

The Board of Directors' Proposal on a Stock Option Programme for Employees of the SinterCast Group including a) Issue of Employee Stock Options and b) Issue of Share Warrants to SinterCast Personnel AB

The Board of Directors of SinterCast Aktiebolag (publ) (the “**Company**”), corp. reg. no. 556233-6494, proposes to implement a stock option programme, including a directed issue of employee stock options and share warrants, with deviation from the shareholders pre-emption rights, in accordance with the below.

This proposal is motivated by the fact that the employees are effectively without a current incentive programme and that the Board of Directors judges that it is critical for SinterCast, as a technology specialist company, to motivate and secure its key staff. This desire to motivate and retain the staff justifies the deviation from the pre-emption rights of the shareholders at the issuing. The Board of Directors considers the stock option programme as favourable to the Company and its shareholders.

The stock option plan should be seen as a part of the ordinary compensation policy. In the event of positive development in the SinterCast share price the stock option programme will entail social security charges, which will be carried as expenses as they occur. Assuming that all options will be realised at the maximum ceiling of SEK 50, the social security costs are expected to amount to approximately SEK 3.0 million, expensed continuously during the period in which they are incurred.

According to the IFRS 2 accounting standard the employee stock options should be expensed as a cost of personnel during the period giving rise to full remuneration and reported directly against equity capital. The recorded IFRS2 cost for employee stock options will amount to approximately SEK 1.8 million during the period 2009-2013, based on assumptions that: 100 percent of the issued employee stock options are earned; the presumed share price is SEK 40 on the day of allocation; and, volatility is 45 percent.

a) Issue of Employee Stock Options

1. The employee stock options, which are not issued against payment, shall be allocated to all current employees of the SinterCast group at the issue (13 persons), and any future employees of the group.
2. The maximum number of stock options to be allotted will be 285,000, where the CEO shall be allocated a maximum of 150,000 employee stock options and other members of the management team of the group shall be allocated a maximum of 20,000 employee stock options each. Other employees shall be allocated a maximum of 7,500 employee stock options each. A total of 5,000 stock options will be retained for distribution to new employees that may join the Company during the term of the programme.
3. Allocation under the stock option plan is subject to the employee stock option holder waiving his or her right to options under the outstanding stock option plan which expire in January 2010 and with a subscription price of SEK 121.
4. Each employee stock option entitles the holder to acquire one (1) share in the Company. The subscription price will correspond to an annual increase of ten (10) percent of the average volume weighted price paid for one Company share on the Stockholm Stock Exchange during the period of ten trading days from 6 August to

- 19 August 2009, corresponding to an increase of 46.5 percent over the four year term of the programme. The employee stock options shall be subject to a ceiling such that any profit, at exercise, cannot exceed SEK 50 per option.
5. The employee stock options may call for the subscription of shares under the periods 1 November – 15 December in the years 2010, 2011, 2012 and 2013 in accordance with the terms and conditions for the employee stock options.
 6. The employee stock options will run for a period of approximately four (4) years, where 15 percent of the allotted options can be used to subscribe for shares during the period of 1 November to 15 December one (1) year after the issue date (2010), 20 percent can be subscribed for shares during the period of 1 November to 15 December after two (2) years (2011), 25 percent can be subscribed for shares during the period of 1 November to 15 December after three (3) years (2012), and the remaining 40 percent can be subscribed for shares during the period of 1 November to 15 December after four (4) years (2013), provided that the employee is still employed by the group at the aforementioned point of times.
 7. The employee stock options are not transferable.

b) Issue of Share Warrants to SinterCast Personnel AB

As surety for the Company's undertakings under the stock option plan, when holders of the employee stock options wish to subscribe for shares, it is proposed to the Meeting to approve the Board of Director's proposal to issue not more than 300,000 share warrants.

8. The right to subscribe for the maximum of 300,000 new share warrants shall, with deviation from the shareholders pre-emption rights, belong to the subsidiary SinterCast Personnel AB, corp. reg. no. 556702-5092 (the "Subsidiary"), with the right and obligation for the Subsidiary to fulfil the undertakings of the Company under the stock option programme above, when the holders of employee stock options call for the subscription of share warrants issued by the Company.
9. The share warrants are not issued against payment.
10. Subscription of share warrants shall be made through subscription on a subscription list no later than 30 September 2009. The Board of Directors shall have the right to extend the subscription period.
11. Subscription of shares with by virtue of the share warrants shall be made in accordance with the term and conditions for the share warrants during the period from 1 November 2010 to 31 December 2013.
12. Further, the share warrants are covered by the terms and conditions in Appendix A, "Terms and conditions for share warrants for the subscription of shares in SinterCast AB (publ), Series 2009/2013".
13. Each share warrant entitles the holder to acquire one (1) new share in the Company at a subscription price corresponding to an annual increase of ten (10) percent of the average volume weighted price paid for one Company share on the Stockholm Stock Exchange during the period of ten trading days from 6 August to 19 August 2009, but not less than the quotient value of the shares. This corresponds to an increase of 46.5 percent over the four year term of the programme.
14. Excess share warrants may be sold in order to cover social security charges.
15. If all share warrants are used for subscription of shares, the Company's share capital will increase by not more than SEK 300,000. The maximum dilution effect is calculated to amount to approximately 4.2 percent of the total number of shares and votes in the Company, taking into account any shares and share warrants issued subject to the Meeting's approval of the Board of Director's proposal on issue of new

shares and share warrants of Series 2009/2010 with pre-emption rights for existing shareholders, provided that there is full subscription and full utilisation of all share warrants. The dilution effect excluding the aforementioned share issue and issue of share warrants of Series 2009/2010 with pre-emption rights for existing shareholders is calculated to amount to 5.1 percent.

16. The reason for deviation from the shareholders' pre-emption rights is to secure the fulfilment of the Company's undertakings under the stock option plan.
17. A new share that has been issued by virtue of a share warrant may be subject to recalculation due to bonus issue, share split, new share issue with pre-emption rights, dividend and similar measures.
18. A new share that has been issued by virtue of a share warrant entitles the holder to dividends for the first time on the first record date for dividend that take place after the issue of new shares has been registered with the Swedish Companies Registration Office and been recorded in the share register kept by Euroclear Sweden AB (formerly VPC AB).
19. The Managing Director, or any other person appointed by the Board of Directors, shall have the right to take those smaller measures that may be required in connection with registration with the Swedish Companies Registration Office and Euroclear Sweden AB (formerly VPC AB).

Additional information

The Company has an outstanding stock option plan of totally 240,000 share warrants. The subscription price for each share warrant is SEK 121 and the plan expires as per January 2010.

The employee stock option plan has been drawn up by the Board of Directors in consultation with external advisers and discussed at a Board meeting on 3 August 2009.

A resolution on the above lines requires the support of shareholders with at least nine tenths (90%) of both the votes cast and the shares represented at the Meeting.

Appendices:

1. Copy of the annual report which contains the most recently adopted balance sheet and profit and loss account, with a notation of the general meeting's resolution regarding the Company's profit or loss
2. Copy of the auditor's report for the year to which the annual report relates
3. Report, signed by the Board of Directors, regarding events of material significance for the Company's financial position which occurred subsequent to the presentation of the annual report and
4. Statement signed by the Company's auditor in respect of the report referred to in point 3.