

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.