

# SinterCast

Annual Report

2012

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Notes: This document is an unofficial translation of the official Swedish Annual Report  
Pages 18–56 conform to IFRS (International Financial Reporting Standards)

## Highlights

- Breakthrough: First high volume petrol engine approved for production
- Breakthrough: First diesels approved for US light duty pick-up and SUV applications
- First System 3000 *Plus*, with automatic correction and base treatment control, shipped
- Second consecutive year with record results for new installation commitments
- 20 fully automated process control systems and 14 mini-systems installed in 12 countries and supported in 10 languages
- SinterCast-CGI cylinder blocks and heads available in 15 commercial vehicle engines and 7 brands
- Series Production for 8 of the world's top 10 passenger car manufacturers
- New companies established in China and Korea

## Core Business

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, thus reducing scrap, conserving energy and ensuring cost-effective series production. The primary application of CGI is in diesel and petrol engine cylinder blocks used in passenger vehicles, and cylinder blocks and heads used in commercial vehicles and industrial power applications. The SinterCast technology is also used for the production of other CGI components, including exhaust manifolds, turbocharger housings, compressors and bedplates.

## Compacted Graphite Iron

CGI 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.

## Strategy

SinterCast will focus primarily 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 lead company, SinterCast will grow and prosper by earning the respect of its customers.

## Environmental Benefits

The accuracy of the SinterCast process enables foundries to produce castings right-first-time, thus reducing scrap rates. For every one million Engine Equivalents, each 1% reduction in scrap or 1% improvement in mould yield provides the equivalent savings of 1,000 tonnes of CO<sub>2</sub> per year. By enabling CGI, the SinterCast process also contributes to the production of smaller and more fuel efficient engines, thus reducing fuel consumption and CO<sub>2</sub> emissions.

## 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 Hardware Platform:** The System 3000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €300,000-500,000 for the standard System 3000, €550-700,000 for the 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 annualised production status for each of the Five Waves, based on year-end production rate of 1.2 million Engine Equivalents, is summarised in the following table:

<b>Wave 1</b> V-Diesels in Europe	<b>Annualised year-end production:</b> 230,000 Engine Equivalents (11,500 tonnes) <b>Series production for:</b> Audi, Chrysler, Jaguar, Jeep, Lancia, Land Rover, Porsche, PSA Peugeot-Citroën, Volkswagen <b>SinterCast-CGI Components:</b> Four cylinder blocks (3.0-4.4 litres) <b>Outlook:</b> Stable contribution as European V-diesel vehicle sector continues to perform well
<b>Wave 2</b> Commercial Vehicles	<b>Annualised year-end production:</b> 300,000 Engine Equivalents (15,000 tonnes) <b>Series production for:</b> DAF, Ford-Otosan, Hyundai, MAN, Navistar and Scania <b>SinterCast-CGI Components:</b> 18 components in 15 engines (3.9-16.4 litres) <b>Outlook:</b> Near-term and long-term global growth opportunity
<b>Wave 3</b> In-Line Diesels	<b>Current status:</b> Limited product development underway <b>Outlook:</b> Long-term potential depends on performance demands, downsizing and emissions requirements Potential for initial programme decisions in the near-term (<5 year) period
<b>Wave 4</b> V-Diesels Beyond Europe	<b>Annualised year-end production:</b> 530,000 Engine Equivalents (26,500 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> Growth opportunity following breakthrough for SUV and pick-up applications in North America
<b>Wave 5</b> Petrol Engines	<b>Current status:</b> First high volume petrol engine approved for start of series production in 2013 Pre-production underway since January 2013 <b>Outlook:</b> Growth opportunity as first reference engine sets new benchmarks for performance and efficiency

## Other Growth Opportunities

Automotive-Non Block & Head	<b>Annualised year-end production:</b> 90,000 Engine Equivalents (4,500 tonnes) <b>Series production for:</b> Audi, Chrysler, Jeep, Lancia, Ram, Renault and Volkswagen <b>SinterCast-CGI Components:</b> Exhaust manifolds, turbocharger housings and bedplates <b>Outlook:</b> Growth opportunity, including new installation opportunities
Non-Automotive (Industrial Power)	<b>Annualised year-end production:</b> 50,000 Engine Equivalents (2,500 tonnes) <b>Series Production for:</b> Cameron Compression, Federal Mogul, General Electric, MAN, Rolls-Royce, Volvo and Waukesha Engine <b>SinterCast-CGI components:</b> Available in marine, locomotive and stationary power generating applications <b>Outlook:</b> Near-term and long-term global growth opportunity



For SinterCast, 2012 was a year of mixed fortunes. Buffeted yet again by unwelcome external pressures, but buoyed by breakthrough commitments for new CGI applications and a second consecutive year with record installation activity.

The year started on a high, with peak series production of 1.6 million Engine Equivalents, and internal confidence that our OEM partners were approaching positive decisions for the first-ever high volume CGI petrol engine and for CGI diesel engine applications in the critical American SUV and pick-up sectors. By the time of the AGM, on 24 May, we were able to confirm the petrol breakthrough, and I was personally moved by the spontaneous applause demonstrating the shareholders' appreciation for our perseverance and progress. The development of the petrol engine continued according to schedule throughout the year and pre-production began in January. We look forward to the formal start of series production this year and to the reaction of the industry as our first petrol engine establishes new benchmarks for package size, performance and refinement.

With the new petrol engine commitment, we have now secured production in four of the Five Waves that we first introduced in 2002. And, beyond the core automotive block and head applications, we have also secured production references for other automotive components and for industrial power applications. Although our underlying technology is complex and continuously developing, our market strategy has remained clear and consistent. We set our sights in 2002, before any high volume production had begun, and now, ten years later, we have successfully realised six of our seven target applications. It only remains to secure a production commitment in the in-line diesel engine sector for passenger vehicles, and this can be motivated by continued demand for engine downsizing, increased performance and more stringent emissions regulations.

Following the AGM, the external buffeting began in earnest, causing a decrease in series production that persisted until the end of the year. The most stark change occurred in June, when Navistar confirmed that it couldn't meet the EPA emissions standard with its exhaust gas recirculation technology. As a result, our highest volume commercial vehicle programme effectively stopped production from June until December. At the same time, the European economy affected our commercial vehicle volumes as the European truck sector recorded eight consecutive quarters of declining sales, and our exhaust component production declined as European car sales reached a 17 year low. Ultimately, the decrease in commercial vehicle volume accounted for 65% of the decline from 1.6 to 1.2 million Engine Equivalents during the year.

Having reached 1.6 million, a return to 1.2 million was admittedly painful, but the story of 2012 didn't end with a 25% decline. The 1.2 million Engine Equivalents also represents 25% compound annual growth since 2007 and we are confident that the current production can return to 1.6 million, and beyond. Commercial vehicle volumes have begun to recover with the restart of the Navistar production in January 2013, and our new European commercial vehicle series production installation, announced on 11 February, provides a further opportunity for commercial vehicle growth. We remain confident that the technical demand on heavy duty diesel engines will ensure that commercial vehicles ultimately become the highest volume application for SinterCast and CGI.

Despite the economic challenges, 2012 was a year of progress for SinterCast. Upgrades to our installations at the Pure Power Technologies foundry in the United States and to the Teksid installation in Mexico, together with two Mini-System 3000 installations in Asia and our most comprehensive ever

installation at the Tupy Saltillo foundry in Mexico, provided record installation revenue of SEK 9.0 million, and yielded our second consecutive year with record installation performance. These new installations and upgrades broaden our ability to serve the global demand for CGI. We also broadened our platform to serve and to grow by establishing new companies in China and Korea during 2012. This Asian presence is an important part of our strategy of being embraced as a local technology partner in the fastest growing automotive market in the world. With ten of our last twenty installations realised in Asia, a lot of good progress has already been made, but it is a vast market and a lot of work – and opportunity – remains.

The highlight of the second half of 2012 was the ramp-up of the VM Motori 3.0 litre V6 diesel engine cylinder block and bedplate at the Tupy foundry in Brazil. The increase was a result of Chrysler's decision to offer diesel options in the 2014 Jeep Grand Cherokee and Ram 1500, providing the second SinterCast-CGI diesel engine in the American SUV sector and a breakthrough for CGI and diesel engines in the high volume light duty pick-up sector. The diesel Grand Cherokee was introduced at the North American International Auto Show in Detroit on 14 January 2013, and the Ram 1500 was announced one month later, on 14 February. The Jeep and Ram applications provide the opportunity for the VM Motori diesel to become our fifth engine to crack the 100,000 Engine Equivalent per year barrier, but more importantly, it poses a fascinating challenge in Detroit that we will all watch with great anticipation.

The second half of 2012 also saw the intensification of the development and testing of our new ductile iron technology. This will continue with further field trials and case studies during the first half of 2013, in preparation for the market introduction at the Ductile Iron Society annual meeting in the USA in June. Following the launch, we look forward to securing reference installations as we roll-out the technology and explore the market opportunity. We have launched many new products and upgrades over the years, but the ductile iron technology is a new field for SinterCast and we approach the opportunity with optimism and enthusiasm.

I can't remember a more exciting time in our history. The year ahead includes the ramp-up of our first System 3000 Plus installation, the launch of our ductile iron technology, the start of production of the first-ever high volume CGI petrol engine, the start of sales of CGI diesel engines in light duty pick-ups, and the anticipation of the market response to these new engine launches. This excitement provides the energy for our team to meet the demands of a busy year, to continue to provide the technology and service that instills the confidence for more CGI commitments, to serve our customers, and to reward our shareholders.



Dr Steve Dawson  
President & CEO



*SinterCast's first-ever System 3000 Plus installation was announced on 29 October 2012. Configured with four wirefeeders and five Sampling Modules, the System 3000 Plus will be commissioned at the Tupy Saltillo foundry in Mexico during March-April 2013 and is specified to support the production of 15 ladles per hour, with more than nine hours of series production every day.*

## Market Development

During 2012, SinterCast's market development was primarily influenced by changes in commercial vehicle demand, due to the combined effect of the European economy and the interruption of the Navistar Big Bore cylinder block production during the second half of the year. Truck volumes decreased from 555,000 Engine Equivalents at the start of the year to 300,000 Engine Equivalents at year-end, representing approximately 65% of the total decrease from 1.6 million to 1.2 million Engine Equivalents during the year.

It must also be noted that SinterCast changed its series production reporting during 2012. In response to fluctuating volumes during the second quarter, the company changed its annualised series production reporting from the previous approach of simply multiplying the production in the last month of each quarter by 12, to reporting the annualised average production volume for each quarter. This new presentation provides a better reflection of the overall production trend - in either direction - without significantly changing the historical development of the company's series production.

### The Five Waves

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 presented in terms of the main types of engines found in the automotive sector, and the types of vehicles that the engines are used in. The *Five Waves* include: V-diesel passenger vehicle engines in Europe; commercial vehicle engines; in-line passenger vehicle diesel engines; V-diesel passenger vehicle engines outside of Europe; and, petrol engines. In addition to these core waves, SinterCast also supports the development and production of industrial power castings for marine, locomotive and stationary power generating engines, and for automotive components other than cylinder blocks and heads, such as exhaust manifolds, turbocharger housings and bedplates. These activities are viewed as separate waves. 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 and SinterCast's revenue is approximately €2.00-2.50 per Engine Equivalent. The development of SinterCast's series production for each of the main categories is summarised in the following table:

SinterCast Wave	Annualised Year-end Production (thousands of engine equivalents)			
	2012	2011	2010	2009
1. V-Diesels in Europe	230	290	265	195
2. Commercial Vehicles	300	555	370	105
3. In-Line Diesels	0	0	0	0
4. V-Diesels Beyond Europe	530	510	360	140
5. Petrol Engines	0	0	0	0
Automotive Non Block & Head	90	155	155	100
Industrial Power	50	40	50	10
<b>Total*:</b>	<b>1,200</b>	<b>1,550</b>	<b>1,200</b>	<b>550</b>

\*Note: The 2012 year-end total is based on the annualised average from the fourth quarter. The other year-end values are based on annualised December production, in order to maintain consistency with previous Annual Reports. The change does not significantly influence the comparison.

The production of V-diesel engines for the European passenger vehicle market (Wave 1) decreased by approximately 20% during 2012, reflecting the decline in the European automotive market. However, the change in the European V-diesel demand must also be interpreted with reference to a change in the wave classifications. During mid-2012, production of the VM Motori 3.0 litre V6 diesel began to ramp-up. However, SinterCast was informed that this increase was in anticipation of the planned launch of the Jeep Grand Cherokee SUV and the Ram 1500 light duty pick-up in the United States. As a result of the 'split' production, SinterCast has allocated 80% of the VM Motori production to Wave 4: V-diesels beyond Europe, in order to reflect the expected split in end-user volumes between Europe and America. It is noted that the combined total of Wave 1 and Wave 4 in 2012 is effectively the same as in 2011, indicating that the ramp-up of the VM Motori block was sufficient to offset the influence of the European economy on the Audi 3.0 litre V6 and the Ford 3.0 litre V6 engines. It is also noted that the Audi V6 is sold in North America in the Q7 SUV, and that the US volumes will increase as the engine is made available in US versions of the A6, A7, A8 and Q5 during 2013. However, because the majority of the Audi V6 diesels will continue to be sold in Europe, the entire Audi V6 volume has been accounted for in the first wave in 2012.

As mentioned previously, production of commercial vehicle cylinder blocks and heads (Wave 2) suffered the largest decrease during 2012, due to the European economy and the emissions non-compliance of the Navistar Big Bore engine. The resumption of the Navistar production during January 2013, and the announcement of a new commercial vehicle series production installation on 11 February provide opportunities for increases in the commercial vehicle wave. SinterCast's activities in Asia also provide future opportunities for commercial vehicle growth, where most Asian countries have limited exposure to diesel passenger vehicles, so SinterCast's focus is predominantly on the truck sector.



Following interrupted production during the second half of 2012, the Navistar Big Bore cylinder block, produced in the United States and Brazil, resumed series production during January 2013 (Courtesy Navistar)

As the awareness of Compacted Graphite Iron continues to grow, new opportunities can also develop in the third wave: in-line diesel engines for passenger vehicles. However, the

inherent strength and stability of this engine configuration requires further demands on downsizing, performance and emissions legislation in order to motivate OEM commitments for CGI. At the same time, developments in direct injected and turbocharged gasoline engines have improved the competitiveness of petrol engines in this sector and, for larger in-line engines, the trend may develop toward V-configurations in order to improve packaging to assist with pedestrian impact safety legislation. Of course, a move toward V-configurations would be beneficial to SinterCast. SinterCast continues to promote the merits of CGI compared to conventional grey cast iron and aluminium for in-line diesel engines.

The fourth wave, passenger vehicle V-diesels beyond Europe, became SinterCast's largest contributor in 2012, building on stable production of the highest volume programme, the Ford 6.7 litre V8 used in Super Duty pick-up applications in North America. The fourth wave also includes the Hyundai 3.0 litre V6, and the allocated contribution derived from 80% of the VM Motori V6 production. The start of the diesel Jeep Grand Cherokee sales during summer 2013, and of the diesel Ram 1500 light duty pick-up during autumn 2013, provide opportunities for growth in this sector. The initial growth will depend on the diesel 'take rates' for the Jeep and Ram vehicles while subsequent growth will depend on the response of the other OEMs to Chrysler's diesel challenge. The new US Corporate Average Fuel Economy (CAFÉ) rules, with increases in fuel economy established until 2025, ultimately reaching 54.5 miles per gallon (4.3 litres/100 km) for cars and 30.2 miles per gallon (7.8 litres/100 km) for trucks, also provide increased opportunities for diesel penetration.



*The announcement of the VM Motori engine in the Jeep Grand Cherokee and the Ram 1500 provides opportunities for diesel growth in the North American SUV and light duty pick-up sectors (Courtesy VM Motori)*

The past year provided a breakthrough for SinterCast in the fifth wave: petrol engines. At the AGM on 24 May 2012, SinterCast announced that the first high volume petrol engine with a CGI cylinder block had been approved for series production. This programme is planned to begin production during 2013, but more importantly, it will establish a new reference for CGI in petrol engines, possibly providing a follower response in the industry. The new petrol engine will not only be the first high volume CGI petrol engine in the world, but it is also planned to be the highest volume CGI engine in the world.

Beyond the five waves related to the core cylinder block and head applications, SinterCast-CGI production of automotive components other than cylinder blocks and heads (primarily exhaust components for small cars and bedplates), and the ongoing production of large engine castings for the industrial power sector, accounted for 10-15% of the total production volume in 2012. This is similar to the contribution in previous years.

The production of exhaust components declined during 2012, in line with the decline in small car sales in Europe. Because of the relatively small ladle size (800 kg) and the low mould yield (approximately 40%), the Sampling Cup consumption rate is approximately five times higher than for the standard cylinder block production (2.0-2.5 tonne ladle and 60-70% mould yield). The decline in the exhaust component production therefore accounted for a significant amount of the 26% decrease in Sampling Cup shipments, from 138,200 in 2011 to 102,400 in 2012.



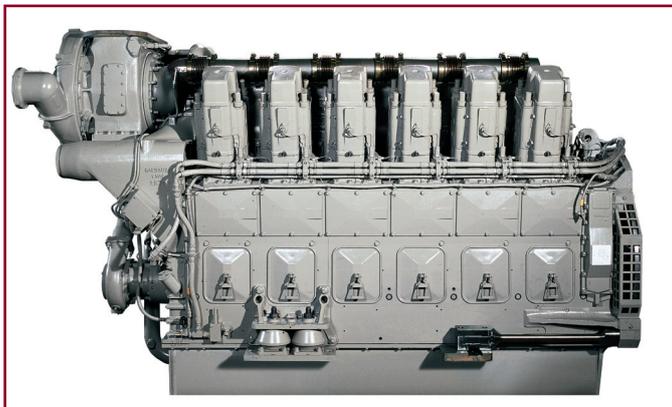
*The production of exhaust manifolds and turbocharger housings, destined primarily for small passenger vehicles in Europe, declined during 2012*

The production of industrial power components returned to an all-time high during 2012. This increase is a result of SinterCast's continued efforts to build the off-road business, and the fact that four of SinterCast's nine installations in 2011 and 2012 have been for industrial power applications. Most of the new installations are engaged in product development activities and this provides the potential for further growth as new CGI applications are approved and launched. It is anticipated that the combined production of industrial power components and automotive components other than cylinder blocks and heads will continue to contribute approximately 10-20% of the total production volume as the core automotive cylinder block and head production evolves.

### Market Penetration

The current global market demand for V-type diesel engines in passenger vehicles is approximately 700,000 engines per year. At an assumed average weight of 100 kg per V-type cylinder block, the total market opportunity can be estimated at approximately 1.4 million Engine Equivalents per year. Accordingly, the total current production of 760,000 Engine Equivalents in the first and fourth waves corresponds to a

market penetration of approximately 55% for SinterCast-CGI. Likewise, the current global market demand for commercial vehicles (> 6 tonne capacity) can be estimated at approximately two million units per year, with approximately half of the volume in the domestic Chinese market. The range of commercial vehicles follows a pyramid-type size distribution where the majority of vehicles are in the 4-9 litre displacement range and the heavy-duty (>10 litre) size class represents the smallest



*Industrial power production, for the rail, marine and off-road industries, combined with automotive production for components other than cylinder blocks and heads, is expected to continue to contribute 10-20% of the total production volume (Courtesy General Electric)*

number of vehicles. Assuming average weights of 200 kg for the cylinder block and 100 kg for the cylinder head over this wide range of displacements, the total market opportunity can be approximated at 12 million Engine Equivalents per year. Approximately four million of these Engine Equivalents are accounted for by Europe and North America. Accordingly, SinterCast's current production of 300,000 Engine Equivalents in the second wave corresponds to a penetration of less than 10% of the combined European and North American market, and less than 3% of the global market.

SinterCast's production experience, with more than ten passenger vehicle engines and fifteen heavy duty engines, provides a credible reference for the robustness of the SinterCast technology and for CGI in service. While the existing production is large enough to provide confidence, the low penetration rates indicate significant growth opportunities in applications that have already embraced the benefits of CGI. Further growth opportunities may be derived from the recent breakthrough announcements for the first high volume CGI petrol engine and the application of CGI diesel engines in the critical North American SUV and light duty pick-up sectors, and from SinterCast's increased foundry presence in the industrial power sector.

Within the foundry sector, SinterCast has secured installations with leading foundries in North America, South America, Europe and Asia, and has enjoyed two consecutive years with record installation activity. The outlook for new installations remains positive and the extension of SinterCast's global foundry footprint through new installations remains an important element of SinterCast's growth strategy – both in terms of the increased ability to serve the global CGI production demand, and as a source of up-front revenue generation. During 2012, SinterCast established new companies in China and Korea to expand its local presence in Asia and to intensify its efforts to promote its technology. Ten of SinterCast's 33 installations,

and more importantly, 10 of the last 20 installations were secured in Asia, and the outlook is similarly biased, with approximately one-third to one-half of the ongoing installation discussions concentrated on Asia. The importance of Asia in the global foundry industry is illustrated in the table at the end of the Market Development section, which provides a summary of casting tonnages for the leading casting countries, according to 2011 statistics.

SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. However, as the CGI market has developed, alternative technologies have been presented, and SinterCast must continue to develop and promote its products and engineering service as the most comprehensive, reliable and cost-effective solution for the development and production of high quality CGI.

### Alternative Vehicle Technologies

Hybrid and electric vehicles are well-suited to city driving and will continue grow in popularity. However, these technologies do not cast any influence over SinterCast's foreseeable market development. Hybrid sales remain below 5% in both Europe and North America and, as more operating knowledge is gained, market acceptance and enthusiasm has generally declined. Even in the media, the initial euphoria is transitioning to a more balanced view. Statistics show that more than two-thirds of hybrid buyers return to conventional petrol or diesel vehicles when buying their next vehicle. And when the Toyota Prius is excluded from the data, the repeat purchase rate is only 20%. One of the main reasons for this is that US fuel economy ratings are based on 45% highway driving and 55% city driving, despite that the average American drive cycle is 57% highway and 43% city. The result is that very few hybrid drivers achieve the published fuel economy, and are unable to realise the expected reduction in operating cost and payback.



*Hyundai's SeasAll marine division offers SinterCast-CGI engines, such as the 3.0 litre V6 diesel engine, in marine applications, increasing the market opportunity in non-automotive applications (Courtesy Hyundai SeasAll)*

When US vehicles are made available with both diesel and hybrid options, the diesel alternative consistently outsells the hybrid.

Plug-in electric vehicles remain in infancy and continue to be affected by range limitations, recharging time, infrastructure, and cost. Reference vehicles will be introduced in the market, and early adopters will support the initial introduction, but the penetration will remain limited for the foreseeable future. The Environmental Protection Agency (EPA) in the United States has published an estimate for plug-in electric vehicle penetration of approximately 2% in 2025. It is also noted that petrol prices in the US are expected to average less than \$3.50 per gallon (approximately SEK 6.0 per litre) in 2013, which is well below the four dollar per gallon threshold that is often associated with increased sales of alternative fuel vehicles.

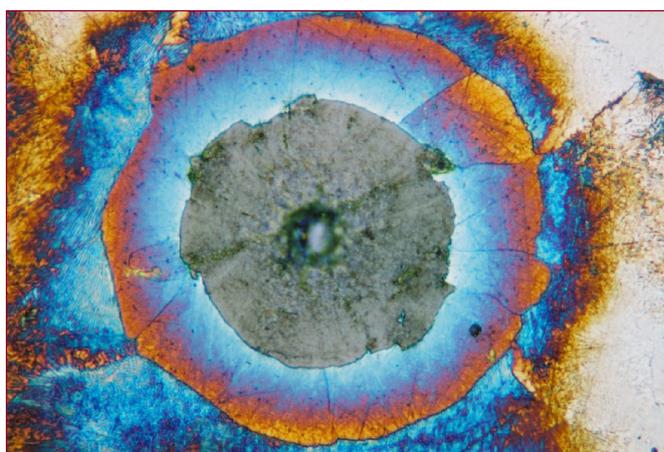
SinterCast welcomes all new vehicle technologies and encourages governments to provide a level playing field by setting fuel economy and emissions standards consistently for all types of engines and thereafter allowing the automotive community and consumers to determine the best solutions. SinterCast believes that the introduction of alternative powertrain technologies will not significantly affect SinterCast's market development and that the continuing trend toward higher performance and efficiency from smaller and lighter engine packages will provide new opportunities for the increased use of Compacted Graphite Iron in all sectors.

### Ductile Iron

Beyond the core CGI technology, SinterCast has applied its expertise in thermal analysis and cast iron process control to the development of a new control technology for ductile iron. Similar to the CGI technology, the ductile iron measurement

is based on an accurate thermal analysis of the iron as it solidifies. The results of the thermal analysis are intended to assist foundries with quality control and process control. The product offering will include a control system and a consumable thermal analysis sampling device, similar to the System 3000 concept and the CGI Sampling Cup.

The technology is planned to be launched at the Ductile Iron Society annual meeting in the USA in June 2013. Field trials and case studies will be conducted in the lead-up to the launch. The ductile iron technology is expected to provide cost-benefit by reducing magnesium consumption, improving mould yield and reducing casting defects in the foundry, and by improving machinability. The initial market for the ductile iron technology is for complex components that pose casting challenges, or for safety critical components that can benefit from additional process security.



*SinterCast's ductile iron technology will be targeted toward complex castings and safety critical components that can benefit from additional process security (Courtesy Dr Magnus Wessén)*

Leading Global Casting Producers 2011

Country	Grey Iron	Ductile Iron	Steel	Non-Ferrous*	Total
 China	19,600,000	9,900,000	5,300,000	4,800,000	39,600,000
 India	6,180,000	1,050,000	1,070,000	750,000	9,050,000
 USA	2,630,000	2,750,000	980,000	1,870,000	8,230,000
 Germany	2,180,000	1,490,000	192,000	930,000	4,792,000
 Japan	2,160,000	1,350,000	207,000	1,040,000	4,757,000
 Russia	1,740,000	1,260,000	700,000	500,000	4,200,000
 Brazil	1,940,000	786,000	243,000	273,000	3,242,000
 Korea	1,040,000	653,000	157,000	382,000	2,232,000
 Italy	630,000	405,000	64,000	870,000	1,969,000
 France	623,000	916,000	85,000	333,000	1,957,000
 Mexico	772,000	59,000	78,000	741,000	1,650,000
<b>Total</b>	<b>39,495,000</b>	<b>20,619,000</b>	<b>9,076,000</b>	<b>12,489,000</b>	<b>81,679,000</b>

\* Note: Primarily aluminium, magnesium and copper and zinc-based alloys.  
Based on data published in the December 2012 issue of Modern Casting.



Global Customer Base

USA: **USA** (Sun logo), **Ford**, **ICC**, **MIDCITY FOUNDRY COMPANY**, **purePOWER TECHNOLOGIES** (A NAVISTAR COMPANY), **ASKCHEMICALS** (We advance your casting)

USA: **CAT**

United Kingdom: **AVW**

Sweden: **FEDERAL MOGUL**, **SKF**

Sweden: **VOLVO**

Korea: **DOOSAN**, **HYUNDAI**, **daedong**, **DAESHIN ENGINEERING & MACHINERY Co., LTD.**

Korea: **TOA Toa Koki Co., Ltd.**

Japan: **TOA Toa Koki Co., Ltd.**

China: **MeiTa**, **YTO**

China: **中国第一汽车集团公司 CHINA FAW GROUP CORPORATION**, **First Automobile Works, China**, **FAW Wuxi Diesel, China**

Germany: **LH Luitpoldhütte**, **HALBERG GUSS**

Brazil: **TUPY**

Mexico: **TUPY**

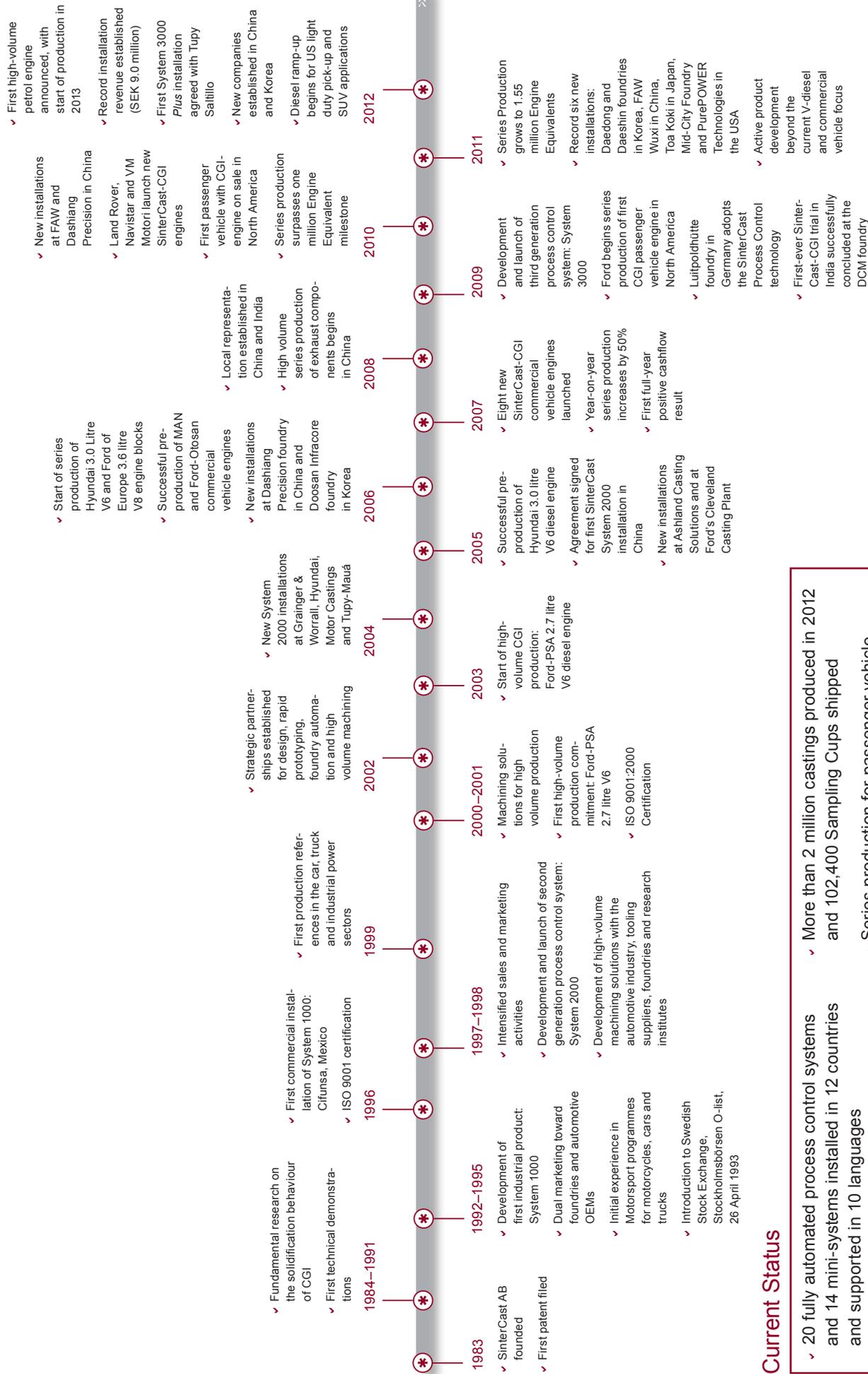
Spain: **FAGOR**

Italy: **VDP FONDERIA**

Global: **Teksid**

Turkey: **COMPONENTA**

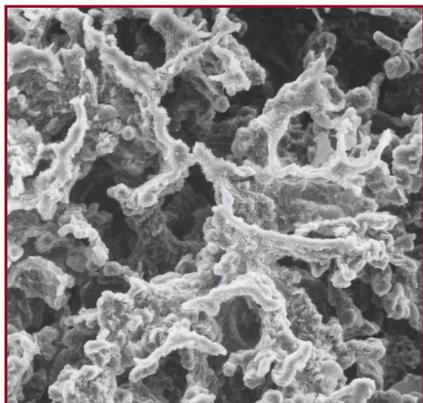
# SinterCast History



## Current Status

- 20 fully automated process control systems and 14 mini-systems installed in 12 countries and supported in 10 languages
- More than 50 components in series production
- More than 2 million castings produced in 2012 and 102,400 Sampling Cups shipped
- Series production for passenger vehicle, commercial vehicle and industrial power applications

## Technical Offering



### Compacted Graphite Iron

Compacted Graphite Iron is an engineered form of cast iron. It is at least 75% stronger and 45% stiffer than the standard grey cast 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 allow design engineers to reduce size and weight. For existing components, the properties of CGI can provide solutions to 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 engines used in passenger vehicles, commercial vehicles, and industrial power applications. SinterCast has established successful production references in each of these areas.



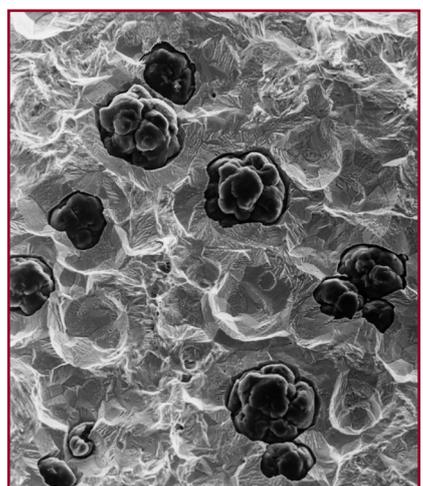
### CGI Engine Benefits

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 lighter. The result is that fully assembled CGI engines can be the same weight, or lighter than aluminium engines. For example, the Audi 3.0 litre V6 diesel engine with a CGI cylinder block is approximately 125 mm shorter and 15 kg lighter than the Mercedes 3.0 litre V6 diesel with 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. The strength and stiffness of CGI allows engines to satisfy emissions legislation throughout the life of the vehicle. Compared to aluminium, CGI is stronger, creates less CO<sub>2</sub> during production, is more recyclable and less expensive.



### The SinterCast Process

The SinterCast process is based on the measurement and feedforward correction of each ladle as it moves through the foundry. The process begins with an accurate analysis of the liquid iron, conducted in the patented Sampling Cup. Based on the result of this measurement, additional amounts of magnesium and inoculant are automatically added to each ladle, in wire form, to optimise the composition of the iron prior to casting. During series production, the average corrective addition of magnesium is approximately 20 grams per tonne, bringing pharmaceutical levels of control to the hostile foundry environment. The System 3000 *Plus* additionally provides automatic control of the base treatment process. Based on the results of previous ladles, the *Plus* technology determines and adds the optimal amount of magnesium and inoculant in the initial treatment. The results of each analysis and wirefeeding are compiled in a process database to facilitate traceability and process optimisation. The two-step measure-and-correct control strategy eliminates variation and ensures cost-effective CGI production.



### Ductile Iron Thermal Analysis

Following the initial announcement of the ductile iron product development at the GIFA World Foundry Trade Fair in June 2011, SinterCast is poised to launch its new ductile iron technology at the Ductile Iron Society annual meeting in Indianapolis in June 2013. Building on SinterCast's competence in cast iron thermal analysis, solidification, and process control, the ductile iron technology will provide new insight regarding microstructure development and defect prevention. The measurement results for nodularity, nodule count, pearlite-ferrite ratio, carbon equivalent, magnesium equivalent, carbide sensitivity and porosity risk can be used by foundries for quality control and process control purposes. The technology is based on a similar Sampling Cup and hardware platform, and is expected to provide cost-benefit by reducing magnesium consumption, improving mould yield and reducing casting defects in the foundry, and by improving machinability. The initial market for the ductile iron technology is the upper end of the ductile iron spectrum, for complex components that pose casting challenges, or for safety critical components that can benefit from additional process security.

## SinterCast and the Environment



(Courtesy Tupy)

### Foundry Efficiency – Right First Time

Every improvement in foundry process efficiency provides energy savings and reduced CO<sub>2</sub> emissions. The energy needed to melt cast iron is approximately 10,000 MJ per tonne. For a foundry producing one million Engine Equivalents per year, with a mould yield of 65%, the annual energy demand only for melting is over 800 million MJ. If the electrical energy is supplied by coal, this corresponds to over 35,000 tonnes of coal per year. Accordingly, every 1% improvement in efficiency, either from reduced scrap, weight reduction or improved mould yield, provides the potential to reduce the coal consumption by over 350 tonnes per year. This 1% improvement corresponds to a saving of approximately 1,000 tonnes of CO<sub>2</sub> for every one million Engine Equivalents. SinterCast's main contribution to the environment is in improving process efficiency, helping the foundry to be right-first-time.



(Courtesy Jaguar)

### Passenger Vehicles

In the automobile industry, weight has a direct impact on fuel economy. For passenger vehicles, every 20 kg of weight reduction provides a fuel saving of 0.1 litres for every 100 km driven. For a typical 3.0 litre V6 diesel engine, SinterCast's weight reduction contribution is approximately 10%, or equivalently, 20 kg. This weight saving can save 250 litres of fuel over the 250,000 km lifetime of a vehicle, providing a reduction of approximately 0.7 tonnes of CO<sub>2</sub> per vehicle. The multiples become staggering when it is realised that there are more than one billion passenger vehicles on the road today and that the global car pool is forecast to exceed two billion vehicles before 2050.



(Courtesy Navistar)

### Commercial Vehicles

Weight reduction is particularly important in commercial vehicles to enable increased payloads, to reduce the number of vehicle-miles, and to improve fuel economy. For commercial vehicles, every 100 kg of weight reduction improves fuel economy by 0.1%. For a typical 12 litre engine, with fuel consumption of 40 litres per 100 km, the use of SinterCast-CGI can provide engine weight reduction of approximately 100 kg, yielding fuel savings of approximately 0.04 litres for every 100 km. With typical annual mileage of 250,000 km and a service life of ten years, this weight reduction corresponds to the saving of approximately 1,000 litres of diesel fuel and 2.6 tonnes of CO<sub>2</sub> over the life of every commercial vehicle.



(Courtesy VM Motori)

### Engine Efficiency

When vehicles offer petrol and diesel engine alternatives, the SinterCast-CGI diesel option typically emits 20-30% less CO<sub>2</sub> emissions than the nearest available petrol engine alternative. This CO<sub>2</sub> advantage can improve to 50% when towing. The EPA has declared that, if one-third of American motorists adopted diesel engines, the foreign oil demand would decrease by 1.4 million barrels per day, and CO<sub>2</sub> emissions would decrease by 180 million tonnes per year. The higher strength of CGI enables cylinder blocks and heads to operate at higher temperatures and pressures, providing opportunities for downsizing and improvements in engine efficiency and CO<sub>2</sub> emissions. This trend applies equally to passenger vehicle diesel engines and petrol engines, and to commercial vehicle engines.

## Mini-System 3000



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, all analysis results and thermal analysis software 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

<b>Components:</b>	Operator Control Module (OCM) Sampling Mechanism SAM Lighthouse Operator Box
<b>Foot-print:</b>	1400 x 550 mm
<b>Max Height:</b>	1930 mm
<b>Weight:</b>	190 kg
<b>Power Supply:</b>	110–120V, 50–60Hz, 2kW max. 220–240V, 50–60Hz, 2kW max. Single Phase.
<b>Sampling Rate:</b>	1 sample every 4 minutes

### SinterCast Immersion Sampling



### System 3000 Sampling Cup

Following extensive field testing, SinterCast released a new version of the Sampling Cup in parallel with the initial introduction of the System 3000 suite of technologies. Referred to as SP-05, the new Sampling Cup incorporates an improved reactive coating that counteracts the influence of deleterious tramp elements that may be present in the base iron. The new SP-05 technology also extends the thermal analysis capability toward higher Carbon Equivalent levels. Together, these improvements reinforce SinterCast's ability to consistently control CGI series production within a narrow range at the low end of the ISO 16112 standard 0–20% CGI nodularity specification, where casting defects are minimised and thermal conductivity and machinability are optimised.

The temperature profile during the solidification is monitored by two re-useable thermocouples located in a protective steel tube within the Sampling Cup. Each Thermocouple Pair is calibrated and tested prior to delivery. The Thermocouple Pair can be used for up to 250 samples before preventive replacement. SinterCast has successfully used re-useable thermocouples since 1999, providing class leading accuracy and traceability.

## Fully Automated 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 serial-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 rate. The System 3000 can also include a base treatment wirefeeder to automatically conduct the base treatment.



Fully automated System 3000

### The System 3000 features include:

- **Accuracy:** Proven, high resolution SinterCast thermal analysis.
- **Process Control:** Automatic wirefeed correction of magnesium and inoculation for each ladle.
- **Automation:** Automatic base treatment by wire, based on network-streamed input of sulphur, ladle weight, temperature and 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, moulding, pouring and shake-out 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 input from SinterCast engineers.
- **Independent Control:** Supervisor-level access to software parameters, directly at the Supervisor's desktop computer. Full access to all process parameters.
- **Robust:** Rugged embedded XP operating system and proven hardware in the foundry environment.
- **Remote Support:** VPN access by SinterCast for technical support and maintenance.
- **Flexible:** Pallet mounted (pictured), 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

Components	Sampling Module (SAM) Operator Control Module (OCM) Complete Wirefeeder Power Supply Module
Foot-print	1200 x 800 mm, on pallet
Max Height	1960 mm
Weight	315 kg (pallet mounted items) 250 kg (Complete Wirefeeder)
System 3000 Power Supply	110–120V, 50–60Hz, 2kW max 220–240V, 50–60Hz, 2kWmax Single Phase
Wirefeeder Power Supply	380–415V, 3 kW max, Three Phase Dry oiled compressed air 5–10 bar
Sampling Rate	1 sample every 4 minutes



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

## The SinterCast Board



### Ulla-Britt Fräjdin-Hellqvist

MSc Eng, Ph, Chairman  
Stockholm, Sweden  
Born 1954, Nationality: Swedish  
Main duties: Fräjdin & Hellqvist AB  
Other Board duties: Castellum AB,  
DataRespons ASA, e-man AB,  
Fouriertransform AB, Kongsberg  
Automotive ASA (Chairman), Micronic  
Mydata AB, Stockholm Environment  
Institute, Tällberg Foundation, Vindora  
Holding AB  
Member of the Board since 2002  
No. of shares: 4,998



### Robert Dover

FR Eng, FIED, FRSA  
London, United Kingdom  
Born 1945, Nationality: British  
Professor of Industrial Manufacturing,  
Warwick University, Former Chairman  
and CEO of Jaguar and Land Rover.  
Former Chairman and CEO Aston  
Martin  
Other Board duties: British Motor  
Industry Heritage Trust (Chairman),  
Jaguar Daimler Heritage Trust,  
Autoscan Ltd (Chairman), Chemtura  
Corporation (Director and Member of  
the Audit Committee  
Member of the Board since 2004  
No. of shares: 1,249



### Aage Figenschou

LLM, Vice Chairman  
Oslo, Norway  
Born 1948, Nationality: Norwegian  
Main duties: MD, Aage Figenschou AS  
Other Board duties: Jason ASA (CEO),  
Chairman of Eitzen Chemical ASA and  
Pareto Worldwide Shipping ASA  
Member of the Board since 1998  
No. of shares: 12,998



### Laurence Vine-Chatterton

B.A., F.C.A.  
Guildford, United Kingdom  
Born 1949, Nationality: British  
Non-executive director of Surrey and Bor-  
ders Partnership NHS Trust and Chairman  
of its Audit Committee  
Former President of Internet Europe  
GmbH. Former non-executive Director  
of Automotive Components Europe S.A.  
Member of the Board since 2011  
No. of shares: 800



### Andrea Fessler

BA, JD  
Hong Kong, China  
Born 1968, Nationality: Canadian  
Main duties: Executive Director,  
Premiere Performances of Hong Kong  
Member of the Board since 2003  
No. of shares: 6,249



### Steve Dawson

BEng, MAsc, PhD, PEng, FIMechE  
London, United Kingdom  
Born 1962, Nationality: Canadian  
Member of the Board since 2007  
No. of shares: 33,750  
No. of warrants: 60,000



### Auditor Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby, Authorised Public Accountant  
Company auditor since 2010.  
Assignments: Byggmax Group AB and Volkswagen  
Group Sverige AB

Note: All information as of 15 March 2013.



**Steve Wallace**  
Operations Director  
Rejmyre, Sweden  
Born 1967  
Nationality: British  
Employed since 2003  
\*No. of shares: 4,984  
\*No. of warrants: 8,000

**Steve Dawson**  
President & CEO  
London, United Kingdom  
Born 1962, BEng, MSc, PhD, PEng, FIMechE  
Nationality: Canadian  
Employed since 1991  
\*No. of shares: 33,750  
\*No. of warrants: 60,000

**Daphner Uhmeier**  
Finance Director  
Rönninge, Sweden  
Born 1962, BSc  
Nationality: Swedish  
Employed since 2004  
\*No. of shares: 3,659  
\*No. of warrants: 8,000

\*As of 15 March 2013

## AGM Guest Speakers



*AGM Guest Speakers 2011 to 2013, from left to right: Jeff Breneman, Executive Director, United States Coalition for Advanced Diesel Cars (2011); Steve Dawson, President & CEO; Drew Winter, Editor-in-Chief, WardsAuto World (2012); and Terry Aldea, Global Executive, Casting and Forging, Ford Motor Company (2013)*

## Director's 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 2012. SinterCast AB, the Parent Company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. The Parent Company holds all of the patents and trademarks and controls the activities of the Group. The Parent Company had 15 (14) employees as of 31 December 2012. Throughout this report, the use of the term SinterCast shall be regarded as referring to the SinterCast Group.

SinterCast supplies process control solutions and know-how for the reliable high volume production of Compacted Graphite Iron (CGI), a high-strength engineered material that improves the efficiency of components used in passenger vehicle, commercial vehicle and industrial power applications. The SinterCast technology measures and controls the molten iron before it is cast into moulds, reducing scrap and ensuring cost-effective CGI series production.

The SinterCast AB shares have been listed since 26 April 1993 and are quoted on the Small Cap segment of the NASDAQ OMX stock exchange, Stockholm.

SinterCast had 3,396 (3,721) shareholders on 31 December 2012. The ten largest, of which four (five) were nominee shareholders, controlled 46.7% (46.3%) of the capital and votes. Swedish shareholders hold and control 79.5% (78.3%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension (Sweden), controlled 11.8% (12.3%) of the capital and votes as a nominee shareholder. As of 31 December 2012, the SinterCast Board, management and employees controlled 1.0% (1.0%). The total number of SinterCast AB shares was 6,975,653 (6,975,653) and the SinterCast AB share capital on 31 December 2012 was SEK 6,975,653 (SEK 6,975,653) at par value of SEK 1 per share.

## Financial Summary

### Revenue

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

Revenue Breakdown	January-December	
	2012	2011
Amounts in SEK million if not otherwise stated		
Number of Sampling Cups shipped	102,400	138,200
Equipment <sup>1</sup>	9.0	7.9
Series Production <sup>2</sup>	35.8	39.0
Engineering Service <sup>3</sup>	1.0	2.0
Other	0.1	0.1
<b>Total</b>	<b>45.9</b>	<b>49.0</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

The revenue during 2012 amounted to SEK 45.9 million (SEK 49.0 million). The revenue decrease is a result of lower series production and a reduction in Sampling Cup shipments, as

predicted at the 2012 AGM, primarily due to reduced demand for exhaust components produced for passenger vehicles in Europe. A new record for revenue from Equipment, SEK 9.0 million (SEK 7.9 million) was established in 2012 including revenue from the System 3000 *Plus* process control system shipped to the Tupy foundry in Saltillo, Mexico, the Teksid System 3000 refurbishment, and two Mini-System 3000 installations sold to Asian foundries.

### 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	
	2012	2011
Amounts in SEK million if not otherwise stated		
Operating Result	1.0	11.6
Result for the period after tax	-3.7	14.5
Earnings per share (SEK)	-0.5	2.1

The Operating Result 2012 of SEK 1.0 million (SEK 11.6 million), decreased as a result of lower gross results of SEK 2.6 million, higher operational expenses of SEK 6.3 million, and reduced operational exchange gains in the amount of SEK 1.7 million, reported as other operating income. The higher operational expenses are related to the establishment of new companies in China and Korea, and the recruiting and salary expenses incurred in order to position the company for further growth, as outlined at the 2012 AGM.

The Result after tax 2012 amounted to SEK -3.7 million (SEK 14.5 million), decreased as a result of lower Operating Results of SEK 10.6 million and the improved Financial Result of SEK 1.5 million. The remaining difference of SEK 9.1 million is primarily related to revaluation of the deferred tax asset, as described in the section entitled "Deferred Tax Asset". The tax expenses refer mainly to business and income tax paid in China.

### Deferred Tax Asset

Tax amounted to SEK -5.7 million (SEK 3.4 million) during the period, of which SEK -5.4 million was due to the change in the Swedish corporate tax rate from 26.3% to 22%. SEK -0.3 million was due to tax paid in China.

The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2012, SEK 125.1 million (SEK 125.1 million) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 27.5 million (SEK 32.9 million) being capitalised as a deferred tax asset. The deferred tax asset is included in the financial assets in the balance sheet.

### Employee Stock Option Program

As of 31 December 2012, the total cost of the employee stock option program 2009-2013 was calculated at SEK 2.9 million (SEK 3.0 million), based on a closing share price of SEK 43.8 (SEK 45.0). During 2012, SEK 0.4 million (SEK 0.7 million) was accounted for as costs related to the option program.

The third tranche of the 2009-2013 option programme was terminated without subscription on 15 December 2012. The subscription price was SEK 48.80.

### Cashflow, Liquidity and Investments

The cashflow from operations during 2012 was SEK 1.3 million (SEK 14.5 million). The lower cashflow result during the period, compared to 2011, is primarily explained by the reduced Operating Result and increased working capital during 2012, including paid out accrued expenses of a one-time character.

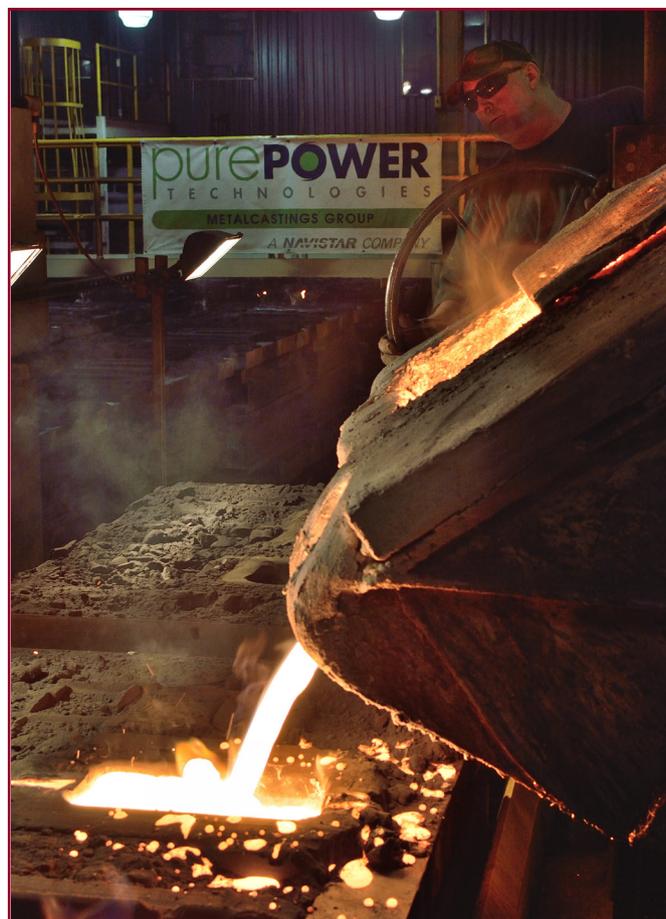
Cashflow Summary	January-December	
	2012	2011
Amounts in SEK million if not otherwise stated		
Cashflow from operations	1.3	14.5
Cashflow from investment activities	-1.6	-0.4
Cashflow from financing activities	-11.9	-6.8
<b>Cashflow total</b>	<b>-12.2</b>	<b>7.3</b>
Liquidity	35.4	47.6

Cashflow from financial activities amounted to SEK 11.9 million (SEK 6.8 million), following the payment of the dividend to shareholders in the amount of SEK 11.9 million (SEK 3.5 million). The total cashflow result for the period was SEK -12.2 million (SEK 7.3 million), resulting in SEK 35.4 million (SEK 47.6 million) in liquidity on 31 December 2012.

Investments amounted to SEK 2.0 million (SEK 1.0 million) during the period, of which SEK 1.6 million (SEK 0.4 million) was paid out as cashflow during the year. Investments include new production tooling, capitalised process control equipment, computer equipment and capitalised patent expenses.

### Market Penetration, Competition, Risks and Uncertainty Factors

The main uncertainty factor for SinterCast continues to be the overall timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI products, the global economy for new vehicle sales, and the individual sales success of vehicles equipped with SinterCast-CGI



*SinterCast-CGI series production at PurePOWER Technologies, USA (Courtesy PurePOWER Technologies)*

components. The global economy has recently become more uncertain and this has begun to influence consumer confidence and automotive sales. SinterCast's diversification between V-diesel engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power engines, combined with its presence in Europe, Asia and the Americas, reduces the dependence on individual product applications and geographical regions.

SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. However, virtually every company encounters competition, and SinterCast is no exception. SinterCast judges that its technology and engineering know-how provides the most reliable and cost-effective solution for series production of high quality CGI.

New powertrain technologies, such as vehicle electrification (hybrid and plug-in vehicles) and fuel cells attract significant media attention; however, the development and implementation of these technologies remain a long-term prospect and 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 page 42.



*SinterCast-CGI series production at Hyundai, Korea (Courtesy Hyundai)*

## Organisation

With successful high volume CGI production in foundries located in Europe, Asia and the Americas, SinterCast has established a global organisation with employees and representatives in Sweden, the United Kingdom, the United States, France, China, Korea, Japan, India and Australia.

The global organisation includes separate functions for Sales & Marketing, Operations, 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; for the active development of new foundry and OEM business opportunities; and, for the interaction with SinterCast's local representatives and business partners. In order to expand SinterCast's market reach, collaboration and/or representation agreements have been established with ASK Chemicals (formerly Ashland Casting Solutions) on a global basis, ASD International in Japan and Pantech Engineering in Australia. Consultancy agreements have also been established to support SinterCast's local sales activities in India. Together with the global presence of technology partners such as ABP for foundry automation, Grainger & Worrall for rapid prototyping and MAG Industrial Automation Systems for manufacturing, the representation and consultancy agreements provide a familiar and respected local presence for the SinterCast technology. The Operations function is responsible for the technical planning and commissioning of new installations; product development and R&D; production

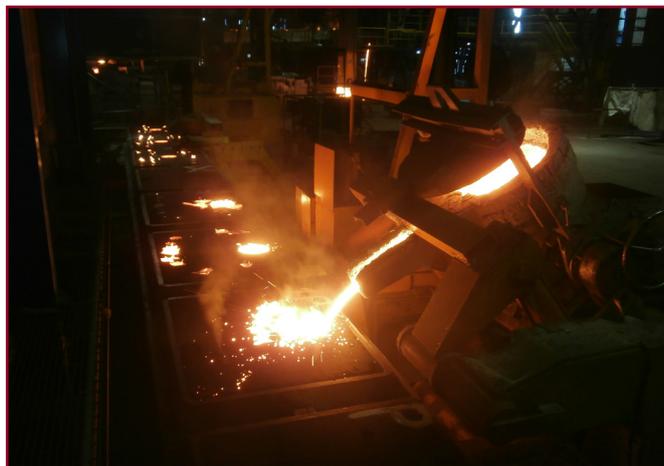


*SinterCast-CGI rapid prototype production at Grainger & Worrall, UK (Courtesy Grainger & Worrall)*

and supply of the control systems and sampling consumables; and, quality management, including the current ISO 9001:2008 certification. The Process Engineering function is responsible for metallurgical set-up 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.

## Legal Structure

SinterCast AB, the Parent Company of the SinterCast Group, is a publicly traded limited liability company with its registered



*SinterCast-CGI product development at Teksid, Mexico (Courtesy Teksid)*

office located in Stockholm, Sweden. 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 Personnel AB in Sweden, and SinterCast SA de CV and SinterCast Servicios SA de CV, both in Mexico. The Group also includes SinterCast AB Shanghai Representative Office in China. During the second quarter of 2012, a new subsidiary was established in Korea, SinterCast Korea Co., Ltd, and during the fourth quarter of 2012, the establishment of a Chinese subsidiary, SinterCast Trading (Beijing) Co., Ltd, was completed. As of 31 December 2012, the Group had 19 (17) employees, three (three) of whom were female. The company is well positioned to support global market activities and to drive SinterCast's future growth.

## Patents and R&D

SinterCast currently holds 11 (11) patents and maintains 43 (53) individual national phase patents granted or pending worldwide. The 11 base patents address SinterCast's metallurgical technology, the Sampling Cup, product applications and machining. As the business has developed, SinterCast has placed more emphasis on customer support and service rather than formal patent protection, and has strategically allowed some patents to lapse.

As a result of increased technical resources, SinterCast has expanded the functionality of its core CGI technology and accelerated the ongoing development of its thermal analysis process control technology for ductile iron. 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 already resulted in the implementation of fully automated base treatment control and a process database at the PurePower Technologies foundry in the United States, and base treatment automation upgrades are under discussion at other customer sites. The first full installation of the System 3000 Plus, introduced at the 2012 AGM, was agreed with the Tupy foundry in Saltillo, Mexico and announced on 29 October 2012. The System 3000 Plus will automatically control the base treatment, the process

control measurement and the final adjustment of magnesium and inoculant prior to casting. Process data from the System 3000 *Plus*, and the melting and moulding operations, will be compiled into a unique process database to provide enhanced control and traceability. The System 3000 *Plus* installation at the Tupy Saltillo foundry, which was shipped before year-end and is planned to be commissioned during March-April 2013, will be SinterCast's most comprehensive installation, with capacity for up to 15 ladles per hour and more than 9 hours of production per day.

The development of the ductile iron technology continued throughout the year in anticipation of market introduction at the Ductile Iron Society annual meeting in June 2013. The ductile iron technology is expected to provide a cost-benefit by reducing magnesium consumption, improving mould yield and reducing casting defects in the foundry, and by improving machinability. In the lead-up to the market introduction, the development will continue with in-house testing and planned external case studies to further define the technical correlations, the process control applications and the magnitude of the cost-benefit opportunity.

### 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. Environmental benefits are achieved when using the SinterCast technology. 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 less CO<sub>2</sub> emissions than the nearest available petrol engine alternatives.

### Corporate Governance Report

The Corporate Governance Report is presented in a separate section in the annual report according to the Swedish Annual Accounts Act, chapter 6 §8.



*SinterCast-CGI series production at VDP Fonderia, Italy (Courtesy VDP)*



*SinterCast-CGI series production at Halberg, Germany (Courtesy Halberg Guss)*

### Events after the Balance Sheet Date

The following press releases have been issued since the balance sheet date of 31 December 2012.

11 February 2013: SinterCast secures new order for commercial vehicle series production installation

18 February 2013: Breakthrough for SinterCast: First diesel engine for US light duty pick-up trucks

20 February 2013: SinterCast Results October-December 2012 and Full Year Results

There have been no other significant events since the balance sheet date of 31 December 2012 that could materially change these financial statements.

### Annual General Meeting 2012

The Annual General Meeting of SinterCast AB (publ), held on 24 May 2012, approved an ordinary dividend for 2012 amounting to SEK 1.0 per share and an extraordinary dividend amounting to SEK 0.7 per share. A total amount of SEK 11.9 million was transferred to the shareholders.

During the AGM, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Andrea Fessler, Robert Dover, Laurence Vine-Chatterton and Steve Dawson were re-elected as Board Members. Ulla-Britt Fräjdin-Hellqvist was re-appointed as Chairman and Aage Figenschou was re-appointed as Vice-Chairman.

The AGM also decided upon the constitution of the Nomination Committee until the next AGM, comprised of returning members Ulla-Britt Fräjdin-Hellqvist and Torbjörn Nordberg. Karl-Arne Henriksson was elected as a new member. Lars Ahlström retired from the Nomination Committee and was thanked for his service since 2007.

The Annual General Meeting 2012 decided upon a remuneration policy in respect of group management such that 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. 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. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for other senior executives. 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 senior executives, 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. These principles have been followed during the last year and the Board will propose to the Annual General Meeting 2013 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

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

### Annual General Meeting 2013

The Annual General Meeting 2013 of SinterCast AB (publ) will be held on Wednesday 15 May 2013 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

### Proposed Dividend

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.

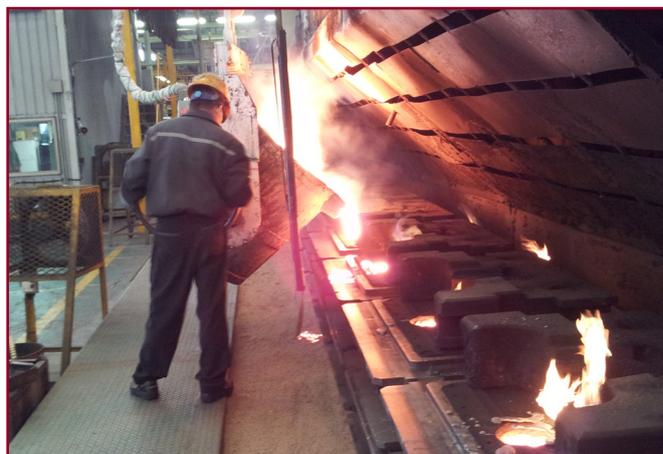
The Board of Directors propose an ordinary dividend of SEK 1.0 per share (SEK 1.0), representing a transfer of SEK 7.0 million (SEK 7.0 million) to the shareholders of SinterCast AB (publ). The Board proposes 20 May, 2013 as the record date for entitlement to receive dividends. An extraordinary dividend in the amount of SEK 0.7 per share was also paid in 2012, resulting in a total transfer of SEK 11.9 million to the shareholders in 2012.

As a basis for the Board's dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's liquidity, need for financial resources, current financial position, and long-term ability to meet commitments. The Group reports an equity ratio of 77.9% (93.9%) and a net cash amount of SEK 35.4 million (47.6 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.

The Board of Directors proposes that earnings be distributed as follows (SEK):

Amount to be paid to the shareholders	6,975,653
Amount to be retained by the Parent Company	44,769,091
Total non-restricted equity of the Parent Company	51,744,744

The Board of Directors proposes, on an annual basis, to seek shareholder approval to authorise a share buy-back programme.



*SinterCast-CGI series production at Daedong, Korea (Courtesy Daedong Metals)*

## Income Statement

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
Revenue	1, 9	45.9	49.0	43.6	46.1
Cost of goods sold	3, 17	-13.7	-14.2	-13.5	-14.1
<b>Gross result</b>		<b>32.2</b>	<b>34.8</b>	<b>30.1</b>	<b>32.0</b>
Cost of sales and marketing	3, 5, 9	-19.7	-14.4	-19.2	-12.1
Cost of administration	3, 4, 5, 9	-6.5	-6.6	-6.5	-6.6
Cost of research & development	2, 3, 5, 9	-5.5	-4.4	-5.5	-4.4
Other operating income	10	0.5	2.2	0.8	2.2
Other operating costs	10	0.0	0.0	0.0	0.0
<b>Operating result</b>		<b>1.0</b>	<b>11.6</b>	<b>-0.3</b>	<b>11.1</b>
Financial income		1.1	0.6	1.1	0.6
Financial costs		-0.1	-1.1	-0.1	-1.1
<b>Financial net</b>		<b>1.0</b>	<b>-0.5</b>	<b>1.0</b>	<b>-0.5</b>
<b>Result after financial income and expenses</b>		<b>2.0</b>	<b>11.1</b>	<b>0.7</b>	<b>10.6</b>
Income tax	12	-5.7	3.4	-5.7	3.4
<b>Result for the year for the parent company shareholders</b>		<b>-3.7</b>	<b>14.5</b>	<b>-5.0</b>	<b>14.0</b>
Average number of shares, thousands	25	6,975.7	6,975.7	6,975.7	6,975.7
Earnings per share, SEK		-0.5	2.1	-0.7	2.0
Earnings per share diluted, SEK		-0.5	2.1	-0.7	2.0
Dividend		1.7	0.5	1.7	0.5

## Statement of Comprehensive Income

Amounts in SEK million	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>Results for the period</b>	<b>-3.7</b>	<b>14.5</b>	<b>-5.0</b>	<b>14.0</b>
<b>Other comprehensive income</b>				
Translation differences, foreign subsidiaries	-0.2	0.4	-	-
<b>Other comprehensive income, net of tax</b>	<b>-0.2</b>	<b>0.4</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-3.9</b>	<b>14.9</b>	<b>-5.0</b>	<b>14.0</b>
<b>Total comprehensive income attributable to:</b>				
Equity holder of the parent company	-3.9	14.9	-5.0	14.0

## Cashflow Statement

Amounts in SEK million	Note	GROUP		PARENT COMPANY	
		2012	2011	2012	2011
<b>Operating activities</b>					
Operating result		1.0	11.6	-0.3	11.1
Adjustments for items not included in the cashflow					
Depreciation	13, 14	1.0	0.9	1.0	0.8
Other		0.4	0.8	0.2	0.4
Unrealised exchange rate differences		0.6	-0.4	0.6	-0.4
Received interest		0.6	0.6	0.6	0.6
Paid interest		-0.1	-0.1	-0.1	-0.1
<b>Total cashflow from operating activities before change in working capital</b>		<b>3.5</b>	<b>13.4</b>	<b>2.0</b>	<b>12.4</b>
<b>Change in working capital</b>					
Stock	17	0.1	-1.9	-0.6	-1.4
Operating receivables	15	-0.4	3.7	-2.5	6.5
Operating liabilities	18, 19, 21, 22	-1.9	-0.7	3.3	-4.8
<b>Total change in working capital</b>		<b>-2.2</b>	<b>1.1</b>	<b>0.2</b>	<b>0.3</b>
<b>Cashflow from operating activities</b>		<b>1.3</b>	<b>14.5</b>	<b>2.2</b>	<b>12.7</b>
<b>Investing activities</b>					
Acquisition of intangible assets	13	0.0	-0.1	0.0	-0.1
Acquisition of tangible assets	14	-1.6	-0.3	-1.6	-0.3
<b>Cashflow from investing activities</b>		<b>-1.6</b>	<b>-0.4</b>	<b>-1.6</b>	<b>-0.4</b>
<b>Financing activities</b>					
Employee share option programme*		-	-0.3	-	-0.1
Bank loan		-	-3.0	-	-3.0
Dividend		-11.9	-3.5	-11.9	-3.5
<b>Cashflow from financing activities</b>		<b>-11.9</b>	<b>-6.8</b>	<b>-11.9</b>	<b>-6.6</b>
Change in cash and cash equivalents		-12.2	7.3	-11.3	5.7
Cash – opening balance		47.6	40.3	45.4	39.7
<b>Cash – closing balance**</b>	26	<b>35.4</b>	<b>47.6</b>	<b>34.1</b>	<b>45.4</b>

\* The subscription of employee stock options during 2011 amounted to SEK -0.3 million.

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

## Balance Sheet – Group

Amounts in SEK million	Note	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	0.6	0.8
Patents		1.1	1.5
<b>Total intangible assets</b>		<b>1.7</b>	<b>2.3</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.7	0.3
Plant and machinery		0.3	0.1
<b>Total tangible assets</b>		<b>2.0</b>	<b>0.4</b>
<b>Financial assets</b>			
Other long-term receivables	16	0.3	0.0
Deferred tax asset	12	27.5	32.9
<b>Total financial assets</b>		<b>27.8</b>	<b>32.9</b>
<b>Total fixed assets</b>		<b>31.5</b>	<b>35.6</b>
<b>Current assets</b>			
<b>Stock</b>			
Finished products	17	4.0	4.4
<b>Total stock</b>		<b>4.0</b>	<b>4.4</b>
<b>Short-term receivables</b>			
Trade debtors	15, 26	7.8	7.8
Other debtors	18, 26	0.5	1.3
Prepaid expenses and accrued income	19, 26	3.8	3.2
<b>Total short-term receivables</b>		<b>12.1</b>	<b>12.3</b>
<b>Cash and cash equivalents</b>	26	<b>35.4</b>	<b>47.6</b>
<b>Total cash and cash equivalents</b>		<b>35.4</b>	<b>47.6</b>
<b>Total current assets</b>		<b>51.5</b>	<b>64.3</b>
<b>TOTAL ASSETS</b>		<b>83.0</b>	<b>99.9</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	24, 25	7.0	7.0
Additional paid in capital		39.4	39.4
Exchange differences	26	6.6	6.8
Accumulated result		24.9	40.0
<b>Total shareholders' equity</b>		<b>77.9</b>	<b>93.2</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	1.6	1.8
Other current liabilities	21, 26	0.7	0.9
Accrued expenses and prepaid income	22, 26	2.3	3.7
Provisions	22	0.5	0.3
<b>Total current liabilities</b>		<b>5.1</b>	<b>6.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>83.0</b>	<b>99.9</b>
<b>Contingent liability</b>	23	<b>2.6</b>	0.1

## Statement of Changes in Equity – Group

Amounts in SEK million	Note	Share Capital	Additional Paid In Capital	Exchange Differences	Accumulated Results	Total Equity
<b>Opening balance 1 January 2011</b>		<b>6.98</b>	<b>39.41</b>	<b>6.37</b>	<b>28.53</b>	<b>81.29</b>
Total Comprehensive Income		–	–	0.41	14.47	14.88
Employee stock option programme IFRS-2	5, 26	–	–	–	0.78	0.78
Employee stock option programme, exercise	5, 6	–	–	–	-0.26	-0.26
Dividend					-3.49	-3.49
<b>Closing balance 31 December 2011</b>	25	<b>6.98</b>	<b>39.41</b>	<b>6.78</b>	<b>40.03</b>	<b>93.20</b>
Total Comprehensive Income		–	–	-0.20	-3.69	-3.89
Employee stock option programme IFRS-2	5, 24	–	–	–	0.44	0.44
Dividend		–	–	–	-11.86	-11.86
<b>Closing balance 31 December 2012</b>	25	<b>6.98</b>	<b>39.41</b>	<b>6.58</b>	<b>24.92</b>	<b>77.89</b>

## Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Capitalised development	13	0.6	0.8
Patents		1.1	1.5
<b>Total intangible assets</b>		<b>1.7</b>	<b>2.3</b>
<b>Tangible assets</b>			
Computers, fixtures and fittings	14	1.6	0.3
Plant and machinery		0.3	0.1
<b>Total tangible assets</b>		<b>1.9</b>	<b>0.4</b>
<b>Financial assets</b>			
Shares in subsidiaries	24	3.9	3.1
Deferred tax asset	12	27.5	32.9
<b>Total financial assets</b>		<b>31.4</b>	<b>36.0</b>
<b>Total fixed assets</b>		<b>35.0</b>	<b>38.7</b>
<b>Current assets</b>			
<b>Stock</b>			
Finished products	17	4.0	3.7
<b>Total stock</b>		<b>4.0</b>	<b>3.7</b>
<b>Short-term receivables</b>			
Trade debtors	26	7.4	5.7
Inter company receivables		0.8	0.0
Other debtors	18, 26	0.4	1.2
Prepaid expenses and accrued income	19	3.6	2.8
<b>Total short-term receivables</b>		<b>12.2</b>	<b>9.7</b>
<b>Liquidity</b>	26	<b>34.1</b>	<b>45.4</b>
<b>Total liquidity</b>		<b>34.1</b>	<b>45.4</b>
<b>Total current assets</b>		<b>50.3</b>	<b>58.8</b>
<b>TOTAL ASSETS</b>		<b>85.3</b>	<b>97.5</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Restricted capital</b>			
Share capital	24, 25	7.0	7.0
Statutory reserve		9.5	9.5
<b>Total restricted capital</b>		<b>16.5</b>	<b>16.5</b>
<b>Retained result</b>			
Share premium reserve		29.9	29.9
Result brought forward*		26.9	24.2
Result for the year		-5.0	14.0
<b>Total retained capital**</b>		<b>51.8</b>	<b>68.1</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>68.3</b>	<b>84.6</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	20	0.1	0.1
<b>Total long-term liabilities</b>		<b>0.1</b>	<b>0.1</b>
<b>Current liabilities</b>			
Accounts payable	26	1.3	1.6
Inter company payable		13.0	8.4
Other current liabilities	21, 26	0.6	0.7
Accrued expenses and prepaid income	22	2.0	2.1
<b>Total current liabilities</b>		<b>16.9</b>	<b>12.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>85.3</b>	<b>97.5</b>
<b>Contingent liability</b>	23	<b>2.6</b>	0.1

\* Rounding, the exact amount is 26.82 according to Statement of Changes in Equity - Parent Company page 28.

\*\* Rounding, the exact amount is 51.74 according to Statement of Changes in Equity - Parent Company page 28.

## 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 2011</b>		<b>6.98</b>	<b>9.53</b>	<b>29.88</b>	<b>10.19</b>	<b>16.99</b>	<b>73.57</b>
Appropriation of last year's result		–	–	–	16.99	-16.99	–
Total Comprehensive Income		–	–	–	–	14.03	14.03
Employee stock option programme, IFRS-2	5, 26	–	–	–	0.78	–	0.78
Employee stock option programme, exercise	5, 6	–	–	–	-0.26	–	-0.26
Dividend		–	–	–	-3.49	–	-3.49
<b>Closing balance 31 December 2011</b>	<b>25</b>	<b>6.98</b>	<b>9.53</b>	<b>29.88</b>	<b>24.21</b>	<b>14.03</b>	<b>84.63</b>
Appropriation of last year's result		–	–	–	14.03	-14.03	–
Total Comprehensive Income		–	–	–	–	-4.96	-4.96
Employee stock option programme, IFRS-2	5, 24	–	–	–	0.44	–	0.44
Dividend		–	–	–	-11.86	–	-11.86
<b>Closing balance 31 December 2012</b>	<b>25</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>

## Accounting Policies

### General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2012 were approved on 5 April 2013 by the Board of Directors and the Managing Director, for publication on 5 April 2013 and will be presented at the Annual General Meeting on 15 May 2013 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 2012 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.

As of 1 January 2011, several amendments to existing standards, new interpretations and new standards have come into effect. Applying the new standards and interpretations has not had any significant impact on the result or the shareholders' equity.

More information is available in the section below entitled Critical Accounting Judgements and Estimates and Segment Reporting.

### Critical Accounting Judgements and Estimates

To establish financial statements according to IFRS, judgement of how to use accounting policies is needed. 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 determine when the recognition criterion of convincing evidence can be met. Convincing evidence, that can be objectively established, is obtained from 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, also

referred to as secured production. The input for the model includes forecasted tonnes, as communicated by the foundry and/or OEM, and adjusted with probability factors for each production programme. The probability factors are reviewed regularly. To determine the future taxable profit, the forecasted contribution from secure production is reduced by forecasted expenses of the operations.

The above model is only used to decide when the convincing evidence criteria required by IAS 12 are met, 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 will probably 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. Over the past years, several national phase patents were intentionally allowed to lapse. It was judged that these older patents no longer reflected SinterCast's current technology and that the protection offered did not warrant continued payment of the annual fees.

Development costs that have been directly associated with the production of specific and unique development projects and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and therefore capitalised. In applying this principle, the management specially considers the ability of market success and future economic benefits.

### Share Based Compensation Plan

The Group has an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest and recognises the impact of the revision of original estimates, if any, in the income statement as salary costs, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions for social security costs are calculated by applying the same valuation model used when the options were issued. The provision is re-valued at the end of each accounting period on the basis of the calculation of the expenditure that may arise when the instruments are exercised and accounted for as social security costs. The calculated amount is accrued in relation to the vesting period.

SinterCast conducts valuation pursuant to the Black & Scholes model, which considers factors such as share price, remaining time to exercise, volatility and risk-free interest rates. The payment of social security costs coincident with the employees' exercise of options is offset against the provisioning pursuant to the above.

Stock options attributable to the staff of the subsidiary SinterCast Ltd. are accounted for pursuant to IFRIC 11, now

included in IFRS 2. In this context, the issuance of options is regarded as a shareholders' contribution from the Parent Company to the subsidiary, and accordingly, this is accounted as an investment in subsidiaries. Like other contributions, this investment is then subject to an impairment test. If there is a need for write-downs on shares in subsidiaries, the effect is a financial cost posted to the SinterCast AB Income statement.

### 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 the 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 their 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 will probably 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 and an appropriate portion of relevant overheads.

Costs that have been directly associated with the production of specific and unique customer products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised development costs related to specific customer projects are amortised over their estimated useful lives. Amortisation of capitalised development costs is 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 of capitalised development cost has been performed based on future estimated sales. No impairment was identified.

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.

### Financial Instruments

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 the risks and rewards of ownership.

SinterCast classifies its instruments in the following categories:

- Financial assets at fair value through profit or loss, consists of Derivative instruments and are included in other debtors
- Held-to-maturity investments, consisting of governmental bonds or commercial paper. These investments are presented in the balance sheet as cash equivalents.
- Loans and receivables, consisting of the balance sheet items, cash, trade debtors, other short and long term debtors, excluding deferred tax assets.
- Financial liabilities, consisting of long term loans, accounts payable and other current liabilities, excluding accruals.

Financial instruments recognized at fair value solely consist of derivative instruments, these are not traded on an active market and are included in value level 2. The calculated fair value is based on observable market data.

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 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 to 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 with 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 goods are recognised when an entity in the Group has delivered a product to a customer, the customer has accepted the product, the associated risks have been transferred and collectibles of the related receivable are reasonably assured.
- In Customer Agreements, including goods and services at a total fixed price, revenue is distributed to the individual items, after equal distribution of any discounts. The total Customer Agreement is recognised as revenue, according to sales of goods, when services such as installation and training are a limited and minor part of the total agreement. Provisions shall be made for the installation and training. If the Customer Agreement includes a unique installation in terms of a new technology or new application, the total Customer Agreement shall be recognised when the installation is accepted by the customer.
- 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.
- Sales of consumables are recognised when the goods are shipped and collectibles of the related receivable are reasonably assured.
- 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 credited to the profit and loss statement on a straight-line basis over the contractual period of the lease.
- Lease payments under operating leases are credited to 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.

### Stock

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 in the period when the notice was served.

If future period benefits 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 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.

The pension plan for employees in Sweden follows the ITP-plan. 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. The pension age for all SinterCast employees is 65 years, however a legal right to work beyond the age of 65 exists in the UK and until the age of 67 years exists in Sweden.

### 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 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 months notice.

# Accounting Notes to the Financial Statements

ALL AMOUNTS IN SEK MILLION UNLESS OTHERWISE STATED

## 1 Revenue Breakdown

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Equipment	9.0	7.9	8.7	4.9
Series Production	35.8	39.0	31.6	35.0
Engineering Service	1.0	2.0	0.7	1.0
Other	0.1	0.1	0.1	0.0
Group Sales	–	–	2.5	5.2
<b>Total</b>	<b>45.9</b>	<b>49.0</b>	<b>43.6</b>	<b>46.1</b>

Equipment includes sold and leased systems, mini-systems, new installation service and spare parts. Market rights assignment amounting to SEK 0.1 million for the piston ring market was also accounted for as Equipment in 2011 (SEK 0.0 million in 2012). Series Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. Revenue allocation is as follows: to Brazil, 49% (50%), Mexico 15% (2%), U.S. 10% (16%), Korea 9% (8%), China 8% (15%), Sweden 2% (2%), Japan 2% (3%), and other countries 5% (6%).

For the Parent Company, 6% (11%) of the revenue represents Group sales and 55% (38%) 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	
	2012	2011	2012	2011
Costs for personnel and administration	4.5	3.4	4.5	3.4
External expenses	0.3	0.4	0.3	0.4
Depreciation	0.7	0.6	0.7	0.6
Capitalised development	–	–	–	–
<b>Total</b>	<b>5.5</b>	<b>4.4</b>	<b>5.5</b>	<b>4.4</b>

## 3 Costs per Category

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Personnel expenses	22.6	17.5	13.8	11.4
Cost of goods sold	9.0	10.2	19.5	15.6
Depreciation and write down	1.0	0.9	1.0	0.8
Office and related costs	2.1	1.8	1.7	1.5
Travel, commissions, exhibition and other sales costs	4.8	2.8	3.3	1.9
Consultants sales, marketing and administrations	2.3	2.1	2.1	2.1
Operational foreign exchanges differences	-0.5	-2.2	-0.8	-2.2
Other	3.6	4.3	3.5	3.9
Capitalised development	0.0	0.0	0.0	0.0
<b>Total</b>	<b>44.9</b>	<b>37.4</b>	<b>43.9</b>	<b>35.0</b>

## 4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>PricewaterhouseCoopers (Sweden)</b>				
Audit fees	0.3	0.3	0.3	0.3
Other statutory audit fees	0.1	0.1	0.1	0.1
Tax consultancy	0.3	0.0	0.3	0.0
Other services	0.0	0.1	0.0	0.1
<b>Shanghai Lin Xin CPA firm (China)</b>				
Audit fees	0.0	0.0	0.0	0.0
<b>Gorman Darby &amp; Co Ltd (United Kingdom)</b>				
Audit fees	0.0	0.0	–	–
Other services	0.0	0.1	–	–
<b>PK Group (United Kingdom)</b>				
Other services	0.0	0.0	–	–
<b>Total</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.5</b>

## 5 Salaries, Remuneration, Incentive Programme and Social Security Costs

### Remuneration Policy in Respect of Senior Management

The Annual General Meeting 2012 decided upon a remuneration policy in respect of group management such that 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. 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. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for other senior executives. 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 senior executives, 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. These principles have been followed during the last year and the Board will propose to the Annual General Meeting 2013 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

### The Board of Directors

The Chairman received remuneration of SEK 0.26 million (0.23). No bonus scheme, pension commitments, or pension liabilities exist. Remuneration for the other Board members 5 (5) has been within the limits laid down by the Annual General Meeting on 24 May 2012 and amounted to SEK 0.5 million (0.5) divided equally among the Board Members (excluding social security costs), with no Board fees being allocated to the Managing Director. The Audit Committee has established a Review Group consisting of two members. The members received a remuneration amounting to SEK 0.04 million (-). The Board, with the exception of the Managing Director, is not included in any employee stock option programme.

### Group Management

The remuneration to the Managing Director amounted to SEK 2.9 million (2.9) including taxable benefits in the form of insurance premiums paid for life, long term disability, and medical and school fees amounting to SEK 0.5 million (0.6). In addition, pension contributions (30% of salary (10%)), amounted to SEK 1.0 million (0.2), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.5 million (0.4).

The remuneration to the other members of the Group Management, two people, presented on page 17, amounted to SEK 2.1 million (2.1). In addition, pension contributions amounting to SEK 0.5 million (0.4) were paid in, including additional voluntary contributions. The social costs amounted to SEK 0.7 million (0.7). The pension plan follows the Swedish ITP-Plan.

The Managing Director holds 60,000 options and the other members of the Group Management hold 8,000 options each. No bonus schemes exist beyond the employee stock option programme. The pension age for the Managing Director and the Group Management is 65 years, however a legal right to work beyond the age of 65 exists in the UK, and until the age of 67 years exists in Sweden.

Upon termination by the company, the notice period for the Managing Director is nine months, and six months for other senior executives. 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 senior executives, 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.

### Salaries and remuneration allocated per country

All amounts in SEK thousands

PARENT COMPANY	2012				2011			
	Salaries and remuneration	IFRS-2 costs*	Social security costs	Pension costs	Salaries and remuneration	IFRS-2 costs*	Social security costs	Pension costs
China	2,206	21	–	–	1,763	19	–	–
Sweden	8,307	147	2,687	1,254	6,909	315	2,196	903
<b>Total</b>	<b>10,512</b>	<b>168</b>	<b>2,687</b>	<b>1,254</b>	<b>8,672</b>	<b>334</b>	<b>2,196</b>	<b>903</b>
<b>GROUP</b>								
China	2,206	21	–	–	1,763	19	–	–
Korea	761	–	–	57	–	–	–	–
Sweden	8,307	147	2,687	1,254	6,909	315	2,196	903
United Kingdom	2,927	216	477	950	3,051	384	403	222
USA	2,938	–	131	323	1,712	–	85	178
<b>Total</b>	<b>17,139</b>	<b>384</b>	<b>3,295</b>	<b>2,584</b>	<b>13,435</b>	<b>718</b>	<b>2,684</b>	<b>1,303</b>

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

All amounts in SEK thousands

PARENT COMPANY	2012				2011			
	Board and Group Management	IFRS-2 Board and Group Management*	Others	IFRS-2 Others*	Board and Group Management	IFRS-2 Board and Group Management*	Others	IFRS-2 Others*
China	–	–	2,206	21	–	–	1,763	19
Sweden	2,924	45	5,382	102	2,806	90	4,103	225
<b>Total</b>	<b>2,924</b>	<b>45</b>	<b>7,588</b>	<b>123</b>	<b>2,806</b>	<b>90</b>	<b>5,866</b>	<b>244</b>
<b>GROUP</b>								
China	–	–	2,206	21	–	–	1,763	19
Korea	–	–	761	–	–	–	–	–
Sweden	2,924	45	5,382	102	2,806	90	4,103	225
United Kingdom	2,927	216	–	–	2,934	384	100	–
USA	–	–	2,938	–	–	–	1,712	–
<b>Total</b>	<b>5,851</b>	<b>261</b>	<b>11,287</b>	<b>123</b>	<b>5,740</b>	<b>474</b>	<b>7,678</b>	<b>244</b>

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

### Incentive Programme – AGM 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 AGM decision, the options will run for a period of approximately four (4) years, where 15 % of the allotted options were 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 is still employed by the Group during each exercise window. The subscription of shares via the options will 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 are subject to a ceiling such that any profit, at exercise, cannot exceed SEK 50 per option.

### Fair value of the Employee Stock Option Programme

The Group has an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The employee stock option programme is valued pursuant to the Black & Scholes model, which considers factors such as share price, remaining time to exercise, volatility and risk-free interest rates. The total amount to be expensed over the vesting period is determined by the fair value of the options granted.

The total fair value of the employee stock option during the period 2010–2013 was estimated at approximately SEK 3.3 million when the programme was implemented. The fair value of the employee services received in exchange for the grant of the options (IFRS-2) was calculated to be approximately SEK 2.7 and the social security costs (UFR-7) was calculated to SEK 0.6 million.

On 31 December 2012, the total fair value of the employee stock option during the period 2010–2013 was estimated to approximately SEK 2.9 million (SEK 3.0 million). The fair value of the employee services received in exchange for the grant of the options (IFRS-2) was calculated to approximately SEK 2.7 million (SEK 2.7 million) and the social security costs (UFR-7) were calculated to approximately SEK 0.2 million (SEK 0.3 million). The fair value calculation was made according to Black & Scholes, considering share prices SEK 43.8 (SEK 45.0), remaining time of the individual tranches (0, 12 months) to exercise, volatility 45% (45%) and risk-free interest rates 1.25% (2.31%).

The IFRS-2 costs of approximately SEK 2.7 million are expensed over the 4 year vesting period with SEK 1.3 million during 2010, SEK 0.8 million during 2011, SEK 0.4 million during 2012 and SEK 0.2 million during 2013. The IFRS-2 cost is expensed regardless of whether or not the options are exercised, and is not affected by the subscription price. The changed provision of the calculated social security costs, UFR-7, is expensed as social security costs. The IFRS-2 expenses and the UFR-7 expenses charged to the profit and loss are summarised in the table below.

### Employee Stock Option Programme Costs taken to the Profit and Loss Statement\*

	2012			2011		
	IFRS-2	UFR-7	Exercise	IFRS-2	UFR-7	Exercise
	(Fair Value Cost)	(Social Costs)	(Social Costs)	(Fair Value Cost)	(Social Costs)	(Social Costs)
Sweden	<b>0.23</b>	<b>-0.19</b>	–	0.37	-0.01	0.03
United Kingdom	<b>0.21</b>	<b>-0.41</b>	–	0.40	-0.04	0.02
<b>Total</b>	<b>0.44</b>	<b>-0.60</b>	–	<b>0.77</b>	<b>-0.05</b>	<b>0.05</b>

\* Advisory service and other costs in relation to the programme are not included in this summary.

### Exercise of the Stock Option Programme

The programme can either be exercised by subscribing for options or settled with cash. The option exercise means that the employees purchase shares from the company and the proceeds increase the liquidity and equity. The cost of the programme is defined as the fair value and the social contribution costs.

The cash exercise means that the option exercise is mirrored and the corresponding value is paid in cash to the employee. In this case the liquidity is reduced by the payment to the employees and the cost is accounted for as equity which means that the profit and loss statement is unaffected, except for the social contribution costs. The cost of the programme is defined as the fair value and the social contribution costs.

### Incentive Programme 2012

During 2012, 75,000 options in the employee stock option programme were allotted for subscription, with an exercise window of 1 November – 15 December 2012. The options were not exercised because the share price was below the subscription price

Number of allotted options	31 Dec 2012*	31 Dec 2011**
Total Options	<b>120,000</b>	195,000
Allocated	<b>120,000</b>	195,000
To be distributed	–	–
<b>Total number of allotted options</b>	<b>120,000</b>	195,000

\* 75,000 warrants were terminated, without subscription during December 2012

\*\* 60,000 warrants were exercised in cash instead of shares during December 2011

## 6 Transactions with Related Parties

No substantial transactions took place between SinterCast and the Board and the Management during 2012.

Transactions made have been carried out at market value.

## 7 Board and Group Management

GROUP	2012			2011		
	Total	Female	Female %	Total	Female	Female %
Board members	16	5	31	12	4	33
CEO and group management	3	0	0	3	0	0
<b>PARENT COMPANY</b>						
Board members	6	2	33	6	2	33
CEO and group management	3	0	0	3	0	0

## 8 Average Number of Employees Employed During the Year

GROUP	2012		2011	
	Total	Male	Total	Male
China	2	2	2	2
Korea	1	1	0	0
Sweden	14	11	12	9
United Kingdom	1	1	1	1
USA	2	2	1	1
<b>Total</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>13</b>
<b>PARENT COMPANY</b>				
China	2	2	2	2
Sweden	14	11	12	9
<b>Total</b>	<b>16</b>	<b>13</b>	<b>14</b>	<b>11</b>

## 9 Leasing

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>SinterCast as Lessor</b>				
Income from leased equipment	0.4	0.4	0.3	0.3
Contracted future income	1.3	2.1	0.5	1.3
Payable within 1 year	0.3	0.4	0.1	0.3
Payable within 2–5 years	1.0	1.7	0.4	1.0
Payable beyond 5 years	0.0	0.0	0.0	0.0

Leased equipment refers to Agreements with Motor Castings, SKF and Teksid. The Teksid lease was bought-out during December 2012.

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>SinterCast as Lessee</b>				
Cost from leased premises and equipment	1.2	1.0	1.0	0.8
Contracted future commitments	5.9	5.8	3.7	4.6
Payable within 1 year	1.2	1.1	0.7	0.9
Payable within 2–5 years	4.7	4.7	3.0	3.7
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	
	2012	2011	2012	2011
<b>Other Income</b>				
Other Income	–	–	–	–
Exchange gains from operations	1.7	3.2	2.3	3.2
<b>Total</b>	<b>1.7</b>	<b>3.2</b>	<b>2.3</b>	<b>3.2</b>
<b>Other Costs</b>				
Exchange loss from operations	-1.2	-1.0	-1.5	-1.0
<b>Total</b>	<b>-1.2</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-1.0</b>
<b>Other operating income and costs</b>	<b>0.5</b>	<b>2.2</b>	<b>0.8</b>	<b>2.2</b>

## 11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>Interest</b>				
Interest received	0.5	0.6	0.5	0.6
Interest paid	-0.1	-0.1	-0.1	-0.1
<b>Total</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>
<b>Translation differences</b>				
Exchange gain	0.6	0.2	0.6	0.2
Exchange loss	0.0	-1.2	0.0	-1.2
<b>Total</b>	<b>0.6</b>	<b>-1.0</b>	<b>0.6</b>	<b>-1.0</b>
<b>Total financial income and expenses</b>	<b>1.0</b>	<b>-0.5</b>	<b>1.0</b>	<b>-0.5</b>

## 12 Tax

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>Income tax</b>				
Income tax for the year	-0.3	-0.2	-0.3	-0.2
Change in value of capitalised tax losses	-5.4	3.6	-5.4	3.6
<b>Income tax in the income statement</b>	<b>-5.7</b>	<b>3.4</b>	<b>-5.7</b>	<b>3.4</b>
	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>Deferred tax asset</b>				
Deferred tax value brought forward	32.9	29.3	32.9	29.3
Capitalised during the year	-	3.6	-	3.6
Tax rate change from 26.3% to 22%	-5.4	-	-5.4	-
<b>Accumulated value carried forward</b>	<b>27.5</b>	<b>32.9</b>	<b>27.5</b>	<b>32.9</b>

No tax effects on items included in other comprehensive income.

### Carry forward tax losses

Based on the filed tax returns for the financial year 2011, the following carried forward tax losses were available to offset future taxable profits.

Country	2012	2011	Valid until	Tax Rates
Sweden	506.2	516.7	indefinitely	22%
United Kingdom	32.5	32.7	indefinitely	21%
USA	30.6	31.1	15 years from the year of filing	15-35%
<b>Total</b>	<b>569.3*</b>	<b>580.5</b>		<b>22%</b>

\*SEK 125.1 million (SEK 125.1 million) of the company's total carried-forward tax losses has been used as the basis of the deferred tax asset calculation.

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<b>Tax expenses based on actual tax rate</b>				
Result before tax	2.0	14.5	0.7	14.5
Tax calculated based on Swedish tax rate	-0.5	-3.8	-0.2	-3.8
Tax effect on non tax deductible expenses	0.0	-0.2	0.0	-0.2
Tax effect on foreign tax	-0.3	0.0	-0.3	0.0
Tax effect on utilised carried forward tax losses	0.5	0.0	0.2	0.0
Tax effect on tax rate change	-5.4	0.0	-5.4	0.0
Tax effect on capitalised tax losses	0.0	7.4	0.0	7.4
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>-5.7</b>	<b>3.4</b>	<b>-5.7</b>	<b>3.4</b>

The income tax rate valid for the Group amounts was 26.3% (26.3%).

The income tax rate valid for Sweden amounts was 26.3% (26.3%).

The income tax rate valid for UK amounts is 21% (21%).

The income tax rate valid for US amounts is 15-35% (15-35%).

## 13 Intangible Assets

GROUP	Patent		Capitalised development		Total	
	2012	2011	2012	2011	2012	2011
Acquisition value brought forward	16.2	16.1	1.3	1.3	17.5	17.4
Acquisitions during the year						
Research & development	0.0	0.1	–	–	0.0	0.1
Disposals	0.0	-0.0	–	–	0.0	0.0
<b>Accumulated acquisition carried forward</b>	<b>16.2</b>	<b>16.2</b>	<b>1.3</b>	<b>1.3</b>	<b>17.5</b>	<b>17.5</b>
Depreciation brought forward	14.7	14.3	0.5	0.2	15.2	14.5
Depreciation for the year						
Research & development	0.4	0.4	0.2	0.3	0.6	0.7
Disposals	0.0	0.0	–	–	0.0	0.0
<b>Accumulated depreciation carried forward</b>	<b>15.1</b>	<b>14.7</b>	<b>0.7</b>	<b>0.5</b>	<b>15.8</b>	<b>15.2</b>
<b>Book value carried forward</b>	<b>1.1</b>	<b>1.5</b>	<b>0.6</b>	<b>0.8</b>	<b>1.7</b>	<b>2.3</b>

PARENT COMPANY	Patent		Capitalised development		Total	
	2012	2011	2012	2011	2012	2011
Acquisition value brought forward	16.2	16.1	5.5	5.5	21.7	21.6
Acquisitions during the year						
Research & development	0.0	0.1	–	–	0.0	0.1
Disposals	0.0	-0.0	–	–	0.0	0.0
<b>Accumulated acquisition carried forward</b>	<b>16.2</b>	<b>16.2</b>	<b>5.5</b>	<b>5.5</b>	<b>21.7</b>	<b>21.7</b>
Depreciation brought forward	14.7	14.3	4.7	4.4	19.4	18.7
Depreciation for the year						
Research & development	0.4	0.4	0.2	0.3	0.6	0.7
Disposals	0.0	0.0	–	–	0.0	0.0
<b>Accumulated depreciation carried forward</b>	<b>15.1</b>	<b>14.7</b>	<b>4.9</b>	<b>4.7</b>	<b>20.0</b>	<b>19.4</b>
<b>Book value carried forward</b>	<b>1.1</b>	<b>1.5</b>	<b>0.6</b>	<b>0.8</b>	<b>1.7</b>	<b>2.3</b>

## 14 Tangible Fixed Assets

GROUP	Computers, fixtures and fittings		Plant and machinery		Total	
	2012	2011	2012	2011	2012	2011
Acquisition value brought forward	1.6	2.4	6.6	8.0	8.2	10.4
Acquisitions during the year						
Administration	1.6	0.3	–	–	1.6	0.3
Sales and marketing	–	–	0.3	0.0	0.3	0.0
Disposals						
Sales and marketing	–	–	0.0	-1.4	0.0	-1.4
Administration	–	-1.1	–	–	–	-1.1
<b>Accumulated acquisition carried forward</b>	<b>3.2</b>	<b>1.6</b>	<b>6.9</b>	<b>6.6</b>	<b>10.1</b>	<b>8.2</b>
Depreciation brought forward	1.3	2.3	6.5	7.9	7.8	10.2
Depreciation for the year						
Sales and marketing	–	–	0.1	0.0	0.1	0.0
Administration	0.2	0.1	–	–	0.2	0.1
Disposals						
Sales and marketing	–	–	0.0	-1.4	0.0	-1.4
Administration	–	-1.1	–	–	–	-1.1
<b>Accumulated depreciation carried forward</b>	<b>1.5</b>	<b>1.3</b>	<b>6.6</b>	<b>6.5</b>	<b>8.1</b>	<b>7.8</b>
<b>Book value carried forward</b>	<b>1.7</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>2.0</b>	<b>0.4</b>

PARENT COMPANY	Computers, fixtures and fittings		Plant and machinery		Total	
	2012	2011	2012	2011	2012	2011
Acquisition value brought forward	2.3	2.8	3.0	4.4	5.3	7.2
Acquisition during the year						
Administration	1.5	0.3	–	–	1.5	0.3
Sales and marketing	–	–	0.3	0.0	0.3	0.0
Disposals						
Sales and marketing	–	–	0.0	-1.4	0.0	-1.4
Administration	–	-0.8	–	–	–	-0.8
<b>Accumulated acquisition carried forward</b>	<b>3.8</b>	<b>2.3</b>	<b>3.3</b>	<b>3.0</b>	<b>7.1</b>	<b>5.3</b>
Depreciation brought forward	2.0	2.7	2.9	4.3	4.9	7.0
Depreciation for the year						
Sales and marketing	–	–	0.1	0.0	0.1	0.0
Administration	0.2	0.1	–	–	0.2	0.1
Disposals						
Sales and marketing	–	–	0.0	-1.4	0.0	-1.4
Administration	–	-0.8	–	–	–	-0.8
<b>Accumulated depreciation carried forward</b>	<b>2.2</b>	<b>2.0</b>	<b>3.0</b>	<b>2.9</b>	<b>5.2</b>	<b>4.9</b>
<b>Book value carried forward</b>	<b>1.6</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>1.9</b>	<b>0.4</b>

## 15 Accounts Receivable – Trade

	GROUP	
	2012	2011
Accounts receivable not due	6.8	6.8
Accounts receivable overdue 0–30 days	1.0	0.5
Accounts receivable overdue 31–90 days	–	0.5
Accounts receivable overdue 91–180 days	0.0	0.0
Provision for bad debts	–	–
<b>Accounts receivables net</b>	<b>7.8</b>	<b>7.8</b>

## 16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Deposits	0.3	0.0	0.1	0.0
Deferred tax asset	27.5	32.9	27.5	32.9
<b>Total</b>	<b>27.8</b>	<b>32.9</b>	<b>27.6</b>	<b>32.9</b>

## 17 Stock

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Finished products	4.0	4.4	4.0	3.7
<b>Total</b>	<b>4.0</b>	<b>4.4</b>	<b>4.0</b>	<b>3.7</b>

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
The amount of inventories recognised as an expense during the period	8.5	9.6	8.5	9.6
<b>Total</b>	<b>8.5</b>	<b>9.6</b>	<b>8.5</b>	<b>9.6</b>

## 18 Other Debtors

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
VAT and tax receivables	0.3	0.8	0.2	0.8
Fair value of forward contracts	0.2	0.5	0.2	0.4
<b>Total</b>	<b>0.5</b>	<b>1.3</b>	<b>0.4</b>	<b>1.2</b>

## 19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Prepaid rents	0.1	0.1	0.1	0.1
Prepaid insurance	0.6	0.5	0.5	0.4
Prepaid benefit	0.1	0.1	–	–
Accrued income from Production Fee	2.2	1.7	2.2	1.6
Others	0.8	0.8	0.8	0.7
<b>Total</b>	<b>3.8</b>	<b>3.2</b>	<b>3.6</b>	<b>2.8</b>

## 20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Other long term liabilities	0.0	0.0	0.1	0.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

## 21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Withholding tax and national insurance contributions for employees	0.7	0.9	0.6	0.7
Bank loan	–	–	–	–
<b>Total</b>	<b>0.7</b>	<b>0.9</b>	<b>0.6</b>	<b>0.7</b>

## 22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Accrued personnel expenses	1.0	1.6	0.7	0.5
Accrued administrative costs	0.2	0.3	0.1	0.2
Deferred income	0.9	1.0	0.6	0.7
Provisions for cost of goods sold	0.5	0.3	0.5	0.3
Others	0.2	0.8	0.1	0.4
<b>Total</b>	<b>2.8</b>	<b>4.0</b>	<b>2.0</b>	<b>2.1</b>

## 23 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Bank guarantees	2.6	0.1	2.6	0.1
<b>Total contingent liabilities</b>	<b>2.6</b>	<b>0.1</b>	<b>2.6</b>	<b>0.1</b>

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

All Amounts in SEK	2012	2011
Acquisition value brought forward	64,023,971	63,755,047
Acquisition during the year		
New share issue	737,357	268,924
<b>Accumulated acquisition value carried forward</b>	<b>64,761,328</b>	<b>64,023,971</b>
Depreciation brought forward	-60,935,853	-60,935,853
Depreciation for the year	-	-
<b>Accumulated depreciation carried forward</b>	<b>-60,935,853</b>	<b>-60,935,853</b>
<b>Book value carried forward</b>	<b>3,825,475</b>	<b>3,088,118</b>

List of subsidiaries to SinterCast AB (publ)	Corporate identification number	Votes and percentage of equity, %	Book Value
SinterCast Trading (Beijing) Co., Ltd.	Beijing, China 110000450218467	100	438,004
SinterCast Korea Co., Ltd	JeonJu-City, South Korea 418-81-40366	100	67,981
SinterCast Ltd.	London, UK 2021239	100	3,219,487
SinterCast, Inc.	Chicago, USA 187363	100	1
SinterCast Personnel AB	Katrineholm, Sweden 556702-5092	100	100,000
SinterCast SA de CV	Saltillo, Mexico SIN960415AY5	100	1
SinterCast Servicios SA de CV	Saltillo, Mexico SSE960408EX1	100	1
<b>Total</b>			<b>3,825,475</b>

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

	Number of Shares		Total	Par Value (SEK)	ShareCapital (SEK)
	A*	B**			
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
<b>Share capital as of 31 December 2012</b>			<b>6,975,653</b>	<b>1.00</b>	<b>6,975,653</b>

\*One vote per share

\*\*One tenth vote per share

## 26 Risk Management, Risks and Uncertainty Factors

The Board of Directors has established SinterCast's finance policy to provide a framework for how different types of 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. 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 overall 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 recently become more uncertain and this has begun to influence consumer confidence and automotive sales, particularly in Europe. SinterCast's diversification between V-diesel engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power engines, combined with its presence in Europe, Asia and the Americas, reduces the dependence on individual product applications and geographical regions. As manufacturing continues to grow in developing countries, many of the future installation opportunities will be in price sensitive markets and this presents a challenge for the SinterCast fee structure and Business Model. Pending the results of field trials, the new ductile iron technology could provide the potential to extend the market activities beyond the core CGI arena.

#### Major Customers

In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual customers. However, SinterCast still has relatively few customers. In 2012, SinterCast's three largest customers represented about 49% (51%), 15% (20%) and 10% (13%) of the company's net sales while the five largest customers accounted for approximately 81% (97%) of sales. As a result, the loss of a single 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.

#### Competition

SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. However, virtually every company encounters competition, and SinterCast is no exception. As the CGI market has developed, some foundry supply companies have proposed alternative CGI technologies. It is also possible that some foundries may opt to produce CGI using in-house control and discipline, but it is generally judged that this will become less likely as product complexity and production volumes increase, and as specification requirements become more rigidly enforced by the end-users. SinterCast judges that its technology and engineering know-how provides the most reliable and cost-effective solution for the production of high quality CGI. Based on its proven technology, production experience and engineering service, SinterCast will continue to support new CGI development activities to further increase its share of the world CGI production capacity.

#### Alternative Technologies

SinterCast's business development is strongly linked to the internal combustion engine, and particularly to the diesel engine. New powertrain technologies, such as vehicle electrification (hybrids and plug-in vehicles) and fuel cells attract significant media attention; however, the development and implementation of these technologies remain a long-term prospect. Most industry forecasts indicate a market penetration for these technologies of approximately 10% in the 2020 to 2025 timeframe, which is below the expected global penetration for diesel engines. In consideration of the technology leadtime and other practical concerns such as increased 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.

#### 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 support and develop the underlying technology and maintain the customer support and sales activities. The departure of one or more of these persons could have a negative effect on the company's business. The Board of Directors have implemented an incentive programme to manage this risk, and SinterCast strives to provide a challenging and rewarding work environment. In addition, the sales and technical resources were expanded during 2011 and 2012, increasing SinterCast's ability to support market activities and distributing the core technical knowledge and market contacts over a wider range of personnel.

#### Patents and Intellectual Property Rights

It is important for the company to protect its technology through patents or other intellectual property rights in order to preserve its leading position within CGI process control. The company therefore implements a patent strategy which involves applying for patents in countries that are considered relevant. 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 or replace the company's patents. During the recent years, the company allowed selected patents to lapse, as it was judged continued payment of the national phase annuities would not provide a return on the investment.

#### Price Risk

SinterCast enters into long term agreements with its foundry customers and price review periods are clearly defined and linked to published indices such as producer price indices for related industrial sectors. The SinterCast revenues are primarily related to know-how, technology and service and are not significantly exposed to commodity or energy price fluctuations.

### Financial Risks and Financial Instruments

In general, risks and principles are applicable for both the Parent Company and the Group. Please see page 31 "Financial Instruments" for more detailed information of SinterCast's classification of its instruments.

#### Financing

SinterCast has historically been financed by risk capital provided by its shareholders and has managed its expenses according to market forecasts, resource requirements and regular reviews of expenditures in relation to the annual budget. Following positive cashflow from operations since 2010, the Board judges that the long-term financing of the company is secure, allowing the company to be more pro-active in its operations and growth strategy.

#### Liquidity

The liquidity risk is considered as low. The Group's liquidity on 31 December 2012 amounted to SEK 35.4 million (SEK 47.6 million). Held-to-maturity instruments consist of governmental bonds or commercial paper with high availability and with a maturity less than three months. SinterCast has no loans.

Liquidity	Group		Parent Company	
	2012	2011	2012	2011
Amounts in SEK million				
Bonds	28.2	41.0	28.2	42.6
Bank Deposits	7.2	6.6	5.9	2.8
<b>Total</b>	<b>35.4</b>	<b>47.6</b>	<b>34.1</b>	<b>45.4</b>

Maturity Structure	2012		2011	
	Total	<30 days	Total	<30 days
Group (Parent Company)				
Total cash & equivalents	35.4 (34.1)	32.5 (31.5)	47.6 (45.4)	47.2 (45.0)
Receivables	7.8 (7.4)	3.9 (3.6)	7.8 (5.7)	5.2 (3.2)
Income from leases	0.4 (0.3)	0.0 (0.0)	0.4 (0.3)	0.0 (0.0)
<b>Total</b>	<b>43.6 (41.8)</b>	<b>36.4 (35.1)</b>	<b>55.8 (51.4)</b>	<b>52.4 (48.2)</b>
Total payable, ex salaries	1.7 (1.5)	1.7 (1.5)	2.0 (1.7)	1.9 (1.7)
Expenses from leases	1.2 (1.0)	0.1 (0.1)	1.0 (0.8)	0.1 (0.1)
<b>Total</b>	<b>2.9 (2.5)</b>	<b>1.8 (1.6)</b>	<b>3.0 (2.5)</b>	<b>2.0 (1.8)</b>

#### Interest Rate Risk

Interest rate risk exists in short term investments, bank deposits and outstanding loans due to variability of interest rates. The Board of Directors has established a Finance Policy to manage the interest rate risk. An interest rate change of one percentage point up or down corresponds to an interest risk of approximately SEK 0.1 million for each SEK 10 million invested during a 12 month period.

**Credit Risk**

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. The credit risk is limited to the book value.

Credit Risk	Group		Parent Company	
	2012	2011	2012	2011
Amounts in SEK million				
Receivables, not due	6.8	6.8	6.5	5.2
Due <30 days	1.0	0.5	0.9	0.5
Due 31-90 days	0.0	0.5	0.0	0.0
<b>Total trade receivables</b>	<b>7.8</b>	<b>7.8</b>	<b>7.4</b>	<b>5.7</b>

**Exchange Rate Risk**

SinterCast is exposed to exchange risk in two ways: first, through export sales (transaction exposure) and; second, when converting net profit and net assets from foreign subsidiaries (translation exposure) to SEK.

SinterCast's inflow of foreign currency primarily consists of USD and EUR and its expenses have primarily been in SEK. However, SinterCast's increased manning outside Sweden during 2011 and 2012 has reduced the net exposure in foreign currencies. The reason for the reduced net exposure is that the increased expenses in GBP, USD and EUR establish 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. During 2012, exchanged foreign currencies to SEK amounted to approximately USD 2.7 million (USD 2.5 million) and EUR 1.2 million (EUR 1.4 million). In accordance with the Group's financial policy, part of the expected and budgeted flow of USD and EUR is hedged for the following 12 month period. Outstanding forward exchange contracts on the balance sheet date, were:

**Forward Exchange Contracts**

Amounts in million	2012		2011	
	Total	<6 month	Total	<6 month
USD	1.2	0.2	1.4	0.0
EUR	0.5	0.0	0.8	0.1

The translation exposure of net assets in foreign subsidiaries is not hedged. The value of the Group's net assets, meaning the difference between capital employed and net debt, totalled to SEK 13.5 million, (SEK 12.6 million) and was distributed among the following currencies:

**Net Assets in Foreign Subsidiaries**

Amounts in SEK million	2012	2011
GBP	7.4	7.0
USD	5.4	5.3
RMB	0.3	–
MEX	0.2	0.2
SEK	0.1	0.1
KRW	0.1	–

If the currency moves 10% towards SEK, the following translation effect will arise, and will effect the result before tax correspondingly.

**Translation Risk**

Amounts in SEK million	
GBP	0.7
USD	0.5
RMB	0.0
MEX	0.0
KRW	0.0

**Capital Risk**

The Group's objective in respect of the capital structure is 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 could issue new shares, buy-back shares, give dividends or increase/decrease loans. The Group equity on 31 December 2012 amounted to SEK 77.89 million (SEK 93.20 million). The equity of SinterCast AB amounted to SEK 68.25 million (SEK 84.63 million). SinterCast regularly monitors its need for equity. 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:

- 11 February 2013 – SinterCast secures new order for commercial vehicle series production installation
- 18 February 2013 – Breakthrough for SinterCast: First diesel engine for US light duty pick-up trucks
- 20 February 2013 – SinterCast Results October-December 2012 and Full Year Results

There have been no other significant events since the balance sheet date of 31 December 2012 that could materially change these financial statements.

The balance sheets and the income statements will be adopted at the Annual General Meeting of shareholders on 15 May 2013.

## 28 Definitions

### Operating margin %

Operating results as percentage of revenue

### Average number of shares

Weighted average of the number of shares outstanding for the period

### Average number of shares adjusted for outstanding warrants

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

### Earnings per share

Net result divided by the average number of shares

### Earnings per share, diluted

Net result divided by the average number of shares adjusted for outstanding warrants related to the employee stock options

### Adjusted equity per share

Adjusted shareholders' equity divided by the average number of shares

### Adjusted equity per share adjusted for outstanding warrants

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

### Solidity

Adjusted shareholders' equity expressed as percentage of total assets end of period

### Adjusted shareholders' equity

Shareholders' equity plus 73.7% of untaxed reserves if any

### Capital employed

Total assets less non-interest bearing liabilities

### Return on shareholders' equity

Net result as a percentage of average adjusted shareholders' equity

### Return on capital employed

Net result after financial items plus financial expenses as a percentage of average capital employed

### Return on total assets

Net result after financial items plus financial expenses as a percentage of total average assets

### Debt-to-equity ratio

Interest bearing liabilities divided by adjusted shareholders' equity

### Dividend per share

Dividend divided by the number of shares

### Cashflow from operations per share

Cashflow from operations divided by the average numbers of shares during the period

### Share price at the end of the period

Latest price paid 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

## 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 5 April 2013

Ulla-Britt Fräjdin-Hellqvist  
Chairman of the Board

Aage Figenschou  
Vice Chairman of the Board

Andrea Fessler  
Member of the Board

Robert Dover  
Member of the Board

Laurence Vine-Chatterton  
Member of the Board

Steve Dawson  
Member of the Board & Managing  
Director

Our audit report was submitted on 5 April 2013  
Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby  
Authorised Public Accountant



## Auditor's report

To the annual meeting of the shareholders of SinterCast AB (publ), 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 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-45.

#### *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 and 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 opinion.

#### *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 2012 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 2012 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. 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 (publ) for the year 2012.

#### *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.

#### *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.

#### *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.

Stockholm 5 April 2013

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby

Authorized Public Accountant

## Corporate Governance Report 2012

### Background

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. Corporate governance is a question of ensuring that companies are run as efficiently as possible on behalf of the shareholders. The Swedish Companies Act defines the framework for limited liability companies including rules for the Annual General Meeting (AGM), the Articles of Association, the Board of Directors and other activities. 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.

The Corporate Governance Report does not constitute a part of the formal Annual Report documentation.

### Corporate Governance in SinterCast

SinterCast AB (publ) is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. SinterCast provides on-line process control technology to the cast iron foundry industry to enable the reliable high volume production of Compacted Graphite Iron (CGI). CGI is primarily used in cylinder blocks and heads, for passenger vehicles, commercial vehicles and industrial power applications. SinterCast AB (publ) is the Parent Company of the SinterCast Group.

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 possibility to raise questions and to vote on the proposals distributed prior to the meeting. The shareholders shall be given the possibility to exercise their ownership role in an active, well-informed manner. All shares represented at the AGM have the same voting rights.

In SinterCast the meeting is, by tradition, held during May each year, at which the Board of Directors present the Annual Report and Auditor's Report for the Parent Company and the Group. Traditionally, the Managing Director informs the AGM of the Group's development and financial position.

According to the Articles of Association, the Board of Directors is elected annually at the AGM and the Directors' mandate shall last until the conclusion of the next AGM. The majority of the Directors elected by the AGM are to be independent of the company and its Group Management. A Director's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence of the company or its Group Management. The Nomination Committee is to propose candidates for election to the Board of Directors and the Chairman of the Board, as well as fees and other remuneration to each member of the Board. The AGM elects a Chairman and a Vice-Chairman and decides on the remuneration of the members of the Board of

Directors according to the Nomination Committee proposal, in line with the Swedish Code of Corporate Governance rules.

Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of Directors.

It is 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. The Corporate Governance Report is without any major deviations from the Corporate Governance code, as SinterCast's are compliant with the code.

### 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.

Swedish shareholders hold and control 79.5% (76.3%) of the capital and votes in SinterCast AB. The largest shareholder, Försäkringsbolaget Avanza Pension (Sweden), controlled 11.8% (12.3%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,396 (3,721) shareholders on 31 December 2012. The ten largest, of which four (five) were nominee shareholders, controlled 46.7% (46.3%) of the capital and votes. As of 31 December 2012, the SinterCast Board, management and employees controlled 1.0% (1.0%) of the capital and votes.

### Parent Company Result 2012

The revenue during 2012 amounted to SEK 43.6 million (SEK 46.1 million). The revenue decrease is a result of lower series production and a reduction in Sampling Cup shipments, as predicted at the 2012 AGM, primarily due to reduced demand for exhaust components produced for passenger vehicles in Europe. A new record for revenue from Equipment, SEK 8.7 million (SEK 4.9 million) was established in 2012 including revenue from the System 3000 *Plus* process control system shipped to the Tupy foundry in Saltillo, Mexico, the Teksid System 3000 refurbishment, and two Mini-System 3000 installations sold to Asian foundries. The Operating Result 2012 of SEK -0.3 million (SEK 11.1 million), decreased as a result of lower gross results of SEK 1.9 million, higher operational expenses of SEK 8.1 million, and reduced operational exchange gains in the amount of SEK 1.4 million, reported as other operating income. The higher operational expenses are related to the establishment of new companies in China and Korea, and the recruiting and salary expenses incurred in order to position the company for further growth, as outlined at the 2012 AGM. The Result after tax 2012 amounted to SEK -5.0 million (SEK 14.0 million), decreased as a result of lower Operating Results of SEK 11.4 million and the improved Financial Result of SEK 1.5 million. The remaining difference is SEK 9.1 million, of which SEK -5.4 million was due to the change in the Swedish corporate tax rate from 26.3% to 22%. During 2011 the revaluation of the deferred tax asset amounted to SEK 3.6 million.

## Annual General Meeting (AGM) 2012

The AGM was held on Thursday 24 May 2012, in Stockholm, Sweden. All Members of the Board, the Group Management and the external Auditor were present during the meeting. The AGM was attended by 54 (52) shareholders, in person or by proxy, representing 1,874,212 (1,840,668) votes.

Jan Rynning was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Drew Winter, Editor-in-Chief at WardAuto World magazine and by Dr Steve Dawson, Managing Director. During the presentation, Dr Dawson presented an overview of recent market activities and provided an outlook for SinterCast's potential market development.

The AGM adopted the Annual Report and the consolidated financial statements as of 2011, 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.

During the AGM, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Andrea Fessler, Robert Dover, Laurence Vine-Chatterton and Steve Dawson were re-elected as Board Members. Ulla-Britt Fräjdin-Hellqvist was re-appointed as Chairman. The AGM decided, for the period until the next AGM, that the Board shall receive a total remuneration of SEK 780,000 (SEK 725,000). The remuneration shall be divided between the Chairman SEK 260,000 (SEK 225,000) and the four ordinary Board Members SEK 130,000 (SEK 125,000) each with no remuneration for the Managing Director.

The AGM decided the Nomination Committee to consist of three members and re-elected Torbjörn Nordberg, with the mandate to represent small shareholders and Ulla-Britt Fräjdin-Hellqvist, in her capacity as Chairman of the Board of Directors. Karl-Arne Henriksson was elected as a new member of the Nomination Committee, in the capacity of Chairman.

The Annual General Meeting 2012 decided upon a remuneration policy in respect of group management such that 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. 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. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for other senior executives. 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 senior executives, 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. These principles have been followed during the last year and the Board will propose to the Annual General Meeting 2013 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

## Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, it was confirmed that Ulla-Britt Fräjdin-Hellqvist was re-elected as Chairman of the Board and Aage Figenschou was re-elected as Vice Chairman. The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. Steve Dawson was re-elected Managing Director for SinterCast AB (publ) and President & CEO of the SinterCast Group.

## The Board of Directors

The Board of Directors are presented on page 16. The attendance and independence of the individual Board Members is summarised as follows:

Name	Committees/attendance			
	Independent	Audit	Nomination	Compensation
Ulla-Britt Fräjdin-Hellqvist	Yes	Yes/100%	Yes/100%	Yes/100%
Aage Figenschou	Yes	Yes/100%		Yes/100%
Andrea Fessler	Yes	Yes/ 80%		
Robert Dover	Yes	Yes/100%		
Laurence Vine-Chatterton	Yes	Yes/100%		
Steve Dawson	No	Yes/100%		

## The Board's Establishment of Committees and its Work Nomination Committee

The task of the Nomination Committee is, after consultation with the shareholders, to nominate members for election to the Board, to propose remuneration 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 is to appoint members of the Nomination Committee or to specify how they are to be appointed.

*Nomination Committee prior to the AGM 2012*

The Nomination Committee, elected by the AGM 2011, consisted of Lars Ahlström (Chairman), Torbjörn Nordberg 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, the Nomination Committee proposed to the AGM 2012, re-election of the present Board members. The Nomination Committee proposed that, for the period until the next AGM, the Board should receive the following remuneration: SEK 260,000 for the Chairman; SEK 130,000 for each of the ordinary Board Members; and, no remuneration for the Managing Director.

*Nomination Committee after the AGM 2012*

The Nomination Committee, elected by the AGM 2012, consists of Karl-Arne Henriksson (Chairman), Torbjörn Nordberg and Ulla-Britt Fräjdin-Hellqvist. The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors, Managing Director and Group Management and has provided information regarding the results of the evaluation. The Nomination Committee's proposals are to be presented in the notice of the AGM and on the company's website. The Nomination Committee will also present how it conducted its work and explain its proposals during the AGM. Since the AGM 2012, the Nomination Committee of SinterCast carried out three work meetings and one minuted meeting.

The Nomination Committee can be contacted at the following e-mail address: [nomination.committee@sintercast.com](mailto:nomination.committee@sintercast.com).

*Compensation Committee*

The Board has established 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 him and monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the Group Management.

The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. The Board has established a work programme for the work of the Compensation Committee.

Since the AGM 2012, the Compensation Committee carried out two minuted meetings. The Board was informed and confirmed the Compensation Committee's decisions.

*Audit Committee*

All Board Members sit on the Audit Committee. The Audit Committee has established a separate Review Group. The primary task of the Review Group is to ensure the quality of the Financial Reports.

On behalf of the Board, the responsibility of the Audit Committee is to ensure that the company has adequate internal controls

and formalised routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. The Committee meets regularly with the Auditors during the year to discuss audit reports and audit plans. The Committee also meets with the Auditor in the absence of the Group Management.

The Audit Committee is responsible for the evaluation of the Auditors' work and the Auditors' efficiency, qualifications, fees and independence. The Audit Committee must also assist the Nomination Committee with proposals for potential Auditors, which will be resolved during the Annual General Meeting. 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. Since the AGM 2012, the Audit Committee of SinterCast carried out four minuted meetings.

**External Auditor**

At the AGM 2010, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor until the AGM 2014. Anna-Carin Bjelkeby was appointed as Auditor in charge by Öhrlings PricewaterhouseCoopers. The Auditor in charge has had three Auditors assisting in the audit work during the year. The audit follows an audit schedule agreed with the Audit Committee.

Prior to the AGM 2012, in conjunction with the Annual Report 2011 approval, the Auditor met with the Audit Committee where the Auditor reported its examination of the company's annual accounts and accounting practices and reported its observations directly to the Audit Committee. The Auditor provided a presentation of the Audit Plan for 2012 during the May Audit Committee meeting and met with the Board of Directors at the May Board meeting where the Auditor reported its observations directly to the Board of Directors without the presence of the Group Management. The Auditor has examined the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company and the Auditor presented the annual Audit Report at the AGM. 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 shall be discharged from liability. The Auditor provided a follow-up of the Audit Plan for 2012 during the November Audit Committee meeting and gave audit feedback on the Interim Report July-September 2012 and presented the results from the audit that was conducted during the third quarter of 2012.

**Chairman of the Board**

The Chairman directs the Board's activities and promotes the overall efficiency of the Board. The Chairman ensures that the Board's activities are conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensures that the resolutions of the Board are implemented. The Chairman also ensures that the Board Members receive any necessary training and is responsible for evaluating the Board's activities and sharing the evaluations with the Nomination Committee. The Chairman proposes the

agenda for Board meetings in consultation with the Managing Director. The Chairman has regular communication with the Managing Director, relays opinions from the shareholders to other Board Members and acts as spokesperson on behalf of the Board.

### Board Meetings

During 2012, the Board of Directors of SinterCast carried out eight minuted meetings. In connection with every quarterly report, the Managing Director presents the market and financial outlook and reports on operations and important current events. In addition, the Managing Director provides the Board with monthly reports on significant events and financial summary information. 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 Board of Directors and, risk assessment. Individual Board members also assisted the Group Management in various strategic and operational matters.

There were no material transactions between the company and any of the Board Members during the year with the exception of ordinary board fee's and remunerations.

### Work Programme

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 Board's work on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board is to receive information and documentation for its work so as 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.

### Managing Director and Group Management

SinterCast's Board has appointed a Managing Director who is responsible for the day-to-day management of the company in accordance with the Board of Directors' instructions and guidelines. The Managing Director assists the Chairman with the Board Meeting preparations and distributes information according to the Work Programme to be decided upon by the Board. The Managing Director has established, as the President & CEO for the SinterCast Group, the Group Management team including the Operations Director and the Finance Director.

### 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 formalised routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. SinterCast complies with the extended rules and has implemented the code in full.

The Board of Directors hereby submits its report on internal control of financial reporting.

The Auditor has reviewed the Corporate Governance Report.

## The Board of Directors' Report on Internal Control of Financial Reporting for the Financial Year 2012

### Introduction

According to the Swedish Companies Act and the Swedish Code of Corporate Governance the Board of Directors' are responsible for the internal control of the company. This report is limited to the internal control regarding financial reporting.

### Description

#### *Control Environment*

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 provide a framework for how different types of risks shall be managed. The objective of this policy is to maintain a low risk profile. Operational risks have been discussed and evaluated during each Board Meeting. 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.

### Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during each Board Meeting. 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 interim reports. All financial reports are published on the website after having first been sent to 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.

### Statement

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.

Stockholm 5 April 2013

Ulla-Britt Fräjdin-Hellqvist  
Chairman of the Board

Aage Figenschou  
Vice Chairman of the Board

Andrea Fessler  
Member of the Board

Robert Dover  
Member of the Board

Laurence Vine-Chatterton  
Member of the Board

Steve Dawson  
Member of the Board & Managing  
Director



## **Auditor's report on the Corporate Governance Statement**

To the annual meeting of the shareholders of SinterCast AB (publ.), corporate identity number 556233-6494.

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2012 on pages 47-51 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement 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 Statement 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.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 5 April 2013

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby

Authorized Public Accountant

## Historical Summary – Group

Amounts in SEK million	2012	2011	2010	2009	2008
<b>Profit and Loss accounts</b>					
Revenue	45.9	49.0	39.4	20.0	24.8
Operating result	1.0	11.6	7.2	-6.3	-5.7
Financial net	1.0	-0.5	1.3	0.9	0.3
Tax	-5.7	3.4	8.0	2.7	18.5
<b>Result for the year for parent company shareholders</b>	<b>-3.7</b>	<b>14.5</b>	<b>16.5</b>	<b>-2.7</b>	<b>13.1</b>
<b>Cashflow analysis</b>					
Cashflow from operations before change in working capital	3.5	13.4	10.4	-3.2	-3.3
Change in working capital	-2.2	1.1	-7.4	-1.7	-3.7
<b>Cashflow from operations</b>	<b>1.3</b>	<b>14.5</b>	<b>3.0</b>	<b>-4.9</b>	<b>-7.0</b>
Cashflow from investments	-1.6	-0.4	-0.5	-0.6	-0.3
Cashflow from financial operations	-11.9	-6.8	13.0	21.3	–
<b>Change in cash position</b>	<b>-12.2</b>	<b>7.3</b>	<b>15.5</b>	<b>15.8</b>	<b>-7.3</b>
<b>Balance sheet</b>					
<b>Assets</b>					
Fixed assets	31.5	35.6	32.4	24.8	22.3
Current assets	16.1	16.7	19.0	9.6	9.4
Cash and bank deposits	35.4	47.6	40.3	24.8	9.0
<b>Total assets</b>	<b>83.0</b>	<b>99.9</b>	<b>91.7</b>	<b>59.2</b>	<b>40.7</b>
<b>Total shareholders' equity</b>	<b>77.9</b>	<b>93.2</b>	<b>81.3</b>	<b>50.5</b>	<b>34.1</b>
Long-term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	5.1	6.7	10.4	8.7	6.6
<b>Total shareholders' equity and liabilities</b>	<b>83.0</b>	<b>99.9</b>	<b>91.7</b>	<b>59.2</b>	<b>40.7</b>
<b>Key ratios</b>					
Solidity, %	93.9	93.3	88.7	85.3	83.8
Adjusted shareholders' equity	77.9	93.2	81.3	50.5	34.1
Capital employed	77.9	93.2	84.3	53.5	34.1
Total assets	83.0	99.9	91.7	59.2	40.7
Return on shareholders' equity, %	-4.3	16.6	25.0	-6.4	48.4
Return on capital employed, %	-4.3	16.4	24.3	-5.6	50.0
Return on total assets, %	-4.0	15.2	22.2	-4.1	66.5
Debt-to-equity ratio	–	–	0.0	–	–
Dividend per share, SEK	1.7	0.5	–	–	–
Cashflow from operations/share, SEK	0.2	2.1	0.5	-0.8	-1.3
Operating margin %	2.2	23.7	18.3	-31.5	-23.0
<b>Employees</b>					
Number of employees at the end of the period	19	17	13	13	15
Average number of employees	20	16	13	13	16

Definition of key ratios can be found in Note 28.

## SinterCast Share

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.

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 2012 was SEK 6,975,653 (SEK 6,975,653 at 31 December 2011) at par value of SEK 1 per share.

During 2009, a new issue of 925,483 shares and 925,483 share warrants with pre-emption rights for existing Shareholders was approved. Following successful completion of the share issue in September 2009, the number of shares increased to 6,478,383 shares. During October 2010, the exercise of the attached warrants increased the number of shares by 452,270, resulting in a new total number of SinterCast shares of 6,930,653. Likewise, the share capital increased by SEK 452,270 to a total of SEK 6,930,653, at par value of SEK 1 per share. During December 2010, the exercise of the employee stock options increased the number of shares by 45,000, resulting in a new total number of SinterCast shares of 6,975,653. Likewise, the share capital increased by SEK 45,000 to a total of SEK 6,975,653, at par value of SEK 1 per share.

SinterCast had 3,396 (3,721) shareholders on 31 December 2012. The ten largest, of which four were nominee shareholders, controlled 46.7% (46.3%) of the capital and votes.

As of 31 December 2012, the SinterCast Board, management and employees controlled 1.0% (1.0%).

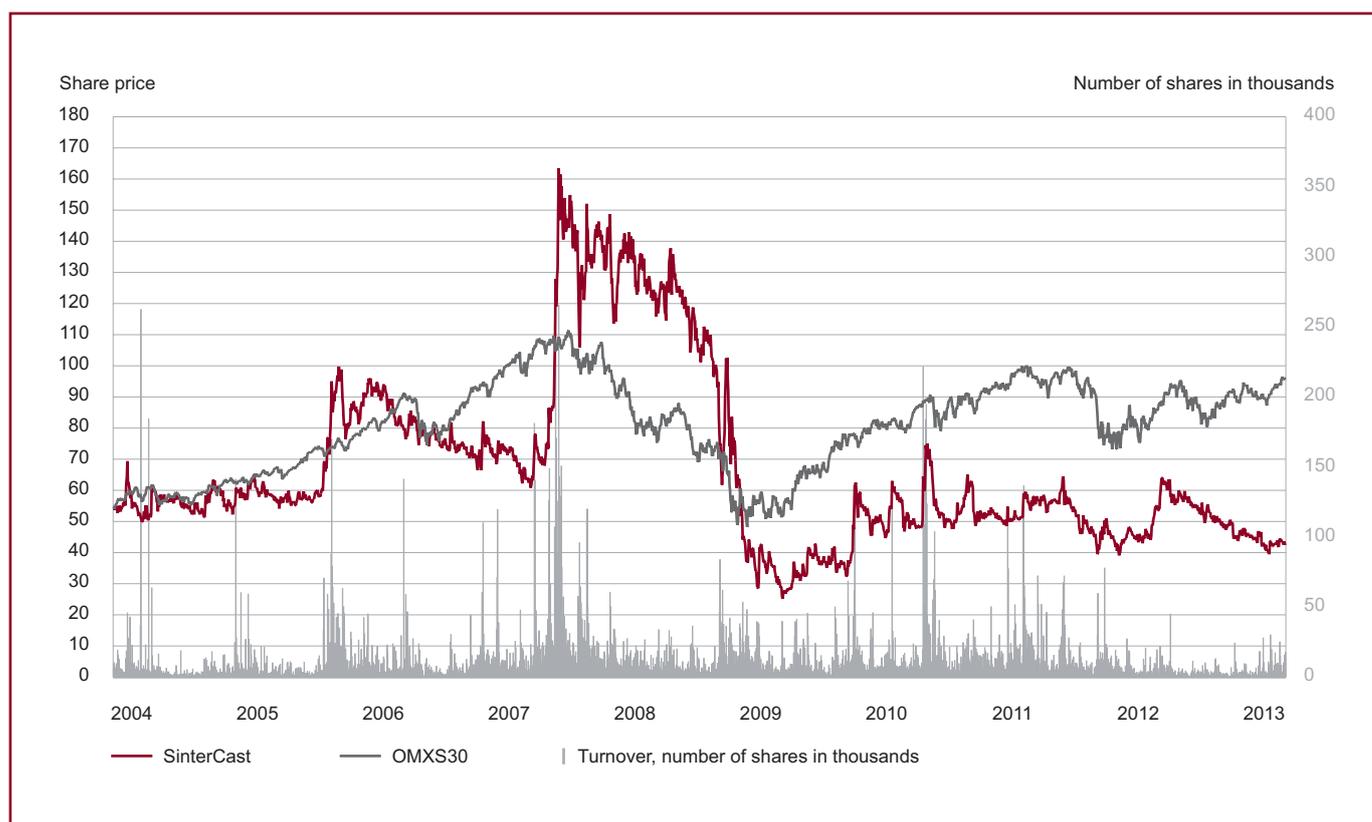
## Major Shareholders per 31 December 2012

	Country	No. of Share holders	No. of Shares 31 December 2012	% of Total Share Capital and Votes
Försäkringsbolaget Avanza Pension*	SE		821,265	11.8%
UBS AG Clients Account*	CH		796,471	11.4%
Nordnet Pensionsförsäkring AB*	SE		596,416	8.5%
Ahlström, Lars incl. affiliates	SE		477,205	6.8%
Hagman, Bertil	SE		115,341	1.7%
Brandels, Jan Olof	SE		102,375	1.5%
Gustavsson, Torbjörn	SE		96,052	1.4%
Netfonds ASA, NQI*	NO		95,502	1.4%
Ingelman, Carl-Gustaf	SE		80,000	1.1%
EC Askers Invest AB	SE		77,333	1.1%
<b>Subtotal</b>		<b>10</b>	<b>3,257,960</b>	<b>46.7%</b>
Other shareholders approx.		3,386	3,717,693	53.3%
<b>TOTAL</b>		<b>3,396</b>	<b>6,975,653</b>	<b>100.0%</b>
Total foreign shareholders		138	1,428,588	20.5%
Total Swedish shareholders		3,258	5,547,065	79.5%

\*Nominee shareholder

## Distribution of Share Ownership 31 December 2012

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,425	71.4%	379,023	5.4%
501-10,000	896	26.4%	1,838,355	26.3%
10,001-20,000	35	1.0%	508,834	7.4%
Above 20,000	40	1.2%	4,249,441	60.9%
<b>Total</b>	<b>3,396</b>	<b>100.0%</b>	<b>6,975,653</b>	<b>100.0%</b>



## Share Data

	2012	2011	2010	2009	2008
Number of shares at the end of the period	<b>6,975,653</b>	6,975,653	6,975,653	6,478,383	5,552,900
Average number of shares during the period	<b>6,975,653</b>	6,975,653	6,574,481	5,815,120	5,552,900
Average number of shares during the period adjusted for outstanding warrants <sup>1</sup>	<b>6,975,653</b>	6,975,653	6,574,481	–	–
EPS average number of shares, SEK <sup>2</sup>	<b>-0.5</b>	2.1	2.5	-0.5	2.4
EPS average number of shares adjusted for outstanding warrants, SEK <sup>2</sup>	<b>-0.5</b>	2.1	2.5	–	–
Adjusted equity per share, SEK <sup>3</sup>	<b>11.2</b>	13.4	12.4	8.7	6.1
Adjusted equity per share adjusted for outstanding warrants, SEK <sup>3</sup>	<b>11.2</b>	13.4	12.4	–	–
Dividends, SEK	<b>1.7</b>	0.5	–	–	–
Share price at the end of the period, SEK	<b>43.8</b>	45.0	51.3	50.5	32.5
Highest share price during the period, SEK	<b>66.0</b>	66.5	75.0	60.0	150.5
Lowest share price during the period, SEK	<b>39.0</b>	35.0	46.8	28.9	30.0
Number of shareholders	<b>3,396</b>	3,721	3,841	3,748	3,686
Non-Swedish shareholdings, % of share capital	<b>20</b>	24	22	27	31
Swedish shareholdings, % of share capital	<b>80</b>	76	78	73	69
Market value, MSEK	<b>305.5</b>	313.9	357.5	327.2	180.5

### Notes:

1 Calculated as per the recommendations of the IAS 33

2 Net result divided by the average number of shares

3 Adjusted shareholders' equity divided by the average number of shares

For definitions see Note 28

## Important Dates

### Annual General Meeting

The Annual General Meeting 2013 will be held at 15:00 on 15 May 2013 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

### Information

The Interim Report January-March 2013 will be published on 24 April 2013.

The Interim Report April-June 2013 will be published on 21 August 2013.

The Interim Report July-September 2013 will be published on 6 November 2013.

The Interim Report October-December and Full Year Results 2013 will be published on 26 February 2014.

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In consideration of cost-efficiency and environmental concern, the Annual Report 2012 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2012 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. Interim Reports and the Annual Report can be obtained by contacting SinterCast AB (publ), or at the SinterCast website:

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