

# SinterCast

Annual Report

2014

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Notes: This document is an unofficial translation of the official Swedish Annual Report  
 The Director's Report, pages 16-26, includes the Corporate Governance Report, pages 21-26.  
 Pages 15 and 27-49 conform to IFRS (International Financial Reporting Standards)

## Current Status

- Record series production of 1.85 million Engine Equivalents; 16% growth
- Record revenue; 40% increase in operating result
- First high volume CGI petrol engine begins sales; announced in three vehicles
- SinterCast-CGI engine commitments in four of eight full size North American pick-ups
- Second consecutive *Wards* 10 Best Engine Award for Ram 3.0 litre V6 diesel
- Start of production of first bespoke CGI engine for agriculture applications
- Customer Quality Feedback rating of 97.5%, highest since inception in 2004
- 42 installations in 12 countries and 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 for diesel and petrol engine cylinder blocks used in passenger vehicles, and for cylinder blocks and heads used in commercial vehicle and industrial power engines. The SinterCast technology is also used for the production of other CGI components, including exhaust manifolds, turbocharger housings, bedplates and industrial components.

**SinterCast** will focus on providing process control technology and know-how 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 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.

**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. The properties of CGI allow design engineers to improve performance, fuel economy and durability while reducing size, weight, noise and emissions.

**Environmental Benefits** are realised when using the SinterCast technology. The accuracy of the SinterCast process enables foundries to produce castings right-first-time, thus reducing scrap rates and energy consumption. By enabling CGI, SinterCast also contributes to the production of smaller and more fuel efficient engines, thus reducing energy consumption in the foundry and reducing fuel consumption and CO<sub>2</sub> emissions on the road. Equipped with SinterCast-CGI engines, the Ford F-150 and Ram 1500 pick-ups both received environmental awards in 2015.

## 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 production status for each of the *Five Waves*, based on the annualised year-end production rate of 1.85 million Engine Equivalents, is summarised in the following table:

<b>Wave 1</b> V-Diesel Passenger Vehicle Engines in Europe	<b>Annualised year-end production:</b> 310,000 Engine Equivalents (15,500 tonnes) <b>Series production for:</b> Audi, Chrysler, Jaguar, Jeep, Lancia, Maserati, Land Rover, Porsche and Volkswagen <b>SinterCast-CGI Components:</b> Four cylinder blocks (3.0-4.4 litres) <b>Outlook:</b> 15% growth in 2014. Further growth linked to European vehicle sales and take rates for large/premium vehicles
<b>Wave 2</b> Commercial Vehicle Engines Worldwide	<b>Annualised year-end production:</b> 650,000 Engine Equivalents (32,500 tonnes) <b>Series production for:</b> DAF, Ford-Otosan, Hyundai, MAN, Navistar and Scania <b>SinterCast-CGI Components:</b> 11 cylinder blocks and six cylinder heads (3.9-16.4 litres) <b>Outlook:</b> 8% growth in 2014. Near-term and long-term global growth opportunity
<b>Wave 3</b> In-Line Passenger Vehicle Diesel Engines	<b>Current status:</b> Limited product development underway <b>Outlook:</b> Long-term potential depends on performance demands, downsizing and emissions requirements
<b>Wave 4</b> V-Diesel Passenger Vehicle Engines Beyond Europe	<b>Annualised year-end production:</b> 700,000 Engine Equivalents (35,000 tonnes) <b>Series production for:</b> Ford, Hyundai, Jeep, Kia and Ram <b>SinterCast-CGI Components:</b> Four cylinder blocks (2.7-6.7 litres) <b>Outlook:</b> 19% growth in 2014. Continued growth opportunity following Nissan pick-up commitment in North America
<b>Wave 5</b> Passenger Vehicle Petrol Engines Worldwide	<b>Series production for:</b> Ford and Lincoln vehicles (volume undisclosed) <b>SinterCast-CGI Components:</b> First high volume CGI cylinder block (2.7 litres) <b>Outlook:</b> Growth opportunity as first engine ramps up and sets competitive benchmarks for performance, size, weight and fuel efficiency

## Other Growth Opportunities

Automotive - Other than Passenger Vehicle Cylinder Blocks	<b>Annualised year-end production:</b> 85,000 Engine Equivalents (4,250 tonnes) <b>Series production for:</b> Various OEMs and Tier I suppliers including BorgWarner and Honeywell <b>SinterCast-CGI Components:</b> Exhaust manifolds, turbocharger housings, bedplates and Motorsport cylinder blocks <b>Outlook:</b> Stable production with growth opportunity
Industrial Power	<b>Annualised year-end production:</b> 60,000 Engine Equivalents (3,000 tonnes) <b>Series Production for:</b> Allen Diesels, Cameron Compression, Deutz, Federal Mogul, General Electric, MAN and MTU <b>SinterCast-CGI components:</b> Available in agricultural, marine, locomotive, off-road and stationary power applications <b>Outlook:</b> Near-term and long-term global growth opportunity



*Dr Steve Dawson, President & CEO, with the 2015 Ford F-150 and the world's first high volume CGI petrol engine*

## CEO Message

As a Swedish company, it is fitting that our first major breakthrough arrived on a Midsummer's Eve. It was 22 June 2001 when we received confirmation that the Ford 2.7 litre V6 diesel engine – the world's first high volume engine with a CGI cylinder block – was approved for production, and awarded to a SinterCast foundry. Fastforward 14 years and vehicle sales are now underway with the world's first high volume CGI petrol engine; SinterCast-CGI engines have been presented in 48 different passenger vehicles and 18 brands; the production base has grown to include 42 installations in 12 countries; we have posted record production hovering around the two million Engine Equivalent milestone; achieved double-digit growth in five of the last seven years; and, delivered five consecutive years of increasing dividend. While we always have the ambition to do more and to do it faster, these achievements are a source of motivation, and a foundation for our future growth.

Although SinterCast focusses on its role as a supplier to the cast iron foundry industry, one of the highlights of our year is the North American International Auto Show in Detroit in January. The link to the Detroit show stems from our longstanding emphasis on the North American pick-up sector, based on our conviction that pick-ups are ideally suited to CGI V-engines – diesel and petrol – and on the size of the market. With the Ford, GM and Ram pick-ups finishing 2014 as the three best-selling vehicles in the US, and with annual pick-up sales returning to the two million vehicle level, the pick-up sector alone would qualify as the third largest passenger vehicle market in Europe, and probably the largest in terms of Engine Equivalents. With the Ford F-150 sales underway, and the start of sales of the new Nissan Titan pick-up later this year, we are now in four of the eight full size pick-ups. This penetration provides the potential for one million Engine Equivalents per year, and for further commitments. The recognition of the F-150 as Truck of the Year in Detroit provided the best possible exposure for our 2.7 litre V6 petrol engine, and we will leverage this to promote petrol applications as part of our growth strategy.

The increase in commercial vehicle production over the last two years, with new engine launches and the onset of economic recovery in Europe, has provided a strong contribution to our recent growth and remains our largest growth opportunity. Most European OEMs have already included CGI in their new

engine designs and CGI volumes will grow as these engines find international applications and as CGI production takes root in Asia and the Americas. We currently enjoy a healthy balance of production, with approximately 55% passenger vehicle, 35% commercial vehicle and 10% 'other' components. The 'other' category includes exhaust components and bedplates for passenger vehicles and engine components for the industrial power sector. Securing the Deutz 7.8 litre cylinder head as our first production reference in the agricultural sector was an important milestone for SinterCast in 2014. With production references in agricultural, rail, marine and stationary power applications, the challenge for the 'other' category is to maintain the 5-10% penetration level as the main car and truck markets grow.

On the foundry side, I am particularly pleased with our customer efficiency campaign. Our engineers have developed and refined a benchmark reporting system that provides quantitative feedback to our customers to help improve productivity. These productivity gains will improve the bottom line for our foundry customers, motivating increased promotion of CGI, and indirectly growing the market opportunity. Our proactive efforts to improve productivity have undoubtedly contributed to our year-end Customer Quality Feedback score of 97.5%, the highest result since we began the rating in 2004. The productivity gains also add to our environmental contribution by helping our customers to be right-first-time, reducing the level of scrap and the need to remanufacture. But our most significant environmental contribution is to help the automotive industry use less metal. Stronger materials mean smaller engines, and smaller engines mean less metal, less fuel, and less emissions – in the foundry and on the road.

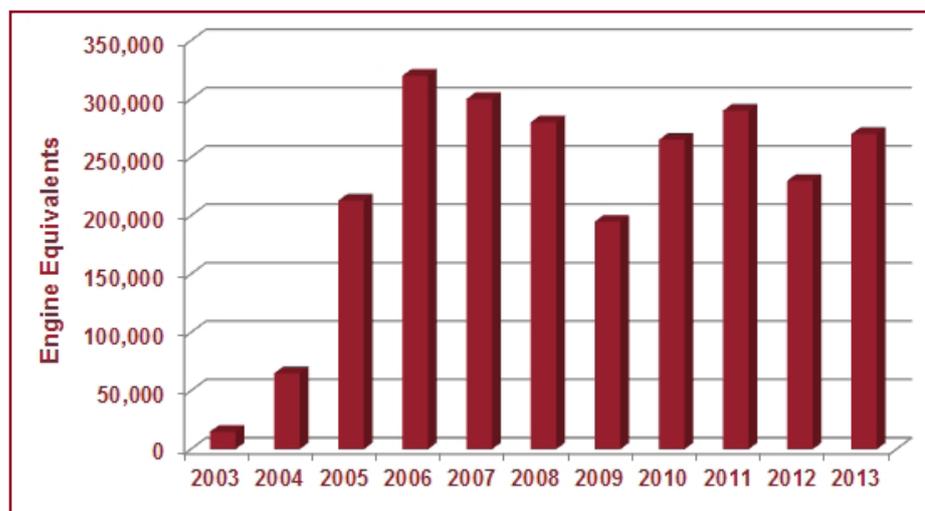
As a technology provider, SinterCast's strength is based on its expertise. Our recruitment over the past years has broadened our commercial presence and deepened our technical capabilities. We now have a good balance of experience, with five of our six managers serving for more than ten years, and the makings of a new generation to secure the continuity of our business. We are happy with the current organisation and we have no plans for new recruitment in 2015. The reinforcement of our technical resources has also allowed us to allocate more effort to the ductile iron technology. The development has evolved positively during the second half of 2014 and we continue to evaluate different configurations of the technology to establish a product that satisfies the technical and economic needs of the market. The ductile iron technology is an important part of our growth and diversification strategy and we will continue with the technical and commercial development during 2015, with a clear goal of bringing the technology to the market.

From a Swedish Midsummer in 2001 to a Detroit January in 2015, the excitement derived from a new engine commitment, vehicle launch or foundry installation is as strong as ever. This excitement continues to provide the energy that motivates our team to develop new products and solutions that improve the efficiency of our customers, promote new CGI applications, and reward our shareholders.

Dr Steve Dawson  
President & CEO

## Market Development

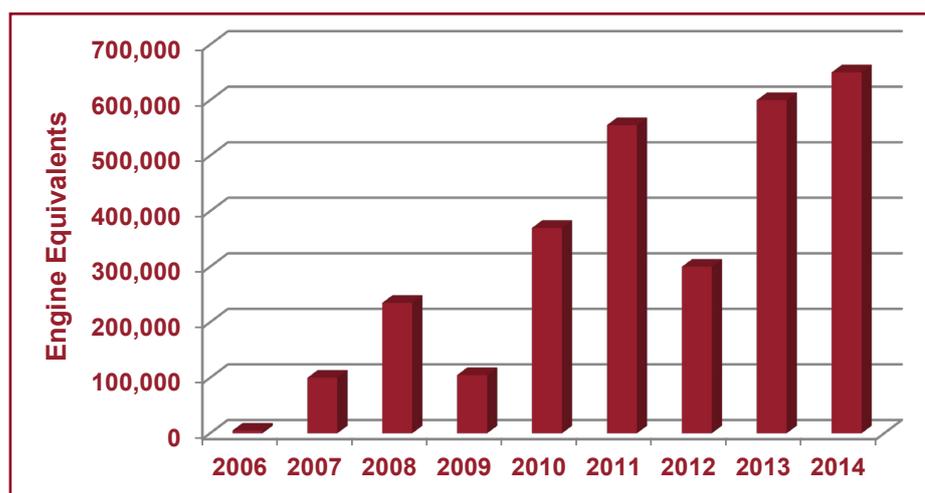
*SinterCast continues to view the overall market development in terms of the Five Waves strategy that was first introduced in 2002. The Five Waves are based on the main types of engines found in the automotive sector, and the types of vehicles that the engines are used in. For each type of product, SinterCast 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 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. Series production in the *First Wave* grew by 15% during 2014, primarily due to the onset of economic recovery in Europe, but also because of increasing popularity of SUV and crossover

vehicles. Although the VM Motori diesel was extended to the Maserati Ghibli and Quattroporte in Europe during 2014, all of the VM Motori volume is allocated to the *Fourth Wave*, due to the dominance of the Ram pick-up application. Maintaining a similar approach, the North American volume for the Audi 3.0 litre V6, and the future volume for Range Rover V6 diesel sales in North America, is allocated to the *First Wave*. With strong diesel penetration in Europe, the outlook is for continued strong contribution from the *First Wave*.



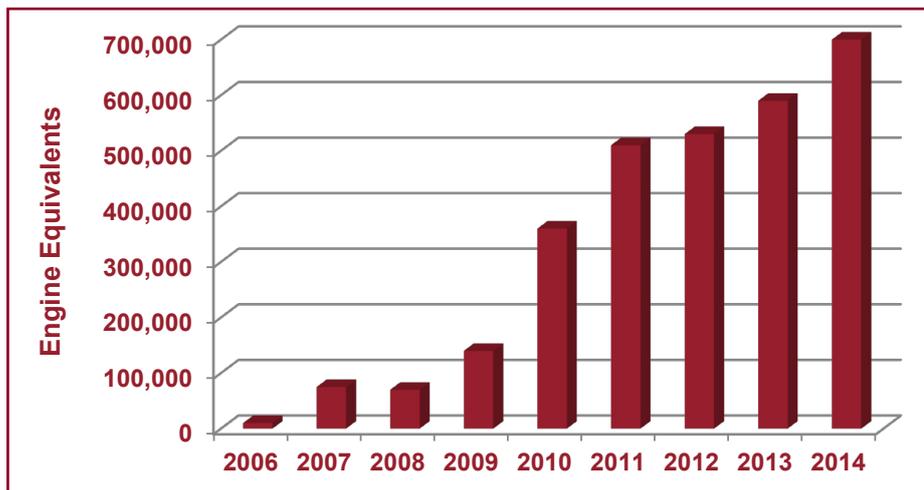
### Wave 2: Commercial Vehicle Engines Worldwide

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 8% during 2014 and currently accounts for approximately 35% of SinterCast's total volume. The growth in 2014 was primarily due to the continued ramp up of two European heavy duty cylinder blocks that started series production during 2013. The current global demand for commercial vehicles (>6 tonne capacity) can be estimated at

approximately 2.5 million units per year. Assuming average weights of 200 kg for the cylinder block and 100 kg for the cylinder head, the total market opportunity can be approximated at 15 million Engine Equivalents per year, with approximately six million accounted for by China and 4.5 million accounted for by the combined demand in Western Europe and North America. SinterCast's current production in the *Second Wave*, with 17 components in series production, provides a credible reference while offering considerable growth potential in a sector that continuously demands downsizing, performance and fuel efficiency improvements.

### Wave 3: In-line Passenger Vehicle Diesel Engines

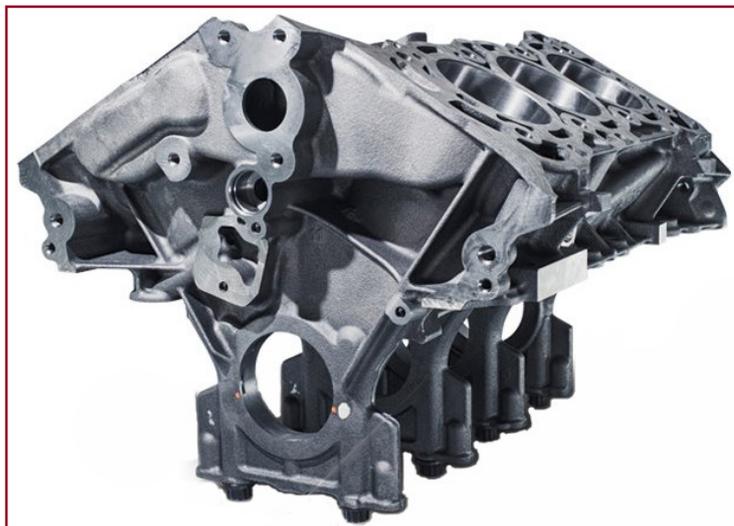
Although some product development activities have been supported, and SinterCast-CGI motorsport engines have been produced, it has not yet been possible for CGI to breakthrough in the in-line passenger vehicle diesel engine sector. The architecture of in-line diesel engines, with relatively simple mechanical loading compared to V-diesels, has meant that conventional grey cast iron and aluminium are still durable in on-road applications. SinterCast supports the production of in-line cylinder blocks from 3.9 litres to 13 litres in commercial vehicle applications. However, the peak combustion pressure in commercial vehicle engines is approximately 30% higher than in passenger vehicles and the cylinder bore diameter is 30-50% larger. These two differences result in exponentially higher mechanical loads in the bottom of the engine. The opportunity for CGI in the *Third Wave* depends on the future demand for increases in performance, downsizing and emissions.



### Wave 4: V-Diesel Passenger Vehicle Engines Beyond Europe

Buoyed by the North American economy and the ramp up of Ram 1500 diesel sales, the *Fourth Wave* grew by 19% during 2014 and accounted for 38% of SinterCast's total volume. Although the *Fourth Wave* started in Korea, with the launch of the Hyundai 3.0 litre V6 diesel in 2006, the subsequent growth has come primarily from the North American pick-up sector. With current sales of approximately two million vehicles per year, the North American pick-up sector would have ranked third in 2014 European passenger vehicle

sales, behind only Germany and the United Kingdom. North American pick-ups remain a primary growth target for SinterCast. With the start of sales of the Nissan Titan pick-up with a SinterCast-CGI diesel engine during the second half of 2015, and the potential for a follower reaction from other OEMs, continued growth is expected in the *Fourth Wave*.

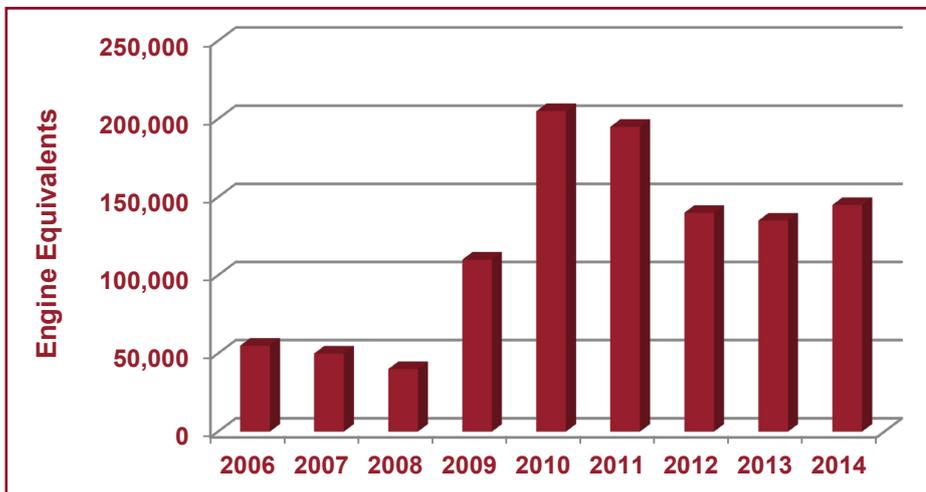


(Courtesy Ford)

### Wave 5: Passenger Vehicle Petrol Engines Worldwide

The high profile launch of the 2015 Ford F-150 pick-up, with the world's first high volume CGI petrol engine, has provided a breakthrough for SinterCast in the *Fifth Wave*. With 120 horsepower per litre, the unique design of the SinterCast-CGI cylinder block provides performance, NVH, durability, packaging, ventilation and cost benefits compared to aluminium engines. The combination of high volume, high performance, refinement and weight reduction establishes a competitive benchmark that can encourage other CGI commitments in petrol engine applications. The ongoing demands to improve corporate average fuel economy in the United States 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<sub>2</sub> emissions in Europe from 130 g per km (42 mpg) in 2012 to 95 g per km (57 mpg)

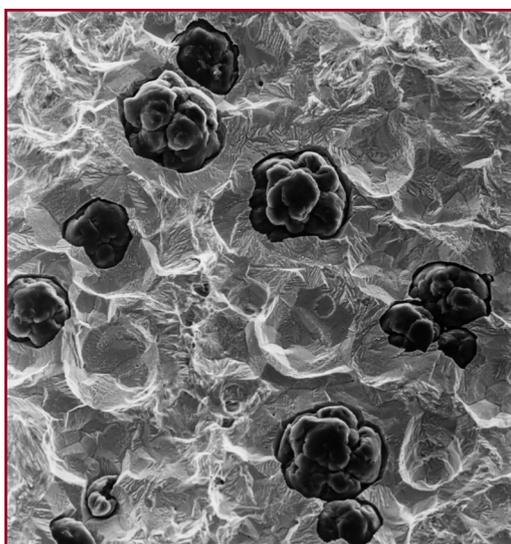
in 2021, will continue to demand higher performance from smaller engines. This trend favours the increased use of CGI. With the start of F-150 sales in late-2014, and applications in other Ford and Lincoln vehicles, the ramp up of the Ford V6 provides a growth opportunity in the *Fifth Wave* in 2015.



### Other Growth Opportunities

Beyond the *Five Waves* related to the core cylinder block and head applications, SinterCast also supports the production of passenger vehicle exhaust components and bedplates, and large engine castings for the industrial power sector. The production of industrial power components began in 2005 with the General Electric Transportation Systems locomotive cylinder head and now includes more than 15 components in agricultural, rail, marine, off-road and stationary power applications. The volume declined from 2010 through 2012

primarily due to the decreased demand for passenger vehicle exhaust components, in line with the decline in European small car sales. However, the volume increased by 7% during 2014, due to increased production of the VM Motori bedplate, increased demand for stationary engines and compressors in the North American oil and gas industry, and stabilised vehicle sales in Europe. This sector has traditionally accounted for approximately 10% of the total volume, and this remains a good ambition as the core engine waves continue to grow.

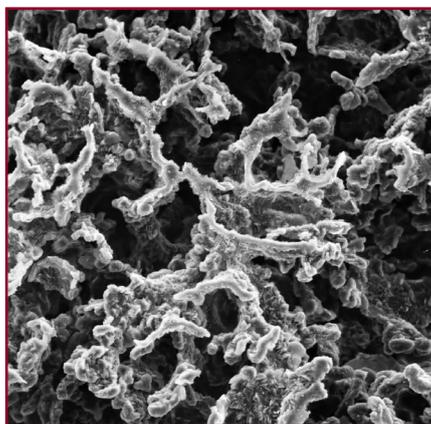


### Ductile Iron Development

Building on the core competence in thermal analysis, cast iron solidification and process control, SinterCast has undertaken the development of a control technology for ductile iron. Similar to CGI, ductile iron is produced through the controlled addition of magnesium and inoculant. However, the additions are higher, converting the graphite particles into spheres. The spheroidal graphite provides higher strength and stiffness than CGI, but inferior thermal conductivity, castability and machinability. As such, ductile iron is primarily used for safety components such as suspension parts and large windmill castings. Ductile iron and CGI were first patented on the same day in 1948, but due to the larger processing window, ductile iron developed more quickly and global production is approximately 22 million tonnes per year. By providing information that enables foundries to proactively implement control actions, SinterCast's thermal analysis technology is intended to improve the quality and production efficiency of safety critical and difficult to produce ductile iron components. The business model for the ductile iron technology will be based primarily on the sales of control systems and sampling consumables.



System 3000 Plus base treatment and correction stations at the Zhongding Power foundry, China (Courtesy Zhongding)



SinterCast Compacted Graphite Iron

### SinterCast - CGI

CGI 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. For existing components, the properties of CGI can eliminate premature failure and/or 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, rail, marine, off-road and stationary power applications.



(Courtesy VM Motori)

### SinterCast - CGI Engine Benefits

CGI 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. The Audi 3.0 litre V6 diesel with a CGI cylinder block is approximately 125 mm shorter and 15 kg lighter than the Mercedes 3.0 litre V6 diesel based on an aluminium cylinder block. CGI also allows for 10-20% increased specific performance (kW/litre), 75-100% improved durability, and 5-10% reduced operating noise. Compared to aluminium, CGI is stronger, consumes less energy during production, is more recyclable and less expensive.

### Mini-System 3000



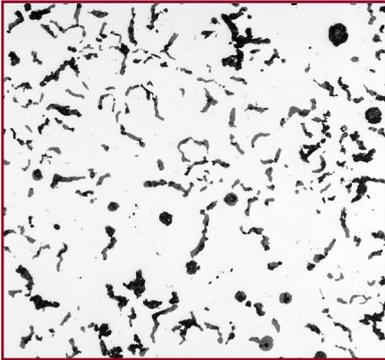
SinterCast Mini-System 3000

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



## **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**

>50,000 Cylinder blocks/month  
2.7-16.4 litre Displacement  
High Volume Diesel & Petrol References  
>55 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 ENERGY 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 AND SAE INTERNATIONAL STANDARDS**

# The SinterCast Process

## Measure-and-Correct

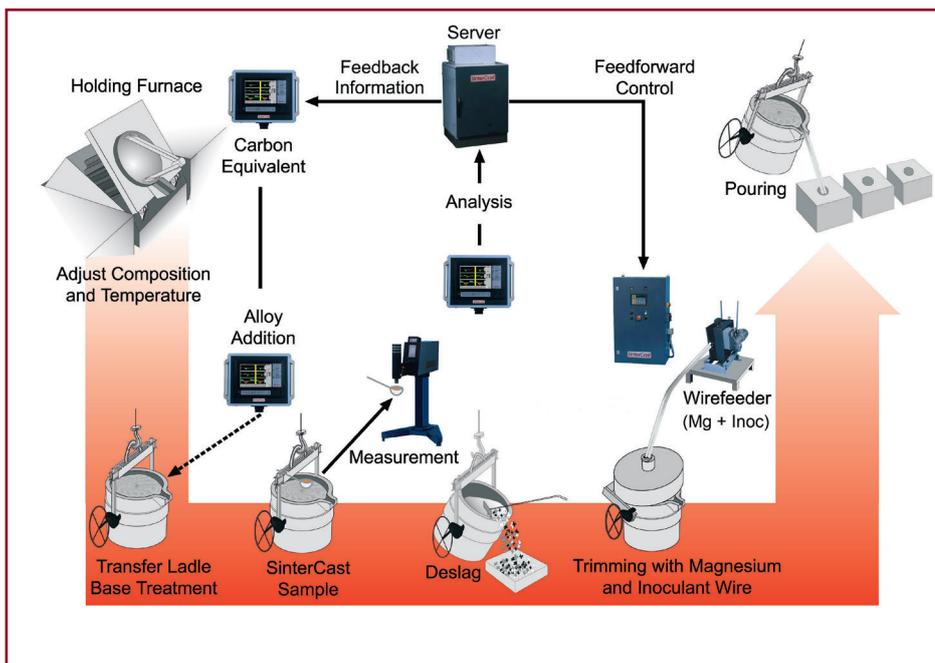
The process control for ladle production is based on the measurement and feedforward correction of each ladle as it moves through the foundry. The initial base treatment is intentionally undertreated in order to allow a small and accurate addition of magnesium and inoculant immediately prior to pouring. 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

<b>Components</b>	Sampling Module (SAM) Operator Control Module (OCM) Complete Wirefeeder Power Supply Module
<b>Foot-print</b>	1,200 x 800 mm, on pallet
<b>Max Height</b>	1,960 mm
<b>Weight</b>	315 kg (pallet mounted items) 250 kg (Complete Wirefeeder)
<b>System 3000 Power Supply</b>	110–120V, 50–60Hz, 2kW max 220–240V, 50–60Hz, 2kW max Single Phase To be specified on order
<b>Wirefeeder Power Supply</b>	380–415V, 3 kW max, Three Phase Dry oiled compressed air 5–10 bar
<b>Sampling Rate</b>	1 sample every 4 minutes



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



*The Ram 1500 with a SinterCast-CGI 3.0 litre V6 EcoDiesel provides the highest fuel economy in the North American full size pick-up sector, and received the 2015 Green Truck of the Year award from Green Car Journal (Courtesy Ram)*

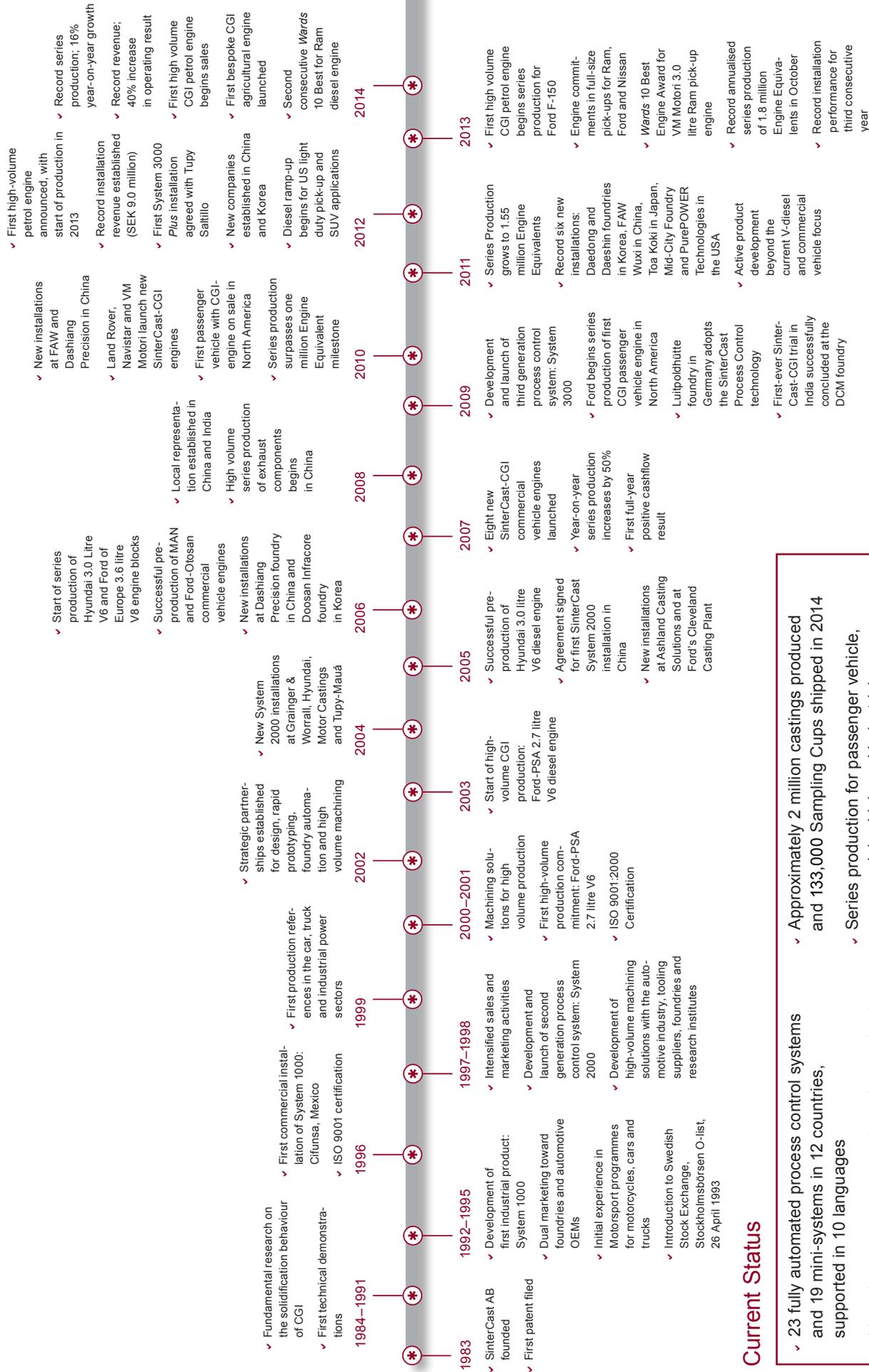
*Less Metal*  
*Smaller Engines*  
*Cleaner Vehicles*  
*Life Cycle Benefits*

**Less Metal:** The increased strength and stiffness of CGI allows engine engineers to reduce 10-20% weight compared to conventional grey iron designs. Less weight in the engine means less metal melted in the foundry. The energy required to melt cast iron is approximately 10,000 MJ per tonne. For a foundry producing one million Engine Equivalents per year, 15% weight reduction provides annual savings of 7,500 tonnes of castings, and approximately 10,000 tonnes of liquid iron. The reduced liquid metal demand corresponds to a saving of approximately 100 million MJ of electricity, corresponding to 4,500 tonnes of coal, and 10,000 tonnes of CO<sub>2</sub> per year. SinterCast contributes to the environment by enabling the use of less metal, and by helping foundries to be right-first-time: reducing scrap and reducing the need to remelt.

**Smaller Engines:** CGI allows the combustion pressure to be increased, resulting in more power and torque per litre. This downsizing potential enables the size, weight and displacement of diesel and petrol engines to be reduced without sacrificing performance or durability. The 3.0 litre V6 diesel engine in the Ram 1500 pick-up delivers 2.5% more torque than the 5.7 litre V8 petrol engine option, while providing 33% better fuel economy. The 2.7 litre V6 petrol engine in the Ford F-150 pick-up delivers 97% of the torque provided by the 5.0 litre V8 petrol engine option, but has 22% better fuel economy. In the commercial vehicle sector, CGI engines can weigh 100 kg less than grey iron engines while providing the same performance and durability.

**Cleaner Vehicles:** Smaller engines weigh less, consume less fuel and emit less CO<sub>2</sub>. Every 100 kg of weight reduction in commercial vehicles improves fuel economy by 0.1%. Considering typical fuel consumption of 40 litres per 100 km for a 12 litre truck, and annual mileage of 250,000 km per truck in a fleet of one hundred trucks, the 100 kg weight reduction potential provided by CGI corresponds to annual fuel savings of approximately 10,000 litres of fuel and 25 tonnes of CO<sub>2</sub> per year for the fleet. In passenger vehicles, assembled CGI engines can weigh less than aluminium engines. For example, the Audi 3.0 litre V6 diesel with a CGI cylinder block weighs 15 kg less than the Mercedes 3.0 litre V6 diesel with an aluminium block, and the Audi 4.2 litre CGI V8 weighs 4 kg less than the Mercedes 4.0 litre aluminium V8.

**Life Cycle Benefits:** The melting of aluminium requires approximately 90,000 MJ/tonne - nine times more than the melting of iron. In order to provide a net energy benefit to society, the reduced weight of the aluminium engines must provide fuel savings that are larger than the incremental energy consumed during metal processing. Weight reduction in passenger vehicles saves approximately 0.3 litres for each 100 km driven and 100 kg of weight saved. Considering the 34 MJ/litre energy content of petrol, a typical four cylinder aluminium engine weighing 10 kg less than a similar iron engine must drive approximately 185,000 km before the initial energy penalty is recovered. For the average vehicle, this corresponds to approximately ten years of driving.



## Current Status

- 23 fully automated process control systems and 19 mini-systems in 12 countries, supported in 10 languages
- More than 55 components in series production, from 2 kg to 9 tonnes
- Approximately 2 million castings produced and 133,000 Sampling Cups shipped in 2014
- Series production for passenger vehicle, commercial vehicle and industrial power applications



**Steve Wallace**  
 Operations Director  
 Rejmyre, Sweden  
 Born 1967  
 Nationality: British  
 Employed since 2003  
 \*No. of shares: 5,000



**Steve Dawson**  
 President & CEO  
 London, United Kingdom  
 Born 1962, BEng, MSc, PhD, PEng, FIMechE  
 Nationality: Canadian  
 Employed since 1991  
 \*No. of shares: 33,750



**Daphner Uhmeier**  
 Finance Director  
 Rönninge, Sweden  
 Born 1962, BSc  
 Nationality: Swedish  
 Employed since 2004  
 \*No. of shares: 4,000

\*As of 15 March 2015

Global Foundry Customers





**Hans-Erik Andersson**  
Chairman

Danderyd, Sweden  
Born 1950, Nationality: Swedish

**Other Assignments**

Board Member of Gjensidige Forsikring ASA, Anticimex International AB, JLT Risk Solutions AB and Deputy 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)

**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 Internet 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) and Gränges AB (Publ), Chairman of eiCanderson 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

Elected 2007

33,750 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 2015.

## 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 2014. 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 42 installations in 12 countries as of 15 March 2015, 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, rail, 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 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.

### Legal Structure

SinterCast AB (publ) is the Parent Company of the SinterCast Group, with its registered office located in Stockholm, Sweden. On 31 December 2014, the Parent Company had 14 (12) employees. The majority of the operations are managed by the Parent Company while local operations in the United Kingdom, United States, China and Korea 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.



*Ford 2.7 litre V6: the world's first high volume petrol engine with a CGI cylinder block (Courtesy Ford)*

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. SinterCast Personnel AB in Sweden was formally liquidated during the year.

As of 31 December 2014, the Group had 19 (17) employees, four (three) of whom were female. The company is well positioned to support global market activities and to drive SinterCast's future growth.

### 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 (13) patents, granted or pending, and maintains 59 (44) individual national phase applications



*North American launch of the diesel Range Rover Sport and Range Rover at the 2015 Detroit Auto Show (Courtesy Jaguar Land Rover)*

and patents worldwide. These patents address SinterCast's metallurgical technology, thermal analysis, the sampling devices 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.

SinterCast has continued to expand the functionality of its core CGI technology and continued the ongoing development of its thermal analysis process control technology for ductile iron. Development of the ductile iron technology accelerated during the second half of 2014 with field trials and continued product development. The current development is focussing on the optimisation of the ductile iron thermal analysis sampling device and the metallurgical correlations, and on the preparation for reference case studies.

The SinterCast ductile iron technology is expected to provide additional benefit to customers by reducing magnesium consumption, improving mould yield and reducing casting defects in the foundry, and by improving machinability.

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 five 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<sub>2</sub> emissions in passenger vehicle and commercial vehicle applications. In general, the diesel engines produced using SinterCast-CGI provide approximately 30% better fuel efficiency and 30% less CO<sub>2</sub> emissions than the nearest available petrol engine alternatives.

### 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 global economy has 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. SinterCast's 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.



*Mikael Håstlund, MD of Örebro Express AB and SinterCast shareholder since 1997, with one of his fleet's DAF trucks powered by a 12.9 engine and a SinterCast-CGI cylinder block and head (Courtesy Örebro Express)*

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 a market penetration for these technologies of less than 20% in the 2020 to 2025 timeframe. 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.

## Financial Summary

### Revenue

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

Revenue Breakdown	January-December	
	2014	2013
Amounts in SEK million if not otherwise stated		
Number of Sampling Cups shipped	133,000	118,500
Equipment <sup>1</sup>	4.9	10.1
Series Production <sup>2</sup>	47.8	40.2
Engineering Service <sup>3</sup>	1.4	1.4
Other	0.4	0.2
<b>Total</b>	<b>54.5</b>	<b>51.9</b>

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

January-December 2014 revenue amounted to SEK 54.5 million (SEK 51.9 million). Revenue from series production increased by 19% to SEK 47.8 million (SEK 40.2 million) due to increased production and Sampling Cup shipments. Equipment revenue amounted to SEK 4.9 million (SEK 10.1 million). Engineering Service amounted to SEK 1.4 million (SEK 1.4 million) following support provided to various customers globally and the sale of test pieces. 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	2014	2013
Operating Result	10.2	7.3
Result for the period after tax	12.3	8.1
Earnings per share (SEK)	1.7	1.2

The January-December 2014 operating result of SEK 10.2 million (SEK 7.3 million) increased as a result of higher gross results of SEK 3.5 million primarily derived from higher revenue, combined with higher operational expenses of SEK 0.8 million and increased operating income from exchange gains of SEK 0.2 million. The result for the period after tax amounted to SEK 12.3 million (SEK 8.1 million), primarily related to the increased operating result of SEK 2.9 million, the increased financial net of SEK 1.0 million (primarily exchange gains), and increased tax income amounting to SEK 0.3 million, primarily due to the deferred tax adjustment.

### Cashflow Summary

Amounts in SEK million if not otherwise stated	January-December		Cashflow Changes
	2014	2013	2014 vs. 2013
Cashflow from operations, before change in working capital	10.9	8.1	2.8
Change in working capital	-4.2	6.3	-10.5
<b>Cashflow from operations</b>	<b>6.7</b>	<b>14.4</b>	<b>-7.7</b>
Cashflow from investing activities	-1.3	-0.6	-0.7
Cashflow from financing activities	-8.5	-1.4	-7.1
Exchange rate differences in cash and cash equivalents	0.2	0.0	0.2
<b>Cashflow total</b>	<b>-2.9</b>	<b>12.4</b>	<b>-15.3</b>
<b>Liquidity</b>	<b>44.9</b>	<b>47.8</b>	

### Deferred Tax Asset

Tax amounted to SEK 0.9 million (SEK 0.6 million) during the January-December 2014 period, primarily explained by the SEK 1.0 million increase in the deferred tax asset during the second quarter of 2014. The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2014, SEK 133.3 million (SEK 128.5 million) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 29.3 million (SEK 28.3 million) being capitalised as a deferred tax asset.



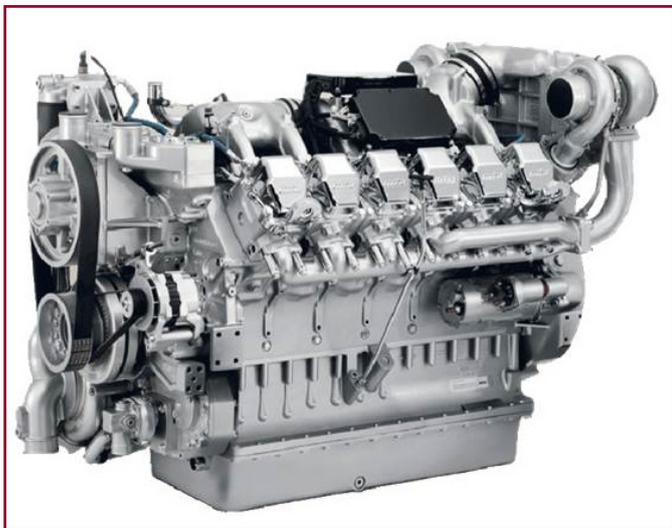
*Nissan launched the all new Titan pick-up at the 2015 Detroit Auto Show with a 5.0 litre V8 SinterCast-CGI diesel engine (Courtesy Nissan)*

### Cashflow, Liquidity and Investments

January-December 2014 cashflow from operations decreased by SEK 7.7 million compared to full-year 2013, primarily due to an increase in working capital (SEK 10.5 million), derived from decreased inventory (SEK 0.3 million), increased receivables (SEK 4.3 million) and decreased operating liabilities (SEK 6.5 million). The total cashflow decreased by SEK 15.3 million, primarily related to the net contribution in 2013 of the new share issue associated with the exercise of the employee stock options (SEK 5.6 million) and the increased dividend of SEK 1.5 million. Investments increased by SEK 0.7 million, primarily from the activation of products under development (SEK 0.3 million) and from increased patent investments (SEK 0.4 million). The total cashflow amounted to SEK -2.9 million (SEK 12.4 million). Liquidity on 31 December 2014 was SEK 44.9 million (SEK 47.8 million).

## Outlook

The outlook remains positive in each of the passenger vehicle, commercial vehicle and industrial power sectors, as competitive benchmarks and market awareness continue to grow. It is estimated that the current series production programmes have the potential to provide approximately 2.5 million Engine Equivalents at mature volume.



*MTU introduced an upgrade to the Series 2000 engine family in 2014, designed for mining and industrial applications, with SinterCast-CGI cylinder heads (Courtesy MTU)*

## Annual General Meeting

The Annual General Meeting 2015 of SinterCast AB (publ) will be held on Wednesday 20 May 2015.

Shareholders wishing to have a matter considered at the Annual General Meeting should provide written submissions to [agm.registration@sintercast.com](mailto: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 2014

The Annual General Meeting of SinterCast AB (publ) held on 20 May 2014 approved an ordinary dividend for 2014 amounting to SEK 1.2 per share. A total amount of SEK 8.5 million was transferred to the shareholders.

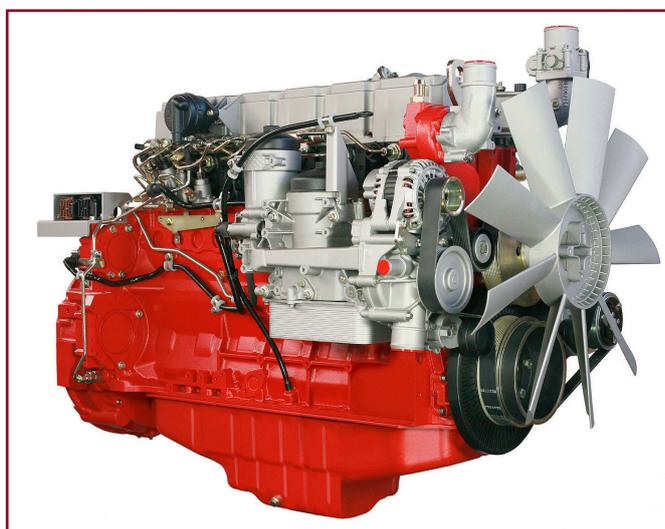
## Proposed Dividend 2015

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 of Directors propose an ordinary dividend of SEK 1.5 per share (SEK 1.2) plus an extraordinary dividend of SEK 0.7 per share, representing a transfer of SEK 15.6 million (SEK 8.5 million) to the shareholders of SinterCast AB (publ). The Board proposes 22 May 2015 as the record date for entitlement to receive dividends. In deciding the amount of the ordinary dividend to be proposed to the AGM 2015, 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 company and 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 88.4% (84.7%) and a net cash amount of SEK 44.9 million (47.8 million). Unrealised changes in the value of assets and liabilities at fair value have had a net effect on equity of 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.



*Deutz introduced a new 7.8 litre engine in 2014, specifically designed for agricultural applications, with a SinterCast-CGI cylinder head (Courtesy Deutz)*

### 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	13,555,895
Result for the year	8,812,010
<b>Total non-restricted equity of the Parent Company</b>	<b>57,704,515</b>

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

(Amounts in SEK)

A dividend of SEK 2.2 per share shall be distributed	15,598,293
To be retained by the Parent Company	42,106,222
<b>Total</b>	<b>57,704,515</b>

### Events after the Balance Sheet Date

There have been no significant events since the balance sheet date of 31 December 2014 that could materially change these financial statements. The following press releases have been issued:

7 January 2015 – Dongfeng Trucks adopts SinterCast process control technology

15 January 2015 – Increased presence for SinterCast at North American International Auto Show

11 February 2015 – SinterCast Results October-December 2014 and Full Year Results 2014

2 March 2015 – Doosan Infracore orders second SinterCast process control system

5 March 2015 – Japanese foundry adopts SinterCast process control technology



*System 3000 Plus: parallel pouring of Ford 2.7 litre V6 petrol engine cylinder blocks at the Tupy Saltillo foundry in Mexico (Courtesy Tupy)*

## Corporate Governance Report 2014

### 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 and launch 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 2014, Swedish shareholders held and controlled 82.0% (80.9%) 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 3,554 (3,623) shareholders on 31 December 2014. The ten largest, of which six (four) were nominee shareholders, controlled 45.1% (45.0%) of the capital and votes. As of 15 March 2015, the SinterCast Board, management and employees controlled 0.9% (1.0%) 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 2014*

The Nomination Committee, elected by the AGM 2013, consisted of Karl-Arne Henriksson (Chairman), Andrea Fessler and Ulla-Britt Fräjdin-Hellqvist. 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 2014 re-election of the Board members, with the exception of Ulla-Britt Fräjdin-Hellqvist, who declined re-election. The Nomination Committee further proposed the election of Carina Andersson and Jason Singer as new 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) 2014

The AGM was held on Wednesday 20 May 2014, 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 60 (44) shareholders, in person or by proxy, representing 2,289,036 (1,430,069) votes.

Jan Rynning was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Raffaele De Vivo, President of VM Motori North America and by Dr Steve Dawson, Managing Director. During his presentation, Dr Dawson provided an overview of recent market activities and presented an outlook for SinterCast's potential market development.

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 2013, 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, to increase the number of Board Members from six to 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 980,000 (SEK 840,000) and that the Nomination Committee shall consist of four (three) 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

## Overview of Corporate Governance of SinterCast

<h3>Nomination Committee</h3>	<h3>General Meeting of Shareholders</h3>	<h3>Articles of Association</h3>
<p>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.</p>	<p>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.</p>	<p>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.</p> <p>The Articles of Association is available on SinterCast's website.</p>
<h3>Compensation Committee</h3>	<h3>Board of Directors</h3>	<h3>Audit Committee</h3>
<p>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.</p>	<p>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.</p>	<p>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.</p>
<h3>Work Programme and other Instructions</h3>	<h3>Managing Director</h3>	<h3>External Auditor</h3>
<p>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.</p>	<p>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.</p> <p>The Managing Director has established, as the President &amp; CEO for the SinterCast Group, the Group Management including the Operations Director and the Finance Director.</p>	<p>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.</p> <p>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.</p> <p>The Auditor shall present its report to the owners at the AGM in the annual audit report.</p>

of the proposals presented to the AGM were approved by the shareholders.

### Board of Directors

During the AGM 2014, Hans-Erik Andersson, Aage Figenschou, Robert Dover, Laurence Vine-Chatterton and Steve Dawson were re-elected as Board members. Hans-Erik Andersson was appointed as Chairman and Aage Figenschou was re-appointed as Vice Chairman. Carina Andersson and Jason Singer were elected as new Board members. Ulla-Britt Fräjdin-Hellqvist, after serving as a member of the Board of Directors since 2002 and as Chairman since 2006, declined re-election, and was warmly thanked for her many contributions. The extension of the Board, with Mr Singer's work experience in the global media and investment sectors and Mrs Andersson's education and work experience in ferrous metallurgy, and most recently, her exposure to Chinese business and culture, will be a significant benefit to SinterCast.

The Board remuneration, decided at the AGM 2014, shall be divided between the Chairman SEK 280,000 (SEK 280,000) and the five (four) ordinary Board Members SEK 140,000 (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 15. 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 2014, 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

## 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) <sup>1</sup>	Presence <sup>1</sup>			Independent <sup>2</sup>
		Board Meetings	Audit Committee	Compensation Committee	
Hans-Erik Andersson <sup>3</sup>	280,000	8/8	4/4	2/2	Yes
Aage Figenschou <sup>3</sup>	140,000	8/8	4/4	2/2	Yes
Robert Dover	140,000	7/8	4/4	-	Yes
Laurence Vine-Chatterton <sup>4</sup>	140,000	8/8	4/4	-	Yes
Carina Andersson <sup>5</sup>	140,000	3/8	2/4	-	Yes
Jason Singer <sup>4 5</sup>	140,000	3/8	2/4	-	Yes
Steve Dawson	-	8/8	4/4	-	No

1. For the period 20 May 2014 - 20 May 2015  
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  
5. Elected at the Annual General Meeting 2014 20 May 2014 and could not participate in Board Meetings 1-5 and Audit Committee Meetings 1-2

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

SinterCast's 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 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 14.

### 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 2014, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and confirmed its decisions.

### Remuneration Policy for Group Management

The AGM 2014 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, long-term incentive programmes, 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 level, 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 (i.e. excluding remuneration according to long-term incentive programmes adopted by the general meeting) 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. 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. For the other members of the Group Management, severance pay does not exist. 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.*

The main conditions for remuneration to Group Management in the current employment agreements are described in Note 5 in the Annual Report for 2014.

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 2015. 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 2014. Since the AGM 2014, the Audit Committee carried out four minuted meetings.

## External Auditor

At the AGM 2014, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor and Tobias Strähle was appointed as Auditor in charge by PWC. The Auditor in charge has had two 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 2014, in conjunction with the approval of the Annual Report 2013, 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 2014. 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 2014 during the May Audit Committee meeting and met with the Board of Directors at the November Board meeting 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 2014 during the April, May and November Audit



**Auditor**  
**Öhrlings**  
**PricewaterhouseCoopers AB**  
 Tobias Strähle, Authorised Public Accountant  
 Company auditor since 2013.  
 Assignments: Vendator AB, ExeoTech Invest AB, Advanced Stabilized Technologies Group AB

Committee meetings and presented the result from the review of the financial report January-September 2014 and gave audit feedback from the interim audit procedures that were conducted during the third quarter of 2014. The Auditor also had separate discussions and meetings with the Chairman and company management during the year.

## Nomination Committee

### *Nomination Committee after the AGM 2014*

At the AGM 2014, Karl-Arne Henriksson (Chairman), Andrea Fessler and Ulla-Britt Fräjdin-Hellqvist were re-elected as members of the Nomination Committee. Hans-Erik Andersson was elected as a new member 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 2015 are to be presented in the notice of the AGM and on the company website. During the AGM 2015 the Nomination Committee will also present how it conducted its work and explain its proposals. Since the AGM 2014, 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](mailto: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. SinterCast's procedures and routines 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 2014

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

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2014	2013	2014	2013
Revenue	1, 9	54.5	51.9	53.8	50.9
Cost of goods sold	3, 17	-13.7	-14.6	-13.8	-14.6
<b>Gross result</b>		<b>40.8</b>	<b>37.3</b>	<b>40.0</b>	<b>36.3</b>
Cost of sales and marketing	3, 5, 9	-18.2	-18.2	-18.6	-18.1
Cost of administration	3, 4, 5, 9	-6.5	-6.4	-6.7	-6.5
Cost of research & development	2, 3, 5, 9	-6.5	-5.8	-6.5	-5.8
Other operating income	10	0.6	0.4	0.0	0.3
Other operating costs	10	0.0	0.0	-1.6	0.0
<b>Operating result</b>		<b>10.2</b>	<b>7.3</b>	<b>6.6</b>	<b>6.2</b>
Financial income		1.3	0.6	1.3	0.6
Financial costs		-0.1	-0.4	0.0	-0.4
<b>Financial net</b>	11	<b>1.2</b>	<b>0.2</b>	<b>1.3</b>	<b>0.2</b>
<b>Result before income tax</b>		<b>11.4</b>	<b>7.5</b>	<b>7.9</b>	<b>6.4</b>
Income tax	12	0.9	0.6	0.9	0.6
<b>Result for the period for the Parent Company shareholders</b>		<b>12.3</b>	<b>8.1</b>	<b>8.8</b>	<b>7.0</b>
Average number of shares, thousands	25, 28	7,090.1	6,982.0	7,090.1	6,982.0
Earnings per share, SEK	28	1.7	1.2	1.2	1.0
Earnings per share diluted, SEK	28	1.7	1.2	1.2	1.0
Dividends per share, SEK		1.2	1.0	1.2	1.0

## Statement of Other Comprehensive Income

Amounts in SEK million	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Results for the period for the Parent Company shareholders</b>	<b>12.3</b>	8.1	<b>8.8</b>	7.0
<b>Other comprehensive income</b>				
Items may be reclassified to the Income Statement:				
Translation differences, foreign subsidiaries	-0.1	-0.1	-	-
<b>Other comprehensive income, net of tax</b>	<b>-0.1</b>	-0.1	-	-
<b>Total comprehensive income for the period</b>	<b>12.2</b>	<b>8.0</b>	<b>8.8</b>	<b>7.0</b>
<b>Total comprehensive income attributable to:</b>				
Shareholder of the Parent Company	12.2	8.0	8.8	7.0
Non-controlling interests	-	-	-	-

## Cashflow Statement

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2014	2013	2014	2013
<b>Operating activities</b>					
Operating result		10.2	7.3	6.6	6.2
Adjustments for items not included in the cashflow					
Depreciation	13, 14	0.8	0.8	0.8	0.8
Other		0.0	-0.2	0.0	-0.2
Unrealised exchange rate differences		-0.3	0.0	-0.3	0.0
Received interest		0.4	0.3	0.5	0.3
Paid interest		-0.1	-0.1	-0.1	-0.1
Paid income tax		-0.1	0.0	0.0	0.0
<b>Total cashflow from operating activities before change in working capital</b>		<b>10.9</b>	<b>8.1</b>	<b>7.5</b>	<b>7.0</b>
<b>Change in working capital</b>					
Inventory	17	0.4	0.1	0.4	0.1
Operating receivables	15	-3.1	1.2	-2.9	2.2
Operating liabilities	18, 19, 21, 22	-1.5	5.0	2.6	4.9
<b>Total change in working capital</b>		<b>-4.2</b>	<b>6.3</b>	<b>0.1</b>	<b>7.2</b>
<b>Cashflow from operating activities</b>		<b>6.7</b>	<b>14.4</b>	<b>7.6</b>	<b>14.2</b>
<b>Investing activities</b>					
Acquisition of intangible assets	13	-1.1	-0.3	-1.1	-0.3
Acquisition of tangible assets	14	-0.2	-0.3	-0.2	-0.3
Increase in long-term receivables		0.0	0.0	0.0	0.0
Decrease in long-term payables		0.0	0.0	-0.2	0.1
Investments in subsidiaries		-	-	-0.1	-0.4
<b>Cashflow from investing activities</b>		<b>-1.3</b>	<b>-0.6</b>	<b>-1.6</b>	<b>-0.9</b>
<b>Financing activities</b>					
Employee share option programme*		-	5.8	-	5.8
Expenses for new share issue*		-	-0.2	-	-0.2
Dividend		-8.5	-7.0	-8.5	-7.0
<b>Cashflow from financing activities</b>		<b>-8.5</b>	<b>-1.4</b>	<b>-8.5</b>	<b>-1.4</b>
Exchange rate differences in cash and cash equivalents		0.2	0.0	0.2	0.0
Change in cash and cash equivalents**		-2.9	12.4	-2.3	11.9
Cash – opening balance		47.8	35.4	46.0	34.1
<b>Cash – closing balance</b>	26	<b>44.9</b>	<b>47.8</b>	<b>43.7</b>	<b>46.0</b>

\* The subscription of warrants during 2013 amounted to SEK 5.8 million before transaction costs.

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

## Balance Sheet – Group

Amounts in SEK million	Note	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	0.9	0.7
Patents		1.5	0.9
<b>Total intangible assets</b>		<b>2.4</b>	<b>1.6</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.5	1.6
Plant and machinery		0.1	0.3
<b>Total tangible assets</b>		<b>1.6</b>	<b>1.9</b>
<b>Financial assets</b>			
Other long-term receivables	16	0.4	0.4
<b>Total financial assets</b>		<b>0.4</b>	<b>0.4</b>
Deferred tax asset	12	29.3	28.3
<b>Total deferred tax assets</b>		<b>29.3</b>	<b>28.3</b>
<b>Total fixed assets</b>		<b>33.7</b>	<b>32.2</b>
<b>Current assets</b>			
Inventory	17	3.5	3.9
<b>Total inventory</b>		<b>3.5</b>	<b>3.9</b>
<b>Short-term receivables</b>			
Trade debtors	15, 26	11.7	7.4
Other debtors	18, 26	1.2	0.7
Prepaid expenses and accrued income	19	1.8	2.8
<b>Total short-term receivables</b>		<b>14.7</b>	<b>10.9</b>
<b>Cash and cash equivalents</b>	26	<b>44.9</b>	<b>47.8</b>
<b>Total cash and cash equivalents</b>		<b>44.9</b>	<b>47.8</b>
<b>Total current assets</b>		<b>63.1</b>	<b>62.6</b>
<b>TOTAL ASSETS</b>		<b>96.8</b>	<b>94.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholder's Equity</b>			
Share capital	24, 25	7.1	7.1
Additional paid in capital		44.9	44.9
Translation differences, foreign subsidiaries	26	6.3	6.5
Accumulated result		30.1	26.2
<b>Total shareholders' equity</b>		<b>88.4</b>	<b>84.7</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	20	0.0	0.0
<b>Total long-term liabilities</b>		<b>0.0</b>	<b>0.0</b>
<b>Current liabilities</b>			
Accounts payable	26	2.3	2.5
Other current liabilities	21, 26	0.7	3.2
Accrued expenses and prepaid income	22	4.9	3.8
Provisions	22	0.5	0.6
<b>Total current liabilities</b>		<b>8.4</b>	<b>10.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>96.8</b>	<b>94.8</b>
<b>Contingent liability</b>	23	<b>0.1</b>	<b>0.0</b>

## Statement of Changes in Equity – Group

Amounts in SEK million	Note	Share Capital	Additional Paid In Capital	Translation* Differences	Accumulated Results	Total Equity
<b>Opening Balance 1 January 2013</b>		<b>6.98</b>	<b>39.41</b>	<b>6.58</b>	<b>24.92</b>	<b>77.89</b>
Total Comprehensive Income		–	–	-0.12	8.12	8.00
Employee stock option programme IFRS-2	5, 26	–	–	–	0.18	0.18
Employee stock option programme, exercise		0.11	5.65	–	–	5.76
Expenses, new share issue		–	-0.19	–	–	-0.19
Dividend		–	–	–	-6.98	-6.98
<b>Closing balance 31 December 2013</b>	<b>25</b>	<b>7.09</b>	<b>44.87</b>	<b>6.46</b>	<b>26.24</b>	<b>84.66</b>
<b>Opening balance 1 January 2014</b>		<b>7.09</b>	<b>44.87</b>	<b>6.46</b>	<b>26.24</b>	<b>84.66</b>
Total Comprehensive Income		–	–	-0.10	12.31	12.21
Dividend		–	–	–	-8.50	-8.50
<b>Closing balance 31 December 2014</b>	<b>25</b>	<b>7.09</b>	<b>44.87</b>	<b>6.36</b>	<b>30.05</b>	<b>88.37</b>

\* Translation of foreign subsidiaries financial statements

## Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2014	31 Dec 2013
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	0.9	0.7
Patents		1.5	0.9
<b>Total intangible assets</b>		<b>2.4</b>	<b>1.6</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.4	1.6
Plant and machinery		0.1	0.3
<b>Total tangible assets</b>		<b>1.5</b>	<b>1.9</b>
<b>Financial assets</b>			
Shares in subsidiaries	24	4.4	4.2
Other long-term receivables		0.1	0.1
Deferred tax asset	12	29.3	28.3
<b>Total financial assets</b>		<b>33.8</b>	<b>32.6</b>
<b>Total fixed assets</b>		<b>37.7</b>	<b>36.1</b>
<b>Current assets</b>			
<b>Inventory</b>			
<b>Total inventory</b>	17	<b>3.5</b>	<b>3.9</b>
<b>Short-term receivables</b>			
Trade debtors	26	11.1	6.7
Inter company receivables		0.1	0.3
Other debtors	18, 26	1.2	0.6
Prepaid expenses and accrued income	19	1.4	2.4
<b>Total short-term receivables</b>		<b>13.8</b>	<b>10.0</b>
<b>Liquidity</b>			
<b>Total liquidity</b>	26	<b>43.7</b>	<b>46.0</b>
<b>Total current assets</b>		<b>61.0</b>	<b>59.9</b>
<b>TOTAL ASSETS</b>		<b>98.7</b>	<b>96.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Restricted capital</b>			
Share capital	24, 25	7.1	7.1
Statutory reserve		9.5	9.5
<b>Total restricted capital</b>		<b>16.6</b>	<b>16.6</b>
<b>Retained result</b>			
Share premium reserve		35.3	35.3
Result brought forward		13.6	15.1
Result for the year		8.8	7.0
<b>Total retained capital</b>		<b>57.7</b>	<b>57.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>74.3</b>	<b>74.0</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	20	0.0	0.2
<b>Total long-term liabilities</b>		<b>0.0</b>	<b>0.2</b>
<b>Current liabilities</b>			
Accounts payable	26	2.1	2.0
Inter company payable		19.8	15.0
Other current liabilities	21, 26	0.5	1.8
Accrued expenses and prepaid income	22	2.0	3.0
<b>Total current liabilities</b>		<b>24.4</b>	<b>21.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>98.7</b>	<b>96.0</b>
<b>Contingent liability</b>	23	<b>0.1</b>	<b>0.0</b>

## 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
<b>Opening balance 1 January 2013</b>		<b>6.98</b>	<b>9.53</b>	<b>29.88</b>	<b>26.82</b>	<b>-4.96</b>	<b>68.25</b>
Appropriation of last year's result		–	–	–	-4.96	4.96	0.00
Total Comprehensive Income		–	–	–	–	6.99	6.99
Employee stock option programme, IFRS-2	5, 26	–	–	–	0.18	–	0.18
Employee stock option programme, exercise		0.11	–	5.65	–	–	5.76
Expenses, new share issue		–	–	-0.19	–	–	-0.19
Dividend		–	–	–	-6.98	–	-6.98
<b>Closing balance 31 December 2013</b>	<b>25</b>	<b>7.09</b>	<b>9.53</b>	<b>35.34</b>	<b>15.06</b>	<b>6.99</b>	<b>74.01</b>
<b>Opening balance 1 January 2014</b>		<b>7.09</b>	<b>9.53</b>	<b>35.34</b>	<b>15.06</b>	<b>6.99</b>	<b>74.01</b>
Appropriation of last year's result		–	–	–	6.99	-6.99	0.00
Total Comprehensive Income		–	–	–	–	8.81	8.81
Dividend		–	–	–	-8.50	–	-8.50
<b>Closing balance 31 December 2014</b>	<b>25</b>	<b>7.09</b>	<b>9.53</b>	<b>35.34</b>	<b>13.55</b>	<b>8.81</b>	<b>74.32</b>

## Accounting Policies

### General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2014 were approved on 1 April 2015 by the Board of Directors and the Managing Director, for publication on 2 April 2015 and will be presented at the Annual General Meeting on 20 May 2015 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 2014 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 2014 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 effective for fiscal years beginning 1 January 2014. 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 2017. 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.

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 collective consolidation level at December 31, 2014 of 144 (148) 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	
	2014	2013	2014	2013
Equipment	4.9	10.1	4.6	9.7
Series Production	47.8	40.2	45.0	36.8
Engineering Service	1.4	1.4	1.2	0.8
Other	0.4	0.2	0.3	0.2
Group Sales	–	–	2.7	3.4
<b>Total</b>	<b>54.5</b>	<b>51.9</b>	<b>53.8</b>	<b>50.9</b>

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 32.9 million (SEK 32.7 million), China SEK 5.8 million (SEK 3.0 million), Korea SEK 4.1 million (SEK 3.6 million), Germany SEK 3.4 (SEK 2.6 million), USA SEK 2.9 million (SEK 3.7 million), Sweden SEK 1.8 million (SEK 3.5 million) and other SEK 3.6 million (SEK 2.8 million). For the Parent Company, 5% (7%) of the revenue represents Group sales and 62% (60%) 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	
	2014	2013	2014	2013
Costs for personnel and administration	5.7	4.9	5.7	4.9
External expenses	0.3	0.2	0.3	0.2
Depreciation	0.5	0.7	0.5	0.7
<b>Total</b>	<b>6.5</b>	<b>5.8</b>	<b>6.5</b>	<b>5.8</b>

## 3 Costs per Category

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Personnel expenses	24.0	23.1	24.1	24.1
Material costs in cost of goods sold and R&D	9.2	10.0	12.5	11.8
Depreciation and write down	0.8	0.8	0.8	0.8
Office and related costs	2.3	2.0	1.6	1.4
Travel, commission, exhibition and other sales costs	2.8	3.2	1.7	1.7
Consultants; sales, marketing and administration	2.0	2.2	1.2	1.7
Operational foreign exchange difference	-0.6	-0.4	1.6	-0.2
Other	3.8	3.6	3.6	3.4
<b>Total</b>	<b>44.3</b>	<b>44.5</b>	<b>47.1</b>	<b>44.7</b>

## 4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>PricewaterhouseCoopers (Sweden)</b>				
Audit fees	0.2	0.3	0.2	0.3
Other statutory audit fees	0.2	0.2	0.2	0.2
Tax consultancy	0.0	0.0	0.0	0.0
Other services	0.0	–	0.0	–
<b>Gorman Darby &amp; Co Ltd (United Kingdom)</b>				
Audit fees	0.1	0.0	–	–
Tax consultancy	0.0	0.0	–	–
Other services	0.0	0.0	–	–
<b>Beijing Zhongpingjianhuahao CPA Co.,Ltd (China)</b>				
Audit fees	0.0	0.0	–	–
<b>Beijing Zhimoujinca CTA Co.,Ltd (China)</b>				
Other services	0.0	0.0	–	–
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>

## 5 Salaries and Remunerations

### Remuneration Policy in Respect of Group Management

The AGM 2014 established guidelines for the remuneration policy in respect of the Managing Director and other members of the Group Management. The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, incentive programmes, 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 level, 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 (i.e. excluding remuneration according to long-term incentive programmes adopted by the AGM) 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.

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. For the other members of the Group Management, severance pay does not exist. 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

	2014			2013			
	Salaries and remuneration	Social security costs	Pension costs	Salaries and remuneration	IFRS-2 costs*	Social security costs	Pension costs
<b>PARENT COMPANY</b>							
Sweden	9,569	2,921	1,210	8,407	70	3,162	1,085
<b>Total</b>	<b>9,569</b>	<b>2,921</b>	<b>1,210</b>	<b>8,407</b>	<b>70</b>	<b>3,162</b>	<b>1,085</b>
<b>GROUP</b>							
China	1,091	99	–	1,451	–	85	–
Korea	1,408	–	124	1,318	–	–	114
Sweden	9,569	2,921	1,210	8,407	70	3,162	1,085
United Kingdom	3,656	489	669	3,082	63	679	913
USA	3,269	148	336	3,053	–	128	318
<b>Total</b>	<b>18,993</b>	<b>3,657</b>	<b>2,339</b>	<b>17,311</b>	<b>133</b>	<b>4,054</b>	<b>2,430</b>

### Group Management

The remuneration to the Managing Director amounted to SEK 3.7 million (3.1) 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 0.3 million (0.4). Pension contributions (30% of salary), amounted to SEK 0.7 million (0.9), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.5 million (0.7). The remuneration to the other two (two) members of the Group Management, presented on page 14, amounted to SEK 2.2 million (2.1), including variable remuneration amounting to SEK 0.08 million (SEK 0.02 million). In addition, pension contributions amounting to SEK 0.4 million (0.5) were paid, including additional voluntary contributions. The social costs amounted to SEK 0.8 million (0.9). The pension plan follows the Swedish ITP-Plan, according to collective agreement.

### Variable Cash and Share Based Remuneration Programmes

For all regular employees, the remuneration package included a variable element during 2014. The variable part constituted a minor part of the total remuneration package. The variable remuneration has been accounted for on an accrual basis. During 2014, no share based related benefits existed in SinterCast. For share based compensation benefits prior to 2014, please refer to the Annual Report 2013.

### Incentive Programme 2010-2013 Approved at the EGM 2009

An employee stock option programme for the period 2010–2013 was approved at the SinterCast Extraordinary General Meeting of 20 August 2009. The employee stock options were allocated to all staff employed in the SinterCast Group at the time of issue of which the Managing Director received 150,000 options. The stock options entitled each employee to acquire one (1) share in the company. The number of stock options allotted was 285,000, with an additional 15,000 share warrants being reserved by the company to cover the social costs associated with the programme.

According to the initial EGM it was decided that the options would run for a period of approximately four (4) years, where 15% of the allotted options could be subscribed for shares during the period of 1 November to 15 December 2010. Further, 20% of the allotted options could be subscribed for shares during the period of 1 November to 15 December after two (2) years, 25% during the period of 1 November to 15 December after three (3) years and the remaining 40% during the period of 1 November to 15 December after four (4) years, provided that the employee was still employed by the Group during each exercise window. The subscription of shares via the options would take place annually over a four year period, with the subscription price being equivalent to a compounded annual increase of 10% of SEK 36.6. The annual increase of 10% corresponds to a 46.5% increase over the four year term of the programme. The employee stock options were subjected to a ceiling such that any profit, at exercise, could not exceed SEK 50 per option.

### Incentive Programme 2013

As of 31 December 2013, the total cost of the employee stock option program 2010-2013 was SEK 3.5 million (SEK 2.9 million). During 2013, SEK 0.8 million (SEK 0.4 million) was accounted for as IFRS-2 and social costs related to the option program.

The final tranche of the options in the employee stock option program 2010-2013 was exercised during the fourth quarter 2013. The employees exercised 114,480 warrants at the subscription price of SEK 50.34 and a total amount of SEK 5.8 million was paid to the Company. The increase of the equity and cash was approximately SEK 5.6 million, after expenses and fees related to the exercise of the options.

### The Board of Directors

The Annual General Meeting on 20 May 2014 (AGM 2013) decided upon a total Board remuneration, for the period until the next AGM, of SEK 980,000 (SEK 840,000). It was further decided that the remuneration shall be divided between The Chairman, SEK 280,000 (SEK 280,000) and the ordinary Board Members, SEK 140,000 (SEK 140,000) each, with no Board remuneration for the Managing Director. The AGM 2014 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 2014 has been in accordance with the AGM decision, in total SEK 0.98 million (0.84). The remuneration to the Chairman, Hans-Erik Andersson, amounted to SEK 0.28 million (0.14) and the remuneration to the ordinary Board Members Aage Figenschou, Robert Dover and Laurence Vine-Chatterton, amounted to SEK 0.14 million (0.14) each. The remuneration to the new ordinary Board Members, Carina Andersson and Jason Singer, amounted to SEK 0.14 million each. The remuneration to the former Chairman, Ulla-Britt Fräjdin-Hellqvist, amounted to SEK 0.28 million in 2013. 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 current and former Chairman and two 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 each.

Total Board Remuneration	2014	2013	2014	2013
	Board Remuneration <sup>1</sup>	Board Remuneration <sup>2</sup>	Review Group Remuneration	
Hans-Erik Andersson	280,000	140,000	-	-
Aage Figenschou	140,000	140,000	-	20,000
Robert Dover	140,000	140,000	-	-
Laurence Vine-Chatterton	140,000	140,000	20,000	20,000
Carina Andersson	140,000	-	-	-
Jason Singer	140,000	-	20,000	-
Steve Dawson	-	-	-	-
Ulla-Britt Hellqvist-Fräjdin	-	280,000	-	-
<b>Total</b>	<b>980,000</b>	<b>840,000</b>	<b>40,000</b>	<b>40,000</b>

1. For the period 20 May 2014 - 20 May 2015

2. For the period 15 May 2013 - 20 May 2014

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

ALL AMOUNTS IN SEK THOUSANDS

	2014		2013			
	Board and Group Management	Other Employees	Board and Group Management	IFRS-2 Board and Group Management*	Other Employees	IFRS-2 Other Employees*
<b>PARENT COMPANY</b>						
Sweden	3,219	6,350	2,982	19	5,425	51
<b>Total</b>	<b>3,219</b>	<b>6,350</b>	<b>2,982</b>	<b>19</b>	<b>5,425</b>	<b>51</b>
<b>GROUP</b>						
China	-	1,091	-	-	1,451	-
Korea	-	1,408	-	-	1,318	-
Sweden	3,219	6,350	2,982	19	5,425	51
United Kingdom	3,656	-	3,082	63	-	-
USA	-	3,269	-	-	3,053	-
<b>Total</b>	<b>6,875</b>	<b>12,118</b>	<b>6,064</b>	<b>82</b>	<b>11,247</b>	<b>51</b>

\* Recognised fair value for the employee's stock options, according to IFRS-2 including UFR-7 costs.

## 6 Transactions with Related Parties

No substantial transactions took place between SinterCast and the Board or Management during 2014.

## 7 Board and Group Management

GROUP	2014			2013		
	Total	Female	Female %	Total	Female	Female %
Board Members	14	2	14	16	4	25
CEO and Group Management	3	0	0	3	0	0
<b>PARENT COMPANY</b>						
Board Members	7	1	14	6	1	17
CEO and Group Management	3	0	0	3	0	0

The decreased number of Board Members is explained by the liquidation of SinterCast Personnel AB during 2014.

## 8 Average Number of Employees Employed During the Year

GROUP	2014		2013	
	Total	Male	Total	Male
China	1	1	2	2
Korea	1	1	1	1
Sweden	13	10	12	9
United Kingdom	1	1	1	1
USA	2	2	2	2
<b>Total</b>	<b>18</b>	<b>15</b>	<b>18</b>	<b>15</b>
<b>PARENT COMPANY</b>				
Sweden	13	10	12	9
<b>Total</b>	<b>13</b>	<b>10</b>	<b>12</b>	<b>9</b>

## 9 Leasing

SinterCast as Lessor	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Income from leased equipment	0.3	0.3	0.1	0.1
Contracted future income	1.3	1.3	0.5	0.5
Receivables within 1 year	0.3	0.3	0.1	0.1
Receivables within 2–5 years	1.0	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.

SinterCast as Lessee	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Cost from leased premises and equipment	1.3	1.3	0.7	0.7
Contracted future commitments	6.2	6.1	3.6	3.7
Payable within 1 year	1.2	1.2	0.7	0.7
Payable within 2–5 years	5.0	4.9	2.9	3.0
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	
	2014	2013	2014	2013
<b>Other Income</b>				
Exchange gains from operations	1.9	1.5	2.8	1.9
<b>Total</b>	<b>1.9</b>	<b>1.5</b>	<b>2.8</b>	<b>1.9</b>
<b>Other Costs</b>				
Exchange loss from operations	-1.3	-1.1	-4.4	-1.6
<b>Total</b>	<b>-1.3</b>	<b>-1.1</b>	<b>-4.4</b>	<b>-1.6</b>
<b>Total other operating income and costs</b>	<b>0.6</b>	<b>0.4</b>	<b>-1.6</b>	<b>0.3</b>

## 11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Interest</b>				
Interest income	0.4	0.3	0.5	0.3
Interest cost	-0.1	-0.1	-0.1	-0.1
<b>Total</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.2</b>
<b>Revaluation differences of forward exchange contracts and investments</b>				
Exchange gain	0.9	0.3	0.9	0.3
Exchange loss	0.0	-0.3	0.0	-0.3
<b>Total</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>	<b>0.0</b>
<b>Total financial income and expenses</b>	<b>1.2</b>	<b>0.2</b>	<b>1.3</b>	<b>0.2</b>

## 12 Tax

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Income tax</b>				
Income tax for the year	-0.1	-0.2	-0.1	-0.2
Change in deferred tax asset	1.0	0.8	1.0	0.8
<b>Income tax in the income statement</b>	<b>0.9</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>
<b>Deferred tax asset</b>				
Deferred tax asset brought forward	28.3	27.5	28.3	27.5
Capitalised carry forward tax losses during the year	1.0	0.8	1.0	0.8
<b>Accumulated value carried forward</b>	<b>29.3</b>	<b>28.3</b>	<b>29.3</b>	<b>28.3</b>

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 2013, with addition of the calculated taxable result of the financial year 2014.

Country	Valid until	2014	2013	Tax Rates
Sweden	indefinitely	491.4	505.6	22%
United Kingdom	indefinitely	36.7	32.1	21%
USA**	15 years from the year of filing	25.7	21.7	15-35%
<b>Total</b>		<b>553.8*</b>	<b>559.4*</b>	<b>22%</b>

\*SEK 133.3 million (SEK 128.5 million) of the Group's total carried-forward tax losses has been used as the basis of the deferred tax asset calculation. SEK 420.5 million (SEK 430.9 million) of the Group's carried forward tax losses has not yet been used.

\*\*Of which USD 2.4 million is due within 5 years, USD 3.3 million within 10 years and USD 3.3 million within 15 years.

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Tax expenses based on actual tax rate</b>				
Result before tax	11.4	7.5	7.9	6.4
Tax calculated based on Swedish tax rate	-2.5	-1.7	-1.7	-1.4
Tax effect on non tax deductible expenses	-0.2	-0.2	-0.2	-0.2
Tax effect on foreign tax	-0.1	0.0	-0.1	-0.2
Tax effect on utilised carried forward tax losses	2.7	1.7	1.9	1.6
Tax effect on tax rate change	-	-	-	0.8
Tax effect on capitalised tax losses	1.0	0.8	1.0	-
Effect foreign tax rates	0.0	0.0	0.0	0.0
<b>Tax on the result for the period as per the income statements</b>	<b>0.9</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>

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		Capitalised Development		Total	
	2014	2013	2014	2013	2014	2013
Acquisition value brought forward	16.3	16.2	1.4	1.3	17.7	17.5
Acquisitions during the year						
Research & development	0.8	0.2	0.3	0.1	1.1	0.3
Disposals	-0.1	-0.1	-0.1	–	-0.2	-0.1
<b>Accumulated acquisition carried forward</b>	<b>17.0</b>	<b>16.3</b>	<b>1.6</b>	<b>1.4</b>	<b>18.6</b>	<b>17.7</b>
Depreciation brought forward	15.4	15.1	0.7	0.7	16.1	15.8
Depreciation for the year						
Research & development	0.2	0.3	0.0	0.0	0.2	0.3
Disposals	-0.1	0.0	–	–	-0.1	0.0
<b>Accumulated depreciation carried forward</b>	<b>15.5</b>	<b>15.4</b>	<b>0.7</b>	<b>0.7</b>	<b>16.2</b>	<b>16.1</b>
<b>Book value carried forward</b>	<b>1.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.7</b>	<b>2.4</b>	<b>1.6</b>
PARENT COMPANY	Patent		Capitalised Development		Total	
	2014	2013	2014	2013	2014	2013
Acquisition value brought forward	16.3	16.2	5.6	5.5	21.9	21.7
Acquisitions during the year						
Research & development	0.8	0.2	0.3	0.1	1.1	0.3
Disposals	-0.1	-0.1	-0.1	–	-0.2	-0.1
<b>Accumulated acquisition carried forward</b>	<b>17.0</b>	<b>16.3</b>	<b>5.8</b>	<b>5.6</b>	<b>22.8</b>	<b>21.9</b>
Depreciation brought forward	15.4	15.1	4.9	4.9	20.3	20.0
Depreciation for the year						
Research & development	0.2	0.3	0.0	0.0	0.2	0.3
Disposals	-0.1	0.0	–	–	-0.1	0.0
<b>Accumulated depreciation carried forward</b>	<b>15.5</b>	<b>15.4</b>	<b>4.9</b>	<b>4.9</b>	<b>20.4</b>	<b>20.3</b>
<b>Book value carried forward</b>	<b>1.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.7</b>	<b>2.4</b>	<b>1.6</b>

\* All intangible assets are related to Sweden.

## 14 Tangible Fixed Assets\*

GROUP	Computers, Fixtures and Fittings		Plant and Machinery		Total	
	2014	2013	2014	2013	2014	2013
Acquisition value brought forward	3.4	3.2	7.0	6.9	10.4	10.1
Acquisitions during the year						
Administration	0.3	0.2	–	–	0.3	0.2
Sales and marketing	–	–	–	0.1	0.0	0.1
Disposals						
Sales and marketing	–	–	-0.3	–	-0.3	–
Administration	0.0	–	–	–	0.0	–
<b>Accumulated acquisition carried forward</b>	<b>3.7</b>	<b>3.4</b>	<b>6.7</b>	<b>7.0</b>	<b>10.4</b>	<b>10.4</b>
Depreciation brought forward	1.8	1.5	6.7	6.6	8.5	8.1
Depreciation for the year						
Sales and marketing	–	–	0.2	0.1	0.2	0.1
Administration	0.4	0.3	–	–	0.4	0.3
Disposals						
Sales and marketing	–	–	-0.3	–	-0.3	–
Administration	0.0	–	–	–	0.0	–
<b>Accumulated depreciation carried forward</b>	<b>2.2</b>	<b>1.8</b>	<b>6.6</b>	<b>6.7</b>	<b>8.8</b>	<b>8.5</b>
<b>Book value carried forward</b>	<b>1.5</b>	<b>1.6</b>	<b>0.1</b>	<b>0.3</b>	<b>1.6</b>	<b>1.9</b>

PARENT COMPANY	Computers, Fixtures and Fittings		Plant and Machinery		Total	
	2014	2013	2014	2013	2014	2013
Acquisition value brought forward	4.0	3.8	3.4	3.3	7.4	7.1
Acquisition during the year						
Administration	0.2	0.2	–	–	0.2	0.2
Sales and marketing	–	–	–	0.1	–	0.1
Disposals						
Sales and marketing	–	–	-0.3	–	-0.3	–
Administration	–	–	–	–	–	–
<b>Accumulated acquisition carried forward</b>	<b>4.2</b>	<b>4.0</b>	<b>3.1</b>	<b>3.4</b>	<b>7.3</b>	<b>7.4</b>
Depreciation brought forward	2.4	2.2	3.1	3.0	5.5	5.2
Depreciation for the year						
Sales and marketing	–	–	0.2	0.1	0.2	0.1
Administration	0.4	0.2	–	–	0.4	0.2
Disposals						
Sales and marketing	–	–	-0.3	–	-0.3	–
Administration	–	–	–	–	–	–
<b>Accumulated depreciation carried forward</b>	<b>2.8</b>	<b>2.4</b>	<b>3.0</b>	<b>3.1</b>	<b>5.8</b>	<b>5.5</b>
<b>Book value carried forward</b>	<b>1.4</b>	<b>1.6</b>	<b>0.1</b>	<b>0.3</b>	<b>1.5</b>	<b>1.9</b>

\*Fixed assets relates to Sweden.

## 15 Accounts Receivable – Trade

	GROUP	
	2014	2013
Accounts receivable not due	10.0	6.5
Accounts receivable overdue 0–30 days	0.4	0.5
Accounts receivable overdue 31–90 days	0.8	0.4
Accounts receivable overdue 91–180 days	0.5	0.0
Provision for bad debts	–	–
<b>Accounts receivables net</b>	<b>11.7</b>	<b>7.4</b>

Accounts receivable net, with no provisions for bad debts. The carrying amount of accounts receivable represents the fair value.

## 16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Deposits*	0.4	0.4	0.1	0.1
<b>Total</b>	<b>0.4</b>	<b>0.4</b>	<b>0.1</b>	<b>0.1</b>

\*Mainly office rental deposits.

## 17 Inventory

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Work in progress	0.6	1.1	0.6	1.1
Finished products	2.9	2.8	2.9	2.8
<b>Total</b>	<b>3.5</b>	<b>3.9</b>	<b>3.5</b>	<b>3.9</b>

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
The amount of inventories recognised as an expense during the period	8.6	9.3	8.6	9.2
<b>Total</b>	<b>8.6</b>	<b>9.3</b>	<b>8.6</b>	<b>9.2</b>

## 18 Other Debtors

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
VAT and tax receivables	0.4	0.5	0.5	0.6
Other current receivables	0.1	0.2	0.0	0.0
Fair value on currency forward foreign exchange contracts*	0.7	–	0.7	–
<b>Total</b>	<b>1.2</b>	<b>0.7</b>	<b>1.2</b>	<b>0.6</b>

\* The fair value of forward foreign exchange contracts is determined 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 using valuation techniques. For this purpose, observable market information is used.

## 19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Prepaid rents	0.2	0.2	0.1	0.1
Prepaid insurance	0.6	0.5	0.5	0.5
Prepaid benefit	0.1	0.1	–	–
Accrued income from Production Fee	0.0	–	–	–
Others	0.9	2.0	0.8	1.8
<b>Total</b>	<b>1.8</b>	<b>2.8</b>	<b>1.4</b>	<b>2.4</b>

## 20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Other long term liabilities	0.0	0.0	0.0	0.2
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>

## 21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Withholding tax and national insurance contributions for employees	0.7	3.0	0.5	1.6
Fair value on currency forward foreign exchange contracts*	–	0.2	–	0.2
<b>Total</b>	<b>0.7</b>	<b>3.2</b>	<b>0.5</b>	<b>1.8</b>

\* The fair value of forward foreign exchange contracts is determined 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 using valuation techniques. For this purpose, observable market information is used.

## 22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Accrued personnel expenses	3.7	2.0	0.8	1.0
Accrued administrative costs	0.3	0.4	0.2	0.3
Deferred income	0.6	1.0	0.3	0.8
Provisions for cost of goods sold	0.5	0.6	0.5	0.6
Others	0.3	0.4	0.2	0.3
<b>Total</b>	<b>5.4</b>	<b>4.4</b>	<b>2.0</b>	<b>3.0</b>

## 23 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Bank guarantees*	0.1	0.0	0.1	0.0
<b>Total contingent liabilities</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>

\*Quality guarantee given to customer

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

ALL AMOUNTS IN SEK	2014	2013
Acquisition value brought forward	65,165,784	64,761,328
Acquisition during the year		
New share issue	222,266	404,456
<b>Accumulated acquisition value carried forward</b>	<b>65,388,050</b>	<b>65,165,784</b>
Impairment brought forward	-60,935,853	-60,935,853
Impairment for the year		
Write-off of equity in subsidiaries	-100,000	-
<b>Accumulated impairment carried forward</b>	<b>-61,035,853</b>	<b>-60,935,853</b>
<b>Book value carried forward</b>	<b>4,352,197</b>	<b>4,229,931</b>

List of subsidiaries to SinterCast AB (publ)	Corporate Identification Number	Votes and Percentage of Equity, %	Book Value	Book Value	
			2014	2013	
SinterCast Trading (Beijing) Co., Ltd.	Beijing, China	110000450218467	100	967,765	745,499
SinterCast Korea Co., Ltd	JeonJu-City, South Korea	418-81-40366	100	67,981	67,981
SinterCast Ltd.	London, UK	2021239	100	3,316,448	3,316,448
SinterCast, Inc.	Chicago, USA	187363	100	1	1
SinterCast Personnel AB*	Katrineholm, Sweden	556702-5092	-	-	100,000
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	1	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	1	1
<b>Total</b>				<b>4,352,197</b>	<b>4,229,931</b>

\* SinterCast Personnel AB was liquidated during December 2014.

## 25 Share Capital Development in SinterCast AB (publ)

	Number of Shares			Par Value (SEK)	Share Capital (SEK)
	A*	B**	Total		
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
<b>Share capital as of 31 December 2014</b>			<b>7,090,133</b>	<b>1.00</b>	<b>7,090,133</b>

\* 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. 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 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 global economy has 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 industries, 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. SinterCast's 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.

#### 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 2015 SinterCast has 42 installations in 12 countries and 10 different languages. In 2014, SinterCast's three largest customers represented SEK 28.5 million (SEK 32.9 million), SEK 4.4 million (SEK 3.0 million) and SEK 3.2 million (SEK 2.9 million) of the company's sales while the five largest customers accounted for approximately SEK 41.2 million (SEK 43.7 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 effect on the company's revenue and result.

#### Product Applications

SinterCast's 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 and by extending the core thermal analysis technology for the process control of ductile iron.

#### Alternative Technologies and Emissions Legislation

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 a market penetration for these technologies of less than 10% in the 2020 to 2025 timeframe. 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<sub>2</sub> 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, 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 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. 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 2014, 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 SinterCast's 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 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 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 2014 amounted to SEK 44.9 million (SEK 47.8 million).

Liquidity	Group		Parent Company	
	2014	2013	2014	2013
Amounts in SEK million				
Bonds, fixed income instruments	37.6	36.5	37.6	36.5
Cash at bank	7.3	11.3	6.1	9.5
<b>Total</b>	<b>44.9</b>	<b>47.8</b>	<b>43.7</b>	<b>46.0</b>

Maturity Structure	2014		2013	
	Total	<30 days	Total	<30 days
Group (Parent Company)				
Total cash & equivalents	44.9 (43.7)	44.7 (43.4)	47.8 (46.0)	47.6 (45.8)
Receivables	11.7 (11.1)	0.4 (0.3)	7.4 (6.6)	0.5 (0.2)
Income from leases	0.3 (0.1)	0.0 (0.0)	0.3 (0.1)	0.0 (0.0)
<b>Total</b>	<b>56.9 (54.9)</b>	<b>45.1 (43.7)</b>	<b>55.5 (52.7)</b>	<b>48.1 (46.0)</b>
Total payable, ex salaries	2.5 (2.3)	2.5 (2.2)	3.7 (3.4)	3.7 (3.3)
Expenses from leases	1.3 (0.7)	0.1 (0.1)	1.3 (0.7)	0.1 (0.1)
<b>Total</b>	<b>3.8 (3.0)</b>	<b>2.6 (2.3)</b>	<b>5.0 (4.1)</b>	<b>3.8 (3.4)</b>

### 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. No provision for bad debts has been made.

Credit Risk	Group		Parent Company	
	2014	2013	2014	2013
Amounts in SEK million				
Receivables, not due	10.0	6.5	9.7	6.3
Due <30 days	0.4	0.5	0.3	0.2
Due 31-90 days	1.3	0.4	1.1	0.2
<b>Total trade receivables</b>	<b>11.7</b>	<b>7.4</b>	<b>11.1</b>	<b>6.7</b>

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.

SinterCast's net inflow of foreign currency primarily consists of USD and EUR and its expenses have primarily been in SEK. However, SinterCast's increased

expenses outside Sweden has established a natural hedge to 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 2014, foreign currencies exchanged to SEK amounted to approximately USD 3.0 million (USD 2.4 million) and EUR 2.0 million (EUR 1.5 million). In accordance with the Group's financial 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	2014		2013	
	Total	<6 month	Total	<6 month
USD	1.0	0.0	0.6	0.2
EUR	1.2	0.0	0.7	0.1

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 asset in foreign subsidiaries is 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, totalled to SEK 18.5 million, (SEK 14.9 million) and was distributed among the following currencies:

### Net Assets in Foreign Subsidiaries

Amounts in SEK million	2014	2013
GBP	9.3	8.0
USD	7.5	5.7
RMB	1.2	0.7
KRW	0.3	0.2
MEX	0.2	0.2
SEK	-	0.1

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	
GBP	0.9
USD	0.8
RMB	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 SinterCast's ability 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 for decisions. The Group equity on 31 December 2014 amounted to SEK 88.4 million (SEK 84.7 million). The equity of SinterCast AB amounted to SEK 74.3 million (SEK 74.0 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:

- 7 January 2015 – Dongfeng Trucks adopts SinterCast process control technology
- 15 January 2015 – Increased presence for SinterCast at North American International Auto Show
- 11 February 2015 – SinterCast Results October-December 2014 and Full Year Results 2014
- 2 March 2015 – Doosan Infracore orders second SinterCast process control system
- 5 March 2015 – Japanese foundry adopts SinterCast process control technology

There have been no other significant events since the balance sheet date of 31 December 2014 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 20 May 2015.

## 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 equity per share adjusted for warrants

Adjusted shareholders' equity divided by the average number of shares adjusted for outstanding warrants related to employee stock options

### 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

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 warrants

Weighted average of the number of shares and warrants outstanding for the period

### 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 outstanding warrants related to the employee stock options

### 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



*System 3000 Plus: multiple wirefeeders for base treatment and correction at the Tupy Saltillo foundry in Mexico (Courtesy, Tupy)*

## 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 1 April 2015

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 1 April 2015  
Öhrlings PricewaterhouseCoopers AB

Tobias Strähle  
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 2014, 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 15-49.

#### *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 2014 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 2014 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 2014. 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 1 April 2015

Öhrlings PricewaterhouseCoopers AB

Tobias Strähle

Magnus Thorling

Authorized Public Accountant

Authorized Public Accountant

Auditor in charge

## Historical Summary – Group

Amounts in SEK million	2014	2013	2012	2011	2010
<b>Profit and Loss accounts</b>					
Revenue	54.5	51.9	45.9	49.0	39.4
Operating result	10.2	7.3	1.0	11.6	7.2
Financial net	1.2	0.2	1.0	-0.5	1.3
Tax	0.9	0.6	-5.7	3.4	8.0
<b>Result for the year for Parent Company shareholders</b>	<b>12.3</b>	<b>8.1</b>	<b>-3.7</b>	<b>14.5</b>	<b>16.5</b>
<b>Cashflow analysis</b>					
Cashflow from operations before change in working capital	10.9	8.1	3.5	13.4	10.4
Change in working capital	-4.2	6.3	-2.2	1.1	-7.4
<b>Cashflow from operations</b>	<b>6.7</b>	<b>14.4</b>	<b>1.3</b>	<b>14.5</b>	<b>3.0</b>
Cashflow from investments	-1.3	-0.6	-1.6	-0.4	-0.5
Cashflow from financial operations	-8.5	-1.4	-11.9	-6.8	13.0
Exchange rate differences in cash and cash equivalents	0.2	0.0	0.0	0.0	0.0
<b>Change in cash position</b>	<b>-2.9</b>	<b>12.4</b>	<b>-12.2</b>	<b>7.3</b>	<b>15.5</b>
<b>Balance sheet</b>					
<b>Assets</b>					
Fixed assets	33.7	32.2	31.5	35.6	32.4
Other current assets	18.2	14.8	16.1	16.7	19.0
Cash and bank deposits	44.9	47.8	35.4	47.6	40.3
<b>Total assets</b>	<b>96.8</b>	<b>94.8</b>	<b>83.0</b>	<b>99.9</b>	<b>91.7</b>
<b>Total shareholders' equity</b>					
Long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	8.4	10.1	5.1	6.7	10.4
<b>Total shareholders' equity and liabilities</b>	<b>96.8</b>	<b>94.8</b>	<b>83.0</b>	<b>99.9</b>	<b>91.7</b>
<b>Key ratios</b>					
Solidity, %	91.3	89.3	93.9	93.3	88.7
Adjusted shareholders' equity	88.4	84.7	77.9	93.2	81.3
Capital employed	88.4	84.7	77.9	93.2	84.3
Total assets	96.8	94.8	83.0	99.9	91.7
Return on shareholders' equity, %	14.2	10.0	-4.3	16.6	25.0
Return on capital employed, %	14.3	10.5	-4.3	16.4	24.3
Return on total assets, %	12.9	9.6	-4.0	15.2	22.2
Debt-to-equity ratio	–	–	–	–	0.0
Dividend per share, SEK	1.2	1.0	1.7	0.5	–
Cashflow from operations/share, SEK	0.9	2.1	0.2	2.1	0.5
Operating margin %	18.7	14.1	2.2	23.7	18.3
<b>Employees</b>					
Number of employees at the end of the period	19	17	19	17	13
Average number of employees	18	18	20	16	13

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 2014 was SEK 7,090,133 (SEK 7,090,133 at 31 December 2013) at par value of SEK 1 per share.

SinterCast had 3,554 (3,623) shareholders on 31 December 2014. The ten largest, of which six were nominee shareholders, controlled 45.1% (45.0%) of the capital and votes.

As of 15 March 2015, the SinterCast Board, management and employees controlled 0.9% (1.0%).

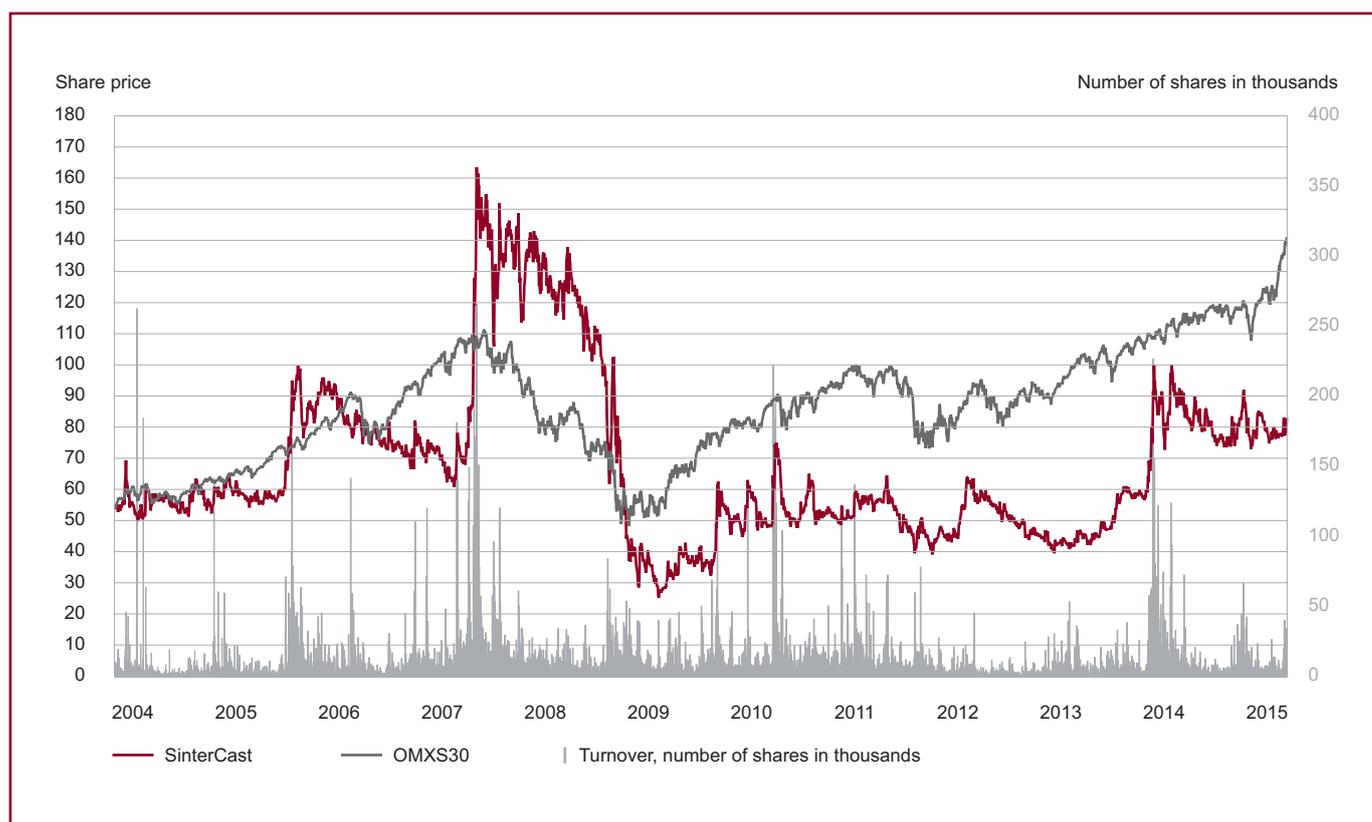
## Major Shareholders 31 December 2014

	Country	No. of Share holders	No. of Shares 31 December 2014	% of Total Share Capital and Votes
UBS AG Clients Account*	CH		796,271	11.2%
Försäkringsbolaget Avanza Pension*	SE		711,902	10.0%
Nordnet Pensionsförsäkring AB*	SE		567,323	8.0%
Ahlström, Lars incl. affiliates	SE		462,831	6.5%
Coeli AB*	SE		197,954	2.8%
Brandels, Jan Olof	SE		126,375	1.8%
Gustavsson, Torbjörn	SE		97,291	1.4%
Handelsbanken Liv*	SE		91,664	1.3%
EC Askers Invest AB	SE		78,396	1.1%
Robur Försäkring*	SE		70,789	1.0%
<b>Subtotal</b>		<b>10</b>	<b>3,200,796</b>	<b>45.1%</b>
Other shareholders approx.		3,544	3,889,337	54.9%
<b>TOTAL</b>		<b>3,554</b>	<b>7,090,133</b>	<b>100.0%</b>
Total foreign shareholders		122	1,274,743	18.0%
Total Swedish shareholders		3,432	5,815,390	82.0%

\*Nominee shareholder

## Distribution of Share Ownership 31 December 2014

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,556	71.9%	404,089	5.6%
501-10,000	916	25.8%	1,871,563	26.4%
10,001-20,000	40	1.1%	559,767	8.0%
Above 20,000	42	1.2%	4,254,714	60.0%
<b>Total</b>	<b>3,554</b>	<b>100.0%</b>	<b>7,090,133</b>	<b>100.0%</b>



## Share Data

Amounts in SEK	2014	2013	2012	2011	2010
Number of shares at the end of the period	<b>7,090,133</b>	7,090,133	6,975,653	6,975,653	6,975,653
Average number of shares during the period	<b>7,090,133</b>	6,982,013	6,975,653	6,975,653	6,574,481
Average number of shares during the period adjusted for outstanding warrants <sup>1</sup>	<b>7,090,133</b>	6,982,013	6,975,653	6,975,653	6,574,481
Earnings per share	<b>1.7</b>	1.2	-0.5	2.1	2.5
Earnings per share diluted	<b>1.7</b>	1.2	-0.5	2.1	2.5
Adjusted equity per share	<b>12.5</b>	12.1	11.2	13.4	12.4
Adjusted equity per share adjusted for outstanding warrants	<b>12.5</b>	12.1	11.2	13.4	12.4
Dividends per share	<b>1.2</b>	1.0	1.7	0.5	–
Share price at the end of the period	<b>76.0</b>	79.0	43.8	45.0	51.3
Highest share price during the period	<b>100.0</b>	100.0	66.0	66.5	75.0
Lowest share price during the period	<b>73.0</b>	41.0	39.0	35.0	46.8
Number of shareholders	<b>3,554</b>	3,623	3,396	3,721	3,841
Non-Swedish shareholdings, % of share capital	<b>18</b>	19	20	24	22
Swedish shareholdings, % of share capital	<b>82</b>	81	80	76	78
Market value, SEK million	<b>538.9</b>	560.1	305.5	313.9	357.5

### Notes:

<sup>1</sup> Calculated as per the recommendations of IAS 33

For definitions see Note 28

## Important Dates

### Annual General Meeting

The Annual General Meeting 2015 will be held at 15:00 on 20 May 2015 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

### Information

The financial report January-March 2015 will be published on 29 April 2015.

The financial report April-June 2015 will be published on 29 July 2015.

The financial report July-September 2015 will be published on 11 November 2015.

The financial report October-December and Full Year Results 2015 will be published on 17 February 2016.

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In consideration of cost-efficiency and environmental concern, the Annual Report 2014 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2014 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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