SinterCast

Annual Report 2015

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

Highlights

- Record full-year production: 2.1 million Engine Equivalents, 18% growth
- Record Sampling Cup shipments: 152,700 Sampling Cups, 15% growth
- Record revenue: SEK 72.4 million, 33% growth
- Record operating result: SEK 20.3 million, 99% growth
- Two million Engine Equivalent milestone surpassed in first quarter
- Six new installation commitments equals previous records
- Third consecutive *Wards* 10 Best Engine Award for Ram 3.0 litre V6 EcoDiesel
- First high volume CGI petrol engine available in six vehicles for Ford and Lincoln
- 44 installations in 13 countries, supported in 10 languages

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

SinterCast will focus on providing process control technology, know-how and technical support for the reliable high volume production of Compacted Graphite Iron. SinterCast will promote CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast will also build upon its technical expertise in thermal analysis and cast iron process control to develop and launch new technologies beyond the core market for CGI process control. These focused activities will provide long-term benefits for foundries, end-users, shareholders, and society.

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

The SinterCast technology provides environmental benefits in the foundry and on the road. The accuracy of the SinterCast process enables foundries to produce CGI castings right-first-time, reducing scrap rates, energy consumption and CO_2 emissions. SinterCast-CGI engines are usually 20-30% more fuel efficient than the nearest available engine option. Equipped with SinterCast-CGI engines, the Ford F-150 and Ram 1500 – two of the three best-selling vehicles in North America in 2015 – were the two most fuel efficient vehicles in the full size pick-up class.

Business Model

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

System 3000

Sampling Cup

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

The total running fees (sampling consumables 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, €2.00-2.50 for each 50 kg Engine Equivalent. The SinterCast business model is highly scalable, allowing profitability to rise as the installed base grows and as more products enter series production.

Five Waves Status Report

Introduced in 2002, the *Five Waves* strategy continues to provide the basis for how the company views the overall market development. The annualised production status for each of the *Five Waves,* based on the annualised year-end production rate of 2.1 million Engine Equivalents, is summarised in the following table:

Wave 1 V-Diesel Passenger Vehicle Engines in Europe	Annualised year-end production: 315,000 Engine Equivalents (15,750 tonnes) Series production for: Audi, Chrysler, Jaguar, Jeep, Lancia, Land Rover, Maserati, Porsche and Volkswagen SinterCast-CGI Components: Four cylinder blocks (3.0-4.4 litres) Overview: Stable production in 2015, as the majority of V-diesels in Europe are now produced in CGI
Wave 2 Commercial Vehicle Engines Worldwide	Annualised year-end production: 680,000 Engine Equivalents (34,000 tonnes) Series production for: DAF, Ford-Otosan, Hyundai, MAN, Navistar and Scania SinterCast-CGI Components: 12 cylinder blocks and six cylinder heads (3.9-16.4 litres) Overview: 9% growth in 2015. Near-term and long-term global growth opportunity
Wave 3 In-Line Passenger Vehicle Diesel Engines	Current status: Product development underway Overview: Long-term potential depends on performance demands, downsizing and emissions requirements
Wave 4 V-Diesel Passenger Vehicle Engines Beyond Europe	Annualised year-end production: 705,000 Engine Equivalents (35,250 tonnes) Series production for: Ford, Hyundai, Jeep, Kia, Nissan and Ram SinterCast-CGI Components: Four cylinder blocks (2.7-6.7 litres) Overview: Stable production in 2015 at mature volumes. Nissan 5.0 litre V8 start of production in late-2015 provides near-term growth opportunity
Wave 5 Passenger Vehicle Petrol Engines Worldwide	Annualised year-end production: 250,000 Engine Equivalents (12,500 tonnes) Series production for: Ford and Lincoln vehicles SinterCast-CGI Components: Ford 2.7 litre V6 and Lincoln 3.0 litre V6. Six vehicle applications Overview: Significant growth in 2015. Continued growth opportunity as new vehicle applications are introduced and new competitive benchmarks are set

Other Growth Opportunities

Automotive - Other than Passenger Vehicle Cylinder Blocks	Annualised year-end production: 85,000 Engine Equivalents (4,250 tonnes) Series production for: Various OEMs and Tier I suppliers including BorgWarner and Honeywell SinterCast-CGI Components: Exhaust manifolds, turbocharger housings, bedplates and Motorsport cylinder blocks Overview: Stable production with growth opportunity
Industrial Power	Annualised year-end production: 85,000 Engine Equivalents (4,250 tonnes) Series Production for: Allen Diesels, Cameron Compression, Cummins, Deutz, Doosan, Federal Mogul, General Electric, Jenbacher, MAN and MTU SinterCast-CGI components: Agricultural, marine, locomotive, off-road and stationary power applications Overview: 58% growth in 2015. Near-term and long-term global growth opportunity

Dr Steve Dawson, President & CEO

CEO Message

There are moments in life that resonate and anchor within us. As a graduate student at the University of Toronto in the 1980's, I remember the visit of a vice president from an American steel company. The vice president hadn't studied at university, but his forty years in the industry had given him a keen insight into process control. As we discussed my research on the measurement and control of liquid steel, he nodded and remarked: "*you can't control what you can't measure*". Thirty years later, this simple truth remains the mantra of SinterCast: in our technology; our new product development; and, our quality systems.

Our measured results in 2015 showed record progress on every front. Full year series production increased by 18%, as we surpassed the two million Engine Equivalent milestone in the first quarter and reported above two million in all four quarters. The higher production resulted in record Sampling Cup shipments, with a 15% increase to 152,700 Sampling Cups shipped. Beyond the absolute value of these two measurements, the more interesting measurement is the rate of growth. For SinterCast, our first series production programme started in 1999. From that point, we needed eleven years to reach the one million Engine Equivalent barrier in September 2010. Less than five years later, the two million Engine Equivalent barrier was crossed in March 2015. The start of series production in 1999 also marked the launch of our steel Sampling Cup – world's first thermal analysis sampling device to be constructed from steel and to employ re-usable thermocouples. Seventeen years later, in January 2016, we shipped our one millionth Sampling Cup, with full-year 2015 shipments at a pace to reach two million in less than seven years. These examples, combined with an average compounded annual growth rate of 20% since 2007 illustrate the progress and promise of our business.

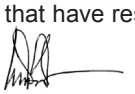
In 2002, before the first high volume CGI series production had even begun, we introduced the *Five Waves* to share our vision of the potential market development. Today, we have established high volume production references in four of the five waves, delivering our vision. During 2015, passenger vehicle production grew by >20%, commercial vehicle production grew by approximately 5% and off-road industrial power grew by >40%. This growth maintained our healthy balance at approximately 55% passenger vehicle, 35% commercial vehicle and 10% 'other' components, where the 'other' category includes exhaust components and bedplates for passenger vehicles plus engine components for the industrial power sector.

Within the passenger vehicle sector, we identified North American pick-up trucks as a primary growth opportunity in 2005, eight full years before the first CGI pick-up went on sale in the autumn of 2013. Now, with the start of sales of the Nissan Titan at the end of 2015, our CGI engines are in three of the five full size light duty pick-ups and two of the three best-selling vehicles in North America. More importantly, the SinterCast 3.0 litre V6 EcoDiesel in the Ram 1500 and the 2.7 litre V6 petrol engine in the Ford F-150 are the two most fuel efficient engines of the 12 engine options available in the full size pick-up market. Providing more than 20% improved fuel economy in the America's highest selling vehicles is an environmental contribution that we can all be proud of.

SinterCast has been ISO 9001 quality certified since 1996, and this quality system remains an important mechanism to monitor the development and provision of our goods and services. But beyond this formal system, we have established an internal quality benchmarking to measure and control the ultimate quality metric: our customers' perception of our performance. Internally, we measure ten separate categories that directly influence customer satisfaction. The results, compiled and reported upon every month, convey our goals, our results and our need for control actions to every employee. We are proud of our technology and our customer service and every employee feels a personal responsibility for results. With skilled young colleagues joining in recent years, I am confident that this important SinterCast ethos will be in good hands for many years to come.

Measurement and control is also at the heart of our new product development. When we consider new technologies, our ambition is to develop unique products that measure aspects of the foundry process that could not previously be measured; that bring new information and enable improved efficiency. Our ongoing development of ductile iron thermal analysis was delayed in 2015, but that was a deliberate response to our allocation of resources to the core CGI business and to the evaluation of other novel technologies. We will continue to evaluate and develop new technologies – both within and beyond the core areas of CGI and thermal analysis – that will bring value to our customers and strengthen the image of SinterCast as a technology leader.

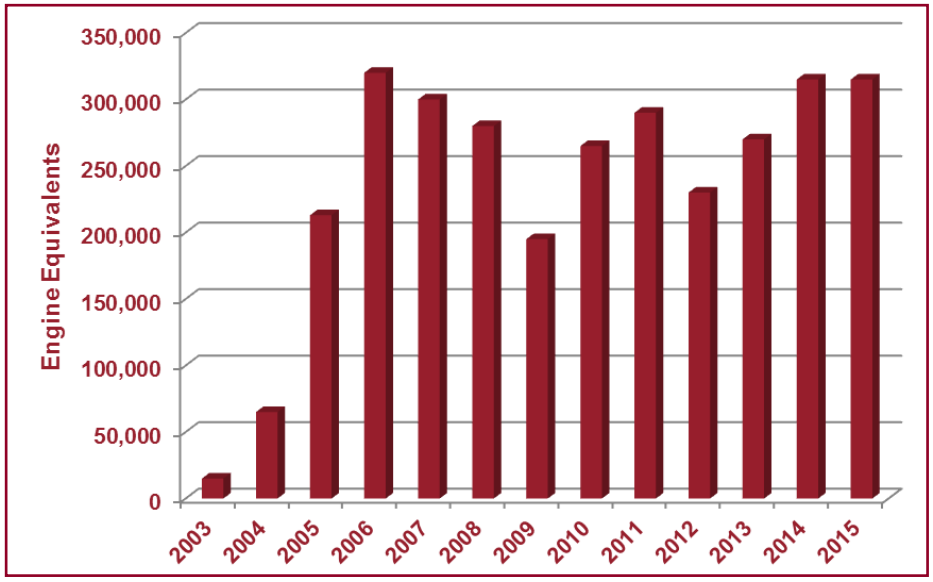
Our focus and our discipline have established a technology that has earned the respect of the foundry and automotive industries. Together, this technology and respect have enabled us to grow and prosper, to contribute to society, and to share our progress with our shareholders. Since the start of our series production in 1999, our efforts have put millions of SinterCast-CGI engines on the road, reduced CO_2 emissions by tens of thousands of tonnes and, together with our proposed dividend for 2016, have transferred SEK 71.3 million to our shareholders. These are the ultimate measurements that have resulted from our control.



Dr Steve Dawson
President & CEO

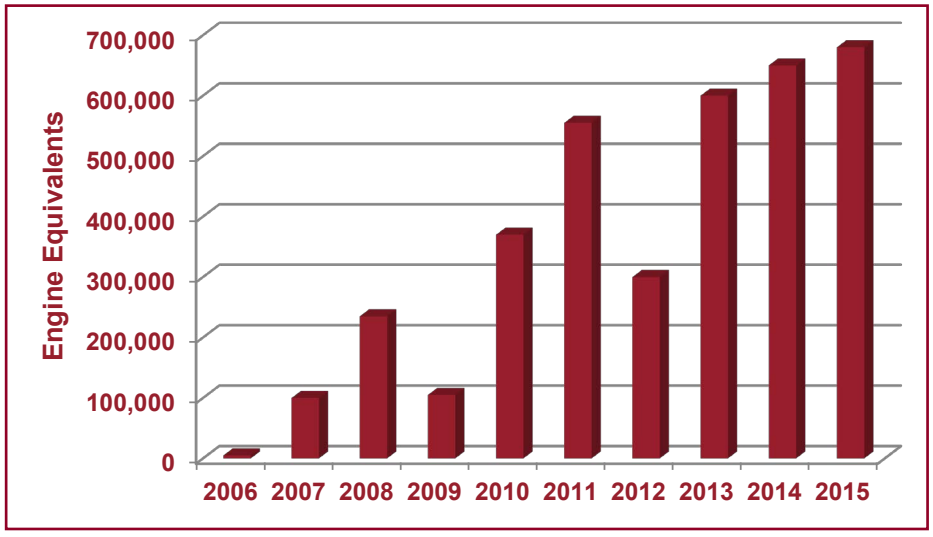
Market Development

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



Wave 1: V-Diesel Passenger Vehicle Engines in Europe

Since 1999, the *First Wave* has provided volume for SinterCast and confidence for the industry. The start of production of the Audi 3.3 litre V8 cylinder block provided a breakthrough for SinterCast, becoming the world's first series production engine with a CGI cylinder block. This was followed by the start of high volume V-diesel production for Audi and Ford in 2003. Over the last 15 years, CGI has effectively become the standard material for passenger vehicle V-diesel cylinder blocks. At present, there is only one V-diesel engine in Europe that is not produced in CGI – the Mercedes 3.0 litre V6. The *First Wave* has reached maturity and can be relied upon for continued stable contributions. Subsequent growth will depend primarily on the growth in European auto sales and the popularity of vehicles with SinterCast-CGI engines. Despite the Volkswagen diesel problems revealed in September 2015, there was no negative impact on foundry shipments of the VW-Audi 3.0 litre V6 diesel cylinder blocks by year-end. Although the VM Motori diesel is applied to FCA vehicles in Europe, all of the VM Motori volume is allocated to the *Fourth Wave*, due to the dominance of the Ram and Jeep applications in the US. Likewise, Audi and Range Rover diesel sales in North America are entirely allocated to the *First Wave.*

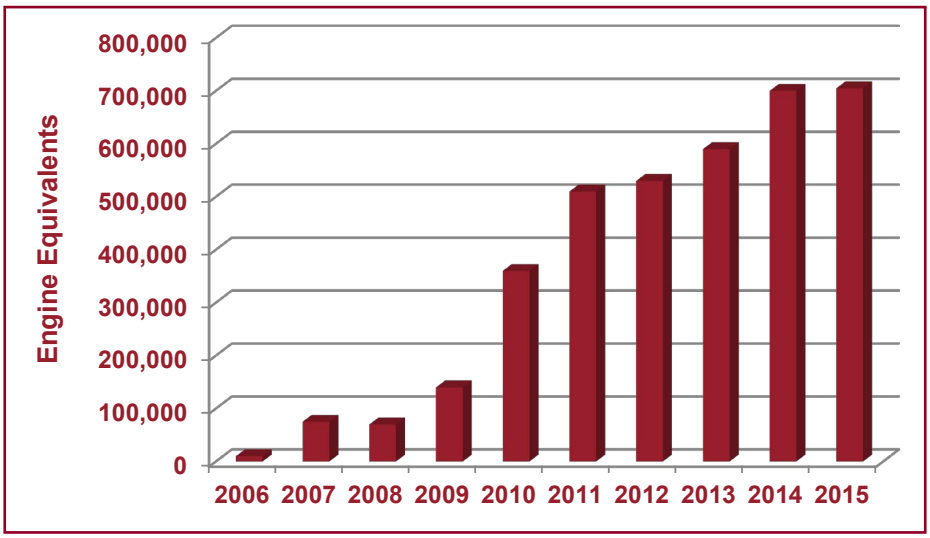


Wave 2: Commercial Vehicle Engines Worldwide

Commercial vehicle production began in 2006 and, with the exception of the economic downturns in 2009 and 2012, has grown almost linearly. Commercial vehicle volume grew by 5% during 2015 and currently accounts for approximately 35% of SinterCast's total volume. The growth in 2015 was primarily due to increased volumes in the European programmes, where overall heavy duty commercial vehicle sales grew during the year. The outlook for commercial vehicle sales in Europe and North America remains positive; however, the outlook in China – the world's largest commercial vehicle market – is more pessimistic. Heavy duty commercial vehicle sales in China decreased by 20-25% in 2015, with no immediate signs of recovery in 2016. The Chinese market conditions have resulted in the delay of new product development and launches. It remains possible that new Chinese programmes can contribute to the near-term growth, but the primary near-term growth opportunity is derived from the Western markets. SinterCast's current production in the *Second Wave*, with 18 components in series production, provides a credible reference while offering considerable growth potential in a sector that continuously demands downsizing, performance and fuel efficiency.

Wave 3: In-line Passenger Vehicle Diesel Engines

The continuing trend toward downsizing and higher performance from smaller and lighter engine packages provides the basis of the opportunity for CGI in in-line passenger vehicle applications. In-line CGI cylinder blocks are already in production for commercial vehicles, ranging from 3.9 to 13 litres. The application of CGI started earlier in commercial vehicle engines due to the higher combustion pressure and the larger cylinder bore diameter. The bore diameter in commercial vehicle engines is typically 120-135 mm, while the diameter in passenger vehicle engines typically ranges from 90-105 mm. The internal forces in an engine depend on the area of the cylinder bores, which in turn, depends on the diameter squared: the load increases exponentially as the bore diameter increases. It is therefore to be expected that in-line passenger vehicle diesel engine applications will begin with larger engines, in parallel with increased demand for higher performance and improved fuel economy. SinterCast continues to promote in-line passenger vehicle applications in the industry in order to increase volumes and to secure production references in the last of the *Five Waves*.



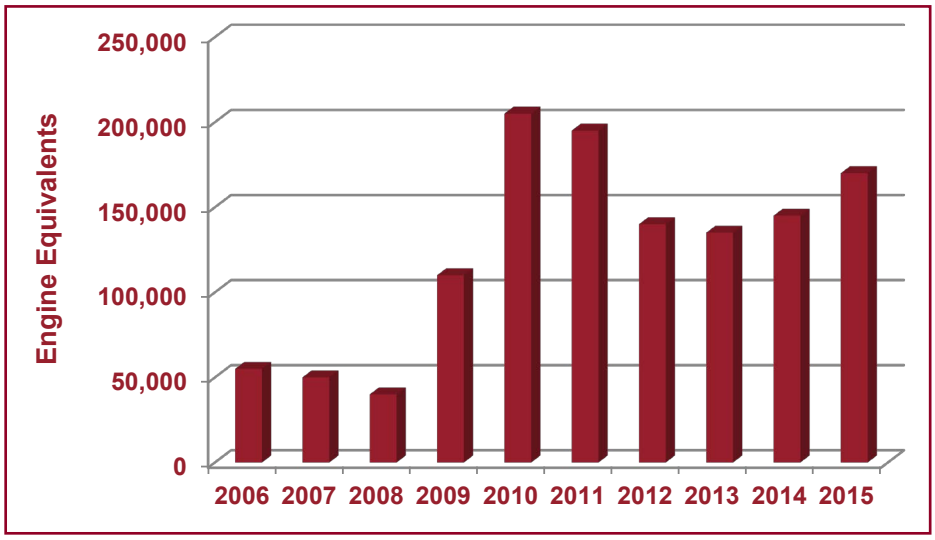
Wave 4: V-Diesel Passenger Vehicle Engines Beyond Europe

Following the ramp of the VM Motori 3.0 litre V6 EcoDiesel in the Ram 1500 and Jeep Grand Cherokee in 2014, the *Fourth Wave* provided strong and stable contribution in 2015. The 3.0 litre V6 EcoDiesel in the Ram 1500 won a third consecutive *Wards* 10 Best Engine award in 2015, with the judging panel commenting that the engine "set the gold standard for refinement and fuel efficiency in the world of light duty trucks". The Ram 1500 EcoDiesel also provides the best fuel economy of any of the North American full size pick-ups. These achievements provide an excellent benchmark for CGI V-diesels in North American pick-up applications. The start of sales of the Nissan Titan, exclusively with a SinterCast-CGI 5.0 litre V8 diesel, provides a growth opportunity in the *Fourth Wave* in 2016, and further reinforces the competitive benchmark. While the Volkswagen diesel problems have influenced perception in the US, it is believed that the pick-up and SUV markets will not be significantly affected. With current sales of approximately two million pick-ups per year, and approximately 50% of all new vehicle sales in North America being pick-ups, SUV's and crossovers, the *Fourth Wave* remains a primary growth target for SinterCast. The Hyundai 3.0 litre V6, available in Hyundai and Kia SUV applications in the domestic Korean market, also contributed the *Fourth Wave* in 2015.

(Courtesy Ford)

Wave 5: Passenger Vehicle Petrol Engines Worldwide

The Ford 2.7 litre V6 petrol engine ramped strongly during 2015, evolving from niche volumes at the beginning of the year to becoming one of the highest volume programmes by year-end. It is believed that the engine currently accounts for approximately 25% of Ford F-150 pick-up sales – North America's best-selling vehicle for more than 35 years. A 3.0 litre derivative of the engine began production during 2015 and was launched in the new Lincoln Continental at the North American International Auto Show in January 2016. The engines are a key part of Ford's downsizing EcoBoost strategy, providing approximately 20-30% better fuel economy than the alternative engine options. Already available in six different Ford and Lincoln vehicles, the Ford petrol engine provides further growth opportunities in the *Fifth Wave* and establishes a competitive benchmark that can encourage further CGI commitments in petrol engine applications. The ongoing demands to improve fuel economy in the US from 27.5 miles per gallon (8.6 litres per 100 km) in 2010 to 54.5 miles per gallon (4.3 litres per 100 km) in 2025, and the need to reduce CO_2 emissions in Europe from 130 g per km (42 mpg) in 2012 to 95 g per km (57 mpg) in 2021, will continue to demand higher performance from smaller engines. This trend favours the use of CGI.



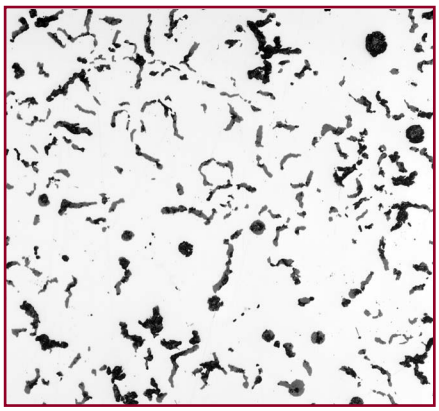
Other Growth Opportunities

Beyond the *Five Waves* related to the core automotive cylinder block and head applications, SinterCast also supports the production of passenger vehicle exhaust components and bedplates, and large castings for the industrial power industry. Exhaust component and bedplate production was rather stable during 2015, but the production of industrial power components increased by more than 40%, resulting in an overall growth of 17% for components other than automotive cylinder blocks and heads. The growth in the industrial power sector during 2015 was primarily buoyed by higher demand for the General Electric locomotive cylinder head, with a second production source coming on-stream in China during the year. The launch of the Deutz 7.8 litre cylinder head used in Fendt tractor applications and for the cylinder head of the Cummins QSK 95 stationary power and locomotive engine also contributed to the growth in 2015. The 'other' category has traditionally accounted for approximately 10% of the total volume, and this remains a good ambition as the core automotive waves continue to grow.

New Product Development

SinterCast is continuously investigating and developing new technologies. At present, SinterCast is developing the application of its thermal analysis know-how for the process control of ductile iron production and is also evaluating other new concepts that can improve quality and production efficiency in the foundry industry. A prerequisite for new product development within SinterCast is that the allocation of resources must not detract from the focus on the core CGI technology or the ability to serve the core CGI customers and market development. Although the ductile iron development was initiated in 2011, the growth of the CGI market, and the implementation of new customer-specific technical functionality, has resulted in delays to ductile iron development. The ductile iron development continued during 2015, focussing on the development of a bespoke ductile iron thermal analysis sampling device and the optimisation of metallurgical correlations. Field trials were also conducted. SinterCast also initiated the development of other novel concepts during 2015 – both within and beyond the scope of thermal analysis. Some of these development activities can have the potential for application to liquid metal process control beyond the cast iron foundry industry. SinterCast will continue to investigate and develop new technologies that are unique and that reinforce the image of SinterCast as a technology leader.

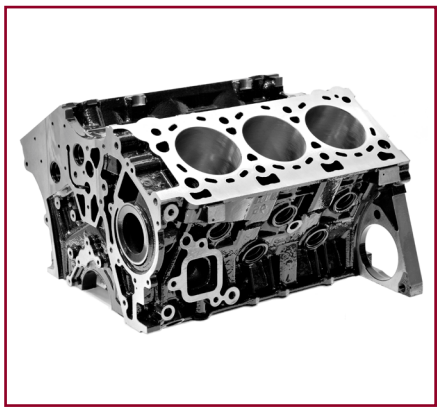
The GIFA world foundry exhibition, held every four years in Düsseldorf, provided an opportunity for SinterCast to showcase its Compacted Graphite Iron process control technology, to meet potential customers, and to host current customers from around the world.



SinterCast Compacted Graphite Iron

SinterCast - CGI

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



CGI V6 cylinder block (Courtesy Hyundai)

SinterCast - CGI Engine Benefits

Compacted Graphite Iron enables automotive engines to be 10-20% lighter than conventional cast iron engines and 10-20% shorter than aluminium engines. The reduced length means that all of the components that span the length of the engine are also shorter, and therefore lighter. The net result is that fully assembled CGI engines can be the same weight, or even lighter than, aluminium engines. CGI also allows for 10-20% increased power per litre, 75-100% improved durability, and 5-10% reduced operating noise. These benefits contribute to the ongoing trend toward downsizing in passenger vehicle and commercial engines – more power and improved fuel economy from smaller and lighter engine packages. Compared to aluminium, CGI is stronger, consumes less energy and creates less CO_2 during production, is more recyclable and less expensive.

Mini-System 3000

SinterCast Mini-System 3000

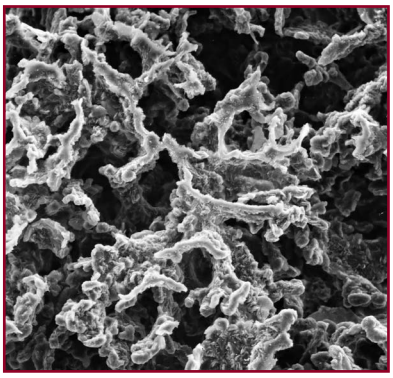
The Mini-System 3000 is a purpose-built thermal analysis system for product development, prototyping and niche volume production. The Mini-System 3000 uses the same sampling technology and software as the fully automated System 3000, but is based on a simplified hardware platform. The Mini-System 3000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

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

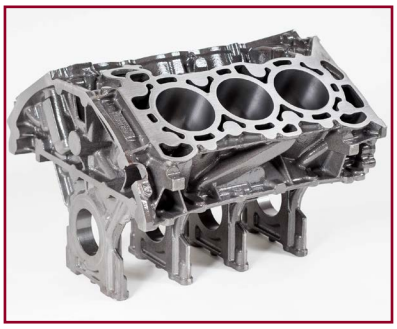
Mini-System 3000 Specifications

Foot-print	1,400 x 550 mm
Max Height	1,630 mm
Weight	190 kg
Power Supply	110–120V, 50–60Hz, 2kW max. 220–240V, 50–60Hz, 2kW max. Single Phase.
Sampling Rate	1 sample every 4 minutes

SinterCast-CGI Cylinder Block Benefits



STRENGTH & DURABILITY
+75% Tensile Strength
+45% Elastic Modulus
+100% Fatigue Strength



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

PROVEN RELIABILITY
75,000 Cylinder blocks/month
2.7-16.4 litre Displacement
High Volume Diesel & Petrol References
>60 components in Series Production

25 REASONS TO USE SINTERCAST-CGI

1. WEIGHT REDUCTION
2. SIZE REDUCTION
3. POWER INCREASE
4. IMPROVED DURABILITY
5. REDUCED NOISE
6. INCREASED CYLINDER PRESSURE
7. FUTURE POWER-UP POTENTIAL
8. LESS CYLINDER BORE DISTORTION
9. LESS BLOW-BY EMISSIONS
10. IMPROVED WEAR RESISTANCE
11. IMPROVED HONING SURFACE
12. LESS OIL CONSUMPTION
13. LESS CAVITATION
14. CLEANER AS-CAST SURFACES
15. >100,000 KM EMISSIONS CAPABILITY
16. WELL-TO-WHEELS CO_2 REDUCTION
17. 100% RECYCLABLE
18. LESS EXPENSIVE THAN ALUMINIUM
19. SECONDARY WEIGHT REDUCTION BENEFITS
20. THERMAL EXPANSION EQUAL TO GREY IRON
21. COMPATIBLE WITH GREY IRON TOOLING
22. FRACTURE SPLIT MAIN BEARINGS
23. REDUCED THREAD ENGAGEMENT
24. PROVEN HIGH VOLUME MACHINING
25. ISO, ASTM & SAE INTERNATIONAL STANDARDS

The SinterCast Process

Measure-and-Correct

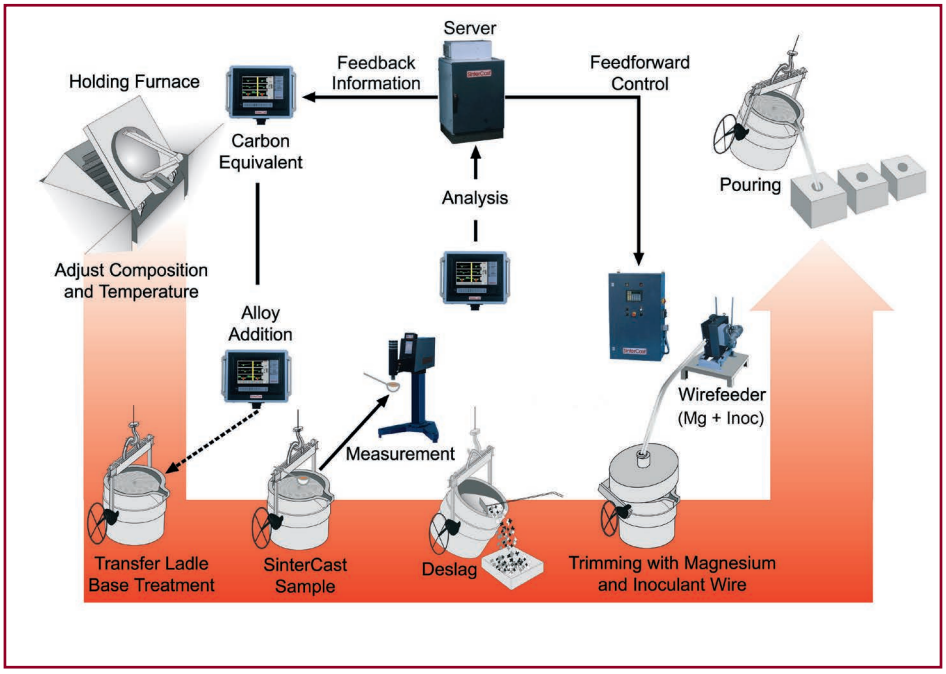
The process control for ladle production is based on the measurement and feedforward correction of each ladle as it moves through the foundry. The initial base treatment is intentionally undertreated in order to allow a small and accurate addition of magnesium and inoculant immediately prior to pouring. During series production, the average addition of magnesium in the final correction step is less than 30 grams/tonne, bringing pharmaceutical levels of control to the hostile foundry environment. The measure-and-correct strategy prevents the variation that naturally occurs during base treatment from being transferred to the final product, resulting in consistent CGI castings with optimal properties and the prevention of casting defects.

Process Flow

The process begins with the thermal analysis of a 200 gram sample of the magnesium and inoculant treated base iron. The thermal analysis sample is obtained by immersing the patented Sampling Cup into the iron for approximately three seconds. After completion of the thermal analysis, the SinterCast software calculates the amount of magnesium and/or inoculant to produce an optimal CGI microstructure. These additions are automatically added in cored-wire form by the SinterCast Wirefeeder. The ladle is then released for pouring. Further sampling and deslagging are not required. The process requires approximately 3.5 minutes and is conducted in parallel with normal foundry operations, allowing continuous operation of the moulding line.

System 3000 *Plus*

In addition to the automatic feedforward correction provided by the basic System 3000, the System 3000 *Plus* also provides automatic feedback control of the initial base treatment process. Based on the automatic input of ladle weight, temperature and the historical SinterCast results, the System 3000 *Plus* calculates and automatically adds the optimal amount of magnesium and inoculant cored wire in the initial base treatment. Automation of the base treatment process reduces process variation and improves the efficiency and productivity of the CGI series production process.



The SinterCast process measures and corrects each ladle to deliver consistency to the moulding line

SinterCast Process Control - System 3000

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

Fully Automated System 3000 with two Sampling Modules

The System 3000 features include:

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

System 3000 Specifications

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

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

SinterCast and the Environment

In the foundry (Courtesy Tupy)

Foundry Efficiency – Right First Time

Every improvement in foundry process efficiency provides energy savings and reduced CO_2 emissions. The energy needed to melt cast iron is approximately 10,500 MJ per tonne. For a foundry producing one million Engine Equivalents per year, with a mould yield of 65%, the annual energy demand for melting is over 800 million MJ. If the electrical energy is supplied by coal, this corresponds to over 35,000 tonnes of coal per year. Accordingly, every 1% improvement in efficiency, either from reduced scrap, weight reduction or improved mould yield, provides the potential to reduce the coal consumption by over 350 tonnes per year. This 1% improvement corresponds to a saving of approximately 1,000 tonnes of CO_2 for every one million Engine Equivalents. SinterCast's main contribution to the environment is in improving process efficiency, helping the foundry to be right-first-time.

Passenger vehicles (Courtesy Jaguar)

Passenger Vehicles

The increased strength and stiffness of CGI allows engineers to reduce weight while increasing the combustion pressure, resulting in more power per litre. Smaller CGI engines can replace larger engines while providing the same performance. This downsizing effect can provide weight reduction of approximately 50 kg in a passenger vehicle engine. For passenger vehicles, every 50 kg of weight reduction provides a fuel saving of approximately 0.15 litres for every 100 km driven. This weight saving corresponds to 375 litres of saved fuel over the 250,000 km lifetime of a vehicle, providing a reduction of approximately one tonne of CO_2 per vehicle. The multiples become staggering when it is realised that there are more than one billion passenger vehicles on the road today and that the global car pool is forecast to exceed two billion vehicles before 2050.

Commercial vehicles (Courtesy Navistar)

Commercial Vehicles

Weight reduction is particularly important in commercial vehicles: to enable increased payloads; to reduce the number of vehicle-miles; and, to improve fuel economy. For commercial vehicles, every 100 kg of weight reduction improves fuel economy by 0.1%. For a typical 12 litre engine, with fuel consumption of 40 litres per 100 km, the use of SinterCast-CGI can enable engine downsizing, leading toward engine weight reduction of approximately 100 kg. This downsizing effect can deliver fuel savings of approximately 0.04 litres for every 100 km. With typical annual mileage of 250,000 km per truck, the 100 kg of weight saving in a fleet of 100 trucks corresponds to a fuel saving of approximately 10,000 litres of diesel fuel per year – a reduction of more than 25 tonnes of CO_2 per year for the fleet.

Fuel economy (Courtesy Ram)

Engine Efficiency

SinterCast-CGI engines consistently outperform alternative engine options available in the same vehicle. The new 3.0 litre V6 petrol engine in the Lincoln Continental provides 33% more horsepower and 44% more torque than the 3.7 litre V6 petrol engine currently available in other Lincoln vehicles. Similarly, the 5.0 litre V8 diesel in the new 2016 Nissan Titan provides 44% more torque than the 5.6 litre petrol V8 in the 2015 Titan. Equipped with SinterCast-CGI engines, the Ram 1500 and the Ford F-150 – two of the three best-selling vehicles in the US in 2015 – were the two most fuel efficient vehicles in the full size pick-up class. The 2.7 litre V6 CGI petrol engine in the Ford F-150 provides 97% of the torque of the 5.0 litre V8 engine option, with 22% better fuel economy. With highway fuel economy of 29 miles per gallon, the class-leading 3.0 litre CGI diesel in the Ram 1500 provides 2.5% more torque than the 5.7 litre V8 petrol engine option, and 33% better fuel economy.

Tailpipe – is that the best we can do?

Based on an invited editorial published in the July 2015 edition of Automotive Engineer, Dr Steve Dawson, President & CEO, advocates the importance of life cycle energy analysis in defining emissions legislation and providing holistic environmental benefits.

When architects design a building, they are required to quantify the energy content in all of the materials. But in the auto industry, legislation focusses on the tailpipe, with little concern for upstream energy consumption and life cycle CO_2.

The increasing demands on fuel economy and CO_2 have prompted some OEMs to contemplate changing from cast iron cylinder blocks to aluminium cylinder blocks, in the quest for less weight and less CO_2. But sometimes the obvious decision isn't obvious.

In the foundry, cast iron melts at 1200°C. Aluminium melts at 600°C. Intuitively, cast iron should consume more energy than aluminium. However, the high electrical resistivity of iron allows the use of efficient electrical induction melting, while the primary refinement and melting of aluminium requires energy intensive resistance or gas heating. The ultimate result is that, based on typical recycling rates, the melting of cast iron requires approximately 10,500 MJ of energy per tonne while the melting of aluminium requires approximately 90,000 MJ per tonne. The result is that the energy content of a 35 kg cast iron cylinder block is 368 MJ while the energy content of a 25 kg aluminium block is 2,250 MJ. To provide a net benefit to society, the weight reduction provided by the aluminium block needs to save 1,882 MJ on the road.

With an energy content of 34 MJ/litre, the 1,882 MJ breakeven corresponds to 55 litres of petrol. And the SAE guidelines state that every 100 kg of weight saved improves fuel economy by 0.3 litres per 100 km driven. It used to be 0.5 litres/100 km, but improvements in aerodynamics and rolling resistance have diluted the weight-save bang for the buck.

Doing the maths, the payback for the 10 kg weight differential between the iron and the aluminium block requires 185,000 kilometres on the road. Based on ACEA data that the average European passenger vehicle travels 14,000 km per year, 185,000 km corresponds to thirteen years of driving – longer than the average vehicle life. And what if the weight difference is less than 10 kg?

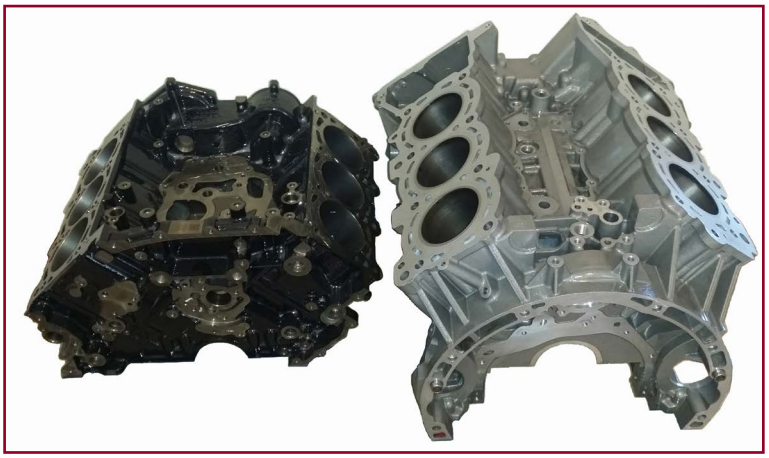
But that's not the end of the story. We don't put cylinder blocks in cars; we put fully assembled engines in cars. Iron, particularly Compacted Graphite Iron (CGI), is stronger and stiffer than aluminium. Therefore, the load bearing walls are thinner, and iron blocks are shorter than aluminium blocks. Ultimately, all of the components that span the length of the engine also become shorter and lighter, mitigating the difference in the block weight.

The Audi 3.0 litre V6 diesel with a CGI cylinder block is 125 mm shorter than the Mercedes 3.0 litre V6 diesel based on an aluminium cylinder block. The iron engine is also 15 kg lighter than the aluminium engine. Likewise, the Audi 4.2 litre V8 diesel with a CGI cylinder block is 120 mm shorter and 4 kg lighter than Mercedes' aluminium-blocked 4.0 litre V8. Imagine a 4.2 litre iron engine being lighter than a 4.0 litre aluminium engine. And it's not just V-engines; the Volkswagen 2.0 litre iron diesel is 9 kg lighter than the BMW N47 2.0 litre aluminium diesel. What is the meaning of the energy payback calculation when the assembled lightmetal engine is heavier than the iron engine?

While these examples are all diesels, Ford has chosen CGI for the 2.7 litre V6 petrol engine cylinder block of the new aluminium bodied F-150 pick-up. Why is iron at the heart of the aluminium flagship? Because the CGI alternative was 40 mm shorter than the aluminium option, resulting in the same assembled weight. Shorter. Stronger. Lighter. Quieter. Less expensive. Better life cycle CO_2 contribution for society.

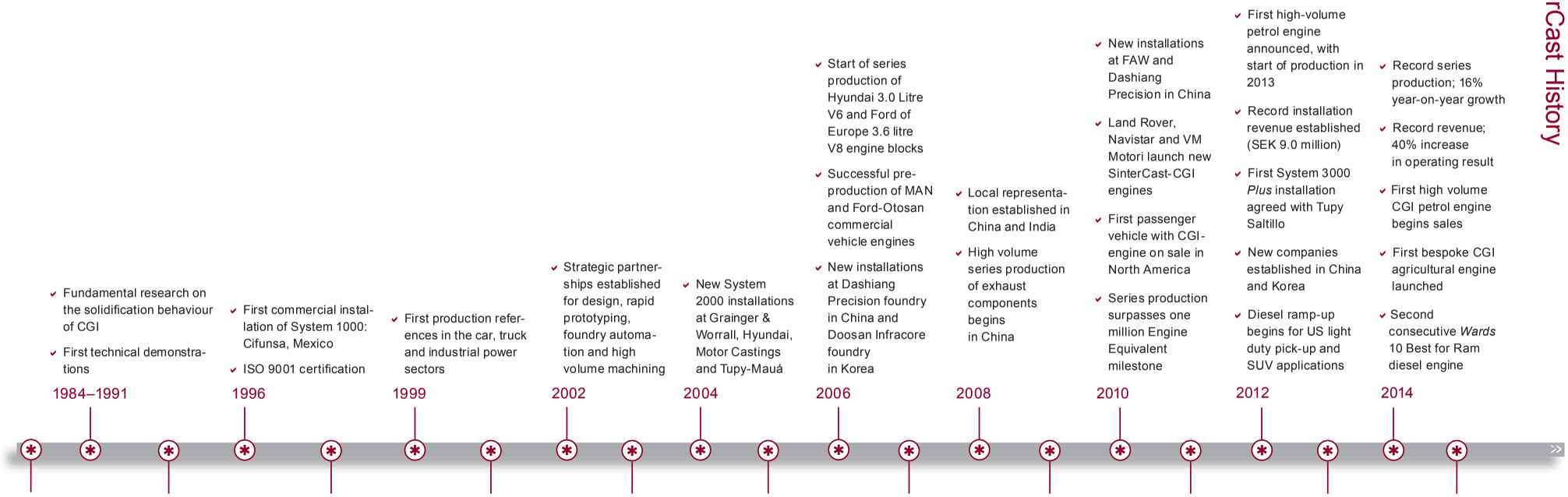
When it comes to assembled engines, block length is often more important than block weight. The Holy Grail is size, not density.

Tailpipe is admittedly the easiest measurement, both for the industry and the consumer. But the life cycle approach used by our civil engineering brothers in their buildings and bridges promotes more holistic, greener and better decisions. It is probably a bridge too far to expect governments to change from tailpipe to well-to-wheels. But if the politicians want to be the architects of our future, they should broaden mpg and CO_2 credits beyond good technologies like energy-efficient air conditioning, windows, lighting and aerodynamics, to also motivate and reward material choices that reduce the total energy content in our vehicles, and provide life cycle contributions to society.



As the foundation of the engine, CGI enables engineers to design smaller cylinder blocks which result in smaller and lighter engines. The Audi 3.0 litre CGI V6 diesel (left) is 125 mm shorter and 15 kg lighter than the Mercedes 3.0 litre aluminium V6 diesel (right).

SinterCast History



1983

- SinterCast AB founded
- First patent filed

1984–1991

- Fundamental research on the solidification behaviour of CGI
- First technical demonstrations

1992–1995

- Development of first industrial product: System 1000
- Dual marketing toward foundries and automotive OEMs
- Initial experience in Motorsport programmes for motorcycles, cars and trucks
- Introduction to Swedish Stock Exchange, Stockholmsbörsen O-list, 26 April 1993

1996

- First commercial installation of System 1000: Cifunsa, Mexico
- ISO 9001 certification

1997–1998

- Intensified sales and marketing activities
- Development and launch of second generation process control system: System 2000
- Development of high-volume machining solutions with the automotive industry, tooling suppliers, foundries and research institutes

1999

- First production references in the car, truck and industrial power sectors

2000–2001

- Machining solutions for high volume production
- First high-volume production commitment: Ford-PSA 2.7 litre V6
- ISO 9001:2000 Certification

2002

- Strategic partnerships established for design, rapid prototyping, foundry automation and high volume machining

2003

- Start of high-volume CGI production: Ford-PSA 2.7 litre V6 diesel engine

2004

- New System 2000 installations at Grainger & Worrall, Hyundai, Motor Castings and Tupy-Mauá

2005

- Successful pre-production of Hyundai 3.0 litre V6 diesel engine
- Agreement signed for first SinterCast System 2000 installation in China
- New installations at Ashland Casting Solutions and at Ford's Cleveland Casting Plant

2006

- Start of series production of Hyundai 3.0 Litre V6 and Ford of Europe 3.6 litre V8 engine blocks
- Successful pre-production of MAN and Ford-Otosan commercial vehicle engines
- New installations at Dashiang Precision foundry in China and Doosan Infracore foundry in Korea

2007

- Eight new SinterCast-CGI commercial vehicle engines launched
- Year-on-year series production increases by 50%
- First full-year positive cashflow result

2008

- Local representation established in China and India
- High volume series production of exhaust components begins in China

2009

- Development and launch of third generation process control system: System 3000
- Ford begins series production of first CGI passenger vehicle engine in North America
- Luitpoldhütte foundry in Germany adopts the SinterCast Process Control technology
- First-ever SinterCast-CGI trial in India successfully concluded at the DCM foundry

2010

- New installations at FAW and Dashiang Precision in China
- Land Rover, Navistar and VM Motori launch new SinterCast-CGI engines
- First passenger vehicle with CGI-engine on sale in North America
- Series production surpasses one million Engine Equivalent milestone

2011

- Series Production grows to 1.55 million Engine Equivalents
- Record six new installations: Daedong and Daeshin foundries in Korea, FAW Wuxi in China, Toa Koki in Japan, Mid-City Foundry and PurePOWER Technologies in the USA
- Active product development beyond the current V-diesel and commercial vehicle focus

2012

- First high-volume petrol engine announced, with start of production in 2013
- Record installation revenue established (SEK 9.0 million)
- First System 3000 *Plus* installation agreed with Tupy Saltillo
- New companies established in China and Korea
- Diesel ramp-up begins for US light duty pick-up and SUV applications

2013

- First high volume CGI petrol engine begins series production for Ford F-150
- Engine commitments in full-size pick-ups for Ram, Ford and Nissan
- *Wards* 10 Best Engine Award for VM Motori 3.0 litre Ram pick-up engine
- Record annualised series production of 1.8 million Engine Equivalents in October
- Record installation performance for third consecutive year

2014

- Record series production; 16% year-on-year growth
- Record revenue; 40% increase in operating result
- First high volume CGI petrol engine begins sales
- First bespoke CGI agricultural engine launched
- Second consecutive *Wards* 10 Best for Ram diesel engine

2015

- Series production surpasses two million Engine Equivalents
- CGI petrol engine in six Ford and Lincoln vehicles
- Third consecutive *Wards* 10 Best Engine award for Ram EcoDiesel
- First CGI aviation engine begins FAA approval process
- One millionth Sampling Cup produced

Current Status

- 24 fully automated process control systems and 20 mini-systems in 13 countries, supported in 10 languages
- Production experience with more than 60 components, ranging from 2 kg to 9 tonnes
- More than two million castings produced and more than 150,000 Sampling Cups shipped in 2015
- Series production for passenger vehicle, commercial vehicle and industrial power applications

SinterCast History

The SinterCast Management

The executive management, with the first Sampling Cup from 18 January 1999 and the one millionth Sampling Cup, produced in December 2015

Steve Wallace
Operations Director
Rejmyre, Sweden
Born 1967
Nationality: British
Employed since 2003
*No. of shares: 7,750

Steve Dawson
President & CEO
London, United Kingdom
Born 1962, BEng, MASc, PhD, PEng, FIMechE
Nationality: Canadian
Employed since 1991
*No. of shares: 34,700

Daphner Uhmeier
Finance Director
Rönninge, Sweden
Born 1962, BSc
Nationality: Swedish
Employed since 2004
*No. of shares: 5,000

*As of 15 March 2016

The SinterCast Team

The SinterCast employees, with the box containing the one millionth Sampling Cup (December 2015)

The SinterCast Board

Hans-Erik Andersson
Chairman

Danderyd, Sweden
Born 1950, Nationality: Swedish

Other Assignments
Board Member of Gjensidige Forsikring ASA, Anticimex TopHolding AB, JLT Risk Solutions AB and Chairman of Skandia

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

Elected 2013

2,000 SinterCast Shares

Aage Figenschou
Vice Chairman
LLM

Oslo, Norway
Born 1948, Nationality: Norwegian

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

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

Elected 1998

6,000 SinterCast Shares

Robert Dover
Board Member
FR Eng, FIED, FRSA

London, United Kingdom
Born 1945, Nationality: British

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

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

Elected 2004

1,249 SinterCast Shares

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

Guildford, United Kingdom
Born 1949, Nationality: British

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

Professional background
Former President of Intermet Europe GmbH. Former non-executive Director of Automotive Components Europe S.A.

Elected 2011

800 SinterCast Shares

Carina Andersson
Board Member
MSc Metallurgy

Suzhou, China
Born 1964, Nationality: Swedish

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

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

Elected 2014

1,000 SinterCast Shares

Jason Singer
Board Member
BA, MSc

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

Other Assignments
International Advisory Board, Waseda Marketing Forum. Senior Vice President at D.E. Shaw & Co

Professional background
Former News Editor, The Wall Street Journal

Elected 2014

1,512 SinterCast Shares

Steve Dawson
President & CEO
BEng, MASc, PhD, PEng, FIMechE

London, United Kingdom
Born 1962, Nationality: Canadian

Other Assignments
No other Board duties

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

Elected 2007

34,700 SinterCast Shares

Information regarding Board meeting presence is presented on page 24
Information regarding Board remuneration is presented on pages 24 and 39
Note: All information as of 15 March 2016.

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 2015. SinterCast AB, the Parent Company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden.

Operations

SinterCast is the world's leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI). With at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium, CGI allows engine designers to improve performance, fuel economy and durability while reducing engine size, weight, noise and emissions. The SinterCast technology, with 44 installations in 13 countries as of 15 March 2016, is primarily used for the production of petrol and diesel engine cylinder blocks and exhaust components for passenger vehicles, medium-duty and heavy-duty cylinder blocks and heads for commercial vehicles, and industrial power engine components for agricultural, locomotive, marine, off-road and stationary power applications. SinterCast's series production components range from 2 kg to 9 tonnes, all using the same proven process control technology.

Organisation

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

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

The System 3000 Plus at the ASIMCO foundry in China was commissioned in 2015 (Courtesy ASIMCO)

With start of sales in late-2015, the all-new Nissan Titan is exclusively available with a SinterCast-CGI 5.0 litre V8 diesel engine (Courtesy Nissan)

Legal Structure

SinterCast AB (publ) is the Parent Company of the SinterCast Group, with its registered office located in Stockholm, Sweden. On 31 December 2015, the Parent Company had 15 (14) employees. The majority of the operations are managed by the Parent Company while local operations in the United Kingdom, United States, Korea and China are managed by the local companies. The information given for the Group in this report corresponds in all material respects to the Parent Company. However, the result for the period may differ between the Group and the Parent Company due to intercompany transactions between the Parent Company and its subsidiaries.

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

As of 31 December 2015, the Group had 20 (19) employees, four (four) of whom were female. The company is well positioned to support global market activities and to drive SinterCast's future growth.

Pouring CGI at the Tupy foundry in Brazil (Courtesy Tupy)

Patents, Intellectual Property and Research & Development

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

SinterCast currently holds 12 (12) patents, granted or pending, and maintains 69 (59) individual national phase patents worldwide. These patents address the metallurgical technology, thermal analysis, the Sampling Cup for CGI and ductile iron, product applications and machining. During recent years, the company allowed selected patents to lapse, as it was judged that continued payment of the national phase annuities for these patents would not provide a return on the investment.

The remaining emphasis of the R&D activity is to continuously improve the accuracy and the reliability of the thermal analysis and process control software. The advances in the core CGI technology have resulted in the implementation of the System 3000 *Plus* technology with automated base treatment at six foundries.

Environment

SinterCast operates within the environmental limits established by local and national legislation and does not have any operations that require specific environmental permission or concessions from the authorities. The accuracy of the SinterCast process enables foundries to produce CGI castings with a lower scrap rate, thus reducing the emissions and the cost associated with re-manufacturing. As a CGI-enabler, the SinterCast technology contributes to the production of smaller and more fuel-efficient engines, thus reducing CO_2 emissions in passenger vehicle and commercial vehicle applications. In general, the engines produced using SinterCast-CGI provide approximately 20-30% better fuel efficiency and 20-30% less CO_2 emissions than the nearest available engine options.

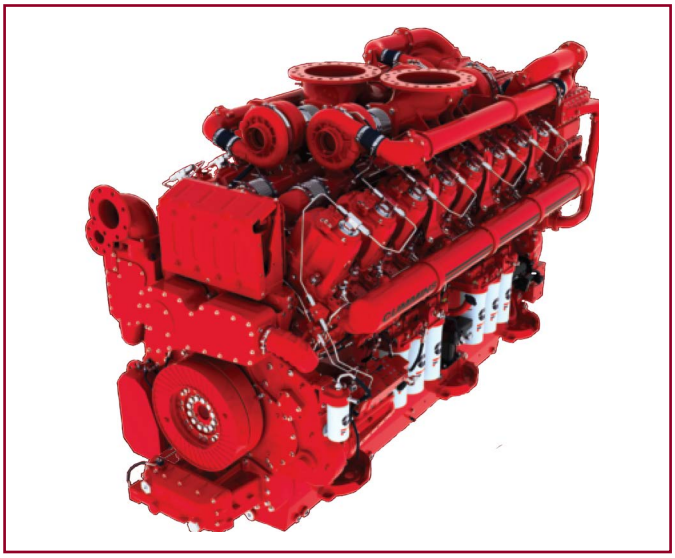
Risks and Uncertainty Factors

The main uncertainty factor for SinterCast continues to be the timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI engines and other components, the global economy for new vehicle sales, and the individual sales success of vehicles equipped with SinterCast-CGI components.

The economies have developed differently in Europe, Asia and the Americas over the last several years. The European passenger vehicle, commercial vehicle, and construction equipment markets have begun to show some recovery, but this growth is from a relatively low level and uncertainty remains in the market. In Asia, the dominant Chinese market is characterised by overcapacity in the commercial vehicle and construction equipment sectors, which represent the primary opportunity for CGI. This overcapacity, coupled with the current economic uncertainty in China, influences product development cycles and production volumes. In contrast, consumer confidence has increased in North America and SinterCast has benefitted from increased vehicle sales. The geographical diversification helps to mitigate changing macroeconomic conditions in the different regions. However, as manufacturing continues to grow in developing countries, many of the future installation opportunities will be in price sensitive markets and this can present a challenge for the SinterCast fee structure and Business Model.

SinterCast's business development is strongly linked to the internal combustion engine. New powertrain technologies, such as vehicle electrification (hybrids and plug-in vehicles) and fuel cells attract significant media attention; however, the development and widespread adoption of these technologies remain a long-term prospect. Most automotive industry forecasts indicate that the internal combustion engine will remain the dominant powertrain technology until at least 2050. In consideration of the technology leadtime and other practical concerns such as cost and driving range, SinterCast does not expect these technologies to have a significant effect on the company's competitive position for the foreseeable future.

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



Introduced in 2015, the 95 litre, 16-cylinder, 4,400 horsepower Cummins QSK 95 industrial power engine uses SinterCast-CGI cylinder heads (Courtesy Cummins)

Financial Summary

Revenue

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

Revenue Breakdown	January-December	
Amounts in SEK million if not otherwise stated	**2015**	2014
Number of Sampling Cups shipped	**152,700**	133,000
Equipment[1]	**7.7**	4.9
Series Production[2]	**63.6**	47.8
Engineering Service[3]	**1.0**	1.4
Other	**0.1**	0.4
Total	**72.4**	54.5

1 Includes revenue from system sales and leases and sales of 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

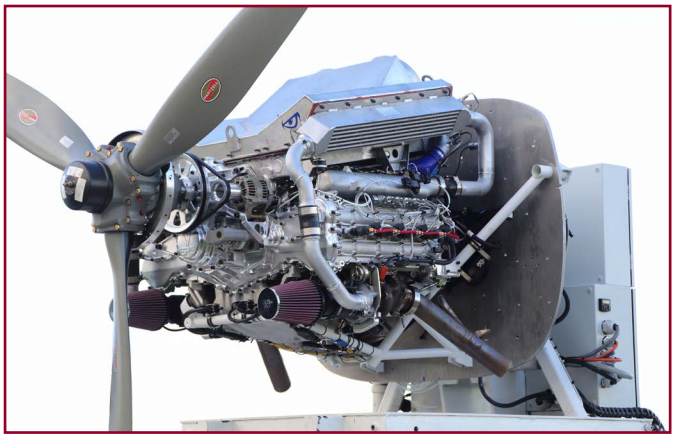
The January-December 2015 revenue amounted to SEK 72.4 million, surpassing the full year revenue record of SEK 54.5 million established in 2014. The revenue from series production increased by 33% to SEK 63.6 million (SEK 47.8 million) due to an 18% increase in the full-year series production, a 15% increase in Sampling Cup shipments, and favourable exchange rates. Equipment revenue amounted to SEK 7.7 million (SEK 4.9 million), primarily derived from Mini-System 3000 installations at Doosan Infracore in Korea, at an undisclosed foundry in Japan, at Dongfeng in China, at Teksid in Portugal, and the System 3000 *Plus* installation at Asimco in China. Engineering Service amounted to SEK 1.0 million (SEK 1.4 million). The revenue from the leased installations is accrued over the lease period.

Results

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

Results Summary	January-December	
Amounts in SEK million if not otherwise stated	**2015**	2014
Operating Result	**20.3**	10.2
Result for the period after tax	**25.2**	12.3
Earnings per share (SEK)	**3.6**	1.7

The January-December 2015 operating result of SEK 20.3 million (SEK 10.2 million), increased as a result of higher gross results of SEK 14.6 million, primarily derived from higher revenue, combined with higher operational expenses of SEK 2.8 million and decreased operating income (exchange losses) of SEK 1.7 million. The result for the period after tax amounted to SEK 25.2 million (SEK 12.3 million) The operational increase is SEK 8.4 million and relates primarily to the increased operating result of SEK 10.1 million and a SEK 1.7 million decrease in the financial net (primarily exchange losses). The remaining increase of SEK 4.5 million relates to the Parent Company's settlement of debts toward its subsidiaries in US and UK during the fourth quarter. To minimise cashflow effects, the settlement was made by offsetting receivables against repayment of equity and shareholder contribution. The Parent Company has reversed previous impairment losses related to these investments. The reversal, including accumulated translation differences related to these holdings, is disclosed in the income statement as financial income (SEK 15.3 million). The reversed accumulated translation differences have been reclassified from other comprehensive income (SEK -4.5 million) to financial income in the income statement for the Group (SEK +4.5 million).



During 2015, Engineered Propulsion Systems began Federal Aviation Authority approval of the first aviation engine with a CGI cylinder block (Courtesy EPS, Inc.)

Deferred Tax Asset

Tax for the period January-December 2015 amounted to SEK 0.8 million (SEK 0.9 million). The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2015, SEK 137.8 million (SEK 133.3 million) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 30.3 million (SEK 29.3 million) being capitalised as a deferred tax asset. SEK 388.7 million (SEK 420.5 million) of the Group's carried forward tax losses have not yet been used.

Cashflow, Liquidity and Investments

The January-December 2015 cashflow from operations increased three-fold, by SEK 13.7 million, compared to the same period in 2014, primarily due to an increase of SEK 10.4 million in cashflow from operations before changes in working

Cashflow Summary	January-December		Cashflow Changes
Amounts in SEK million if not otherwise stated	**2015**	2014	**2015 vs. 2014**
Cashflow from operations, before change in working capital	**21.3**	10.9	10.4
Change in working capital	**-0.9**	-4.2	3.3
Cashflow from operations	**20.4**	**6.7**	**13.7**
Cashflow from investing activities	**-1.7**	-1.3	-0.4
Cashflow from financing activities	**-15.6**	-8.5	-7.1
Exchange rate differencies in cash and cash equivalents	**0.0**	0.2	**-0.2**
Cashflow total	**3.1**	**-2.9**	**6.0**
Liquidity	**48.0**	**44.9**	

capital, plus changes in working capital (SEK 3.3 million), derived from changed cashflow from inventory (SEK -1.3 million), receivables (SEK -1.5 million) and operating liabilities (SEK 6.1 million). The total cashflow increased by SEK 6.0 million after increased investments in the amount of SEK 0.4 million, primarily related to increased activation of products under development (SEK 0.6 million) and decreased patent investments (SEK 0.2 million). Total investments amounted to SEK 1.7 million. Following the dividend of SEK 15.6 million (SEK 8.5 million), the total cashflow amounted to SEK 3.1 million (SEK -2.9 million). Liquidity on 31 December 2015 was SEK 48.0 million (SEK 44.9 million). SinterCast has no loans.

Doosan Infracore, Korea, installed a second Mini-System 3000 during 2015 for the production of a new 27 litre severe-duty engine (Courtesy Doosan Infracore)

Annual General Meeting 2016

The Annual General Meeting 2016 of SinterCast AB (publ) will be held on Thursday 19 May 2016.

Shareholders wishing to have a matter considered at the Annual General Meeting should provide written submissions to agm.registration@sintercast.com or to the company: SinterCast AB (publ), P.O. Box 10203, SE-100 55 Stockholm, Sweden, at least seven weeks prior to the Annual General Meeting for the proposal to be included in the notice of the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Dividend 2015

The Annual General Meeting of SinterCast AB (publ) held on 20 May 2015 approved an ordinary dividend for 2015 amounting to SEK 2.2 (1.2) per share. A total amount of SEK 15.6 (8.5) million was transferred to the shareholders.

Proposed Dividend 2016

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

The Board proposes an ordinary dividend of SEK 2.0 per share (SEK 1.5) plus an extraordinary dividend of SEK 1.5 (0.7) per share, representing a transfer of SEK 24.8 million (SEK 15.6 million) to the shareholders of SinterCast AB (publ). The Board proposes 23 May 2016 as the record date for entitlement to receive dividends. In deciding the amount of the ordinary dividend to be proposed to the AGM 2016, the Board considered cashflow from operations, the financial position, investment requirements and other factors, such as market outlook, growth strategy and the internal financial forecast for the Group.

As a basis for the Board's dividend proposal, the Board of Directors made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act including the Parent Company's and the Group's liquidity, the need for financial resources, the current financial position, and the long-term ability to meet commitments. The Group reports an equity ratio of 93.2% (88.4%) and a net cash amount of SEK 48.0 million (SEK 44.9 million). Unrealised changes in the value of assets and liabilities at fair value have had a net effect on equity of SEK 0.3 million (SEK 0.7 million). The Board of Directors also considered the Parent Company's result and financial position and the Group's position in general. In this respect, the Board of Directors has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries. The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board's assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

Proposed Allocation of Profits in SinterCast AB (publ)

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

(Amounts in SEK)	
Share premium preserve	35,336,610
Result brought forward	6,769,612
Result for the year	30,567,394
Total non-restricted equity of the Parent Company	72,673,616

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

(Amounts in SEK)	
A dividend of SEK 3.5 per share shall be distributed	24,815,465
To be retained by the Parent Company	47,858,151
Total	72,673,616

Events after the Balance Sheet Date

There have been no significant events since the balance sheet date of 31 December 2015 that could materially change these financial statements. The following press releases have been issued:

13 January 2016 – Recognition for SinterCast at North American International Auto Show

17 February 2016 – SinterCast Results October-December 2015 and Full Year Results 2015

Corporate Governance Report 2015

Introduction

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

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

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

External Regulation of Corporate Governance

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

SinterCast Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment of the NASDAQ OMX stock exchange, Stockholm. On 31 December 2015, Swedish shareholders held and controlled 82.4% (82.0%) of the capital and votes in SinterCast AB. The largest shareholder, UBS AG Clients Account (Switzerland), controlled 11.2% (11.2%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,408 (3,554) shareholders on 31 December 2015. The ten largest, of which four (six) were nominee shareholders, controlled 47.8% (45.1%) of the capital and votes. As of 31 December 2015, the SinterCast Board, management and employees controlled 0.9% (0.9%) of the capital and votes. During the year, shareholders have provided feedback and proposals to the Board, the Managing Director and to the Nomination Committee.

Nomination Committee

Nomination Committee prior to the AGM 2015

The Nomination Committee, elected by the AGM 2014, consisted of Karl-Arne Henriksson (Chairman), Andrea Fessler, Ulla-Britt Fräjdin-Hellqvist and Hans-Erik Andersson. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. As a result of this review, and after consultations with the shareholders, the Nomination Committee proposed to the AGM 2015 re-election of the Board Members. The Nomination Committee proposed the Board remuneration to the AGM and nominated the Auditor for election, for the period until the next AGM.

Annual General Meeting (AGM) 2015

The AGM was held on Wednesday 20 May 2015, in Stockholm, Sweden. All Members of the Board, the Group Management, the Nomination Committee and the external Auditor were present during the meeting. The AGM was attended by 52 (60) shareholders, in person or by proxy, representing 1,802,084 (2,289,036) votes.

Hans-Erik Andersson was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Luiz Tarquínio, President of Tupy S.A. and by Dr Steve Dawson, Managing Director. During his presentation, Dr Dawson provided an overview of recent market activities and presented an outlook for the potential market development of SinterCast.

The Auditor presented how the audit work was conducted and presented the annual Audit Report to the AGM. The AGM adopted the Annual Report and the consolidated financial statements as of 31 December 2014, as presented by the Board of Directors and the Managing Director; decided upon allocation of the company's result; and, granted the Directors and the Managing Director discharge from liability.

The Nomination Committee presented how it conducted its work during the year and presented its proposals. Thereafter, the AGM decided, for the period until the next AGM, seven ordinary Board Members with no alternate Board Members; that the company shall have a registered auditing company as auditor; that the Board shall receive a total remuneration of SEK 1,050,000 (SEK 980,000) and that the Nomination Committee shall consist of four (four) Members. It was decided that the Board Members could invoice the Board fee, provided that it was cost neutral to the company.

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

Overview of Corporate Governance of SinterCast

Nomination Committee

The SinterCast Nomination Committee is, after consultation with the shareholders, responsible for nominating candidates for election to the Board; to propose remuneration for the Board and for each member of the Board; to nominate Auditors for election; to make recommendations on remuneration for the external auditors; and, to establish certain other proposals for consideration at each AGM. The majority of the members of the Nomination Committee are to be independent of the company and its Group Management. No members of the Group Management are to be members of the Nomination Committee and at least one member of the Nomination Committee is to be independent of the company's largest shareholder. The AGM appoints members of the Nomination Committee or specifies how members shall be appointed. The Nomination Committee also considers the merits of equal gender distribution on the SinterCast Board with regard to the requirements of the company and the potential contribution of each new candidate.

General Meeting of Shareholders

The Shareholders' main influence to govern the company is during the AGM, which is the company's highest decision-making body, where the Shareholders meet the Board of Directors, the Management and the Company Auditors and where the Shareholders are given the opportunity to raise questions and to vote on the proposals distributed prior to the meeting. The shareholders shall be given the opportunity to exercise their ownership role in an active, well-informed manner. All shares represented at the AGM have the same voting rights. The Board is elected annually at the AGM and the majority of the Directors elected shall be independent of the company and its Group Management. Independence shall be determined by a general assessment of all factors that may give cause to question the individual's independence.

Articles of Association

The Articles of Association of SinterCast defines the name, location, objectives of the company, number of shares, number of Board Members, number of Auditors, and proceedings for convening Annual General Meetings. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of Directors.

The Articles of Association is available on SinterCast's website.

Compensation Committee

The Board shall appoint a Compensation Committee whose main tasks are to monitor and evaluate the remuneration guidelines that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the company and to propose new incentive programmes to the Board to decide upon. The Compensation Committee shall also agree on the principles for remuneration and other terms of employment of the Managing Director and, after advice from the Managing Director, for Directors and Managers reporting directly to the Managing Director. The Compensation Committee shall also monitor and evaluate programmes for variable remuneration, both ongoing and for those that have ended during the year.

Board of Directors

The Board is appointed at the Annual General Meeting. The Board is responsible for establishing the overall operational goals and strategy of the company and for ensuring that there is an effective system for follow-up and control of the company's operations. The Board shall fulfil applicable independence rules. The AGM appoints the Chairman of the Board. The Chairman's role is to head the Board's work and ensure that the Board completes its mandate. The Board has executed a Work Programme including instructions regarding the distribution of work and financial reporting, as a complement to the regulations of the Swedish Companies Act, Articles of Association of the Company and the Swedish Code of Corporate Governance and other instructions.

Audit Committee

On behalf of the Board, the responsibility of the Audit Committee is to ensure that the company has adequate internal controls and formal routines to ensure that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. The Audit Committee has established a Review Group. The primary task of the Review Group is to ensure the quality of the financial reports. The Audit Committee is also responsible for the evaluation of the Auditors' work, fees and independence and assists the Nomination Committee with proposals for potential Auditors. The Audit Committee also assists the Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management. The Audit Committee prepares and decides on the Corporate Governance Report.

Work Programme and other Instructions

Each year the Board adopts a written Work Programme documenting the Board's responsibilities and regulating the internal division of duties between the Board; its Committees and Group Management; the decision-making process within the Board; the Board's meeting schedule; summonses to Board meetings; agendas and minutes, and the work of the Board and its committees on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board shall receive information and documentation in order to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation Policy, including the organisation chart and the Code of Conduct for the company.

Managing Director

The Board appoints the Managing Director who is responsible for the operational and strategic management of the company in accordance with the Board of Directors' instructions and guidelines.

The Managing Director has established, as the President & CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director.

External Auditor

The company shall appoint one or two Auditors with not more than two Alternate Auditors. A registered accounting firm may also be appointed as Auditor.

The company's statutory Auditor shall be appointed by the AGM to examine the company's annual accounts and accounting practices and to review the Board's and the Managing Director's management of the company.

The Auditor shall present its report to the owners at the AGM in the annual audit report.

Board of Directors

During the AGM 2015, Hans-Erik Andersson, Aage Figenschou, Robert Dover, Laurence Vine-Chatterton, Carina Andersson, Jason Singer and Steve Dawson were re-elected as Board Members. Hans-Erik Andersson was re-appointed as Chairman and Aage Figenschou was re-appointed as Vice Chairman. The Board remuneration, decided at the AGM 2015, shall be divided between the Chairman SEK 300,000 (SEK 280.000) and the five (five) ordinary Board Members SEK 150,000 (SEK 140,000) each, with no remuneration for the Managing Director. With the exception of the Managing Director, no member of the Board holds an operational position in the company. The Board is judged to be independent of the company and its management. A more detailed description of the Board of Directors is presented on page 16. The content of the main meetings is summarised in the table below.

Statutory Board Meeting

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

Chairman of the Board

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

Board Meetings

During 2015, the Board of Directors of SinterCast carried out eight minuted meetings. In connection with every quarterly report, the Managing Director presented the market and financial outlook and reported on operations and important current events. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors, and risk assessment. Individual Board Members also assisted the Group Management in various strategic and operational matters. The Work Programme defines the Board's work during the year.

Managing Director and Group Management

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

Main Board Meetings During the Calendar Year including Auditor presence

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

Board Meeting Summary and Remuneration

	Board Remuneration (SEK) [1]	Presence [1]			Independent [2]
		Board Meetings	Audit Committee	Compensation Committee	
Hans-Erik Andersson [3]	300,000	8/8	4/4	2/2	Yes
Aage Figenschou [3]	150,000	8/8	4/4	2/2	Yes
Robert Dover	150,000	8/8	4/4	-	Yes
Laurence Vine-Chatterton [4]	150,000	8/8	4/4	-	Yes
Carina Andersson	150,000	8/8	4/4	-	Yes
Jason Singer [4]	150,000	8/8	4/4	-	Yes
Steve Dawson	-	8/8	4/4	-	No

1. For the period 20 May 2015 - 19 May 2016
2. Independent of the company, the Management and major shareholders
3. Member of the Compensation Committee
4. Member of the Review Group. Fee SEK 20,000 each

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

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

Compensation Committee

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

Since the AGM 2015, the Compensation Committee carried out one minuted meeting. The Board was informed of the Compensation Committee's activities and confirmed its decisions.

Remuneration Policy for Group Management

The AGM 2015 established guidelines for the remuneration policy in respect of the Managing Director and other members of the Group Management as follows:

The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual levels, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary. Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Bonus shall not constitute a basis for pension. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment of nine months compensation. No severance payments have been agreed with the other members of the Group Management. As regards the Managing Director, in the case of notice being provided by the company, no deduction shall be made for remuneration paid by another employer. The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons or needs in an individual case.

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

Audit Committee

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

During the year, the Audit Committee has ensured that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls have been applied, and that the company's financial reports have been produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

The Review Group reviewed each financial report in detail, provided feedback to the Finance Director and the Auditors and reported its observations regarding the financial reports

in advance of the Board's approval of the financial reports.

The Audit Committee met the Auditor during the year to discuss the Audit Report and the audit plan. The Audit Committee also met the Auditor in the absence of the Group Management. The Audit Committee evaluated the Auditors' work and provided feedback to the Nomination Committee in preparation for the election of the Auditor during the Annual General Meeting 2016. The Audit Committee also determined and identified risks to be handled in order to ensure good internal control and risk management. The Audit Committee prepared and approved the Corporate Governance Report for 2015. Since the AGM 2015, the Audit Committee carried out four minuted meetings.

External Auditor

At the AGM 2015, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor and Tobias Stråhle was re-appointed as Auditor in charge by PWC. The Auditor in charge has had three Auditors assisting in the audit work during the year. The audit follows an audit schedule, based on the Auditor's risk assessment, in agreement with the Audit Committee.

Prior to the AGM 2015, in conjunction with the approval of the Annual Report 2014, the Auditor met with the Audit Committee. The Auditor reported on the audit of the company's annual accounts and consolidated accounts and accounting practices and reported observations directly to the Audit Committee. The Auditor audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company. The Auditor presented the annual Audit Report at the AGM 2015 and provided a presentation of the Audit Plan for 2015. The Audit Report contained a statement that the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director be discharged from liability.

The Auditor provided a presentation of the Audit Plan for 2015 during the May Audit Committee meeting and met with the Board of Directors where the Auditor reported observations directly to the Board of Directors both with and without the presence of the Group Management. The Auditor provided a follow-up of the Audit Plan for 2015 during the May, November and April Audit Committee meetings and presented the result from the review of the financial report January-September 2015 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2015. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

Auditor
Öhrlings PricewaterhouseCoopers AB
Tobias Stråhle, Authorised Public Accountant
Company auditor since 2013.
Assignments: Hubbr AB, ExeoTech Invest AB, Advanced Stabilized Technologies Group AB, Acando AB

Nomination Committee

Nomination Committee after the AGM 2015
At the AGM 2015, Karl-Arne Henriksson (Chairman), Andrea Fessler, and Ulla-Britt Fräjdin-Hellqvist and Hans-Erik Andersson were re-elected as members of the Nomination Committee. The committee is judged to be independent of the company and the largest shareholder.

The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors and Managing Director and has provided information regarding the results of these evaluations to the Nomination Committee. The Nomination Committee's proposals to the AGM 2016 are to be presented in the notice of the AGM and on the company website. During the AGM 2016 the Nomination Committee will also present how it conducted its work and explain its proposals. Since the AGM 2015, the Nomination Committee of SinterCast carried out several informal meetings and one minuted meeting. According to upcoming rules regarding equal gender distribution, the Nomination Committee intends to report to the upcoming AGM how it has fulfilled its work regarding gender distribution in the Board.

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

Summary

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

It has been decided by the Board that SinterCast shall comply with the Swedish Code of Corporate Governance and present a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting. The procedure and routines of SinterCast are compliant with the Corporate Governance code and this Corporate Governance Report does not indicate any significant deviations from the code.

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

Internal Control

The Board of Directors has the overall responsibility for internal control relating to financial reporting 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 manage different types of risks. The objective of this policy is to maintain a low risk profile. Operational risks have been discussed and evaluated during most Board Meetings. 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. During the year, the Audit Committee established a separate Review Group. The primary task of the Review Group is to ensure the quality of the financial reports. The Review Group has reviewed each financial report in detail.

Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during most 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 to discover at an early stage, errors in the financial reporting so that these can be addressed and rectified. Control activities take place on both 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 financial reports. All financial reports are published on the website after having first been sent to the NASDAQ OMX stock exchange, Stockholm. Information concerning the Group may only be provided by the Managing Director.

Monitoring

The Board's monitoring of the internal control with respect to 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.

Outcome 2015

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.

Income Statement

		GROUP		PARENT COMPANY	
Amounts in SEK million	Note	**2015**	2014	**2015**	2014
Revenue	1, 9	**72.4**	54.5	**70.9**	53.8
Cost of goods sold	3, 17	**-17.0**	-13.7	**-17.0**	-13.8
Gross result		**55.4**	**40.8**	**53.9**	**40.0**
Gross result %		**77%**	75%	**76%**	74%
Cost of sales and marketing	3, 5, 9	**-20.1**	-18.2	**-19.8**	-18.6
Cost of administration	3, 4, 5, 9	**-6.3**	-6.5	**-6.2**	-6.7
Cost of research & development	2, 3, 5, 9	**-7.6**	-6.5	**-7.6**	-6.5
Other operating income	10	**0.0**	0.6	**0.0**	0.0
Other operating costs	10	**-1.1**	0.0	**-2.3**	-1.6
Operating result		**20.3**	**10.2**	**18.0**	**6.6**
Financial income*		**4.6**	1.3	**15.4**	1.3
Financial costs**		**-0.5**	-0.1	**-3.8**	0.0
Financial net	11	**4.1**	1.2	**11.6**	1.3
Result before income tax		**24.4**	**11.4**	**29.6**	**7.9**
Income tax	12	**0.8**	0.9	**1.0**	0.9
Result for the period for the Parent Company shareholders		**25.2**	**12.3**	**30.6**	**8.8**
Average number of shares, thousands	25, 28	**7,090.1**	7,090.1	**7,090.1**	7,090.1
Earnings per share, SEK	28	**3.6**	1.7	**4.3**	1.2
Earnings per share diluted, SEK	28	**3.6**	1.7	**4.3**	1.2
Dividends per share, SEK		**2.2**	1.2	**2.2**	1.2

*The Parent Company has settled its debts toward the subsidiaries in US and UK (SEK 15.3 million), resulting in translation gains amounting to SEK 4.5 million. The settlement was made by offsetting receivables against repayment of equity and shareholder contribution.

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

Statement of Other Comprehensive Income

	GROUP		PARENT COMPANY	
Amounts in SEK million	**2015**	2014	**2015**	2014
Results for the period for the Parent Company shareholders	**25.2**	12.3	**30.6**	8.8
Other comprehensive income				
Items may be reclassified to the income statement:				
Translation differences, foreign subsidiaries	**-0.3**	-0.1	**–**	–
Translation differences, settlement of debts of subsidiaries*	**-4.5**	–	**–**	–
Other comprehensive income, net of tax	**-4.8**	-0.1	**–**	–
Total comprehensive income for the period	**20.4**	**12.2**	**30.6**	**8.8**
Total comprehensive income attributable to:				
Shareholder of the Parent Company	**20.4**	12.2	**30.6**	8.8
Non-controlling interests	**–**	–	**–**	–

* Translation differences are reclassified from other comprehensive income to financial income arising from the Parent Company settlement of its debts toward the subsidiaries in US and UK.

Cashflow Statement

		GROUP		PARENT COMPANY	
Amounts in SEK million	Note	**2015**	2014	**2015**	2014
Operating activities					
Operating result		**20.3**	10.2	**18.0**	6.6
Adjustments for items not included in the cashflow					
Depreciation	13, 14	**0.8**	0.8	**0.8**	0.8
Other		**-0.2**	0.0	**-0.2**	0.0
Unrealised exchange rate differences		**0.6**	-0.3	**0.6**	-0.3
Received interest		**0.1**	0.4	**0.1**	0.5
Paid interest		**-0.1**	-0.1	**-0.1**	-0.1
Paid income tax		**-0.2**	-0.1	**0.0**	0.0
Total cashflow from operating activities before change in working capital		**21.3**	**10.9**	**19.2**	**7.5**
Change in working capital					
Inventory	17	**-0.9**	0.4	**-0.8**	0.4
Operating receivables	15	**-4.6**	-3.1	**-3.8**	-2.9
Operating liabilities	18, 19, 21, 22	**4.6**	-1.5	**3.2**	2.6
Total change in working capital		**-0.9**	**-4.2**	**-1.4**	**0.1**
Cashflow from operating activities		**20.4**	**6.7**	**17.8**	**7.6**
Investing activities					
Acquisition of intangible assets	13	**-1.6**	-1.1	**-1.6**	-1.1
Acquisition of tangible assets	14	**-0.1**	-0.2	**-0.1**	-0.2
Decrease in long-term payables		**0.0**	0.0	**0.0**	-0.2
Investments in subsidiaries		**-**	-	**0.0**	-0.1
Cashflow from investing activities		**-1.7**	**-1.3**	**-1.7**	**-1.6**
Financing activities					
Dividend		**-15.6**	-8.5	**-15.6**	-8.5
Cashflow from financing activities		**-15.6**	**-8.5**	**-15.6**	**-8.5**
Exchange rate differences in cash and cash equivalents		**0.0**	0.2	**0.0**	0.2
Change in cash and cash equivalents*		**3.1**	-2.9	**0.5**	-2.3
Cash – opening balance		**44.9**	47.8	**43.7**	46.0
Cash – closing balance	26	**48.0**	**44.9**	**44.2**	**43.7**

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

Balance Sheet – Group

Amounts in SEK million	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		**1.8**	0.9
Patents		**1.8**	1.5
Total intangible assets		**3.6**	**2.4**
Tangible assets	14		
Computers, fixtures and fittings		**1.3**	1.5
Plant and machinery		**0.0**	0.1
Total tangible assets		**1.3**	**1.6**
Financial assets	16		
Other long-term receivables		**0.4**	0.4
Total financial assets		**0.4**	**0.4**
Deferred tax asset	12	**30.3**	29.3
Total deferred tax assets		**30.3**	**29.3**
Total fixed assets		**35.6**	**33.7**
Current assets			
Inventory	17	**4.4**	3.5
Total inventory		**4.4**	**3.5**
Short-term receivables			
Trade debtors	15, 26	**14.1**	11.7
Other debtors	18, 26	**1.1**	1.2
Prepaid expenses and accrued income	19	**3.2**	1.8
Total short-term receivables		**18.4**	**14.7**
Cash and cash equivalents	26	**48.0**	44.9
Total cash and cash equivalents		**48.0**	**44.9**
Total current assets		**70.8**	**63.1**
TOTAL ASSETS		**106.4**	**96.8**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder's Equity			
Share capital	24, 25	**7.1**	7.1
Additional paid in capital		**44.9**	44.9
Translation differences, foreign subsidiaries	26	**1.5**	6.4
Accumulated result		**39.7**	30.0
Total shareholders' equity		**93.2**	**88.4**
Long-term liabilities			
Other long-term liabilities	20	**0.0**	0.0
Total long-term liabilities		**0.0**	**0.0**
Current liabilities			
Accounts payable	26	**2.3**	2.3
Other current liabilities	21, 26	**0.7**	0.7
Accrued expenses and prepaid income	22	**9.9**	4.9
Provisions	22	**0.3**	0.5
Total current liabilities		**13.2**	**8.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**106.4**	**96.8**
Contingent liability	23	**3.1**	0.1

Statement of Changes in Equity – Group

Amounts in SEK million	Note	Share Capital	Additional Paid In Capital	Translation* Differences	Accumulated Results	Total Equity
Opening Balance 1 January 2014		**7.09**	**44.87**	**6.46**	**26.24**	**84.66**
Total comprehensive income		–	–	-0.10	12.31	12.21
Dividend		–	–	–	-8.50	-8.50
Closing balance 31 December 2014	25	**7.09**	**44.87**	**6.36**	**30.05**	**88.37**
Opening balance 1 January 2015		**7.09**	**44.87**	**6.36**	**30.05**	**88.37**
Total comprehensive income		–	–	-4.81	25.25	20.44
Dividend		–	–	–	-15.60	-15.60
Closing balance 31 December 2015	25	**7.09**	**44.87**	**1.55**	**39.70**	**93.21**

* Translation of foreign subsidiaries financial statements

Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		**1.8**	0.9
Patents		**1.8**	1.5
Total intangible assets		**3.6**	**2.4**
Tangible assets	14		
Computers, fixtures and fittings		**1.3**	1.4
Plant and machinery		**0.0**	0.1
Total tangible assets		**1.3**	**1.5**
Financial assets			
Shares in subsidiaries	24	**1.9**	4.4
Other long-term receivables		**0.1**	0.1
Deferred tax asset	12	**30.3**	29.3
Total financial assets		**32.3**	**33.8**
Total fixed assets		**37.2**	**37.7**
Current assets			
Inventory	17	**4.3**	3.5
Total inventory		**4.3**	**3.5**
Short-term receivables			
Trade debtors	26	**12.7**	11.1
Inter company receivables		**1.1**	0.1
Other debtors	18, 26	**1.0**	1.2
Prepaid expenses and accrued income	19	**2.8**	1.4
Total short-term receivables		**17.6**	**13.8**
Liquidity	26	**44.2**	43.7
Total liquidity		**44.2**	**43.7**
Total current assets		**66.1**	**61.0**
TOTAL ASSETS		**103.3**	**98.7**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	24, 25	**7.1**	7.1
Statutory reserve		**9.5**	9.5
Total restricted capital		**16.6**	**16.6**
Retained result			
Share premium reserve		**35.3**	35.3
Result brought forward		**6.8**	13.6
Result for the year		**30.6**	8.8
Total retained capital		**72.7**	**57.7**
TOTAL SHAREHOLDERS' EQUITY		**89.3**	**74.3**
Long-term liabilities			
Other long-term liabilities	20	**0.0**	0.0
Total long-term liabilities		**0.0**	**0.0**
Current liabilities			
Accounts payable	26	**1.8**	2.1
Inter company payable		**6.2**	19.8
Other current liabilities	21, 26	**0.6**	0.5
Accrued expenses and prepaid income	22	**5.4**	2.0
Total current liabilities		**14.0**	**24.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**103.3**	**98.7**
Contingent liability	23	**3.1**	0.1

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 2014		**7.09**	**9.53**	**35.34**	**15.06**	**6.99**	**74.01**
Appropriation of last year's result		–	–	–	6.99	-6.99	–
Total comprehensive income		–	–	–	–	8.81	8.81
Dividend		–	–	–	-8.50	–	-8.50
Closing balance 31 December 2014	25	**7.09**	**9.53**	**35.34**	**13.55**	**8.81**	**74.32**
Opening balance 1 January 2015		**7.09**	**9.53**	**35.34**	**13.55**	**8.81**	**74.32**
Appropriation of last year's result		–	–	–	8.81	-8.81	–
Total comprehensive income		–	–	–	–	30.58	30.58
Dividend		–	–	–	-15.60	–	-15.60
Closing balance 31 December 2015	25	**7.09**	**9.53**	**35.34**	**6.76**	**30.58**	**89.30**

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (publ) (Parent Company) for the financial year ending 31 December 2015 were approved on 6 April 2016 by the Board of Directors and the Managing Director, for publication on 7 April 2016 and will be presented at the Annual General Meeting on 19 May 2016 for approval. SinterCast AB (publ) is the Parent Company of the SinterCast Group with its registered office located in Stockholm, Sweden. SinterCast is the world's leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI).

Basis of Preparation

The consolidated financial statements for 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union. The consolidated accounts of the Group also comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 – Supplemental Accounting Rules for Groups. The accounts of the Parent Company comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 – Accounting for Legal Entities. The accounting policies used by the Parent Company comply with the policies used by the Group unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

New standards, amendments and interpretations adopted by the Group

It is judged that there are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2015 that would be expected to have a material impact on the Group.

New standards, amendments and interpretations not yet adopted

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

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 suggests a reduction of the number of valuation categories for financial assets and contains the main categories reported at cost (amortised cost) and fair value through profit or loss and IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The standard is not yet endorsed by the EU. SinterCast will assess the possible impact of IFRS 9 as the implementation approaches.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The standard is not yet endorsed by the EU. SinterCast will assess the possible impact of IFRS 15 as the implementation approaches.
- IFRS 16 Leases. In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

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

Critical Accounting Judgements and Estimates

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

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

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

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

Costs that are directly associated with filing a patent controlled

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

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

Consolidation

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

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

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

Cost by Functions and Segment Reporting

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

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

Tangible Assets

Tangible assets consist of machinery and equipment, installed process control equipment, and office furniture. The tangible assets are stated at historical cost less depreciation. Expenses for improvement of the assets are included in the carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs for maintenance and repair are expensed. The assets are depreciated systematically over the anticipated useful life using the straight-line method. The rate of depreciation, after evaluation of the useful life for each asset is 3 years (33%) for machinery and equipment, 3–4 years (24–33%) for installed process control equipment and 5 years (20%) for office furniture.

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

Intangible Assets

Capitalised Patent Expenses

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

Capitalised Development Costs

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

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

Directly attributable costs that are capitalised include direct employee costs.

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

Depreciation

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

Impairment of Assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The

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

Financial Instruments

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

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

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

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

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

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

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

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

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

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

Foreign Currency Translation

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

Transactions and Balances

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

Translation of Group Companies

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

– All assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

– Income and expenses for each profit and loss statement are translated at average exchange rates. The exchange rate differences that consequently arise are recognised as Other Comprehensive Income

Revenue Recognition

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

Revenue is recognised as follows:

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

– Sales of systems, including unique installations in terms of new technologies or new applications, are recognised when the installation or final inspection is accepted by the customer.

– In Customer Agreements, including goods and services, revenue is distributed to the individual items, after equal distribution of any discounts.

– Services provided to customers are recognised in the accounting period in which the service is performed, and recognised according to the percentage of completion method and established by comparing actual cost against estimated cost.

– Revenues from Production Fees are recognised on an accrual basis when the customers have reported shipped castings.

– An annual software licence fee is charged and SinterCast retains ownership of the software. The fee is recognised in the profit and loss statement on a straight-line basis over the contractual period of the lease.

– Lease payments under operating leases are recognised in the profit and loss statement on a straight-line basis over the contractual period of the lease. If equipment is sold after the lease period has expired, the revenue from the sale is accounted as revenue.

Inventory

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

Provisions

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

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

Employee Benefits

All expenses related to the remuneration of the employees have been accounted for in the period the work has been performed. If notice terminating the employment has been served, expenses until termination of the employment are accounted for during the notice period.

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

The pension plan for employees in Sweden follows the ITP-plan insured by Alecta. The Alecta ITP-plan is by definition a multi-employer benefit plan but is constructed such that it is not possible to calculate surplus or deficit on the pension plans that fulfil the requirements in IAS 19 enabling defined benefit accounting, for the respective participating legal entities. The plan is therefore accounted for as a defined contribution plan. Alecta reported a preliminary collective consolidation level at December 31, 2015 of 153 (144) percent. The collective consolidation level is defined as the fair value of Alecta's plan assets in percent of the insured pension commitments calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19. Such a surplus can be distributed among the employers or the beneficiaries, but there is no agreement concerning this that enables the company to report a receivable from Alecta. Alecta's pension commitments to SinterCast are insignificant for them in relation to their total pension commitments.

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

Leasing Agreements

SinterCast as Lessor

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

SinterCast as Lessee

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

Taxes

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

Liquidity/Cash and Cash Equivalents

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

Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

1 Revenue Breakdown

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Equipment	**7.7**	4.9	**6.4**	4.6
Series Production	**63.6**	47.8	**60.8**	45.0
Engineering Service	**1.0**	1.4	**0.7**	1.2
Other	**0.1**	0.4	**0.0**	0.3
Group Sales	**–**	–	**3.0**	2.7
Total	**72.4**	**54.5**	**70.9**	**53.8**

Equipment includes sold and leased Systems, Mini-Systems and Spare Parts. Series Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. Revenue breakdown per country was Brazil SEK 37.9 million (SEK 32.9 million), Mexico SEK 8.1 million (SEK 1.6 million), Korea SEK 7.4 million (SEK 4.1 million), Germany SEK 3.4 million (SEK 3.4 million), USA SEK 2.5 million (SEK 2.9 million), Sweden SEK 2.5 million (SEK 1.8 million), China SEK 2.2 million (SEK 5.8 million) and other SEK 8.4 million (SEK 2.0 million). For the Parent Company, 4% (5%) of the revenue represents Group sales and 63% (62%) of cost of goods sold represents Group purchases. The Group sales represent delivery to foreign subsidiaries of Equipment and Engineering Service. Group purchases represent mainly services provided by the subsidiaries.

2 Research & Development

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Costs for personnel and administration	**6.1**	5.7	**6.1**	5.7
External expenses	**1.1**	0.3	**1.1**	0.3
Depreciation	**0.4**	0.5	**0.4**	0.5
Total	**7.6**	**6.5**	**7.6**	**6.5**

3 Costs per Category

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Personnel expenses	**28.7**	24.0	**15.1**	12.5
Material costs in cost of goods sold and R&D	**10.5**	9.2	**26.9**	24.1
Depreciation and write down	**0.8**	0.8	**0.7**	0.8
Office and related costs	**2.1**	2.3	**1.5**	1.6
Travel, commission, exhibition and other sales costs	**3.7**	2.8	**2.1**	1.7
Consultants; sales, marketing and administration	**2.3**	2.0	**1.5**	1.2
Operational foreign exchange difference	**1.1**	-0.6	**2.3**	1.6
Other	**3.7**	3.8	**3.8**	3.6
Total	**52.9**	**44.3**	**53.9**	**47.1**

4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
PricewaterhouseCoopers (Sweden)				
Audit fees	**0.2**	0.2	**0.2**	0.2
Other statutory audit fees	**0.2**	0.2	**0.2**	0.2
Tax consultancy	**–**	0.0	**–**	0.0
Other services	**–**	0.0	**–**	0.0
Gorman Darby & Co Ltd (United Kingdom)				
Audit fees	**0.1**	0.1	**–**	–
Tax consultancy	**0.0**	0.0	**–**	–
Other services	**0.0**	0.0	**–**	–
Beijing Jiarun CPA Ltd (China)				
Audit fees	**0.0**	0.0	**–**	–
Beijing Zhimoujince CTA Co.,Ltd (China)				
Other services	**–**	0.0	**–**	–
Total	**0.5**	**0.5**	**0.4**	**0.4**

5 Salaries and Remunerations

Remuneration Policy for Group Management

The AGM 2015 established guidelines for the remuneration policy in respect of the Managing Director and other members of the Group Management as follows: The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual levels, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation may not exceed an amount corresponding to 75 percent of the fixed annual salary. Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Bonus shall not constitute a basis for pension.

Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment of nine months compensation. No severance payments have been agreed with the other members of the Group Management. As regards the Managing Director, in the case of notice being provided by the company, no deduction shall be made for remuneration paid by another employer. The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons or needs in an individual case.

Total salaries, remunerations and Board remunerations allocated per country

ALL AMOUNTS IN SEK THOUSANDS

	2015			2014		
GROUP	Salaries and remuneration	Social security costs	Pension costs	Salaries and remuneration	Social security costs	Pension costs
China	**1,366**	**132**	**–**	1,091	99	–
Korea	**1,674**	**–**	**149**	1,408	–	124
Sweden	**11,428**	**3,376**	**1,494**	9,569	2,921	1,210
United Kingdom	**4,128**	**552**	**786**	3,656	489	669
USA	**4,037**	**181**	**416**	3,269	148	336
Total	**22,633**	**4,241**	**2,845**	18,993	3,657	2,339
PARENT COMPANY						
Sweden	**11,428**	**3,376**	**1,494**	9,569	2,921	1,210
Total	**11,428**	**3,376**	**1,494**	9,569	2,921	1,210

Group Management

The remuneration to the Managing Director amounted to SEK 4.1 million (3.7) including taxable benefits in the form of insurance premiums paid for life, long term disability and medical, variable remuneration, and school fees amounting to SEK 0.4 million (0.3). Pension contributions (30% of salary), amounted to SEK 0.8 million (0.7), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.6 million (0.5). The remuneration to the other two (two) members of the Group Management, presented on page 15, amounted to SEK 2.3 million (2.2), including variable remuneration amounting to SEK 0.13 million (SEK 0.08 million). In addition, pension contributions amounting to SEK 0.6 million (0.4) were paid, including additional voluntary contributions. The social costs amounted to SEK 0.8 million (0.8). The pension plan follows the Swedish ITP-Plan, according to collective agreement.

Variable Cash and Share Based Remuneration Programmes

For all other employees, the remuneration package included a variable element during 2015. The variable part constituted a minor part of the total remuneration package. The variable remuneration for 2015 has been accounted for on an accrual basis. During 2015, no share based related benefits existed in SinterCast.

The Board of Directors

The Annual General Meeting on 20 May 2015 (AGM 2014) decided upon a total Board remuneration, for the period until the next AGM, of SEK 1,050,000 (SEK 980,000). It was further decided that the remuneration shall be divided between the Chairman, SEK 300,000 (SEK 280,000) and the ordinary Board Members, SEK 150,000 (SEK 140,000) each, with no Board remuneration for the Managing Director. The AGM 2015 decided that the remuneration may, if certain conditions are fulfilled, be billed by the Board Member's company. In such cases the invoiced amount shall be adjusted upward with an amount corresponding to the social security contributions and value added tax that SinterCast thereby does not have to pay, provided that the procedure is cost-neutral for SinterCast.

The Board remuneration during 2015 has been in accordance with the AGM decision, in total SEK 1.05 million (0.98). The remuneration to the Chairman, Hans-Erik Andersson, amounted to SEK 0.30 million (0.28) and the remuneration to the ordinary Board Members Aage Figenschou, Robert Dover, Laurence Vine-Chatterton, Carina Andersson and Jason Singer amounted to SEK 0.15 million (0.14) each. No Board fees were allocated to the Managing Director. No bonus schemes, incentive programmes, pension commitments, or pension liabilities exist for the Board Members, with the exception of the Managing Director. During the year, the Chairman and three ordinary Board Members, invoiced their Board remuneration. The Board of Directors has established a Review Group consisting of two members, Jason Singer and Laurence Vine-Chatterton, who received an additional remuneration of SEK 0.02 million (0.02) each.

Total Board Remuneration

ALL AMOUNTS IN SEK

	2015	2014	**2015**	2014
	Board Remuneration [1]	Board Remuneration [2]		Review Group Remuneration
Hans-Erik Andersson	**300,000**	280,000	**-**	-
Aage Figenschou	**150,000**	140,000	**-**	-
Robert Dover	**150,000**	140,000	**-**	-
Laurence Vine-Chatterton	**150,000**	140,000	**20,000**	20,000
Carina Andersson	**150,000**	140,000	**-**	-
Jason Singer	**150,000**	140,000	**20,000**	20,000
Steve Dawson	**-**	-	**-**	-
Total	**1,050,000**	980,000	**40,000**	40,000

1. For the period 20 May 2015 - 19 May 2016
2. For the period 20 May 2014 - 20 May 2015

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

ALL AMOUNTS IN SEK THOUSANDS

	2015		2014	
GROUP	Board and Group Management	Other Employees	Board and Group Management	Other Employees
China	**–**	**1,366**	–	1,091
Korea	**–**	**1,674**	–	1,408
Sweden	**3,386**	**8,042**	3,219	6,350
United Kingdom	**4,128**	**–**	3,656	–
USA	**–**	**4,037**	–	3,269
Total	**7,514**	**15,119**	6,875	12,118
PARENT COMPANY				
Sweden	**3,386**	**8,042**	3,219	6,350
Total	**3,386**	**8,042**	3,219	6,350

6 Transactions with Related Parties

No substantial transactions took place between SinterCast and the Board or Management during 2015.

7 Board and Group Management

	2015			2014		
GROUP	**Total**	**Female**	**Female %**	Total	Female	Female %
Board Members	**14**	**2**	**14**	14	2	14
CEO and Group Management	**3**	**0**	**0**	3	0	0
PARENT COMPANY						
Board Members	**7**	**1**	**14**	7	1	14
CEO and Group Management	**3**	**0**	**0**	3	0	0

8 Average Number of Employees Employed During the Year

	2015		2014	
GROUP	**Total**	**Male**	Total	Male
China	**1**	**1**	1	1
Korea	**1**	**1**	1	1
Sweden	**14**	**10**	13	10
United Kingdom	**1**	**1**	1	1
USA	**2**	**2**	2	2
Total	**19**	**15**	**18**	**15**
PARENT COMPANY				
Sweden	**14**	**10**	13	10
Total	**14**	**10**	**13**	**10**

9 Leasing

	GROUP		PARENT COMPANY	
SinterCast as Lessor	**2015**	2014	**2015**	2014
Income from leased equipment	**0.3**	0.3	**0.1**	0.1
Contracted future income	**1.5**	1.3	**0.5**	0.5
Receivables within 1 year	**0.3**	0.3	**0.1**	0.1
Receivables within 2–5 years	**1.2**	1.0	**0.4**	0.4
Receivables beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leased equipment refers to Agreements with Motor Castings and SKF.

	GROUP		PARENT COMPANY	
SinterCast as Lessee	**2015**	2014	**2015**	2014
Cost from leased premises and equipment	**1.4**	1.3	**0.7**	0.7
Contracted future commitments	**7.0**	6.2	**3.7**	3.6
Payable within 1 year	**1.4**	1.2	**0.7**	0.7
Payable within 2–5 years	**5.6**	5.0	**3.0**	2.9
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

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

10 Other Operating Income and Costs

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Other Income				
Exchange gains from operations	**1.8**	1.9	**2.5**	2.8
Total	**1.8**	1.9	**2.5**	2.8
Other Costs				
Exchange loss from operations	**-2.9**	-1.3	**-4.8**	-4.4
Total	**-2.9**	**-1.3**	**-4.8**	**-4.4**
Total other operating income and costs	**-1.1**	**0.6**	**-2.3**	**-1.6**

11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
Interest	**2015**	2014	**2015**	2014
Interest income	**0.1**	0.4	**0.1**	0.5
Interest cost	**-0.1**	-0.1	**-0.1**	-0.1
Total	**0.0**	**0.3**	**0.0**	**0.4**
Revaluation differences of forward exchange contracts and investments				
Translation differences*	**4.5**	–	**–**	–
Exchange gain, forward contracts	**0.4**	0.9	**0.4**	0.9
Exchange loss, forward contracts	**-0.8**	0.0	**-0.8**	0.0
Total	**4.1**	**0.9**	**-0.4**	**0.9**
Write down of shares in subsidiaries				
SinterCast Ltd	**–**	–	**-3.3**	–
Total	**–**	**–**	**-3.3**	**–**
Returned shareholders contribution				
SinterCast Inc	**–**	–	**6.3**	–
SinterCast Ltd	**–**	–	**9.0**	–
Total	**–**	**–**	**15.3**	**–**
Total financial income and expenses	**4.1**	**1.2**	**11.6**	**1.3**

* Translation gains arising from the Parent Company settlement of its debts toward the subsidiaries in US and UK. The effect is reallocation from unrealised foreign exchange differences previously accounted for in other comprehensive income.

12 Tax

	GROUP		PARENT COMPANY	
Income tax	**2015**	2014	**2015**	2014
Income tax for the year	**-0.2**	-0.1	**0.0**	-0.1
Change in deferred tax asset	**1.0**	1.0	**1.0**	1.0
Income tax in the income statement	**0.8**	**0.9**	**1.0**	**0.9**

	GROUP		PARENT COMPANY	
Deferred tax asset	**2015**	2014	**2015**	2014
Deferred tax asset brought forward	**29.3**	28.3	**29.3**	28.3
Capitalised carry forward tax losses during the year	**1.0**	1.0	**1.0**	1.0
Accumulated value carried forward	**30.3**	**29.3**	**30.3**	**29.3**

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

Carry forward tax losses

Based on the filed tax returns for the financial year 2014, with addition of the calculated taxable result of the financial year 2015.

Country	Valid until	**2015**	2014	Tax Rates
Sweden	indefinitely	**460.0**	491.4	22%
United Kingdom	indefinitely	**38.7**	36.7	21%
USA**	15 years from the year of filing	**27.8**	25.7	15-35%
Total		**526.5***	**553.8***	**22%**

*SEK 137.8 million (SEK 133.3 million) of the Group's total carried-forward tax losses have been used as the basis of the deferred tax asset calculation. SEK 388.7 million (SEK 420.5 million) of the Group's carried forward tax losses has not yet been used.
**Of which USD 2.3 million is due within 5 years, USD 3.3 million within 10 years and USD 3.3 million within 15 years.

	GROUP		PARENT COMPANY	
Tax expenses based on actual tax rate	**2015**	2014	**2015**	2014
Result before tax	**24.4**	11.4	**29.6**	7.9
Tax calculated based on Swedish tax rate	**-5.4**	-2.5	**-6.5**	-1.7
Tax effect on non tax deductible expenses	**-0.2**	-0.2	**-0.2**	-0.2
Tax effect on foreign tax	**-0.2**	-0.1	**-0.2**	-0.1
Tax effect on utilised carried forward tax losses	**5.6**	2.7	**6.9**	1.9
Tax effect on capitalised tax losses	**1.0**	1.0	**1.0**	1.0
Effect foreign tax rates	**0.0**	0.0	**0.0**	0.0
Tax on the result for the period as per the income statements	**0.8**	**0.9**	**1.0**	**0.9**

The income tax rate valid for the Group was 22% (22%). The income tax rate valid for Sweden was 22% (22%).
The income tax rate valid for UK was 21% (21%). The income tax rate valid for US was 15-35% (15-35%).

13 Intangible Assets*

GROUP	Patent 2015	Patent 2014	Capitalised Development 2015	Capitalised Development 2014	Total 2015	Total 2014
Acquisition value brought forward	**17.0**	16.3	**1.6**	1.4	**18.6**	17.7
Acquisitions during the year						
Research & development	**0.6**	0.8	**1.1**	0.3	**1.7**	1.1
Disposals	**0.0**	-0.1	**-0.1**	-0.1	**-0.1**	-0.2
Accumulated acquisition carried forward	**17.6**	**17.0**	**2.6**	**1.6**	**20.2**	**18.6**
Depreciation brought forward	**15.5**	15.4	**0.7**	0.7	**16.2**	16.1
Depreciation for the year						
Research & development	**0.3**	0.2	**0.1**	0.0	**0.4**	0.2
Disposals	**0.0**	-0.1	**–**	–	**0.0**	-0.1
Accumulated depreciation carried forward	**15.8**	**15.5**	**0.8**	**0.7**	**16.6**	**16.2**
Book value carried forward	**1.8**	**1.5**	**1.8**	**0.9**	**3.6**	**2.4**

PARENT COMPANY	Patent 2015	Patent 2014	Capitalised Development 2015	Capitalised Development 2014	Total 2015	Total 2014
Acquisition value brought forward	**17.0**	16.3	**5.8**	5.6	**22.8**	21.9
Acquisitions during the year						
Research & development	**0.6**	0.8	**1.1**	0.3	**1.7**	1.1
Disposals	**0.0**	-0.1	**-0.1**	-0.1	**-0.1**	-0.2
Accumulated acquisition carried forward	**17.6**	**17.0**	**6.8**	**5.8**	**24.4**	**22.8**
Depreciation brought forward	**15.5**	15.4	**4.9**	4.9	**20.4**	20.3
Depreciation for the year						
Research & development	**0.3**	0.2	**0.1**	0.0	**0.4**	0.2
Disposals	**0.0**	-0.1	**–**	–	**0.0**	-0.1
Accumulated depreciation carried forward	**15.8**	**15.5**	**5.0**	**4.9**	**20.8**	**20.4**
Book value carried forward	**1.8**	**1.5**	**1.8**	**0.9**	**3.6**	**2.4**

* All intangible assets are related to Sweden.

14 Tangible Fixed Assets*

GROUP	Computers, Fixtures and Fittings 2015	2014	Plant and Machinery 2015	2014	Total 2015	2014
Acquisition value brought forward	**3.7**	3.4	**6.7**	7.0	**10.4**	10.4
Acquisitions during the year						
Administration	**0.1**	0.3	**–**	–	**0.1**	0.3
Sales and marketing	**–**	–	**–**	–	**–**	–
Disposals						
Sales and marketing	**–**	–	**–**	-0.3	**–**	-0.3
Administration	**0.0**	0.0	**–**	–	**0.0**	0.0
Accumulated acquisition carried forward	**3.8**	**3.7**	**6.7**	**6.7**	**10.5**	**10.4**
Depreciation brought forward	**2.2**	1.8	**6.6**	6.7	**8.8**	8.5
Depreciation for the year						
Sales and marketing	**–**	–	**0.1**	0.2	**0.1**	0.2
Administration	**0.3**	0.4	**–**	–	**0.3**	0.4
Disposals						
Sales and marketing	**–**	–	**–**	-0.3	**–**	-0.3
Administration	**0.0**	0.0	**–**	–	**0.0**	0.0
Accumulated depreciation carried forward	**2.5**	**2.2**	**6.7**	**6.6**	**9.2**	**8.8**
Book value carried forward	**1.3**	**1.5**	**0.0**	**0.1**	**1.3**	**1.6**

PARENT COMPANY	Computers, Fixtures and Fittings 2015	2014	Plant and Machinery 2015	2014	Total 2015	2014
Acquisition value brought forward	**4.2**	4.0	**3.1**	3.4	**7.3**	7.4
Acquisition during the year						
Administration	**0.2**	0.2	**–**	–	**0.2**	0.2
Sales and marketing	**–**	–	**–**	–	**–**	–
Disposals						
Sales and marketing	**–**	–	**–**	-0.3	**–**	-0.3
Administration	**0.0**	–	**–**	–	**0.0**	–
Accumulated acquisition carried forward	**4.4**	**4.2**	**3.1**	**3.1**	**7.5**	**7.3**
Depreciation brought forward	**2.8**	2.4	**3.0**	3.1	**5.8**	5.5
Depreciation for the year						
Sales and marketing	**–**	–	**0.1**	0.2	**0.1**	0.2
Administration	**0.3**	0.4	**–**	–	**0.3**	0.4
Disposals						
Sales and marketing	**–**	–	**–**	-0.3	**–**	-0.3
Administration	**0.0**	–	**–**	–	**0.0**	–
Accumulated depreciation carried forward	**3.1**	**2.8**	**3.1**	**3.0**	**6.2**	**5.8**
Book value carried forward	**1.3**	**1.4**	**0.0**	**0.1**	**1.3**	**1.5**

*Fixed assets relates to Sweden.

15 Accounts Receivable – Trade

	GROUP 2015	2014
Accounts receivable not due	**12.6**	10.0
Accounts receivable overdue 0–30 days	**0.7**	0.4
Accounts receivable overdue 31–90 days	**0.7**	0.8
Accounts receivable overdue 91–180 days	**0.1**	0.5
Provision for bad debts	**0.0**	–
Accounts receivables net	**14.1**	**11.7**

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

16 Other Long Term Receivables

	GROUP 2015	2014	PARENT COMPANY 2015	2014
Deposits*	**0.4**	0.4	**0.1**	0.1
Deferred Tax Asset	**30.3**	29.3	**30.3**	29.3
Total	**30.7**	**29.7**	**30.4**	**29.4**

*Mainly office rental deposits.

17 Inventory

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Work in progress	**1.3**	0.6	**1.3**	0.6
Finished products	**3.1**	2.9	**3.0**	2.9
Total	**4.4**	**3.5**	**4.3**	**3.5**

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
The amount of inventories recognised as an expense during the period	**9.8**	8.6	**9.8**	8.6
Total	**9.8**	**8.6**	**9.8**	**8.6**

18 Other Debtors

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
VAT and tax receivables	**0.6**	0.4	**0.6**	0.5
Other current receivables	**0.1**	0.1	**0.0**	0.0
Fair value on currency forward foreign exchange contracts*	**0.4**	0.7	**0.4**	0.7
Total	**1.1**	**1.2**	**1.0**	**1.2**

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

19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Prepaid rents	**0.2**	0.2	**0.1**	0.1
Prepaid insurance	**0.6**	0.6	**0.4**	0.5
Prepaid benefit	**0.1**	0.1	**–**	–
Accrued income from Production Fee	**1.5**	0.0	**1.5**	–
Others	**0.8**	0.9	**0.8**	0.8
Total	**3.2**	**1.8**	**2.8**	**1.4**

20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Other long term liabilities	**0.0**	0.0	**0.0**	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**

21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Withholding tax and national insurance contributions for employees	**0.7**	0.7	**0.6**	0.5
Fair value on currency forward foreign exchange contracts*	**–**	–	**–**	–
Total	**0.7**	**0.7**	**0.6**	**0.5**

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

22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Accrued personnel expenses	**6.2**	3.7	**1.8**	0.8
Accrued adminstrative costs	**0.3**	0.3	**0.2**	0.2
Deferred income	**3.0**	0.6	**2.8**	0.3
Provisions for cost of goods sold	**0.3**	0.5	**0.3**	0.5
Others	**0.4**	0.3	**0.3**	0.2
Total	**10.2**	**5.4**	**5.4**	**2.0**

23 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2015	2014	**2015**	2014
Bank guarantees*	**3.1**	0.1	**3.1**	0.1
Total contingent liabilities	**3.1**	**0.1**	**3.1**	**0.1**

*Quality guarantee given to customer

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

ALL AMOUNTS IN SEK	**2015**	2014
Acquisition value brought forward	**65,388,050**	65,165,784
Acquisition during the year		
New share issue*	**880,282**	222,266
Accumulated acquisition value carried forward	**66,268,332**	**65,388,050**
Impairment brought forward	**-61,035,853**	-60,935,853
Impairment for the year		
Write-off of shares in subsidiaries**	**-3,316,447**	-100,000
Accumulated impairment carried forward	**-64,352,300**	**-61,035,853**
Book value carried forward	**1,916,032**	**4,352,197**

*Shareholder contribution amounting to SEK 880,282 has been given to SinterCast Trading (Beijing) Co., Ltd.
**Shares in subsidiaries amounting to SEK 3,316,447 in SinterCast Ltd. has been written-off.

List of subsidiaries to SinterCast AB (publ)		Corporate Identification Number	Votes and Percentage of Equity, %	Book Value 2015	Book Value 2014
SinterCast Trading (Beijing) Co., Ltd.	Beijing, China	110000450218467	100	**1,848,047**	967,765
SinterCast Korea Co., Ltd	JeonJu-City, South Korea	418-81-40366	100	**67,981**	67,981
SinterCast Ltd.	London, UK	2021239	100	**1**	3,316,448
SinterCast, Inc.	Chicago, USA	187363	100	**1**	1
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	**1**	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	**1**	1
Total				**1,916,032**	**4,352,197**

25 Share Capital Development in SinterCast AB (publ)

	Number of Shares				
	A*	B**	Total	Par Value (SEK)	Share Capital (SEK)
Share capital as of 1 January 1993	101,200	2,660	103,860	0.50	51,930
March 1993: Share issue I	161,200	2,660	163,860	0.50	81,930
April 1993: Split 10:1	1,612,000	26,600	1,638,600	0.05	81,930
April–May 1993: Share issue II	2,084,600	26,600	2,111,200	0.05	105,560
April–May 1993: Share issue III	2,311,350	26,600	2,337,950	0.05	116,898
December 1993: Bonus issue	2,311,350	26,600	2,337,950	1.00	2,337,950
January 1994: Directed share issue	2,811,350	26,600	2,837,950	1.00	2,837,950
October 1994: Directed share issue	2,811,350	626,600	3,437,950	1.00	3,437,950
October 1995: Directed share issue	3,435,350	626,600	4,061,950	1.00	4,061,950
December 1995: Subscription via warrants	3,435,350	628,600	4,063,950	1.00	4,063,950
June 1996: Subscription via warrants	3,435,350	655,600	4,090,950	1.00	4,090,950
February 2002: Directed share issue	4,235,350	655,600	4,890,950	1.00	4,890,950
			Number of Outstanding Shares		
June 2002: Change share structure* (B shares converted to A)			4,890,950	1.00	4,890,950
September 2002: Subscription via warrants			4,900,062	1.00	4,900,062
November 2003: Subscription via warrants			5,364,200	1.00	5,364,200
December 2003: Subscription via warrants			5,389,200	1.00	5,389,200
December 2004: Subscription via warrants			5,552,900	1.00	5,552,900
September 2009: Directed share issue			6,478,383	1.00	6,478,383
October 2010: Subscription via warrants			6,930,653	1.00	6,930,653
December 2010: Subscription via warrants			6,975,653	1.00	6,975,653
December 2013: Subscription via warrants			7,090,133	1.00	7,090,133
Share capital as of 31 December 2015			**7,090,133**	**1.00**	**7,090,133**

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

26 Risk Management, Risks and Uncertainty Factors

The Board of Directors has established policies to provide a framework for how the various risks that SinterCast can encounter shall be managed and to define the risk exposure with which the business may be operated. The objective of the Board's policies is to maintain a low risk profile. 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 risks. 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 in order of priority or significance, and do not claim to be comprehensive. Shareholders should make their own assessment of each risk factor and its significance for the future development of the company. The risk exposure for SinterCast can be broadly divided into operational risks and financial risks.

Operational Risks

Market Risk
The main uncertainty factor for SinterCast continues to be the timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI engines and other components, the global economy for new vehicle sales, and the individual sales success of vehicles equipped with SinterCast-CGI components.

The economies have developed differently in Europe, Asia and the Americas over the last several years. The European passenger vehicle, commercial vehicle, and construction equipment markets have begun to show some recovery, but this growth is from a relatively low level and uncertainty remains in the market. In Asia, the dominant Chinese market is characterised by overcapacity in the commercial vehicle and construction equipment sectors, which represent the primary opportunity for CGI. This overcapacity, coupled with the current economic uncertainty in China, influences product development cycles and production volumes. In contrast, consumer confidence has increased in North America and SinterCast has benefitted from increased vehicle sales. The geographical diversification of SinterCast helps to mitigate changing macroeconomic conditions in the different regions. However, as manufacturing continues to grow in developing countries, many of the future installation opportunities will be in price sensitive markets and this can present a challenge for the SinterCast fee structure and Business Model.

Major Customers
In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual foundry customers. As of 15 March 2016 SinterCast has 44 installations in 13 countries and 10 different languages. In 2015, SinterCast's three largest customers represented SEK 33.9 million (SEK 28.5 million), SEK 8.5 million (SEK 4.4 million) and SEK 4.3 million (SEK 3.2 million) of the company's sales while the five largest customers accounted for approximately SEK 53.7 million (SEK 41.2 million) of sales. As a result, the loss of a single foundry customer, or capacity constraints at any such customer, could – at least in the short term – have a significant negative impact on the company's revenue and result.

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

Alternative Technologies and Emissions Legislation
The business development of SinterCast is strongly linked to the internal combustion engine. New powertrain technologies, such as vehicle electrification (hybrids and plug-in vehicles) and fuel cells attract significant media attention; however, the development and widespread adoption of these technologies remain a long-term prospect. Most automotive industry forecasts indicate that the internal combustion engine will remain the dominant powertrain technology until at least 2050. In consideration of the technology leadtime and other practical concerns such as cost and driving range, SinterCast does not expect these technologies to have a significant effect on the company's competitive position for the foreseeable future.

In recent years, legislating bodies around the world have introduced increasingly stringent fuel economy and emissions standards. In Europe, CO_2 emissions are set to decrease from 130 g/km (42 mpg) in 2012 to 95 g/km (57 mpg) in 2020. In the United States, fuel economy will increase from 27.5 miles per gallon (8.6 litres per 100 km) in 2010 to 54.5 miles per gallon (4.3 litres per 100 km) in 2025. This legislation is motivating a wide range of new technologies including lightweight cast components and body panels, downsized gasoline and diesel engines, electric powertrains or electric assist of conventional powertrains, improved aerodynamics and reduced rolling resistance. While the legislation will increase the development of alternative technologies, it simultaneously requires the improvement of conventional petrol and diesel engines. These developments can benefit from stronger materials such as CGI.

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

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

Risk for Claims
The risk for claims refers to the costs that SinterCast could incur to replace or rectify non-conforming or defective products or systems and the possible costs for customer-levied penalties. SinterCast endeavours to resolve any claim quickly and efficiently to ensure customer satisfaction and loyalty, even if such resolutions result in short term costs. During 2015, the Group's cost for claims amounted to less than one percent of turnover. SinterCast strives to minimise its risks for claims by means of comprehensive testing during the development phase, through quality control, and proactive customer support.

Financial Risks and Financial Instruments

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

Liquidity Risk
Liquidity risk is the risk that the Group's short term cash and cash equivalents requirements may not be met. Planning of the Group's future requirements for liquid funds is facilitated by continuously updating the Group's requirements for liquidity over a 12-month period. The Board must be promptly notified of any sudden or expected decline in the Group liquidity. The risk is limited by holding sufficient cash and cash equivalents and if necessary, securing granted but unused credit facilities that can be utilised without conditions, for at least a 12-month period. The liquidity risk is considered as low. The Group's liquidity on 31 December 2015 amounted to SEK 48.0 million (SEK 44.9 million).

Liquidity	Group		Parent Company	
Amounts in SEK million	**2015**	2014	**2015**	2014
Bonds, fixed income instruments	**27.8**	37.6	**27.8**	37.6
Cash at bank	**20.2**	7.3	**16.4**	6.1
Total	**48.0**	**44.9**	**44.2**	**43.7**

Maturity Structure	2015		2014	
Group (Parent Company)	**Total**	**<30 days**	Total	<30 days
Total cash & equivalents	**48.0 (44.2)**	**44.6 (40.7)**	44.9 (43.7)	44.7 (43.4)
Receivables	**14.1 (12.7)**	**0.7 (0.5)**	11.7 (11.1)	0.4 (0.3)
Income from leases	**0.3 (0.1)**	**0.0 (0.0)**	0.3 (0.1)	0.0 (0.0)
Total	**62.4 (57.0)**	**45.3 (41.2)**	56.9 (54.9)	45.1 (43.7)
Total payable, ex salaries	**2.3 (1.9)**	**2.2 (1.8)**	2.5 (2.3)	2.5 (2.2)
Expenses from leases	**1.4 (0.7)**	**0.1 (0.1)**	1.3 (0.7)	0.1 (0.1)
Total	**3.7 (2.6)**	**2.3 (1.9)**	3.8 (3.0)	2.6 (2.3)

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

Credit Risk, Customers and Deposits
Credit risk is the risk that any counterparty may not be able to fulfil its commitments and, as a consequence, the Group suffers a loss. Prior to entering a business relationship with a new customer, professional credit information about the customer is obtained and reviewed. Before offering credit, financing guarantee products that provide cover against payment risks are evaluated and the credit terms and terms of payments are determined accordingly. This is also valid regarding deposits. Credit risk in excess of SEK 5 million must be approved by the Board. Credit risk is handled by the Group's finance function. Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies and organisations. The credit risk is distributed among the majority of the customers. Historical and present bad debt losses are insignificant. SinterCast therefore operates without credit insurance for most contracts. Provision for bad debts has been made amounting to SEK 0.0 million.

Credit Risk	Group		Parent Company	
Amounts in SEK million	**2015**	2014	**2015**	2014
Receivables, not due	**12.6**	10.0	**11.9**	9.7
Due <30 days	**0.7**	0.4	**0.5**	0.3
Due 31-90 days	**0.8**	1.3	**0.3**	1.1
Total trade receivables	**14.1**	11.7	**12.7**	11.1

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

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

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

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

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

During 2015, foreign currencies exchanged to SEK amounted to approximately USD 4.4 million (USD 3.0 million) and EUR 2.7 million (EUR 2.0 million). Foreign currencies exchanged to GBP amounted to approximately USD 0.7 million (USD 0.1 million) and EUR 0.4 million (EUR 0.3 million). During 2015, the average USD/SEK exchange rate increased by 22%, from 6.89 to 8.43. Likewise, the EUR/SEK exchange rate increased by 2.5% from 9.12 to 9.35. The exchange rate movement in these currencies in 2015 effected the net currency flow by approximately SEK 7.4 million. The exchange rate movements in GBP compared to USD and EUR affected the net currency flow by approximately SEK 0.0 million. An exchange rate increase of 10 percent in the main net currency flows versus SEK, has an effect of approximately SEK 3.7 million (USD/SEK) and SEK 2.5 million (EUR/SEK) on the future net currency flows. All presented figures above are before consideration of hedges made in accordance with the Finance Policy. It is estimated that the combined currency movement, phasing on conversions made and other currency effects on the Income Statement during 2015, amounts to approximately SEK 6 million.

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

Forward Exchange Contracts

Amounts in million	2015		2014	
	Total	**<6 month**	Total	<6 month
USD	**1.5**	**1.0**	1.0	0.0
EUR	**1.1**	**0.6**	1.2	0.0

Translation exposure is the risk of holding net assets in a foreign subsidiary (i.e. subsidiaries with a base currency other than SEK). Currently, the net assets in foreign subsidiaries are not hedged. This is reviewed on a yearly basis, in conjunction with the Finance Policy review and approval. Any changes to the hedge decision must be approved by the Board. The value of the Group's net assets, meaning the difference between capital employed and net debt, amounted to SEK 5.9 million, (SEK 18.5 million) and was distributed among the following currencies:

Net Assets in Foreign Subsidiaries

Amounts in SEK million	**2015**	2014
USD	**2.4**	7.5
RMB	**2.0**	1.2
GBP	**0.9**	9.3
KRW	**0.4**	0.3
MEX	**0.2**	0.2

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

Translation Risk

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

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

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

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

To manage the capital structure, the Group must seek approval from the shareholders to issue new shares, buy-back shares or give dividends. The capital structure is regularly monitored and the Board is updated of the current capital structure and provided with proposals to be decided upon. The Group equity on 31 December 2015 amounted to SEK 93.2 million (SEK 88.4 million). The equity of SinterCast AB amounted to SEK 89.3 million (SEK 74.3 million). The foreign subsidiaries have been financed by internal loans and equity.

27 Events After the Balance Sheet Date

The following press releases have been issued:
13 January 2016 – Recognition for SinterCast at North American International Auto Show
17 February 2016 – SinterCast Results October-December 2015 and Full Year Results 2015

There have been no other significant events since the balance sheet date of 31 December 2015 that could materially change these financial statements.

The balance sheets and the income statements shall be presented for approval at the Annual General Meeting of shareholders on 19 May 2016.

28 Definitions

Operating margin %
Operating results as percentage of revenue
Solidity %
Adjusted shareholders' equity expressed as percentage of total assets end of period
Adjusted equity per share
Adjusted shareholders' equity divided by the average number of shares
Adjusted shareholders' equity
Shareholders' equity plus 78 % of untaxed reserves, if any
Capital employed
Total assets less non-interest bearing liabilities
Return on shareholders' equity %
Result for the period as a percentage of average adjusted shareholders' equity
Quarterly values are not annualised
Return on capital employed %
Result for the period after financial items plus financial expenses as a percentage of average capital employed. Quarterly values are not annualised
Return on total assets %
Result for the period after financial items plus financial expenses as a percentage of total average assets.
Quarterly values are not annualised
Debt-to-equity ratio
Interest bearing liabilities divided by adjusted shareholders' equity

Average number of shares
Weighted average of the number of shares outstanding for the period
Average number of shares adjusted for dilution
Weighted average of the number of shares for the period adjusted for dilution
Earnings per share
Result for the period divided by the average number of shares
Earnings per share, diluted
Result for the period divided by the average number of shares adjusted for dilution
Dividend per share
Dividend divided by the number of shares
Cashflow from operations per share
Cashflow from operations divided by the number of shares
Share price at the end of the period
Latest paid price for the SinterCast share at NASDAQ OMX stock exchange, Stockholmsbörsen
Value presented as "0.0"
Amount below SEK 50,000
Value presented as "-"
No amount applicable

Global Customer Installations

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 6 April 2016

Hans-Erik Andersson
Chairman of the Board

Aage Figenschou
Vice Chairman of the Board

Robert Dover
Member of the Board

Laurence Vine-Chatterton
Member of the Board

Carina Andersson
Member of the Board

Jason Singer
Member of the Board

Steve Dawson
Member of the Board & Managing Director

Our audit report was submitted on 6 April 2016
Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorised Public Accountant
Auditor in charge

Magnus Thorling
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of SinterCast AB, corporate identity number 556233-6494

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SinterCast AB for the year 2015, except for the corporate governance report on pages 21-26. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-49 .

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 21-26. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SinterCast AB for the year 2015. We have also conducted a statutory examination of the corporate governance report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance report has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 6 April 2016

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle	Magnus Thorling
Authorized Public Accountant	Authorized Public Accountant
Auditor in charge	

Historical Summary – Group

Amounts in SEK million	**2015**	2014	2013	2012	2011
Profit and Loss accounts					
Revenue	**72.4**	54.5	51.9	45.9	49.0
Operating result	**20.3**	10.2	7.3	1.0	11.6
Financial net	**4.1**	1.2	0.2	1.0	-0.5
Tax	**0.8**	0.9	0.6	-5.7	3.4
Result for the year for Parent Company shareholders	**25.2**	**12.3**	**8.1**	**-3.7**	**14.5**
Cashflow analysis					
Cashflow from operations before change in working capital	**21.3**	10.9	8.1	3.5	13.4
Change in working capital	**-0.9**	-4.2	6.3	-2.2	1.1
Cashflow from operations	**20.4**	**6.7**	**14.4**	**1.3**	**14.5**
Cashflow from investments	**-1.7**	-1.3	-0.6	-1.6	-0.4
Cashflow from financial operations	**-15.6**	-8.5	-1.4	-11.9	-6.8
Exchange rate differences in cash and cash equivalents	**0.0**	0.2	0.0	0.0	0.0
Change in cash position	**3.1**	**-2.9**	**12.4**	**-12.2**	**7.3**
Balance sheet					
Assets					
Fixed assets	**35.6**	33.7	32.2	31.5	35.6
Other current assets	**22.8**	18.2	14.8	16.1	16.7
Cash and bank deposits	**48.0**	44.9	47.8	35.4	47.6
Total assets	**106.4**	**96.8**	**94.8**	**83.0**	**99.9**
Total shareholders' equity	**93.2**	88.4	84.7	77.9	93.2
Long-term liabilities	**0.0**	0.0	0.0	0.0	0.0
Current liabilities	**13.2**	8.4	10.1	5.1	6.7
Total shareholders' equity and liabilities	**106.4**	**96.8**	**94.8**	**83.0**	**99.9**
Key ratios					
Solidity, %	**87.6**	91.3	89.3	93.9	93.3
Adjusted shareholders' equity	**93.2**	88.4	84.7	77.9	93.2
Capital employed	**93.2**	88.4	84.7	77.9	93.2
Total assets	**106.4**	96.8	94.8	83.0	99.9
Return on shareholders' equity, %	**27.8**	14.2	10.0	-4.3	16.6
Return on capital employed, %	**27.9**	14.3	10.5	-4.3	16.4
Return on total assets, %	**24.9**	12.9	9.6	-4.0	15.2
Dividend per share, SEK	**2.2**	1.2	1.0	1.7	0.5
Cashflow from operations/share, SEK	**2.9**	0.9	2.1	0.2	2.1
Operating margin %	**28.0**	18.7	14.1	2.2	23.7
Employees					
Number of employees at the end of the period	**20**	19	17	19	17
Average number of employees	**19**	18	18	20	16

Definition of key ratios can be found in Note 28.

SinterCast Share

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

Since 1 October 2007, Remium, Stockholm, Sweden, has served as liquidity provider for the SinterCast share in order to improve the liquidity and decrease the difference between quoted prices. Under the terms of the agreement, Remium undertakes to, in accordance with the guidelines issued by the NASDAQ OMX stock 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 NASDAQ OMX stock 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 2015 was SEK 7,090,133 (SEK 7,090,133 at 31 December 2014) at par value of SEK 1 per share.

SinterCast had 3,408 (3,554) shareholders on 31 December 2015. The ten largest, of which four were nominee shareholders, controlled 47.8% (45.1%) of the capital and votes.

As of 31 December 2015, the SinterCast Board, management and employees controlled 0.9% (0.9%).

Major Shareholders 31 December 2015

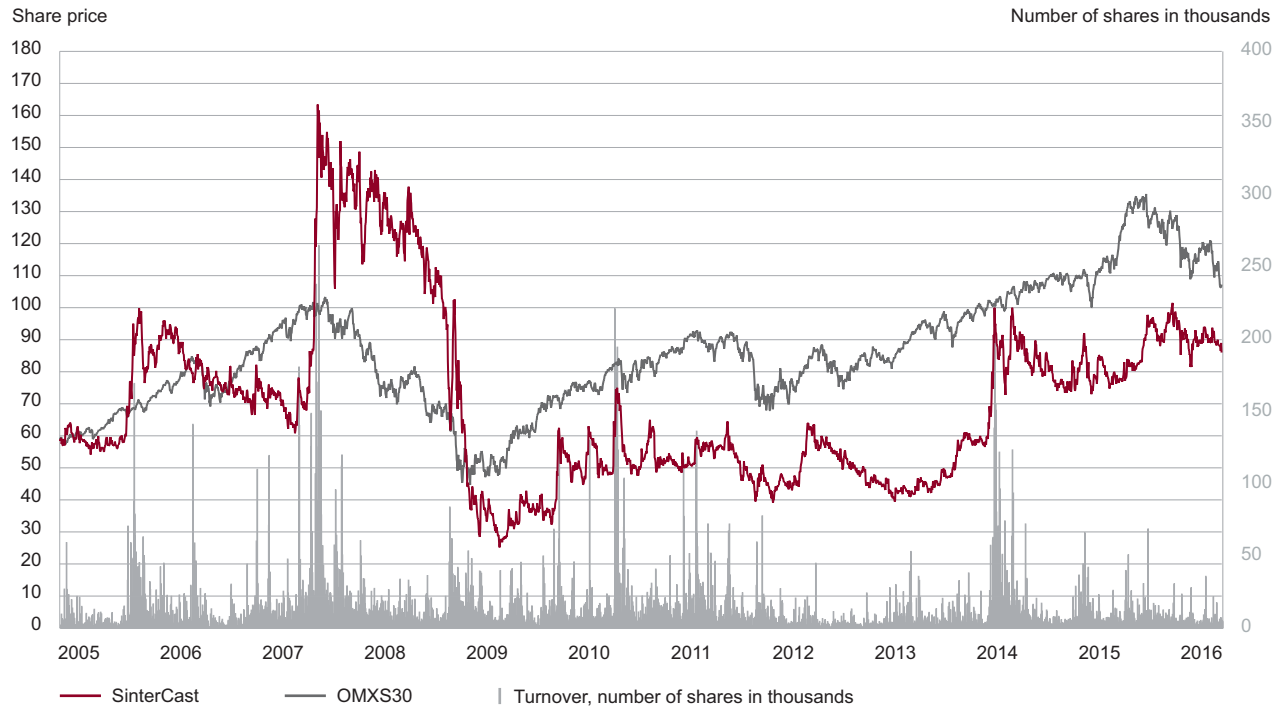
	Country	No. of Share holders	No. of Shares 31 December 2015	% of Total Share Capital and Votes
UBS AG Clients Account*	CH		796,271	11.2%
Försäkringsbolaget Avanza Pension*	SE		746,461	10.5%
Nordnet Pensionsförsäkring AB*	SE		619,571	8.7%
Ahlström, Lars incl. affiliates	SE		435,675	6.1%
Coeli AB*	SE		221,792	3.1%
Brandels, Jan Olof	SE		154,383	2.2%
Stenbeck, Ulf incl. affiliates	SE		129,582	1.8%
EC Askers Invest AB	SE		100,078	1.4%
Gustavsson, Torbjörn	SE		99,691	1.4%
S&B Christensen AB	SE		82,422	1.2%
Subtotal		**10**	**3,385,926**	**47.8%**
Other shareholders approx.		3,398	3,704,207	52.2%
TOTAL		**3,408**	**7,090,133**	**100.0%**
Total foreign shareholders		118	1,246,516	17.6%
Total Swedish shareholders		3,290	5,843,617	82.4%

*Nominee shareholder

Distribution of Share Ownership 31 December 2015

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,491	73.1%	374,314	5.3%
501-10,000	835	24.5%	1,756,367	24.8%
10,001-20,000	38	1.1%	513,797	7.2%
Above 20,000	44	1.3%	4,445,655	62.7%
Total	**3,408**	**100.0%**	**7,090,133**	**100.0%**

SinterCast Share January 2005 – December 2015



Share Data

Amounts in SEK	**2015**	2014	2013	2012	2011
Number of shares at the end of the period	**7,090,133**	7,090,133	7,090,133	6,975,653	6,975,653
Average number of shares during the period	**7,090,133**	7,090,133	6,982,013	6,975,653	6,975,653
Average number of shares during the period adjusted for outstanding warrants[1]	**7,090,133**	7,090,133	6,982,013	6,975,653	6,975,653
Earnings per share	**3.6**	1.7	1.2	-0.5	2.1
Earnings per share diluted	**3.6**	1.7	1.2	-0.5	2.1
Adjusted equity per share	**13.1**	12.5	12.1	11.2	13.4
Adjusted equity per share adjusted for outstanding warrants	**13.1**	12.5	12.1	11.2	13.4
Dividends per share	**2.2**	1.2	1.0	1.7	0.5
Share price at the end of the period	**88.3**	76.0	79.0	43.8	45.0
Highest share price during the period	**102.5**	100.0	100.0	66.0	66.5
Lowest share price during the period	**76.2**	73.0	41.0	39.0	35.0
Number of shareholders	**3,408**	3,554	3,623	3,396	3,721
Non-Swedish shareholdings, % of share capital	**17.6**	18	19	20	24
Swedish shareholdings, % of share capital	**82.4**	82	81	80	76
Market value, SEK million	**626.1**	538.9	560.1	305.5	313.9

Notes:

1 Calculated as per the recommendations of IAS 33

For definitions see Note 28

Important Dates

Annual General Meeting

The Annual General Meeting 2016 will be held at 15:00 on 19 May 2016 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The financial report January-March 2016 will be published on 27 April 2016.

The financial report April-June 2016 will be published on 24 August 2016.

The financial report July-September 2016 will be published on 16 November 2016.

The financial report October-December and Full Year Results 2016 will be published on 22 February 2017.

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In consideration of cost-efficiency and environmental concern, the Annual Report 2015 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2015 will not be distributed as a printed document. This Annual Report is available in Swedish and English. The English version is an unofficial translation of the Swedish original. financial reports and the Annual Report can be obtained by contacting SinterCast AB (publ), or at the SinterCast website:

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