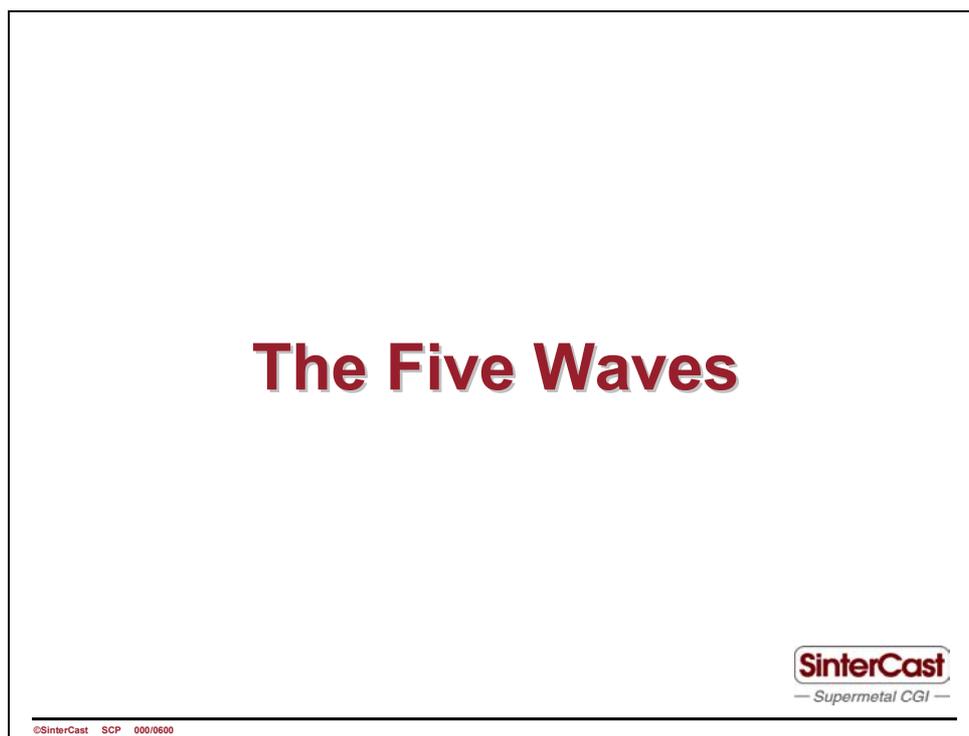


Managing Director's Report
Annual General Meeting - Bolagstämma
Stockholm
27 May 2003

Good afternoon. Welcome.

2002 was a good year for SinterCast. We improved our business activities and we improved our financial result. But for those of us inside of SinterCast, we regard 2002 as a foundation on which we will continue to improve. To improve our technology. To improve and expand our business relationships, and to improve our result. With 2002 as a foundation, I would like to take our time together this afternoon to look forward, to review the market potential for SinterCast and CGI.



At last year's AGM, we introduced the concept of "The Five Waves" to review the potential steps in the market development of CGI. The first wave was for V-type diesel engines in Europe. V-diesels because of the more complex loading and V-diesels because of the demand for higher performance. This first wave actually began in 1999 with the start of production of the Audi 3.3 litre engine at the Halberg foundry in Germany. More recently, in March of this year, Audi introduced a 4.0 litre upgrade to this engine at the Geneva Motor Show. The first wave is reinforced and accelerated by the introduction of the Ford V-6 engine, which will begin production this summer at the Tupy foundry in Brazil. Finally, in addition to the Ford and Audi production we know that there are other production plans from Ford and Audi, and also from other OEMs, for CGI V-diesel engines with production targeted for Model Year 2004-2006 vehicles. So the first wave is here and the first wave is concrete.

The Five Waves

Potential Ramp-up Sequence

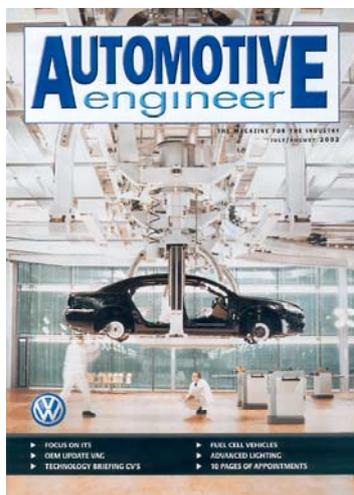
- **First Wave:** V-diesels in Europe
 - The Audi 3.3 V8 TDI
 - 4.0 litre upgrade 2003
 - The Ford 2.7 litre V6 engine
 - Other commitments and planning for MY 2004 – 2006
- **Second Wave:** Commercial Vehicles
 - Europe, Asia and the Americas
 - Driven by emissions and market competition
 - CGI for cylinder blocks, heads and liners

SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

The second wave is for commercial vehicles. At last year's AGM we presented in-line engines for European passenger cars as the second wave with a parallel step for commercial vehicles. We also maintained this format in our Annual Report. However, today I would like to move commercial vehicles into the second wave to recognize the good progress that has been made in that sector. Commercial vehicles already use diesel engines around the world, so this isn't a European 'wave' but rather a world wave that applies to Europe, Asia and the Americas. The use of CGI in this sector is driven by the need to comply with new emissions legislation and by market competition. We are currently involved in development programs for CGI cylinder blocks, cylinder heads and cylinder liners. To reinforce this second wave, I would like to refer to some quotes from the trade media. The first quote, from *Automotive Engineer*, is by a Chief Engineer at Ricardo, the engine design consulting firm in England: "CGI is likely to play a significant role in heavy-duty truck engines", further, "CGI has attractive properties for both in-line and V-configurations".

The Five Waves



Commercial Vehicles

“...I believe **CGI is likely to play a significant role in heavy-duty truck engines** as well as in the automotive sector. Maximum cylinder pressures are likely to continue increasing on truck engines, and with 220 bar being the figure we're aiming for, **CGI has attractive properties for both in-line and V-configurations...**”

Ian Johnston
Chief Engineer, Advanced Technology
Ricardo Consulting Engineers
July / August 2002

SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

Secondly, from *Ny Teknik* and Scania, a quote stating that there is “no alternative to Compacted Graphite Iron.”

The Five Waves



Commercial Vehicles

“Som det ser ut idag ser han inga alternativ till kompaktgrafitjärn ... En del kan göras genom att styra bränsleinsprutning och system för efterbehandling av avgaser.

- Men det blir ingen bra motor”

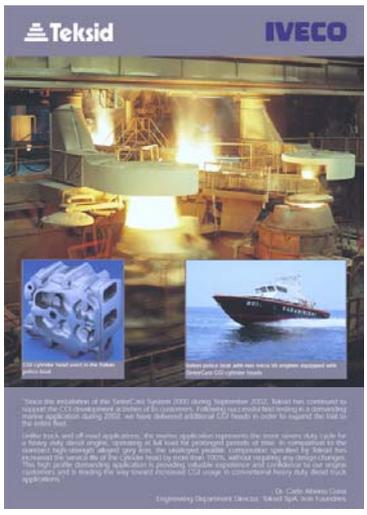
Scania Foundry Division
23 October 2002



©SinterCast AGM 2003

Most recently, from our Annual Report, a quote from Teksid and Iveco showing that CGI has “increased the service life of a cylinder head by more than 100%.” This is in the very demanding application of a military police boat, which either runs at idle, or at full speed for long periods of time. We began this trial in September of last year with thirty-six cylinder heads in three boats and I can inform you that still today we don’t have a single failure, and that represents an improvement of several ‘100 percents’.

The Five Waves



Commercial Vehicles

“In comparison to the standard high-strength alloyed grey iron, the unalloyed pearlitic CGI composition specified by Teksid has **increased the service life of the cylinder head by more than 100%**, without requiring any design changes.”

Dr. A. Gorla
Engineering Department Director
Teksid SpA



©SinterCast AGM 2003

The third of the Five Waves is for in-line diesel engines. Similar to the V-engine wave, this wave is initially focused on Europe because of the popularity of diesel engines. By ‘in-line’ we mean the

1.6 – 2.2 litre size class, which is the highest volume size class for passenger cars. The in-line wave will initially begin with high-performance versions, for example 10-20% of a given product being converted to CGI to serve the high performance sector of the market. We are active in these power-up programs and our engineers were in the field earlier this month to produce the first series of prototypes for a new in-line power-up program. The in-line engines may also take advantage of CGI to support downsizing activities. We are currently working on a 1.3 litre diesel engine program which will provide the same performance as the existing 1.8 litre engine. With the higher strength of CGI, designers can push their engines harder to achieve the performance level of larger engines from smaller and lighter packages.

The Five Waves

Potential Ramp-up Sequence

- **Third Wave:** In-line diesels in Europe
 - Initially for high performance versions
 - Downsizing
- **Fourth Wave:** Diesels in America
 - Increased interest in diesels
 - Transfer of existing European technology
 - After low-sulphur fuel in 2006



©SinterCast AGM 2003

The fourth wave relates to the acceptance of diesel engines in America. Just three or four years ago we wouldn't even have discussed the application of diesels in the United States. However, there has been a significant increase in the interest in diesels in America. One of the main advantages for the diesel engine wave in America is that it does not require any new product development. Rather, it is a transfer of existing knowledge from the European brother companies. For example, Ford of Europe can transfer diesel knowledge and products to Ford of America. DaimlerChrysler will transfer diesel technology to Chrysler, and Fiat-GM Powertrain or Isuzu will transfer diesel technology and products to General Motors. The diesel technology is available today and the transfer to America has already begun in some special cases. However, the widespread growth must wait for low sulphur diesel fuel in the United States in 2006. The current high sulphur level in American diesel fuel prevents the modern diesel catalysts and exhaust treatment systems from working effectively. So we see this ramp-up, this fourth wave, occurring after 2006. Once again, I would like to make reference to the open literature to reinforce this wave.

First, a quote from *Automotive News* in February 2002 where a US federal regulator predicts that by 2010 up to 20% of US cars and light trucks could use diesel engines. More recently, a quote from *The Detroit News* referring to the fact that 40% of new car sales in Europe are diesel and that this compares to just 1% in the US last year, “a figure that DaimlerChrysler estimates may rise to 15% by 2007.” These estimates indicate the potential for a very rapid growth. The third quote is from the Chicago Auto Show, where one of Ford's Senior Vice Presidents announced that Ford was considering to put a European 2.7 litre V-6 diesel engine, an engine that we know very well, into Taurus cars and sport utility vehicles in the US. Finally, an interesting quote from the EPA itself, who have traditionally been anti-diesel, saying that “in the 2010-2020 time frame, diesels could hit the same market share that they now enjoy in Europe.” The interesting add-on to this quote states that “this would cut US oil consumption by 1.5 million barrels per day, which is twice as much as we currently import from Iraq.” So there can be many different

drivers for the diesel waves: diesels can be motivated by the demand for improved performance; by the need for improved fuel economy; by the legislation to reduce global warming; or in the present case, even issues like domestic security.

The Five Waves

Diesels in America?

Automotive News, Feb 2002: "A top federal regulator predicts that ... diesels... could win 20% of U.S. car and light truck sales by 2010"

The Detroit News, April 2003: "About 40% of new cars sold in Europe use diesel fuel... that contrasts with 1% in the US last year, a figure DaimlerChrysler AG estimates may rise to 15% by 2007"

Chicago Auto Show, April 2003: "Ford is considering to introduce a European 2.7 litre V6 engine in Taurus cars or sport-utility vehicles in the US"

Wards Autoworld, Jan 2003: "Margo Oge, director of the EPA Office of Transportation and Air Quality predicts that in the 2010-2020 time frame, diesels will hit the same market share they now enjoy in Europe...
...That would cut US oil consumption by 1.5 million barrels a day, which is twice as much as we currently import from Iraq."


— Supermetal CGI —

©SinterCast AGM 2003

The fifth wave is for petrol engine applications. This wave is further out in time and may be realised to support special design or performance requirements such as cost-effective weight reduction or increased displacement. CGI may also find application in gasoline direct injection. The petrol engine wave may begin around 2008 and this timing will allow it to build on the confidence from the earlier diesel waves since the foundry and the machining solutions will be mature and ready to be applied to the higher volumes of petrol engines.

The Five Waves

Potential Ramp-up Sequence

- **Fifth Wave:** Petrol engine applications
 - Specific design requirements
 - Building on CGI diesel confidence
- **Potential Wave:** Cylinder heads
 - Engine performance and durability
 - Medium-duty diesel applications


— Supermetal CGI —

©SinterCast AGM 2003

Beyond our five waves, we also have a potential wave for the application of CGI to cylinder heads. For the last 20-25 years the limiting step in engine performance has been the cylinder block. Now that we have the stronger CGI material, we are able to push the engines harder. But, as we push the engines harder, the limiting step or weakest link will appear in another location. Today, the next problem for engine design is the cylinder head, and CGI may also provide a solution to that problem. The use of CGI cylinder heads would most likely begin in the medium size diesel engines, for example from 3.0-7.0 litre displacement. This is the size class for pick-up trucks and sport utility vehicles where weight is not as critical as in smaller vehicles and it is also the size range where a lot of engines already have grey iron cylinder heads so there will be no weight penalty.

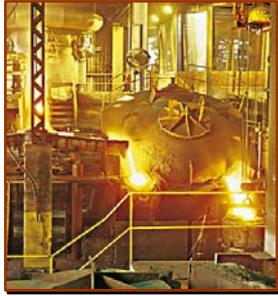
In summary, The Five Waves begin with the V-type diesel engines in Europe, and this wave has already begun. The next two waves are for commercial vehicles and European in-line diesel engines which can begin between now and 2006. After 2006, the growth of diesels in America provides a new opportunity for CGI and, in the longer term, the potential application of CGI to petrol engines and possibly also for cylinder heads provides a continuous growth potential for CGI and SinterCast.



I would also like to take a few minutes to discuss our market penetration and our market share. SinterCast has worked hard during the pre-production years to establish installations with many of the world's leading foundries. Our System 2000 process control technology is currently installed at ten different foundries around the world. However, as we look at our installation list, many of these foundries are actually foundry groups. For example, the Halberg foundry has one foundry which is primarily used for the production of passenger car components, where we are already installed in Brebach, Germany and a second foundry primarily for truck applications in Leipzig. Likewise Caterpillar has two foundries and Tupy has two different foundries specialising in passenger car products and commercial vehicle products. ICC is part of the International Navistar group, which also has two foundries. And finally, Teksid is one of the largest independent foundry organisations in the world with nine cast iron foundries. So, although we have ten System 2000 installations today, we have actually secured 22 different foundries into the SinterCast camp, which is a very good and strong market penetration. When any one of those foundries receives a CGI order, the order also comes to SinterCast.

The SinterCast Market Share

Cifunsa, Mexico	1996	SKF, Sweden	2000
VDP, Italy	1998	Daros, Sweden	2001
Halberg, Germany	1998	ICC, USA	2002
Caterpillar, USA	1999	Teksid, Worldwide	2002
Tupy, Brazil	2000	Luzuriaga, Spain	2003



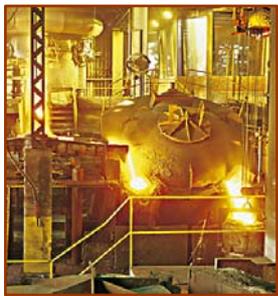
SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

I would like to discuss our market penetration with reference to the example of passenger car engine blocks. The six foundries highlighted in red have a total annual production capacity of 13.5 million cylinder blocks for passenger vehicles. The world market is between 45 and 50 million passengers per year and about one-third of these engines are produced in aluminium. This means that there are approximately 33 million cast iron engine blocks produced every year, and therefore our 13.5 million represents 40% of the market.

The SinterCast Market Share

Cifunsa, Mexico	1996	SKF, Sweden	2000
VDP, Italy	1998	Daros, Sweden	2001
Halberg, Germany	1998	ICC, USA	2002
Caterpillar, USA	1999	Teksid, Worldwide	2002
Tupy, Brazil	2000	Luzuriaga, Spain	2003

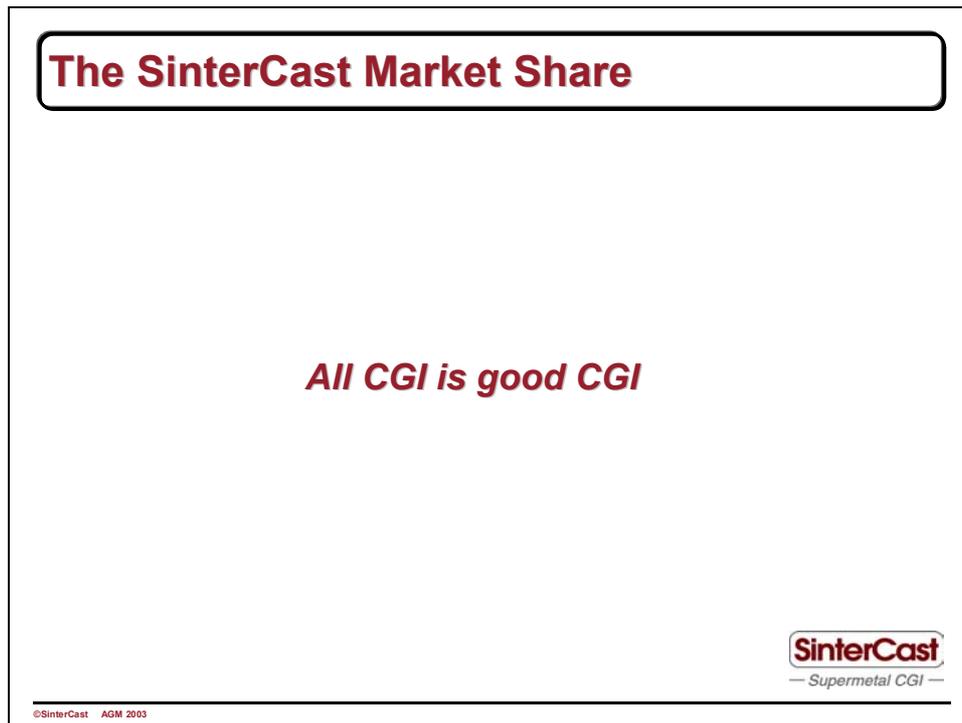


SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

We can make a similar calculation for heavy-duty truck blocks and heads and we will find that we are also sitting at approximately 40% of the world production capacity in this sector. We will continue to build on this list of foundries and continue to bring new foundries into the SinterCast camp. But there will also be foundries that decide to produce CGI with an independent method. As much as we would like to be responsible for the production of every kilogram of Compacted Graphite Iron, the important

thing for SinterCast is CGI decisions. With our good market penetration, we will get our share of the business. We will benefit from a big CGI market. Every decision for CGI is a good decision for SinterCast. For SinterCast, “all CGI is good CGI.”



While we are discussing our System 2000 installations, I would also like to return to a target that we presented at last year’s AGM: to achieve five new installations before today. At the time that we presented this target we had two ‘guaranteed’ installations and we felt that with hard work and good effort, we would be able to secure three more installations. In fact, when I presented this target, one of the two ‘guarantees’ was already packaged in boxes in Katrineholm, ready for shipping. Unfortunately, within two weeks that shipment was put on hold and within two months the second ‘guarantee’ was also put on hold. As we come together now, one year later, it is ironic that we have actually managed to achieve the three installations that were less confident and the two ‘guarantees’ have not yet come through for us. I would also like to acknowledge the good intentions of some of our shareholders who have submitted questions to our ‘Ask the President’ forum requesting interim progress reports on the five installations. Many of the most recent questions noted that we had achieved four installations and asked if and when we would secure the fifth. These shareholders have included the ICC installation in their count, but we don’t. The ICC installation was announced before the last AGM. I didn’t include ICC when I presented the target and I won’t include it today. We have made three new System 2000 installations since the last AGM, at Cifunsa, Teksid and V. Luzuriaga in Spain. We have worked hard, as a company, to secure the five installations. We still have the offers on the table. None of the installations have been cancelled, they are only postponements, they are only delays. We have also planted some extra seeds during the past months and put a lot of water on them, even some fertilizer. Although these installations have not yet been realised, they remain there for the future. I am sure that all of the pending installations will be realised.

The Business Model



©SinterCast SCP 000/0600

I would also like to discuss our Business Model. SinterCast either sells or leases the hardware. We are flexible on this and we try to accommodate the needs of our foundry customers. At the same time, we lease the software and we are not flexible on this. The software contains the core of our knowledge and we will not sell this core. We maintain the ownership of the software and charge an annual Software Licence Fee for the privilege to use the software. We charge a Production Fee for each tonne of CGI castings that are shipped from the foundry and we also sell the sampling consumables: the Sampling Cup and the Thermocouple Pair. These are the revenue streams for SinterCast, with the majority of our future revenue coming from the Production Fee and the sampling consumables. In addition to these items, we provide technical service and spare parts and we support prototyping in the field and CGI test piece production at the SKF-Mekan foundry next to our Technical Centre in Katrineholm.

The SinterCast Business Model

SinterCast ...

- ... Sells (or leases) the hardware
- ... Leases the software
- ... Charges a production fee per tonne
- ... Supplies sampling consumables
- ... Provides technical service and spare parts
- ... Supports prototyping and test piece production



©SinterCast AGM 2003

While we discuss the commercial terms of our Business Model we can also discuss our business objective, which is simply “to be the best at what we do”. What we do is to provide process control technology for the reliable high volume production of Compacted Graphite Iron. We have decided to focus on this one thing and to do this one thing better than anyone else. To have the most precise technology. To have the most reliable products. To provide the best engineering service, both in terms of availability and competence, and to provide the widest and deepest CGI know-how to support the needs of the foundry and automotive industries. We have worked hard to earn our reputation and we are regarded throughout the industry as The CGI Company.

The SinterCast Business Model

To be the best at what we do

- Precision of our technology
- Reliability of our products
- Impeccable engineering service
- Breadth of CGI Know-how

SinterCast is the CGI Company



©SinterCast AGM 2003

As a part of our business model we must also address our information strategy. Of course we have our Interim Reports and our Annual Reports and shareholder meetings like we have today but at last year’s AGM we also introduced two new venues for improved shareholder information. One is the on-line Audio Q&A forum which takes place after each Interim Report. The objective of this is to allow questions to come quickly back to the company so that we can address them and eliminate any possible confusion or to give extra information to address the concerns or uncertainties of our shareholders. We have also introduced the Ask the President forum which is an on-going website-based forum for Questions and Answers. Today, we realise the one-year anniversary of the Ask the President forum. To date, we have received ninety questions to the Ask the President forum, which is almost two per week. Every single question has been replied to either on the website or, if a website reply is not appropriate, by e-mail directly to the individual who submitted the question. We look forward to continuing both the Audio Q&A and the Ask the President forums.

The SinterCast Business Model

Information Strategy

- Shareholder Information
 - On-line Audio Q&A Forum
 - Ask the President Forum
- Market Information
 - Build the CGI business
 - Encourage OEM's to announce their CGI intentions
 - Issue joint Press Releases with our foundry partners
 - Focus on substance



©SinterCast MKT 010/0203

As we discuss information, we must also address information to the wider market. One of our objectives is to realise the existing option program at 58 Swedish Kronor for the end of this year. We realise that the way to achieve this is to provide information to the market so that the market sees, understands, and believes in the future of CGI and SinterCast. For SinterCast, our first task is to build the CGI business. If we can grow the business and make progress in the Customer Market, the information will come from our progress. We are not going to talk up the share, we are not going to sell the share. We are going to sell our technology to the foundry and automotive industries and this will, in turn, establish a value that is reflected in our share. We will continue to encourage the OEM's to announce their own CGI intentions, something that they have not done as yet, but we would prefer that they speak about their own CGI plans. This will give more credibility to the information and will also avoid any risk that our customers feel that we are jumping over their information departments and trying to take control of their information. For credibility, we want our customers to announce their own programs. Again, for credibility, we always issue our Press Releases together with our foundry partners. I am very pleased that our partners have joined us in announcing our information to the market. Finally, with our market information, we will Focus on Substance. I don't want SinterCast to be regarded as the boy who cries wolf and then doesn't get any attention when the wolf comes. When SinterCast has something to say, SinterCast will say it. I don't want us to make press releases about a patent being granted in a new country, or making a new trial, or participating in a trade show. That is not the information that the market is interested in. We will continue to Focus on Substance.

The Indicators of Growth



©SinterCast SCP 000/0600

Finally, I would like to leave you today with some indications of growth in the CGI market. The first indication is of course that 40% of the world cast iron foundry capacity has already adopted the SinterCast technology. We are accepted as a part of the world foundry and automotive industries. But more than our overall market position, the most significant indication of growth is the new foundry investment. As we all know, we are in the midst of an economic downturn that has affected the world economy and, in particular, the automotive industry. This overhead shows the results of a recent study published by *Automotive News Europe*, which indicates the pressure that the car companies are applying to their suppliers to reduce prices. With an average price reduction demand of 4.1% throughout the industry, it is real testament to the SinterCast technology that the foundries continue to invest in us. In the present economic climate, all foundry investment decisions are taken very seriously. The foundries are only investing in the important new technologies, and SinterCast is one of those select technologies.

The Indicators of Growth

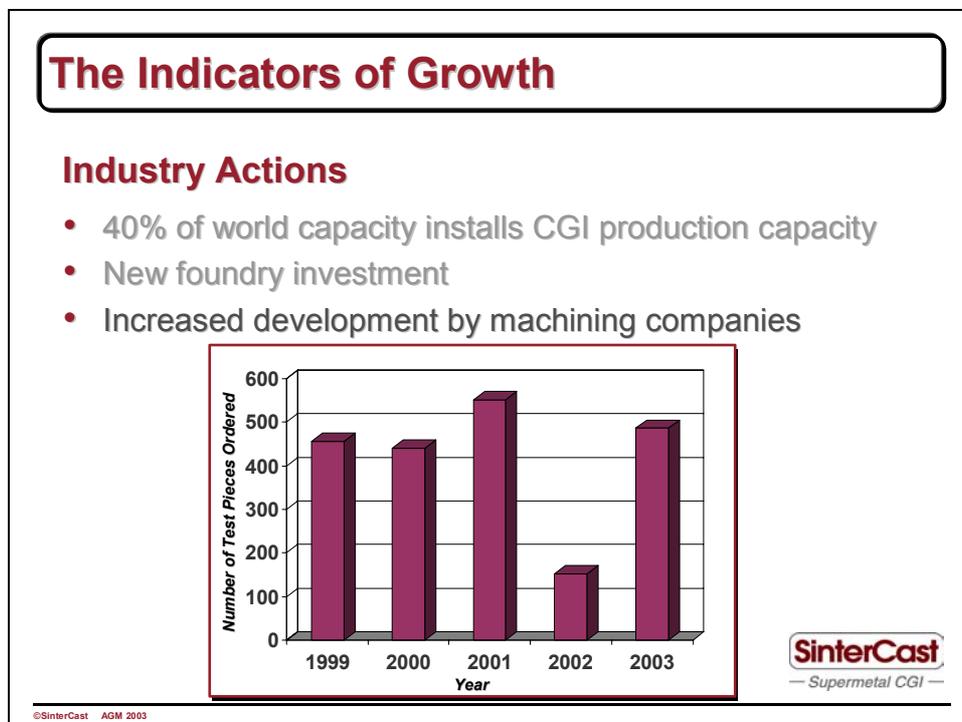
Industry Actions

- 40% of world capacity adopts SinterCast CGI technology
- New foundry investment



©SinterCast AGM 2003

Another indicator of growth comes from the increased development of the machining companies and the machine tool suppliers. This overhead shows a plot of the number of test CGI pieces ordered from our Technical Centre in Katrineholm. Through the years 1999 through 2001, the test piece supply hovered at approximately 500 test pieces per year. Now, after just five months of 2003, we have already received orders for 486 machining test pieces. These last two indicators of growth show that both the machining sector and the foundry sector are investing to prepare their CGI solutions. They are getting ready to serve their automotive customers.



The start of high volume series production with the Ford V-6 this summer is another indication of growth and it will provide increased CGI information in the public domain. Ford will begin to publicise their new engine and this information and awareness will add to the momentum of CGI and the competitive pressures throughout the industry. We also see increased use of CGI in motorsport activity. In the last three years, two major racing championships have been won with CGI engines produced using the SinterCast technology. We currently supply CGI engines for heavy-duty truck racing, for pick-up truck racing, for touring car championships both in Europe and America and we have also supplied brake discs to the 500 cc motorcycle championships. We have a very good penetration into motorsport. Another indicator of growth is the new ISO (International Standards Organisation) standard for Compacted Graphite Iron. The drafting of the standard was initiated just over one year ago and indicates that the international technical community recognises the future for CGI and the need to standardise this new material. Finally, the Swedish Foundry Association, Gjuteriföreningen, held a conference just last week on Compacted Graphite Iron. I would like to take this opportunity to congratulate Gjuteriföreningen on their Conference. It was attended by fifty people representing nineteen companies and it was one of the best conferences that I have ever attended. A very high quality of presentations and a vibrant and involved discussion throughout the conference.

The Indicators of Growth

Industry Actions

- 40% of world capacity installs CGI production capacity
- New foundry investment
- Increased development by machining companies
- Start of high volume series production
- Increased use of CGI in Motorsport
- New ISO standard for CGI
- Swedish Foundry Association conference on CGI

SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

With these indicators of growth, and the progress that SinterCast and CGI have made thus far, we see that the market is ready and our technology is ready. Now it's time to make the castings.

Thank-you.

SinterCast
— Supermetal CGI —

SinterCast
— Supermetal CGI —

©SinterCast AGM 2003

End.