–	8.3
Dividends, SEK	–	–	–	–	–	–
Share price at the end of the period, SEK	50.5	32.5	140.0	82.5	101.0	64.0
Highest share price during the period, SEK	60.0	150.5	172.0	93.5	105.5	74.0
Lowest share price during the period, SEK	28.9	30.0	64.0	70.5	58.0	50.0
Number of shareholders	3,748	3,686	3,806	3,698	3,512	3,292
Non-Swedish shareholdings, % of share capital	27	31	33	38	39	43
Swedish shareholdings, % of share capital	73	69	67	62	61	57
Market value, MSEK	327.2	180.5	777.4	458.1	560.8	342.2

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.

For definitions see Note 29.

Important Dates

Annual General Meeting

The Annual General Meeting 2010 will be held at 15:00 on 20 May 2010 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The Interim Report January-March 2010 will be published on 28 April 2010.

The Interim Report April-June 2010 will be published on 25 August 2010.

The Interim Report July-September 2010 will be published on 3 November 2010.

The Interim Report October-December and Full Year Results 2010 will be published on 9 February 2011.

In consideration of cost-efficiency and environmental concern, the Annual Report 2009 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2009 has not been distributed as a printed document.

This Annual Report is available in Swedish and English. The English version is an unofficial translation of the Swedish original.

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

www.sintercast.com

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