

**Managing Director's Report
Dr Steve Dawson
President & CEO**

**Annual General Meeting - Bolagsstämma
Stockholm
24 May 2006**



Good afternoon and welcome.

Today, I would like to present the story of SinterCast's growth. Of course, that story begins with the positive growth that SinterCast enjoyed during 2005, but what I want to concentrate on today is the future growth opportunity, both in the near-term and the medium-term.

As the basis of our review of the growth opportunity, I would like to begin by sharing a subtle distinction that guides the way we look at the market. And that subtlety is that, while SinterCast can bring CGI to the industry, it is not necessarily so that SinterCast can bring the industry to CGI. It is not our sales messages that will cause the OEMs to adopt CGI. Larger pressures are needed to move the market. Pressures like the overall growth of diesel engines, higher peak firing pressures and higher specific performance, competition within the industry, and the continuous development of emissions legislation. These are the drivers that will move the industry toward CGI and, in turn, toward SinterCast. With this sequence in mind, I would like to present SinterCast's growth opportunity in terms of the overall industry trends and development. Once we see how the industry may be moving toward CGI we can then review how SinterCast is positioned to take advantage of the movement.

SinterCast's Growing Market

Growth 2005

- Revenue up 87%
- Engine Equivalents tripled from 100,000 to 300,000
- Sampling Cup deliveries increased from 11,000 to 24,000
- Cylinder block supply to each of the world's top 7 OEMs
- Five new installations
 - First installations in China, Korea and Turkey



Let's begin by reviewing the positive growth of 2005. Compared to 2004, revenues were up by 87% and series production tripled from approximately 100,000 Engine Equivalents at the beginning of the year to 300,000 by year-end. Deliveries of our consumable Sampling Cup more than doubled from 11,000 to 24,000 units and, the statistic that we were most proud of by the end of 2005, was that we were supplying CGI cylinder blocks to each of the world's top seven automotive OEMs. This included high volume production for the Audi-Volkswagen group, Ford and PSA Peugeot-Citroën, and pre-production for Hyundai in Korea. In addition to these four OEMs, we were also supplying SinterCast-CGI cylinder blocks to General Motors, Toyota, and DaimlerChrysler for motorsport application. While it is true that the motorsport application is low volume and doesn't really add to the financial bottom line, these are aggressively designed, and aggressively operated engines. They give SinterCast the opportunity to show the technical capability of CGI and of our process control technology. The motorsport applications therefore continue to be valuable references for building confidence in both CGI and SinterCast.

SinterCast also enjoyed its most successful year ever for new installations during 2005, with five new installations. These include the Agreement with the Taiwanese Mei Ta Industrial Group for the installation at the Dashiang Precision foundry in China. The photo in the bottom left corner of the overhead is the first public photograph of our installation at Dashiang, showing the System 2000, the Wirefeeder Control Cabinet, the cored-wire pay-off packs, and the Wirefeeder Head. The Dashiang installation has just been completed. The Installation Acceptance has been signed-off and our SinterCast engineers will arrive back to Arlanda tomorrow. We also had our first installation in Korea during 2005 at the Hyundai foundry in Jeonju. The middle photograph shows the CGI pre-production on the Hyundai Jeonju production line. Finally, in the picture at the far right, we can see the installation of the System 2000 at the Döktas foundry in Turkey, where we will be starting production of the Ford-Otosan commercial vehicle cylinder block and cylinder head.

SinterCast's Growing Market

Current Status – *The Five Waves*

- First Wave: V-diesels in Europe
 - High volume production: Audi, Ford, PSA, Volkswagen
 - 13 vehicles in 6 car brands
 - Approximately 20,000 SinterCast-CGI cylinder blocks/month
- Second Wave: Commercial Vehicles
 - Start of production of Ford-Otosan 7.3 litre block & head
 - Approved programs in Europe, Asia and America

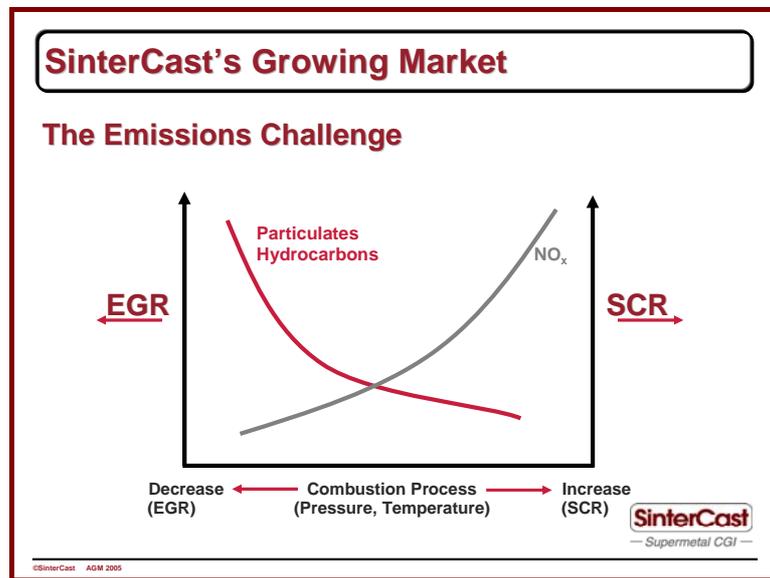


The positive growth of 2005 has provided SinterCast with a broader foundation to build upon. Looking forward, I would like to review the market development and growth opportunity in terms of the *Five Waves* scenario that we are all so familiar with. The first wave is for V-Diesel Engines here in Europe. In this wave, we already have high volume production for Audi-Volkswagen with three different engines: the 2.7 and 3.0 litre V6 engines, and the 4.2 litre V8 engine. For Ford, as of Monday of this week, we have two SinterCast-CGI engines: the 2.7 litre V6 that started production during September 2003 and the 3.6 litre V8 version that has recently started production. The 2.7 litre V6 is part of the overall collaboration between Ford and PSA Peugeot-Citroën for diesel engines, the 'Gemini' program. Gemini applies to diesel engines up to 3.0 litre displacement, so the new 3.6 litre V8 that was announced on Monday is not actually a part of that program - it is very much a Ford engine. With these series production programs, SinterCast-CGI engines can presently be purchased in 13 different vehicles and 6 car brands in European dealer showrooms. We are currently producing approximately 20,000 CGI cylinder blocks per month, and that satisfies all definitions of high volume production in the automotive industry. These SinterCast-CGI engines are being successfully cast in the foundry, successfully machined and assembled, and successfully running on the road.

The future growth in the first wave will come from the continued ramp-up of the current production programs and the introduction of new V-engine programs. The current programs have already provided good growth and they will continue to grow until they reach the saturation limit of the current manufacturing lines, or until they satisfy the sales demand for the different vehicles that use our engines. Looking forward, we envision that future V-engine programs in Europe will preferentially be committed to CGI and new production decisions can therefore be expected. We can also expect new derivatives of the current CGI V-engines, just like the Ford 3.6 litre V8 is based on the Ford-PSA 2.7 litre V6 with two extra cylinders attached to the end of it. The potential for continued ramp-up, new engine decisions and derivatives of existing engines all provide further growth potential for the first wave. Although we don't envision that the first wave will ever be our biggest wave, it has been our starting point and it has provided a positive reference for new CGI commitments in the other waves that will provide larger volumes.

The second wave is for Commercial Vehicles. We have established initial production references in this wave with the 50,000 cylinder liners running successfully on the road in Caterpillar engines in North America and the more recent announcement of the start of production for the Ford-Otosan 7.3 litre cylinder block and head program at the Döktas foundry in Turkey. Beyond these programs we are also involved in new programs that are already approved for series production in Europe, Asia

and the Americas. The second wave is an important growth opportunity for SinterCast and although we haven't been able to announce all of the programs that we are involved in, we do know that this will be the biggest wave for SinterCast over the next five year period.



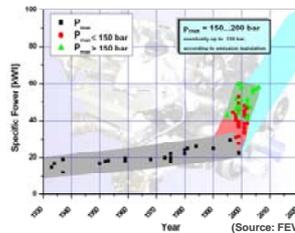
As we consider the CGI growth opportunity in terms of the potential market trend, I would like to consider the potential technology paths to satisfy future emissions legislation. Without going into the technical details, there are two primary approaches to solving future emissions legislation. One approach is EGR which means "Exhaust Gas Recirculation", and the other is SCR, which means "Selective Catalytic Reduction". The EGR concept recirculates some of the exhaust gases back into the engine to make the combustion happen at a lower temperature. When the combustion happens at a lower temperature, the nitrogen oxide (NO_x) emissions are low, but because the burn isn't as complete as it would be at high temperature and pressure, the emissions of particulate matter and hydrocarbons are relatively high. In contrast, with SCR, the combustion takes place at high temperature and pressure to consume the particulates and hydrocarbons while the remaining nitrogen oxide content is neutralised by treating the exhaust gases.

One of the primary differences between EGR and SCR is that the EGR route increases fuel consumption by 3-5% while the SCR route improves fuel economy by about 3-5%. So when we compare EGR and SCR, the SCR approach can have 5-10% better fuel economy. As fuel prices continue to increase, the fuel economy benefit of SCR – and the improved horsepower - will cause more drivers and fleet owners to preferentially choose SCR engines. It follows that, if the market demand evolves toward SCR, more truck manufacturers will offer SCR engines. With reference to SinterCast's market potential, because the SCR engines operate at higher temperatures and pressures, they need stronger materials. They need CGI, and therefore they need SinterCast. This is the logic chain that shows that the commercial vehicle wave can be a strong growth opportunity for SinterCast.

SinterCast's Growing Market

Current Status – The Five Waves

- Third Wave: In-line diesels
 - Opportunity for CGI
 - Downsizing for fuel economy
 - Dimensional stability over life of engine
 - Sell on price before performance



The third wave, is for in-line diesels, and again, primarily here in Europe because of the popularity of the diesel engine. We see a real technical opportunity for CGI in this wave to downsize the engine. For example, a 1.5 litre engine with the performance of a 2.0 litre engine. The smaller CGI engine could be loaded more heavily to provide the same performance and, because of the smaller displacement, it would use 5-10% less fuel and therefore also have lower emissions. The smaller CGI engines would also be stronger and stiffer so that they would be able to satisfy emissions legislation not only when the vehicle is new, but also throughout the entire life of the vehicle. These are the technical opportunities provided by CGI in the in-line wave, and it seems like a win-win situation for everyone.

The challenge is that the vehicles that use these small engines are sold on price rather than on performance and that is quite different from the V-engines used in luxury vehicles where people demand performance and are willing to pay for performance. Buyers do want more technology and performance in the 1.5-2.0 litre size class, but they are not necessarily willing to pay for it, and that is the challenge for the car companies. Many small cars are sold with margins of less than €100 per vehicle, and if the OEMs upgrade to CGI without being able to increase selling prices, they are simply consuming their margins. A CGI engine for this size class might be €20 or €30 more per engine than a normal grey iron engine, which may not seem like a lot in a €10,000 vehicle, but it is indeed significant when the margin is only €50 and, when the OEM produces one million of these vehicles per year, it becomes a 20 or 30 million Euro decision. The OEMs that sell high volumes of these types of vehicles are companies like Volkswagen, Fiat, Ford and General Motors that are currently restructuring their operations for financial reasons and are therefore particularly sensitive to pricing. In the third wave, pricing is the primary factor in their decisions. These considerations don't kill the opportunity for CGI in this wave, not at all. But they do push the third wave into the future.

The graph at the bottom of this overhead, which was developed by FEV, the German engine design company, shows how the performance of diesel engines has improved over time. Historically, there was a rather low performance level during the early years, and then in 1999, with the introduction of common rail fuel injection, the industry achieved an abrupt increase in performance. Specific performance is currently around 60 kW per litre and the engines are operating at pressures in the range of 170 bar. Most importantly, the shading in the FEV graph forecasts that the development in engine performance isn't over at all. The industry will continue to demand more from smaller packages and this pressure will ultimately push the industry toward CGI also in the Third Wave. DaimlerChrysler has publicly stated that their target for diesel engines is 100 kW per litre and although they haven't said when they will reach that target, it clearly shows that there is still a lot of

growth potential in engine performance and this growth will require improved engine materials. That is the basis of the opportunity for CGI and SinterCast in the in-line wave.

SinterCast's Growing Market

Current Status – The Five Waves

- Fourth Wave: Diesels in America, and Beyond
 - First reference: Hyundai 3.0 litre V6
 - JD Power: Global diesel demand to double
 - 15 million 2005 to 29 million 2015
 - US to increase from 3.2% 2005 to 10% 2012
 - Every 2.5% increase provides ~1 million Engine Equivalents

<u>For SinterCast</u>	<u>For the Market</u>
Big market	Fuel economy
Big vehicles	Driving mode
Big V-engines	Profits
Big series	Legislation

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The Fourth Wave is for Diesels beyond Europe and we now have our first reference with the Hyundai 3.0 litre V6 that was announced last year. We can discuss if the Hyundai V6 is a Fourth Wave engine or a First Wave engine, and in fact it is both. It is 'beyond' Europe because it is manufactured in Korea and will be sold in the domestic Korean market. But it will also be sold here in Europe and therefore provides a contribution to the First Wave. But the real growth opportunity in the Fourth Wave is for Diesels in America and this opportunity has provided the most promising growth for SinterCast since last year's AGM. JD Power and Associates has predicted that the global diesel demand will double, increasing from 15 million units in 2005 to around 29 million units in 2015. A lot of that growth will of course be in the developing countries and will therefore be for smaller in-line engines. However, a lot of the growth will also come from the diesel development in North America. The JD Power forecast for the US indicates that diesel sales will increase from 3.2% in 2005 to 10% by 2012. The interesting thing for SinterCast is that, because the US engines are generally bigger and heavier, every 2.5% increase in diesel penetration in the US market represents an opportunity of about one million Engine Equivalents.

For SinterCast, the US is a big market with sales of approximately 17.5 million vehicles per year, 60% of which are either SUV's or pick-up trucks. These vehicles use large V-engines in the size range of 4.0 to 6.0 litre displacement. So not only are they large engines, but because they are V-engines, they need added strength, which provides the link to CGI and SinterCast. These engines are also produced in large series, so when the likes of Ford and General Motors or Chrysler make engines for their pick-up trucks and SUV's, they make over one million engines per year. Each 10% substitution of the existing petrol engine by a new diesel engine can provide 200-300,000 Engine Equivalents per program. The Engine Equivalents add up in a hurry when we do the math for America.

So that is what diesel growth in America means for SinterCast and we can also consider what diesel penetration means for the US market. Surprisingly, diesel penetration in the US can be driven by fuel economy and we can look at this in a slightly controversial way. I would like to say that the average American has the same "fuel economy" as the average European. Of course the fuel prices in America are lower than they are in Europe and, at current exchange rates are approximately 6 SEK per litre, so quite a lot lower than we have here. But that is only one piece of the fuel economy

puzzle. The average American is also using a bigger engine with higher fuel consumption and generally driving more kilometres per week. If they have 40% lower pump prices, are using 40% more petrol per kilometre, and also driving more kilometres, they are putting at least as many dollars into their vehicles as we are putting Swedish Kronas into ours. We can't ignore fuel economy as a strong market driver for the average American who wants to reduce vehicle operating costs. Many American won't improve their fuel economy by choosing a smaller vehicle, so the best option to reduce operating costs is to choose a diesel engine that provides more miles per gallon. The American driving mode also favours diesels with long distances and relatively open driving which are the conditions where diesel provides the best fuel economy. While we discuss vehicle margins of less than €100 per vehicle in the in-line sector, these large SUV's and pick-ups are highly profitable vehicles with General Motors, Ford and Chrysler often making a few thousand dollars per vehicle. These are the vehicles that the OEMs want to sell: big vehicles with big engines, and big profit. Finally, legislation will also drive the American market toward improved fuel economy and cleaner emissions and I would like to pursue this driver in more detail.

SinterCast's Growing Market

Current Status – The Five Waves

- Fourth Wave: Diesels in America, and Beyond

CAFE Standard – Light Trucks

Year	mpg	l/100 km
2006	21.6	11.0
2007	22.2	10.7
2008	22.5	10.5
2009	23.1	10.2
2010	23.5	10.1
2011	24.0	9.9

4.5 Litre V8 diesel vs. 6.0 Litre V8 petrol

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Many of you may be familiar with the 'CAFE' standards: Corporate Average Fuel Economy. CAFE requires that for all of the vehicles sold by an OEM in the US, the total fleet must achieve an average legislated fuel economy. For passenger cars, that minimum limit is 27.5 miles per gallon (mpg). But there are two 'tricks' of CAFE. The first trick is that the fuel economy is based on all of the cars in the fleet, so sales of smaller cars with better fuel economy can boost the average up over 27.5 mpg. The second trick with CAFE, which many people don't realise, is that the big vehicles don't apply. Historically, CAFE has not applied to SUV's and pick-up trucks and these vehicles represent 60% of the American market. But this is changing and CAFE standards have been presented for the light duty truck sector as well, including SUV's and pick-up trucks up to 8,500 pounds, or approximately 4,000 kg. The overhead shows the progression of the new CAFE mpg standards for light trucks from 2006 to 2011 and this has also been converted to litres per 100 kilometres for our local reference. The interesting thing with CAFE for light trucks is that there aren't any small vehicles to help boost the average - they are all trucks. Therefore, the only way forward is to improve the fuel economy of those vehicles to get over the CAFE hurdle.

The way that CAFE works is that for every 0.1 mile per gallon under the limit, the OEM must pay a penalty of 5 dollars for each vehicle sold. So on the passenger car side, if the CAFE limit is 27.5 mpg and the OEM car fleet average for a given year was only 27.4 mpg, then if the OEM sold 3 million cars that year, it would be liable to a 15 million dollar penalty. This provides a large incentive for

OEMs to improve their fuel economy. Today, in 2006, many of the current SUV and pick-up vehicles use 5.0-6.0 litre V8 petrol engines that only provide about 18-20 mpg, which is less than the proposed CAFE requirement. The OEMs need to improve fuel economy, and the best way to do that is with diesel. A 4.5 litre V8 diesel engine can provide the same 300-350 horsepower of the current petrol engine, but instead of 18-20 mpg, the diesel alternative will provide 25-30 mpg. This is a real driver, not only for the pocket-book of the individual vehicle owner, but also from the pocket-books of the large OEMs.

Before leaving the Fourth Wave, I would also like to discuss the difference between the European, Japanese and American legislation. America has taken a lot of criticism for its approach to fuel consumption and to the Kyoto Agreement, but if you look at it with a neutral eye, what the Americans are really saying is: burn more fuel if you want (up to the CAFE limit), but make sure that what you burn is very clean. If we compare global legislation for nitrogen oxides and particulate matter, we see that the US legislation for 2007 is lower than what Europe will have in 2010, and probably won't be seen in Europe until Euro VI is introduced in 2015. The real emissions challenge in the US is the low NO_x, and how do we get low nitrogen oxide? SCR - Selective Catalytic Reduction. What does SCR mean? Higher temperature, higher pressure. What does higher temperature and higher pressure mean, particularly in V-engines? CGI. And what does CGI mean - SinterCast. This logic chain has meant that the positive diesel development over the last year in North America has resulted in the Fourth Wave becoming our second biggest wave behind Commercial Vehicles, and a very important growth opportunity for SinterCast.

SinterCast's Growing Market

Current Status – The Five Waves

- Fifth Wave: Petrol engines
 - Initial development and prototyping
- Potential Step: Diesel engine cylinder heads
- Industrial Power:
 - DAROS, General Electric, Rolls-Royce
- Automotive: Non block & head
 - Dashieng as Tier II to BorgWarner and Honeywell






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The Fifth Wave is for petrol engines and that remains further out in the future, although we are already supporting some development and prototyping activities. We can hope for positive decisions on special niche applications, but generally this wave is in the longer term, post 2010. Likewise we are already working on programs for diesel engine cylinder heads, again for North America. The initial focus is in the US because these 4.0 to 6.0 litre engines have larger cylinder bores and therefore need stiffer cylinder heads. We do see an opportunity for CGI to grow in the high volume North American diesel market also for cylinder heads. Finally, beyond the core automotive market, we are in series production in the industrial power sector with piston ring production for Daros, the cylinder head production for General Electric rail applications, and with large marine diesel cylinder blocks and heads for Rolls-Royce Power Engineering. This sector is also growing, with Daros having a positive experience with their CGI piston rings and considering new applications. Likewise, Motor Castings, the foundry source for the General Electric cylinder head, has had a

positive experience with their CGI production and they are actively promoting CGI for other products. Although Motor Castings was initially regarded as a relatively modest application, we can envision it becoming a 75,000 Engine Equivalent per year foundry for SinterCast.

Within the automotive market, but beyond the core cylinder block and head sector, we have ongoing niche production of the Aston Martin flywheel. More recently, we have announced the larger opportunity for exhaust manifolds and turbocharger housings at the Dashiang foundry in China. Dashiang will supply these components to companies like BorgWarner and Honeywell and they, in turn, will supply finished modules to the OEMs. This can lead to a wide distribution of those products. Another positive development for SinterCast in this sector is that the specification for these products, which has historically been quite wide, is becoming narrower and more demanding, and this always helps SinterCast. The more difficult the product is to make, the greater the need for our control technology. These developments result in exhaust manifolds and turbocharger housings providing a growth opportunity, not only at Dashiang, but also at other foundries that have been producing titanium-alloyed CGI exhaust manifolds and turbocharger housings. As we have stated in some of our recent Interim Reports, the combined production in the industrial power and automotive non-block-and-head activities can represent approximately 25% of our annual Engine Equivalent activity, and provide an important contribution to our business.

SinterCast's Growing Market

Current Status – Foundry Installations

Cifunsa, Mexico	1996	M. Castings, USA	2004
VDP, Italy	1998	G & W, England	2004
Halberg, Germany	1998	Tupy, Maua	2004
Caterpillar, USA	1999	Hyundai, Jeonju	2005
Tupy, Joinville	2000	Döktaş, Turkey	2005
SKF, Sweden	2000	Ashland, USA	2005
Daros, Sweden	2001	Mei Ta (DSP), China	2005
ICC, USA	2002	Ford CCP, USA	2005
Teksid, Worldwide	2002	Doosan, Korea	2006
Luzuriaga, Spain	2003		

29 contracted foundries in 14 countries
Over 45% of world cylinder block capacity



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With that review of the potential growth opportunities, I would now like to review how SinterCast is positioned in the foundry industry to support and benefit from the growth opportunities. At present, we have 19 System 2000 installations in 14 different countries. Some of those foundry customers are part of larger foundry groups where the SinterCast contract encompasses all of the foundries in the group. In these terms, we actually have 29 contracted foundries. Together, these foundries produce over 14 million cast iron cylinder blocks per year, which represents more than 45% of all cast iron cylinder block production in the world. Any CGI order that goes to any of these foundries also goes to SinterCast. One interesting statistic that we have published over the past year is that, with only one exception, SinterCast has a CGI contract with every major cylinder block and head foundry in North and South America. This is a great penetration and something for us to be very proud of. But it is important to note that this penetration doesn't mean that we are saturated and that there is no growth opportunity in America. Many of these foundries have more than one production line, so as the production grows we have the opportunity for new installations on the other lines. The one exception in the Americas is the General Motors foundry in Ohio, and General Motors has thus far decided that its foundries will not directly participate in CGI production. GM will outsource its CGI

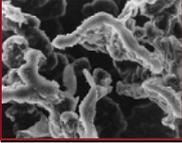
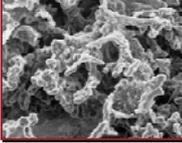
production requirements and we are currently supporting their motorsport and product development activities at other foundries.

This overhead also provides a good opportunity to discuss competition. One source of competition is from foundries trying to make CGI by themselves, without SinterCast. And that was certainly the case for three of the German foundries: Fritz Winter, Eisenwerk Brühl and the DaimlerChrysler Mannheim foundry, who have tried to establish their own CGI production to differentiate themselves from the off-shore competition that relied on the SinterCast technology. However, we believe that this won't happen in new foundries, both because there isn't a need for other foundries to differentiate themselves, and because most other foundries don't have the time or the technical resources to attempt an in-house development. The other thing that we can say about competition is that, to our knowledge, there isn't any other company offering CGI process control technology that has even one foundry partner or one production program in any of the Five Waves. This clearly shows SinterCast's leadership position. While we will continue to face competition just like any normal company, we have a strong position and a good reputation in the industry. Our technology works, and the "SinterCast" name is associated with reliable, consistent, high quality CGI.

SinterCast's Growing Market

Outlook 2006

- Continued ramp-up of existing series production
- New production programs coming on-stream
 - Dashiang exhaust manifolds and turbocharger housings
 - Ford of Europe 3.6 litre V8 cylinder block
 - Ford-Otosan 7.3 litre cylinder block & head
 - Hyundai 3.0 litre V6 cylinder block
- New foundry installations





— Supermetal CGI —

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Moving forward, I would like to provide an outlook for the 2006 development. We will enjoy continued growth of the existing production programs and new production programs will come on-stream, such as the exhaust manifolds and turbocharger housings in China, the Ford of Europe V8 that was announced earlier this week, the Ford-Otosan commercial vehicle start of production and the Hyundai V6. In addition to the series production, we also expect to have new foundry installations, and it is the combined effect of the growing series production and the revenue from new installations that leads us toward the targeted cashflow breakeven during 2006.

SinterCast's Growing Market

Medium-Term Outlook

- Continue to focus on the core CGI market
 - European diesel penetration 60~65% by 2009
 - Start of commercial vehicle production
 - American diesel growth
 - Specific performance targeting 100 kW/litre
 - 'BRICK' countries – Brazil, Russia, India, China and Korea
 - Growth, goods transportation and personal mobility
 - Euro-style (pro-diesel) legislation
 - On-road legislation extended to construction and agriculture
 - Global vehicle sales forecast to double 2000 to 2050
 - Emissions legislation will become more demanding
 - Increased oil prices



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Looking a little bit further ahead at how the market can develop, SinterCast will continue to focus on CGI and the core cylinder block and head market. That market will grow in a variety of ways. First, European diesel penetration is currently around 53% and that is forecast to grow to 60-65% by 2009. Our core diesel market will therefore become larger over the next few years. However, Euro V emissions legislation due in 2010 will require additional exhaust gas treatment that will cause diesel vehicles to become more expensive. Ultimately, the higher purchase price may cause some buyers to move back toward petrol engines, but the diesel petrol split will likely balance out at around 50/50 and will maintain a large market here in the European home market.

Another growth opportunity comes with the start of the commercial vehicle engine production and the ramp-up and the growth of the American diesel activity that we discussed earlier. These two sectors have developed positively for SinterCast over the past year. Likewise, the drive toward increased performance will favour SinterCast's long-term growth, with companies like DaimlerChrysler publicly stating targets of 100 kW per litre. Engine development will not stop where we are today, the OEMs, the public and the legislators will all continue to push for more from less, and that will increase the demand for stronger materials.

We can also foresee growth opportunities in the 'BRICK' countries: Brazil, Russia, India, China and Korea. The overall economy of these countries will grow, increasing the need for goods transportation - which means more commercial vehicles - and also the need for personal mobility - which means more cars and buses (where buses use the same engine solutions as commercial vehicles) and more trains. The industry has also learned that these countries won't accept old technology. They will demand modern technology engines with the same technical solutions as we have here in Europe, which again means CGI.

Beyond 2010, on-road legislation will begin to be applied to construction and agricultural equipment. As these engines need to burn cleaner, the demand on the engines will increase and this should help to increase the overall market volume. Forecasts show that global vehicle sales will double from the year 2000 until 2050, so the overall market opportunity will increase and, in parallel with this, emissions legislation will continue to become more demanding, forcing higher peak firing pressures and increased load on the engines, which will also lead toward CGI. And finally, increased oil prices. The incentive for improved fuel economy in both the passenger vehicle and the commercial vehicle sectors will only increase as oil prices increase. It may not be the most popular thing to say, but higher oil prices will always be better for SinterCast.

SinterCast's Growing Market

Continue to be the best at what we do

- To earn the respect of the industry
 - Precision of our technology
 - Reliability of our products
 - Impeccable technical service

To be the World's CGI Company



SinterCast
— Supermetal CGI —

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We believe that the market trends are developing in favour of CGI. The requirement for SinterCast is to be positioned to support the needs of the industry and I make the following statement not only to our shareholders, but also to our customers and to our employees: I want SinterCast to be known and respected for its technical competence. I want our technical competence to drive our market image, for automotive engineers and foundry managers to respect and rely upon our technology. I want the precision of our technology to be regarded as an essential element of the reliable high volume production of high quality CGI. And I want the reliability of our products to provide peace of mind for our customers and the end-users of SinterCast-CGI engines. Finally, I want SinterCast to be synonymous with impeccable technical service in everything that we do, from delivery precision to the way that we provide technical solutions to our customers. Our success in achieving these objectives, on pure technical merit, will allow us to continue to be the world's CGI company.

Thank-you.