SinterCast

Annual Report 2011

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Notes: This document is an unofficial translation of the official Swedish Annual Report
Pages 15–53 conform to IFRS (International Financial Reporting Standards)

Status Report 2011

- Series production increased by 29% to 1.55 million Engine Equivalents (77,500 tonnes)
- More than 2.7 million castings produced in 2011 and more than 50 components in series production
- Record six new installations during 2011, in China, Japan, Korea (2) and USA (2)
- Ongoing production in 17 foundries located in 10 countries and supported in 9 languages
- SinterCast-CGI cylinder blocks available in 31 passenger vehicles and 13 car brands
- SinterCast-CGI cylinder blocks and heads available in 13 commercial vehicle engines and 6 brands
- Series Production for 8 of the world's top 10 passenger car manufacturers
- Fourth consecutive year with Customer Quality feedback rating in excess of 96%

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 engine cylinder blocks and heads used in passenger vehicles, 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, bedplates and clutch components.

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 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. In parallel, SinterCast will build on its technical expertise in thermal analysis and cast iron process control to investigate the development of new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the Company for its shareholders. As a technology led Company, SinterCast will grow and prosper by earning the respect of its customers.

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 approximately 800 tonnes of CO_2 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_2 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 full System 3000 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:** 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 a 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 rates, is summarised in the following table:

Wave 1 V-Diesels in Europe	Annualised year-end production: 290,000 Engine Equivalents (14,500 tonnes) Series production for: Audi, Chrysler, Jaguar Land Rover, Jeep, Lancia, PSA Peugeot-Citroën, Porsche, Volkswagen SinterCast-CGI Components: Four different cylinder blocks (3.0-4.2 Litres) Outlook: Stable contribution as European V-diesel vehicle sector continues to perform well
Wave 2 Commercial Vehicles	Annualised year-end production: 555,000 Engine Equivalents (27,750 tonnes) Series production for: DAF, Ford-Otosan, Hyundai, Navistar, MAN and Scania SinterCast-CGI Components: Eleven cylinder blocks and five cylinder heads (3.9-16.4 Litres) Outlook: Near-term and long-term global growth opportunity
Wave 3 In-Line Diesels	Current status: Limited product development underway Outlook: Long-term potential depends on performance demands, downsizing and emissions requirements Potential for initial programme decisions in the near-term (<5 year) period
Wave 4 V-Diesels Beyond Europe	Annualised year-end production: 510,000 Engine Equivalents (25,500 tonnes) Series production for: Ford, Hyundai, Kia SinterCast-CGI Components: Three different cylinder blocks (2.7-6.7 Litres) Outlook: Rate of growth depends primarily on diesel acceptance in North America
Wave 5 Petrol Engines	Current status: Product development underway in parallel with downsizing Considerable motorsport experience, including Dodge, Ford, GM and Toyota NASCAR teams Outlook: Potential application for highly charged and/or direct injection petrol or ethanol engines Potential for initial programme decisions in the near-term (<5 year) period

Other Growth Opportunities

Automotive – Non Block & Head	Annualised year-end production: 155,000 Engine Equivalents (7,750 tonnes) Series production for: Audi, Chrysler, Ford, Jeep, Lancia, Renault and Volkswagen SinterCast-CGI Components: Exhaust manifolds, turbocharger housings, bedplates and clutch components Outlook: Growth opportunity, including new installations
Industrial Power	Annualised year-end production: 40,000 Engine Equivalents (2,000 tonnes) Series Production for: Cameron Compression, Federal Mogul, General Electric, Rolls-Royce, Volvo and Waukesha Engine SinterCast-CGI components: Available in marine, locomotive and stationary power generating applications Outlook: Near-term and long-term global growth opportunity

CEO Message

Even if it is said that a picture can tell a thousand words, the growth plot shown at the bottom of this page only tells a fraction of the story. In all of the ways that we measure ourselves, 2011 set new milestones for SinterCast.

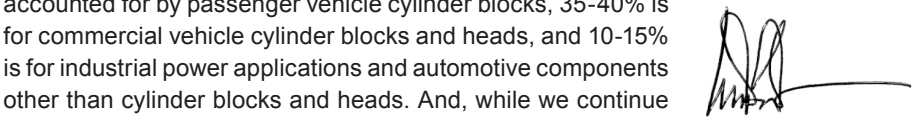
With the final results for 2011, we posted our twelfth consecutive quarter of positive growth and established a record high annualised production rate of 1.55 million Engine Equivalents, providing 29% year-on-year growth. The growth has been primarily driven by new high-volume series production programmes, with approximately two-thirds of the current volume derived from components that began production after the onset of the economic downturn in 3Q08. In addition to the new programmes, the growth has also been buoyed by the overall recovery in the market, with North American sales leading the way and European V-diesel sales remaining strong and stable.

The foundation for further growth was also reinforced during 2011. First, the successful reference provided by our CGI engines continued to increase awareness and confidence throughout the industry, setting new benchmarks for performance, fuel economy and durability. In many ways, the automotive industry is an industry of followers, and the success of CGI engines on the road has become SinterCast's strongest sales message. The other key achievement that broadened our foundation during 2011 was the addition of six new installations, exceeding the target set in November 2010. Two of the new installations – at Daedong in Korea and PurePOWER in the US – are in the commercial vehicle sector and are already contributing to the production totals; one of the installations – at FAW in China – is supporting product development for automotive applications; and, three of the installations – at Daeshin in Korea, Mid-City in the USA, and Toa Koki in Japan – increase our ability to grow in the industrial power sector. Overall, the SinterCast platform is well balanced, both in terms of the geographical split, where we support series production every day in North America, South America, Europe and Asia, and in terms of our diverse market applications. Approximately 50-55% of our production is accounted for by passenger vehicle cylinder blocks, 35-40% is for commercial vehicle cylinder blocks and heads, and 10-15% is for industrial power applications and automotive components other than cylinder blocks and heads. And, while we continue to focus entirely on CGI in the market, we presented our new development for ductile iron process control during 2011 at the GIFA World Foundry Trade Fair and have already begun field trials. While we need to await the outcome of field trials during 2012, the ductile iron development provides further opportunities for diversification and growth.

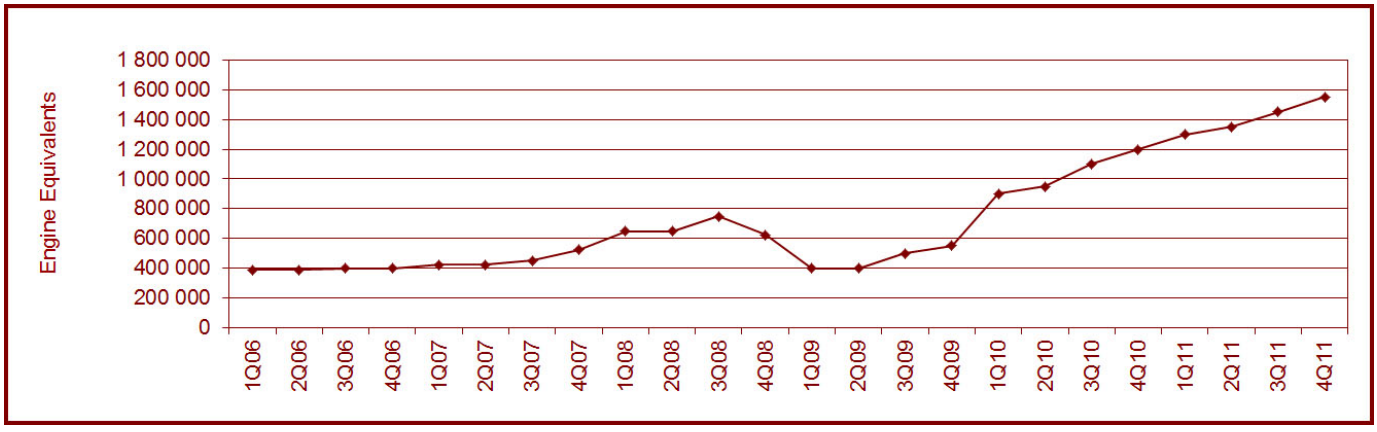
Beyond record production, record installations and record revenue, the strong liquidity and positive cashflow from operations led to SinterCast's first ever dividend, marking a new era for the Company. These record results allow us to become more pro-active in the market, recruiting new engineers and developing new sales and marketing resources. These extra resources are a critical part of growing the business, particularly in our efforts to develop the Asian market, where there is no substitute for boots on the ground.

Looking ahead, 2012 is an equally important year for SinterCast. We will strengthen our focus on Asia and seek new installation opportunities to broaden our production base. We will build on our record year of 97% Customer Satisfaction to ensure that we maintain class-leading technical support. We will continue with technical trials and market discussions in support of the ductile iron development. We will continue to promote new applications for CGI around the world and we will support the need for technology-neutral legislation. We are confident that the internal combustion engine will remain the dominant powertrain technology well-beyond 2025 and, given a level playing field, we are confident that diesel technology will play an increasingly important role.

Beyond SinterCast's many achievements, 2011 also provided a milestone for me personally. On 25 November, I celebrated 20 years in SinterCast – a testimony to the fascination of our technology and the industry that we work in; to the opportunity to learn, the adrenaline associated with each new challenge, and the sense of satisfaction for achievements in the field; to own a car with a SinterCast engine and to see so many others on the road; to the camaraderie of customers who have become friends and the support and loyalty of colleagues who selflessly keep the wheels turning; and above all, to the motivation provided by all of the stakeholders who have believed in the contribution that SinterCast could make. My thanks to those who have made these first 20 years possible.



Dr Steve Dawson
President & CEO



SinterCast has enjoyed twelve consecutive quarters of growth, building on new series production launches and market recovery.

Market Development

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 in which the engines are used. 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 large 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, bedplates and clutch components. These latter activities are viewed separately from the Five 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:

	Annualised Year-end Production (thousands of engine equivalents)			
SinterCast Wave	**2011**	**2010**	**2009**	**2008**
1. V-Diesels in Europe	290	265	195	280
2. Commercial Vehicles	555	370	105	235
3. In-Line Diesels	0	0	0	0
4. V-Diesels Beyond Europe	510	360	140	70
5. Petrol Engines	0	0	0	0
Automotive Non Block & Head	155	155	100	0
Industrial Power	40	50	10	40
Total:	**1,550**	**1,200**	**550**	**625**

Production of V-diesel engines for the European passenger vehicle market (Wave 1) increased by almost 10% during 2011, indicating that the wider concerns regarding the Eurozone economy have not yet impacted production in this sector. This reflects vehicle sales patterns during 2011 which show that the bulk of the decline in European new car sales was due to reduced demand for small vehicles in the south of Europe. At year-end, the Audi 3.0 litre V6 and the Ford 3.0 litre V6, which are the main contributors in this wave, continued to post stable production while the VM Motori 3.0 litre V6 began to ramp-up and contribute to the total volume by providing engines for the Jeep Grand Cherokee, the Chrysler 300 and the Lancia Thema.

Series production of commercial vehicle cylinder blocks and heads (Wave 2) has grown more than any other wave over the last five years and now constitutes approximately one-third of the total volume. Although the European outlook for commercial vehicle sales indicates a decline in 2012 and 2013, there is an opportunity for growth in SinterCast's European deliveries due to increases in customer foundry capacity and ramp up planning of some of the programmes that SinterCast is supporting. In contrast to the overall European market outlook, commercial vehicle demand in Asia and the Americas remains strong and provides continued growth opportunities.

The fourth wave, passenger vehicle V-diesels beyond Europe, has grown significantly since the North American launch of the Ford 6.7 litre V8 diesel engine in September 2009. The Ford V8 continues to be SinterCast's highest volume production programme and is expected to continue contributing with similar volumes. Further growth in the fourth wave requires new production commitments for vehicles with diesel engines, such as Chrysler's announcement of the diesel Jeep Grand Cherokee in North America in 2013 which provides an opportunity for increased volume of the VM Motori V6. Although significant progress has been made with diesel awareness and market penetration in North America, and the diesel option consistently outsells the hybrid option when vehicles offer both powertrains, the future development of the diesel engine will likely be influenced by the EPA emissions proposals for 2017-25. The EPA proposals are currently under review and are expected to be finalised during 2012.

In addition to the first, second and fourth waves, the trends toward downsizing and turbocharging provide opportunities for CGI in the third and fifth waves – in-line diesels and petrol engines. SinterCast continues to support product development and to promote the merits of CGI compared to conventional grey cast iron and aluminium in these applications, and production commitments can be realised as the overall awareness of CGI continues to grow.

Beyond the five waves related to the core cylinder block and head market, the ongoing production of exhaust components, clutch components, and large engine castings for the industrial power sector accounts for approximately 10~15% of SinterCast's total production volume. The production of exhaust and clutch components grew since 2008, however, the production in this sector stabilised during 2011. As all of the exhaust and clutch components produced in this category are used in European passenger vehicles, and mostly in small vehicles, the stabilisation may be due to the reduced sales volume in the European small car sector.

The production of industrial power components has been relatively stagnant since 2008, caused primarily by the reduced demand for locomotive engines in North America. However, the new installations at the Daeshin foundry in Korea, the Mid-City foundry in the USA and at the Toa Koki foundry in Japan provide new opportunities for product development and series production in the industrial power sector. As the core automotive cylinder block and head production continues to grow, it is expected that the production of industrial power components and automotive components other than cylinder blocks and heads will continue to contribute approximately 10-15% of SinterCast´s volume.

Market Penetration

The current global market demand for V-type diesel engines in passenger vehicles is approximately 750,000 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 1.5 million Engine Equivalents per year. Accordingly, the total current production of 800,000 Engine Equivalents in the first and third 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 this 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 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 estimated at approximately 13 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 555,000 Engine Equivalents in the second wave corresponds to a penetration of approximately 15% of the combined European and North American market, and approximately 5% of the global market. The penetration in both the passenger vehicle V-diesel sector and the commercial vehicle sector provides a strong and credible reference for the robustness of the SinterCast technology and, particularly in the commercial vehicle sector, provides significant growth opportunities within the core market.

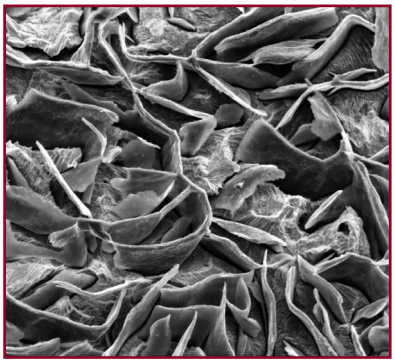
Within the foundry sector, SinterCast has secured installations with leading foundries in North America, South America, Europe and Asia. In addition to SinterCast's own efforts to promote CGI, its foundry partners also serve as sales channels, promoting CGI and competing for new series production programmes. The extension of SinterCast's global foundry footprint through new installations therefore remains an important element of SinterCast's growth – both in terms of increased sales activity, production opportunities, and up-front revenue generation. 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 as the most reliable and cost-effective solution for the production of high quality CGI.

Alternative Vehicle Technologies

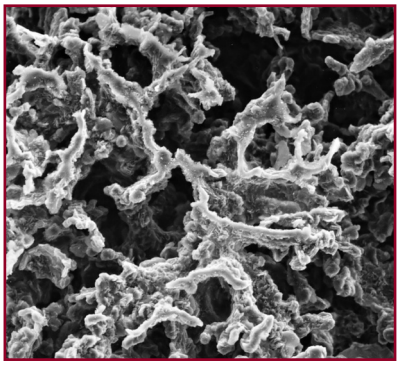
New vehicle technologies, particularly hybrid and electric drive vehicles, dominate the media attention and will continue to grow in popularity. However, these technologies still have limited penetration in the overall market, with hybrid vehicles accounting for less than 3% of US sales and less than 1% of European sales during 2011. Most forecasts predict less than 10% penetration in both markets by 2020. Other technologies, such as plug-in electric vehicles, hydrogen or natural gas fuelled vehicles remain in relative infancy and will not affect the market mix for the foreseeable future. Biofuels do not affect SinterCast in either direction, as biofuels can equally be used in engines with CGI cylinder blocks and heads. Accordingly, 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.

New Product Development

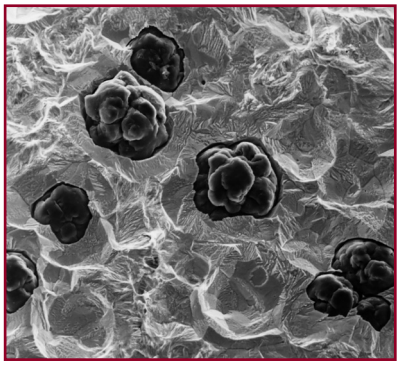
Building on its expertise in thermal analysis and cast iron process control, SinterCast initiated an internal development project to evaluate the application of its technology to the control of ductile iron. Ductile iron is a form of cast iron where the graphite particles are present in the form of spheres rather than as 'worms' as in CGI, or as flakes as in grey iron. The transformation from 'worms' to spheres is primarily achieved by increasing the magnesium content of the iron from approximately 0.010-0.015% Mg for CGI to 0.035-0.055% Mg for ductile iron. The main application for ductile iron is in components that require high strength, ranging from relatively small components such as suspension parts in passenger vehicles to very large components such as windmill hubs. During 2011, approximately 23 million tonnes of ductile iron were produced worldwide. While much of this production is for standard low-cost components, SinterCast believes that there is a need for improved process control and production efficiency at the upper end of the product range. Following the introduction of SinterCast's ductile iron product development at the GIFA world foundry trade fair in June 2011, the field trial phase began during early 2012. The objective of the field trials is to demonstrate the technology and to collect production data to refine and validate the correlations established during the initial development phase. The field trial phase is expected to continue throughout 2012 before a final decision can be made regarding the launch of a commercial product. The ductile iron technology is intended to provide a net cost-benefit by reducing magnesium consumption, improving mould yield, reducing casting defects and improving machinability.



Grey Iron



Compacted Graphite Iron



Ductile iron

SinterCast and the Environment

SinterCast benefits the environment directly and indirectly. In the foundry industry, improving the efficiency of the CGI casting process provides energy savings and reduced CO_2 emissions. In the automotive industry, CGI enables the production of more efficient engines, thus improving fuel economy and reducing CO_2 emissions.

As cast iron changes from liquid to solid, the volume of iron contracts or shrinks. In some areas of the casting, particularly where thin and thick sections are in direct contact, this contraction can result in internal shrinkage porosity. In order to combat the shrinkage, foundry engineers place 'feeders' in the mould. These feeders provide small reservoirs of liquid metal that the casting draws upon as it solidifies and contracts. A typical 50 kg cast iron cylinder block may need as much as 25 additional kilograms to fill the pouring channels and the feeders, resulting in a mould yield of 67%. Based on SinterCast's ability to accurately control the CGI composition in the optimum casting range, with consistently low magnesium levels, it is possible for SinterCast's foundry customers to use less feeding.

Assuming that the SinterCast technology can enable a foundry to improve the mould yield by 3%, this corresponds to 3.2 kg of iron 'saved' for each 50 kg Engine Equivalent. The energy required to melt cast iron is approximately 10,000 MJ/tonne, or equivalently 500 MJ for each Engine Equivalent. Accordingly, the 3.2 kg improvement in mould yield provides an energy saving of 32 MJ for each Engine Equivalent. Put into context, each litre of petrol provides an energy content of 34 MJ/litre. Thus, if SinterCast's process control provides a yield improvement of just 3%, the production of every one million SinterCast-CGI Engine Equivalents can provide an energy saving equal to approximately 1,000,000 litres of petrol – approximately 2,500 tonnes of CO_2. Likewise, a 3% reduction in foundry scrap rates achieved through improved process control will provide similar energy and CO_2 savings. SinterCast's main contribution to the environment is process efficiency, helping the foundry to be right-first-time.

In the automobile industry, weight has a direct impact on fuel consumption in automobiles. For passenger vehicles, every 100 kg of weight reduction is known to provide fuel savings of 0.5 litres for each 100 km driven. The use of SinterCast-CGI typically reduces the weight of a fully assembled engine by approximately 10%. Therefore, for a 3.0 litre engine, the total weight reduction of approximately 20 kg will directly contribute to the saving of approximately 250 litres of diesel fuel over the 250,000 km lifetime of the vehicle, or more than 65,000 tonnes of CO_2 reduction for every 100,000 vehicles.

The higher strength of CGI also enables diesel engines to operate at higher temperatures and pressures, ultimately resulting in smaller and more efficient engines that emit less CO_2. On average SinterCast-CGI diesel engines emit 20-25% less CO_2 emissions than the nearest available petrol engine alternatives.

The correlation between weight and fuel economy is particularly important in commercial vehicles, where every 500 kg of weight saving improves fuel economy by 0.5%. These statistics can be applied to the example of the Navistar 13 litre MaxxForce™ engine based on a SinterCast-CGI cylinder block that provides a 100 kg weight saving compared to similarly powered engines available in the market. For an assumed fuel consumption of 40 litres/100 km, the 100 kg weight saving corresponds to a saving of 0.04 litres for every 100 km driven. For a fleet of 100 trucks, each hauling 250,000 km/year, the 100 kg weight saving corresponds to a fuel saving of approximately 10,000 litres of diesel fuel per year – more than 25 tonnes of CO_2 per year for the 100 vehicle fleet.

CGI also provides environmental advantages compared to aluminium. As stated earlier, the electrical energy required to melt iron is 10,000 MJ/tonne. In contrast, approximately 90,000 MJ of energy is required to melt one tonne of aluminium. In order to provide a net energy benefit to society, the reduced weight of the aluminium engines must provide petrol savings that exceed the energy consumed in the foundry. Based on the fuel savings of 0.5 litres for each 100 km driven and 100 kg of weight saved, and the 34 MJ/litre energy content of petrol, it can easily be shown that a typical 4-cylinder aluminium engine, weighing 5 kg less than a similar iron engine, must drive approximately 250,000 km before the initial energy penalty is recovered. For the average driver, this corresponds to more than ten years of driving. And of course, if the CGI engine is lighter than the aluminium engine – as in the comparison between the Audi CGI and Mercedes aluminium V6 and V8 engines in the market today – the entire aluminium weight reduction argument becomes moot.

SinterCast regards improved foundry efficiency and the reduced CO_2 emissions of its CGI diesel engines as an important environmental contribution. SinterCast will continue to support the foundry and automotive industries to promote the development and production of high efficiency production practices and highly efficient CGI engines.

SinterCast Offices and Representation

Global Customer Base

1983

- SinterCast AB founded
- First patent filed

1984–1991

- Fundamental research on the solidification behaviour of CGI
- First technical demonstrations

1992–1995

- Development of first industrial product: System 1000
- Dual marketing toward foundries and automotive OEMs
- Initial experience in Motorsport programmes for motorcycles, cars and trucks
- Introduction to Swedish Stock Exchange, Stockholmsbörsen O-list, 26 April 1993

1996

- First commercial installation of System 1000: Cifunsa, Mexico
- ISO 9001 certification

1997–1998

- Intensified sales and marketing activities
- Development and launch of second generation process control system: System 2000
- Development of high-volume machining solutions with the automotive industry, tooling suppliers, foundries and research institutes

1999

- First production references in the car, truck and industrial power sectors

2000–2001

- Machining solutions for high volume production
- First high-volume production commitment: Ford-PSA 2.7 litre V6
- ISO 9001:2000 Certification

2002

- Strategic partnerships established for design, rapid prototyping, foundry automation and high volume machining

2003

- Start of high-volume CGI production: Ford-PSA 2.7 litre V6 diesel engine

2004

- New System 2000 installations at Grainger & Worrall, Hyundai, Motor Castings and Tupy-Mauá

2005

- Successful pre-production of Hyundai 3.0 litre V6 diesel engine
- Agreement signed for first SinterCast System 2000 installation in China
- New installations at Ashland Casting Solutions and at Ford's Cleveland Casting Plant

2006

- Start of series production of Hyundai 3.0 Litre V6 and Ford of Europe 3.6 litre V8 engine blocks
- Successful pre-production of MAN and Ford-Otosan commercial vehicle engines
- New installations at Dashiang Precision foundry in China and Doosan Infracore foundry in Korea

2007

- Eight new SinterCast-CGI commercial vehicle engines launched
- Year-on-year series production increases by 50%
- First full-year positive cashflow result

2008

- Local representation established in China and India
- High volume series production of exhaust components begins in China

2009

- Development and launch of third generation process control system: System 3000
- Ford begins series production of first CGI passenger vehicle engine in North America
- Luitpoldhütte foundry in Germany adopts the SinterCast Process Control technology
- First-ever SinterCast-CGI trial in India successfully concluded at the DCM foundry

2010

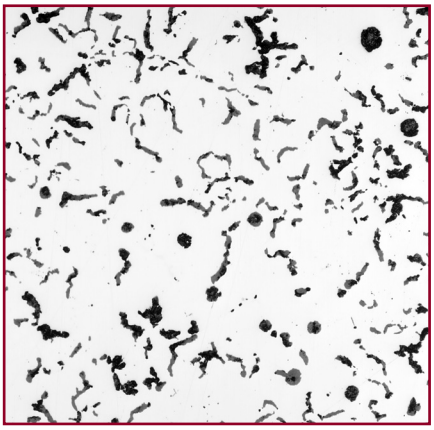
- New installations at FAW and Dashiang Precision in China
- Land Rover, Navistar and VM Motori launch new SinterCast-CGI engines
- First passenger vehicle with CGI-engine on sale in North America
- Series production surpasses one million Engine Equivalent milestone

2011

- Series Production grows to 1.55 million Engine Equivalents
- Record six new installations: Daedong and Daeshin foundries in Korea, FAW Wuxi in China, Toa Koki in Japan, Mid-City Foundry and PurePOWER Technologies in the USA
- Active product development beyond the current V-diesel and commercial vehicle focus

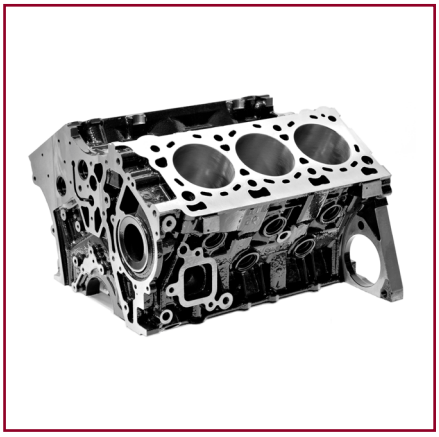
Current Status

- 18 fully automated process control systems and 12 Mini-Systems installed in Europe, Asia and the Americas
- More than 50 components in series production
- More than 2.7 million castings produced in 2011 and 138,200 Sampling Cups shipped
- Series production for passenger vehicle, commercial vehicle and industrial power applications



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 such as marine, locomotive and stationary power generation. 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 therefore lighter. The net result is that fully assembled CGI engines can be the same weight, or even lighter than aluminium engines. For example, the Audi 3.0 litre V6 diesel engine with a CGI cylinder block is approximately 130 mm shorter and 15 kg lighter than the Mercedes 3.0 litre V6 diesel based on an aluminium cylinder block. CGI also allows for 10~20% increased specific performance (kW/litre), 75~100% improved durability, and 5~10% reduced operating noise. The strength and stiffness of CGI allows the engine to satisfy emissions legislation throughout the life of the vehicle. Compared to aluminium, CGI is stronger, creates less CO_2 during production, is more recyclable and less expensive.

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. Where necessary, 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 the Supervisor to allow independent product development and production.

All product calibrations developed using the Mini-System 3000 can be directly transferred to the fully automated System 3000 to provide continuity as products evolve to series production.

Mini-System 3000 Specifications

Foot-print:	1400 x 550 mm
Max Height:	1990 mm
Weight:	190 kg
Power Supply:	110–120V, 50–60Hz, 2kW max. 220–240V, 50–60Hz, 2kW max. Single Phase.
Sampling Rate:	1 sample every 4 minutes

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 two Sampling Modules (SAMs), 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 traceabilty.
- *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)
Power Supply	110–120V, 50–60Hz, 2kW max 220–240V, 50–60Hz, 2kWmax Single Phase
Sampling Rate	1 sample every 4 minutes

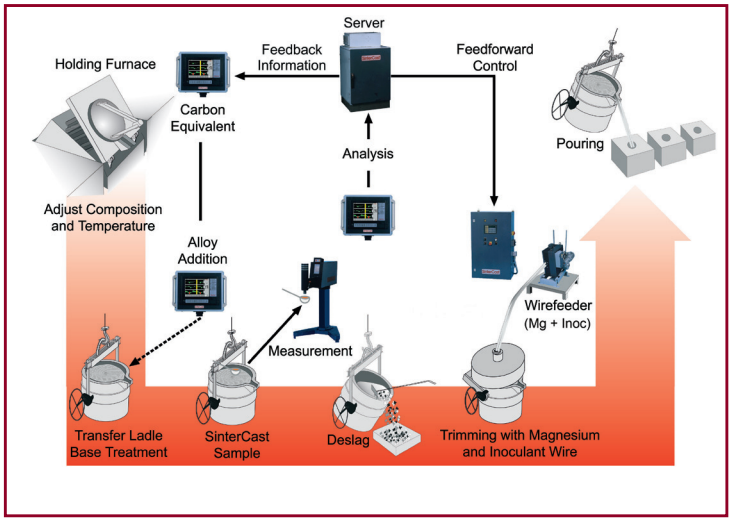
The Complete Wirefeeder, including Wirefeeder Head, Control Cabinet, Operator Box and Signal Lamp Assembly

The SinterCast Process

The process control for ladle production is based on the measurement and feedforward correction of each ladle as it moves through the foundry process. The initial base treatment is intentionally undertreated in order to allow a small and accurate addition of magnesium and inoculant immediately prior to pouring. During series production, the average addition of magnesium in the final correction step is less than 30 grams/tonne. The measure-and-correct strategy prevents the variation that naturally occurs during base treatment from being transferred to the final product, resulting in consistent CGI castings with an optimal CGI microstructure and preventing shrinkage defects.

Process Flow

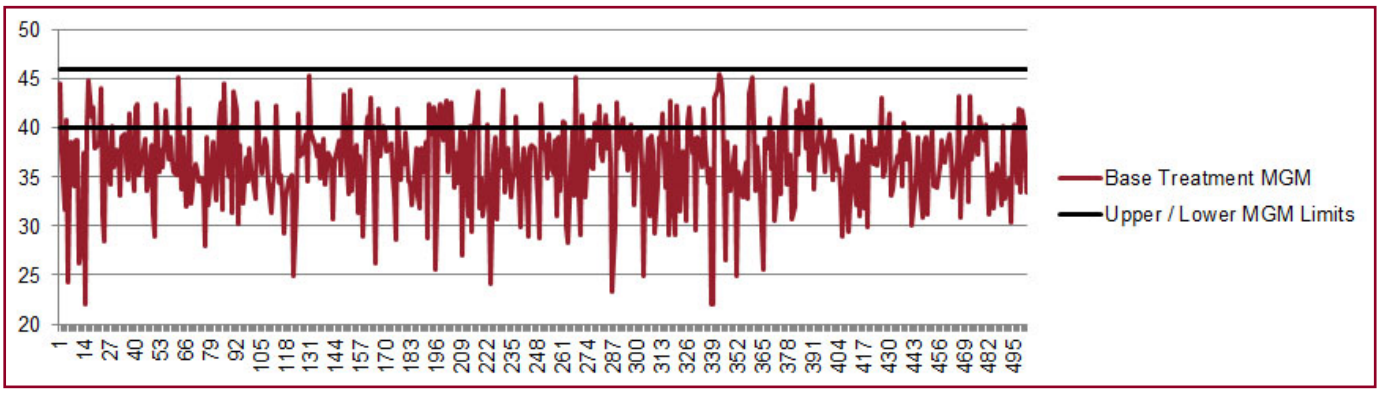
Process flow begins with the thermal analysis of a 200g sample of the magnesium and inoculant treated base iron. The thermal analysis sample is obtained by immersing the patented Sampling Cup into the iron for three seconds. After completion of the thermal analysis, the SinterCast software calculates the necessary amount of corrective magnesium and/or inoculant to produce an optimal CGI microstructure. These additions are automatically added in cored-wire form by the SinterCast Wirefeeder. The ladle is then released for pouring. Further sampling and deslagging are not required. The entire measure-and-correct process requires approximately 3.5 minutes and is conducted in parallel with normal foundry operations, allowing continuous operation of the moulding line. Results from each ladle are also fed back to the base treatment operation to continuously improve process accuracy.The base treatment can also be automatically controlled by a second SinterCast wirefeeder. The addition amounts are calculated based on automatic input of ladle weight, temperature and sulphur content, plus the historical SinterCast results for recovery.



Process control for ladle production

Measure-and-Correct

Despite all good foundry efforts and discipline, variation in the base treatment addition of magnesium and inoculant is inevitable.Regardless of the state of knowledge of the base iron and its history, one-step treatment methods cannot be relied upon to always fall within the narrow CGI window. This is shown below where the magnesium measurement results are plotted for 500 ladles that have been base-treated by Mg-wire. The actual Mg-results (MGM) span from 22 to 46, while the casting specification window ranges from 40 to 46. By evaluating the iron after the magnesium and inoculant base treatment, SinterCast quantifies the actual base treatment result and activates the necessary control actions to optimise the CGI microstructure and provide consistent CGI castings.



Base Treatment Modification results from series production of 500 ladles.

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), Rymdbolaget AB (Swedish Space Corporation), Stiftelsen för Strategisk forskning (The Foundation for Strategic Research - Chairman), Stockholm Environment Institute, Tällberg Foundation
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, Cambridge University IMRC Advisory Board (Chairman) and Hayes Lemmertz
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), Eitzen Chemical ASA, Pareto Worldwide Shipping ASA,
Member of the Board since 1998
No. of shares: 12,748

Laurence Vine-Chatterton
B.A., F.C.A.
Guildford, United Kingdom
Born 1949, Nationality: British
Non-executive director of Surrey and Borders Partnership NHS Trust and Chairman of its Audit Committee
Former President of Intermet 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: 97,500

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 2012.

The SinterCast Management

Steve Wallace
Operations Director
Rejmyre, Sweden
Born 1967
Nationality: British
Employed since 2003
*No. of shares: 4,984
*No. of warrants: 13,000

Steve Dawson
President & CEO
London, United Kingdom
Born 1962, BEng, MASc, PhD, PEng, FIMechE
Nationality: Canadian
Employed since 1991
*No. of shares: 33,750
*No. of warrants: 97,500

Daphner Uhmeier
Finance Director
Rönninge, Sweden
Born 1962, BSc
Nationality: Swedish
Employed since 2004
*No. of shares: 3,659
*No. of warrants: 13,000

*As of 15 March 2012

At the GIFA world foundry trade fair, held 28 June to 2 July 2011 in Düsseldorf, SinterCast introduced a suite of new technology advances to extend the System 3000 functionality, including: automatic control of the base treatment process; foundry data collection and database management; process efficiency benchmarking; improved thermocouple durability; and, automated image analysis according to the ISO 16112 standard for CGI. SinterCast also took the opportunity of GIFA to introduce its technology development for ductile iron process control.

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 2011. SinterCast AB, the parent company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. 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 AB had 3,721 (3,841) shareholders on 31 December 2011. The ten largest, of which five were nominee shareholders, controlled 46.3% (45.9%) of the capital and votes. Swedish shareholders hold and control 76.3% (78.3%) of the capital and votes in SinterCast AB. The largest shareholder, SIX SIS AG (Switzerland), controlled 12.3% (12. 3%) of the capital and votes as a nominee shareholder. As of 31 December 2011, 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 2011 was SEK 6,975,653 (SEK 6,975,653) at par value of SEK 1 per share.

Financial Statements

The following parts of the Annual Report are financial statements: Directors' Report; Income Statement; Cashflow Statement; Balance Sheet and Changes in Equity Capital for both the Consolidated Group and the Parent Company; Accounting policies; the Notes and Corporate Governance Report.

Financial Summary

Revenue

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

Revenue Breakdown	January-December	
Amounts in SEK million if not otherwise stated	**2011**	2010
Number of Sampling Cups shipped	**138,200**	102,650
Equipment[1]	**7.9**	6.8
Series Production[2]	**39.0**	30.9
Engineering Service[3]	**2.0**	1.3
Other	**0.1**	0.4
Total	**49.0**	**39.4**

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 January-December 2011 revenue amounted to SEK 49.0 million (SEK 39.4 million). The revenue increase of 24% represents the combined effect of a 26% increase in series production revenue and a 16% increase in equipment sales. During the period, 138,200 (102,650) Sampling Cups were shipped. The increased revenue related to installations is a result of the fully automated System 3000 installation at the PurePOWER foundry in the USA and to Mini-System 3000 installations at Daeshin in Korea, FAW Wuxi Diesel in China, Mid-City Foundry in the USA and at Toa Koki in Japan. The System 3000 installation at Daedong in Korea was commissioned during January 2011, but accounted for as revenue when it was shipped in December 2010.

Results

The business activities of SinterCast are best reflected by the Operating Result. In contrast, the 'Result for the period' and the 'Result after tax per share' are influenced by the financial income and costs, and by the revaluation of tax assets, as described in the section below entitled "Deferred Tax Asset".

Results Summary	January-December	
Amounts in SEK million if not otherwise stated	**2011**	2010
Operating Result	**11.6**	7.2
Result for the period	**14.5**	16.5
Result after tax per share (SEK)	**2.1**	2.5

The January-December 2011 operating result of SEK 11.6 million (SEK 7.2 million), compared to 2010, was primarily affected by higher gross results of SEK 5.6 million, higher costs of SEK 4.1 million and increased exchange gains on bank holdings, operating receivables, and liabilities of SEK 2.9 million. The cost increase is mainly within the sales & marketing function, as a result of SinterCast's efforts to increase its market presence and to grow the business.

The result after tax for the January-December 2011 period amounted to SEK 14.5 million (SEK 16.5 million), primarily related to the revaluation of the deferred tax asset, accounted as tax income, amounting to SEK 3.6 million (SEK 8.1 million), as described in the section below entitled "Deferred Tax Asset".

Deferred Tax Asset

The estimated future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2011, SEK 125.1 million (SEK 120.4 million) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 32.9 million (SEK 29.3 million) being capitalised as a deferred tax asset. The change in deferred tax asset, accounted as tax income, amounted to SEK 3.6 million (SEK 8.1 million), representing a significant change compared to 2010. The larger increase in 2010 was mainly due to the market recovery following the downturn. The estimated future taxable profit from secure production programs, which is the basis for the calculation, recovered during 2010 from low levels in 2008 and 2009. In contrast, the increase during 2011 was more moderate since the market outlook was more stable compared to the previous year.

Employee Stock Option Programme

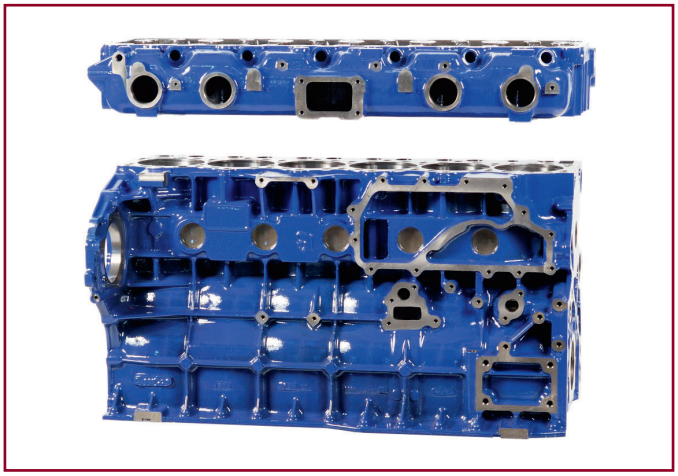
As of 31 December 2011, the cost of the employee stock option programme 2009-2013 was calculated at a total amount of SEK 3.0 million (SEK 3.1 million), based on a closing share price of SEK 45.0 (SEK 51.3). During 2011, SEK 0.7 million (SEK 1.5 million) was accounted for as costs related to the option programme.

The Board of Directors used the authorisation given at the 2011 AGM to compensate the employees in cash instead of exercising the options for 60,000 new shares in the stock market. In consideration of the current market conditions and the daily turnover, coupled with the dilution effects and administrative costs, the Board preferred to follow the AGM authorisation and to compensate the employees in cash for the second tranche of the 2009-2013 option programme. The cash compensation resulted in a cost of SEK 0.3 million, including social contributions. The Board transaction was formally agreed with the employees and concluded on 25 November 2011.

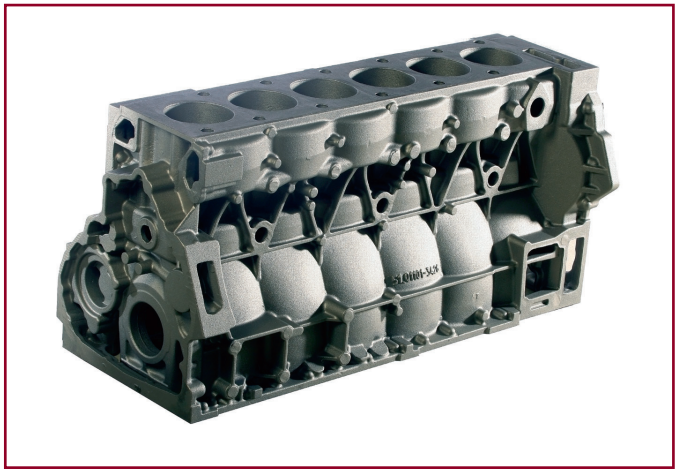
Cashflow, Liquidity and Investments

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 during 2010 and 2011, 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.

Cashflow Summary	**January-December**	
Amounts in SEK million if not otherwise stated	**2011**	2010
Cashflow from operations	**14.5**	3.0
Cashflow from investment activities	**-0.4**	-0.5
Cashflow from financing activities	**-6.8**	13.0
Cashflow total	**7.3**	**15.5**
Liquidity	**47.6**	40.3



The Ford Ecotorq 7.0 and 9.3 litre commercial vehicle cylinder block and head, in series production at the Componenta foundry in Turkey since 2007 (Courtesy Ford-Otosan)



The Navistar MaxxForce™ 11 and 13 cylinder block, in series production at the PurePOWER foundry in the USA since 2011 and at the Tupy foundry in Brazil since 2008 (Courtesy Navistar)

The January-December 2011 cashflow result was SEK 7.3 million (SEK 15.5 million) increasing the liquidity on 31 December 2011 to SEK 47.6 million (SEK 40.3 million). The increased liquidity includes the payment of the dividend amounting to SEK 3.5 million (SEK 0.0 million) and repayment of the loan to Sörmlands Sparbank amounting to SEK 3.0 million (SEK 0.0 million). The cashflow result excluding the dividend and the loan repayment would have been SEK 13.8 million. The high cashflow during 2010 is primarily due to the exercise of the shareholder warrants (SEK 11.3 million) and the exercise of the first 15% of the employee options (SEK 1.7 million). Investments during the period amounted to SEK 1.0 million (SEK 0.7 million).

Risks and Uncertainty Factors

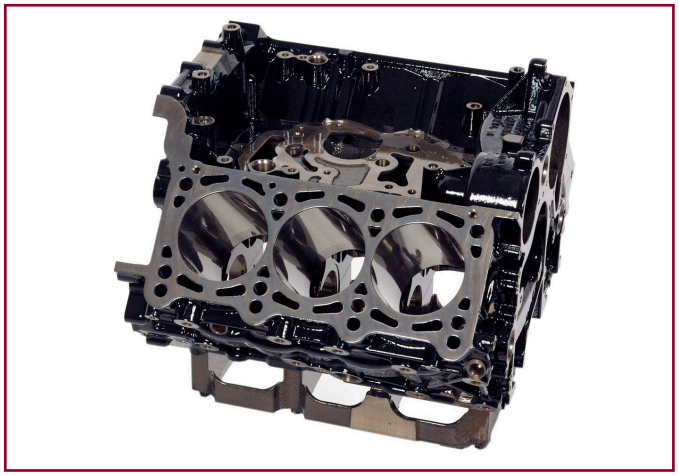
The main uncertainty factor for SinterCast continues to be the overall timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI engines and other components, the global economy for new vehicle sales and the individual sales success of vehicles equipped with SinterCast-CGI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

SinterCast has diversified its product development activities in order to minimise the risk associated with any one industrial sector. Current series production is well balanced between V-diesel engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power engines. SinterCast continues to support product development in these traditional areas while also exploring other potential applications. SinterCast's presence in Europe, Asia and the Americas also reduces the dependence on any one geographical sector. 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. For more information on risks and uncertainty factors please see Note 26.

Market Penetration and 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. To SinterCast's knowledge, these have included Hereaus-Electronite, OCC, OxyCast and NovaCast. 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.

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

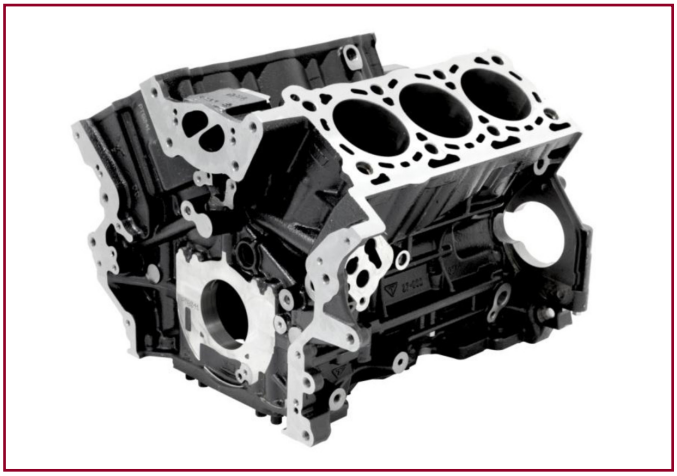


The Audi 3.0 litre V6 cylinder block, used in Audi, Porsche and Volkswagen vehicles, in production at the Tupy foundry in Brazil since 2003 (Courtesy Audi)

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.

Organisation

With successful high volume CGI production in foundries located in Europe, Asia and the America's, SinterCast has built up a global organisation with employees, consultants and representatives in Sweden, the United Kingdom, the United States, China, Korea, Japan, India and Australia.

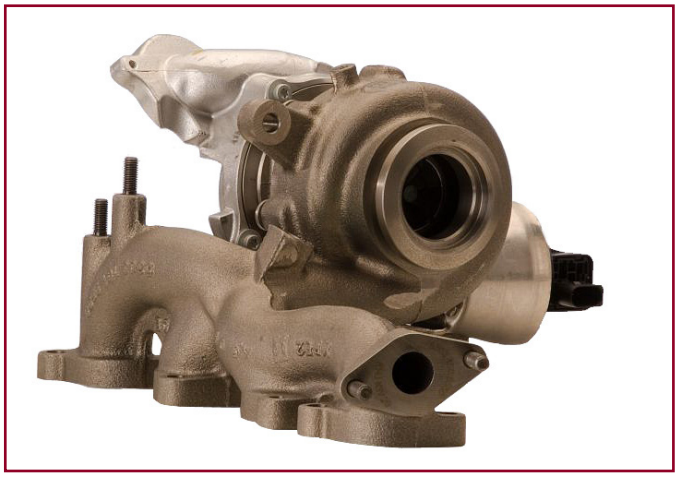


The VM Motori 3.0 litre V6 cylinder block and bedplate, used in Chrysler, Jeep and Lancia vehicles, in series production at the Tupy foundry in Brazil since 2010 (Courtesy VM Motori)

The global organisation includes separate functions for Sales & Marketing, Operations and Finance & Administration. All of these functions report directly to the President & CEO of the SinterCast Group. 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 Ashland Casting Solutions on a global basis, ASD International in Japan, Pantech Engineering in Australia and with the STPC (Swedish Trade Promotion Center) in Korea. Consultancy agreements have also been established to support SinterCast's local sales activities in France and 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 support of ongoing foundry production activities; field trials and technical support of prospective customers; technical planning and commissioning of new installations; product development and R&D; production and supply of the control systems and sampling consumables; and, quality management, including the current ISO 9001:2008 certification. 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, administration, human resources and information technology.

During 2011, new recruitments were made to strengthen the organisation and to improve the future growth prospects, including a Sales Director for China, a Global Sales & Marketing Director, a Market Communications assistant and a Metallurgical Research engineer. As of 31 December 2011, the Group had 17 (13) employees, three (two) of which were female. Further recruitment will be phased with the development of field activities, particularly the need to increase sales activities and to support new installations.

The legal structure of the SinterCast Group includes the Parent Company SinterCast AB (publ) with its registered



Integrated exhaust manifold and turbocharger housing, in series production at the Dashiang foundry in China since 2008 (Courtesy Dashiang)

office located in Stockholm, Sweden and its subsidiaries SinterCast Ltd. in the United Kingdom, SinterCast Inc. in the USA, SinterCast AB Shanghai Representative Office in China, SinterCast Personnel AB in Sweden, and SinterCast SA de CV and SinterCast Servicios SA de CV, both in Mexico.

The Annual General Meeting 2011 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 and special compensation (i.e. excluding remuneration according to long-term incentive programmes) may not exceed an amount corresponding to 75% of the fixed annual salary.

These principles have been followed during the year and the Board will propose to the Annual General Meeting 2012 that the basic principles for compensation and other terms of employment for group management shall remain essentially unchanged for the coming year.

No material transactions have taken place between SinterCast and the Board or the Management during the period, except for the exercise of the second tranche of the employee stock option programme 2009-2013.

R&D and Patents

SinterCast's Research and Development (R&D) activities are based at the Technical Centre in Katrineholm, Sweden. Since the launch of the new System 3000 platform in 2009, SinterCast's R&D has focused on incorporating new technical features, functionality and automation into the System 3000. Many of these advances were introduced at the GIFA world foundry trade fair in June 2011. The primary expansion has been the ability to collect process data from the foundry production and compile the data into a single process database to improve foundry traceability and troubleshooting. Other new functionalities, technologies and technical support services have also been introduced, including automatic control of the base treatment operation, monthly efficiency benchmarking reports, 25% increase of the Thermocouple Pair durability, and automated image analysis for the evaluation of CGI microstructures according to the ISO 16112 standard for Compacted Graphite Iron. The System 3000 installation at the PurePOWER Indianapolis casting facility, commissioned during 2011, became SinterCast's first series production installation to include automatic feedback control of the base treatment operation and compilation of production data from the melting, moulding and shake-out operations into a single process database.

During 2011, SinterCast also took advantage of the GIFA world foundry trade fair to introduce its ongoing technology development for ductile iron process control. In the meantime, the first field trial has been conducted at a major international foundry in North America. The start of field trials represents an important step in the product development phase, allowing SinterCast to demonstrate the technology and to collect production data to refine and validate the correlations established during the initial development. The trial phase is expected to continue throughout 2012 before a final decision can be made regarding the launch of a commercial product. The ductile iron technology is intended to provide a net cost-benefit to the foundry by reducing magnesium consumption, improving mould yield, reducing casting defects and improving machinability.

SinterCast currently holds 11 (12) patents. SinterCast currently maintains 53 (59) individual national phase patents granted or pending worldwide. The 11 base patents address SinterCast's metallurgical technology, the Sampling Cup, product applications and machining.

Environment

SinterCast operates within the environmental limits established by local and national legislation and does not have any operations that require any 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 castings more efficiently and to reduce scrap rates. For every one million Engine Equivalents, each 3% reduction in scrap or 3% improvement in mould yield provides the equivalent savings of approximately 2,500 tonnes of CO_2 per year. The SinterCast process also enables the production of smaller and more fuel efficient engines, thus reducing both fuel consumption and CO_2 emissions.

Corporate Governance Report

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

Events after the Balance Sheet Date

The following press releases has been issued:

25 January 2012 – PurePOWER Technologies begins Compacted Graphite Iron Production at Indianapolis Casting Facility

22 February 2012 – SinterCast Results October-December 2011 Full Year Results 2011

There have been no other significant events since the balance sheet date of 31 December 2011 that could materially change these financial statements.

Annual General Meeting

The Annual General Meeting 2012 of SinterCast AB (publ) will be held at 17:00 on 24 May 2012 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

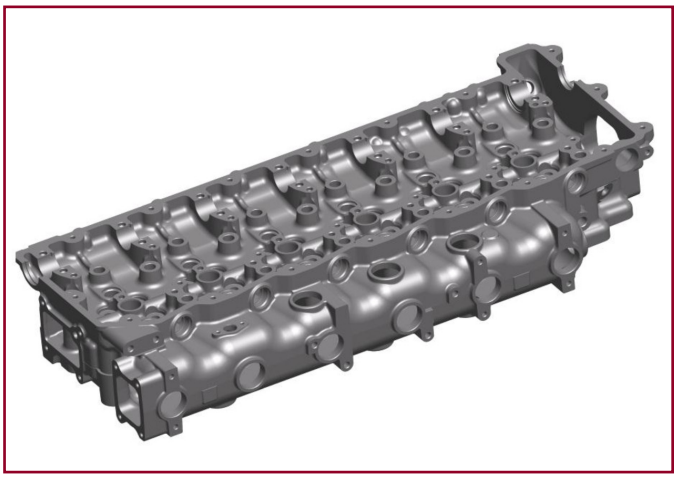
Based on the improved profitability and increased liquidity of the company, the Board of Directors proposes an ordinary dividend of SEK 1.0 (0.5) per share and an extraordinary dividend of SEK 0.7 per share, resulting in a total dividend of SEK 1.7 per share and a total transfer of SEK 11.9 million (SEK 3.5 million) to the shareholders of SinterCast AB (publ). The Board proposes 29 May, 2012 as the record date for entitlement to receive dividends.

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 93.3% (88.7%) and a net cash amount of SEK 47.6 (40.3) 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	11,858,610
Amount to be retained by the Parent Company	56,264,785
Total non-restricted equity of the Parent Company	68,123,395

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



The Hyundai 5.9 litre commercial vehicle cylinder head, in series production at the Daedong foundry in Korea since 2011 (Courtesy Hyundai)

The development of large marine diesel components at the Toa Koki foundry in Japan provides an opportunity for further growth in the industrial power sector (Courtesy Toa Koki)

Income Statement

Amounts in SEK million	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Revenue	1, 9	**49.0**	39.4	**46.1**	38.5
Cost of goods sold	3, 17	**-14.2**	-10.2	**-14.1**	-10.4
Gross result		**34.8**	**29.2**	**32.0**	**28.1**
Cost of sales and marketing	3, 5, 9	**-14.4**	-11.3	**-12.1**	-10.5
Cost of administration	3, 4, 5, 9	**-6.6**	-5.5	**-6.6**	-5.5
Cost of research & development	2, 3, 5, 9	**-4.4**	-4.5	**-4.4**	-4.5
Other operating income	10	**2.2**	0.0	**2.2**	0.0
Other operating costs	10	**0.0**	-0.7	**0.0**	0.1
Operating result		**11.6**	**7.2**	**11.1**	**7.7**
Financial Income		**0.6**	2.2	**0.6**	2.2
Financial Costs		**-1.1**	-0.9	**-1.1**	-0.9
Financial net		**-0.5**	**1.3**	**-0.5**	**1.3**
Result after financial income and expenses		**11.1**	**8.5**	**10.6**	**9.0**
Income tax	12	**3.4**	8.0	**3.4**	8.0
Result for the year for the parent company shareholders		**14.5**	**16.5**	**14.0**	**17.0**
Average number of shares, thousands	25	**6,975.7**	6,574.5	**6,975.7**	6,574.5
Earnings per share, SEK		**2.1**	2.5	**2,0**	2.6
Earnings per share diluted, SEK		**2.1**	2.5	**2,0**	2.6
Dividend		**0.5**	–	**0.5**	–

Statement of Comprehensive Income

Amounts in SEK million	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Results for the period	**14.5**	**16.5**	**14.0**	**17.0**
Other comprehensive income				
Translation differences, foreign subsidiaries	**0.4**	0.1	**–**	–
Other comprehensive income, net of tax	**0.4**	**0.1**	**–**	**–**
Total comprehensive income	**14.9**	**16.6**	**14.0**	**17.0**
Total comprehensive income attributable to:				
Equity holder of the parent company	**14.9**	16.6	**14.0**	17.0

Cashflow Statement

Amounts in SEK million	Note	GROUP 2011	GROUP 2010	PARENT COMPANY 2011	PARENT COMPANY 2010
Operating activities					
Operating result		**11.6**	7.2	**11.1**	7.7
Adjustments for items not included in the cashflow					
Depreciation	13, 14	**0.9**	1.1	**0.8**	1.1
Other		**0.8**	1.3	**0.4**	0.6
Unrealised exchange rate differences		**-0.4**	0.9	**-0.4**	0.7
Received interest		**0.6**	0.1	**0.6**	0.1
Paid interest		**-0.1**	-0.2	**-0.1**	-0.2
Total cashflow from operating activities before change in working capital		**13.4**	**10.4**	**12.4**	**10.0**
Change in working capital					
Stock	17	**-1.9**	0.8	**-1.4**	0.7
Operating receivables	15	**3.7**	-9.7	**6.5**	-10.3
Operating liabilities	18, 19, 21, 22	**-0.7**	1.5	**-4.8**	2.4
Total change in working capital		**1.1**	**-7.4**	**0.3**	**-7.2**
Cashflow from operating activities		**14.5**	**3.0**	**12.7**	**2.8**
Investing activities					
Acquisition of intangible assets	13	**-0.1**	-0.3	**-0.1**	-0.3
Acquisition of tangible assets	14	**-0.3**	-0.2	**-0.3**	-0.2
Cashflow from investing activities		**-0.4**	**-0.5**	**-0.4**	**-0.5**
Financing activities					
Rights Issue*		**–**	11.3	**–**	11.3
Employee share option programme**		**-0.3**	1.7	**-0.1**	1.7
Bank loan		**-3.0**	–	**-3.0**	–
Dividend		**-3.5**	–	**-3.5**	–
Cashflow from financing activities		**-6.8**	**13.0**	**-6.6**	**13.0**
Change in cash and cash equivalents		**7.3**	15.5	**5.7**	15.3
Cash – opening balance		**40.3**	24.8	**39.7**	24.4
Cash – closing balance* **	26	**47.6**	**40.3**	**45.4**	**39.7**

* The Rights Issue amounted to SEK 0.0 million (SEK 11.4 million) before transaction costs.

** The subscription of warrants amounted to SEK 0.3 million (SEK 1.8 million) before transaction costs.

*** 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 2011	31 Dec 2010
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		**0.8**	1.1
Patents		**1.5**	1.8
Total intangible assets		**2.3**	**2.9**
Tangible assets	14		
Computers, fixtures and fittings		**0.3**	0.1
Plant and machinery		**0.1**	0.1
Total tangible assets		**0.4**	**0.2**
Financial assets			
Other long-term receivables	16	**0.0**	0.0
Deferred tax asset		**32.9**	29.3
Total financial assets		**32.9**	**29.3**
Total fixed assets		**35.6**	**32.4**
Current assets			
Stock	17		
Finished products		**4.4**	3.0
Total stock		**4.4**	**3.0**
Short-term receivables			
Trade debtors	15, 26	**7.8**	11.6
Other debtors	18, 26	**1.3**	1.8
Prepaid expenses and accrued income	19, 26	**3.2**	2.6
Total short-term receivables		**12.3**	**16.0**
Cash and cash equivalents	26	**47.6**	40.3
Total cash and cash equivalents		**47.6**	**40.3**
Total current assets		**64.3**	**59.3**
TOTAL ASSETS		**99.9**	**91.7**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	24, 25	**7.0**	7.0
Additional paid in capital		**39.4**	39.4
Exchange differences	26	**6.8**	6.4
Accumulated result		**40.0**	28.5
Total shareholders' equity		**93.2**	**81.3**
Long-term liabilities			
Other long-term liabilities	20	**0.0**	0.0
Total long-term liabilities		**0.0**	**0.0**
Current liabilities			
Accounts payable	26	**1.8**	2.8
Other current liabilities	21, 26	**0.9**	4.3
Accrued expenses and prepaid income	22, 26	**3.7**	3.1
Provisions	22	**0.3**	0.2
Total current liabilities		**6.7**	**10.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**99.9**	**91.7**
Contingent liability	23	**0.1**	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
Opening Balance 1 January 2010		**6.48**	**26.91**	**6.34**	**10.76**	**50.49**
Total Comprehensive Income		–	–	0.03	16.52	16.55
Employee stock option programme	5, 26	–	–	–	1.25	1.25
Rights Issue, warrants	25	0.45	10.85	–	–	11.30
Employee stock option programme, exercise	5, 6	0.05	1.65	–	–	1.70
Closing balance 31 December 2010	25	**6.98**	**39.41**	**6.37**	**28.53**	**81.29**
Total Comprehensive Income		–	–	0.41	14.47	14.88
Employee stock option programme	5, 24	–	–	–	0.78	0.78
Cash exercise, share option programme	5, 6	–	–	–	-0.26	-0.26
Dividend		–	–	–	-3.49	-3.49
Closing balance 31 December 2011	25	**6.98**	**39.41**	**6.78**	**40.03**	**93.20**

Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		**0.8**	1.1
Patents		**1.5**	1.8
Total intangible assets		**2.3**	**2.9**
Tangible assets	14		
Computers, fixtures and fittings		**0.3**	0.1
Plant and machinery		**0.1**	0.1
Total tangible assets		**0.4**	**0.2**
Financial assets			
Shares in subsidiaries	24	**3.1**	2.8
Deferred tax asset	12	**32.9**	29.3
Total financial assets		**36.0**	**32.1**
Total fixed assets		**38.7**	**35.2**
Current assets			
Stock	17		
Finished products		**3.7**	2.3
Total stock		**3.7**	**2.3**
Short-term receivables			
Trade debtors	26	**5.7**	11.3
Inter company receivables		**0.0**	1.0
Other debtors	18, 26	**1.2**	1.8
Prepaid expenses and accrued income	19	**2.8**	2.1
Total short-term receivables		**9.7**	**16.2**
Liquidity	26	**45.4**	39.7
Total liquidity		**45.4**	**39.7**
Total current assets		**58.8**	**58.2**
TOTAL ASSETS		**97.5**	**93.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	24, 25	**7.0**	7.0
Statutory reserve		**9.5**	9.5
Total restricted capital		**16.5**	**16.5**
Retained result			
Share premium reserve		**29.9**	29.9
Result brought forward		**24.2**	10.2
Result for the year		**14.0**	17.0
Total retained capital		**68.1**	**57.1**
TOTAL SHAREHOLDERS' EQUITY		**84.6**	**73.6**
Long-term liabilities			
Other long-term liabilities	20	**0.1**	0.1
Total long-term liabilities		**0.1**	**0.1**
Current liabilities			
Accounts payable	26	**1.6**	2.5
Inter company payable		**8.4**	11.0
Other current liabilities	21, 26	**0.7**	4.2
Accrued expenses and prepaid income	22	**2.1**	2.0
Total current liabilities		**12.8**	**19.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**97.5**	**93.4**
Contingent liability	23	**0.1**	0.1

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
Opening balance 1 January 2010		**6.48**	**9.53**	**17.38**	**12.06**	**-3.12**	**42.33**
Appropriation of last year's result		–	–	–	-3.12	3.12	–
Total Comprehensive Income		–	–	–	–	16.99	16.99
Employee stock option programme, IFRS-2	5, 26	–	–	–	1.25	–	1.25
Employee stock option programme, exercise	5, 6	0.05	–	1.65	–	–	1.70
Rights Issue, warrants	25	0.45	–	10.85	–	–	11.30
Closing balance 31 December 2010	25	**6.98**	**9.53**	**29.88**	**10.19**	**16.99**	**73.57**
Appropriation of last year's result		–	–	–	16.99	-16.99	–
Total Comprehensive Income		–	–	–	–	14.03	14.03
Employee stock option programme, IFRS-2	5, 24	–	–	–	0.78	–	0.78
Cash exercise, share option programme	5, 6	–	–	–	-0.26	–	-0.26
Dividend		–	–	–	-3.49	–	-3.49
Closing balance 31 December 2011	25	**6.98**	**9.53**	**29.88**	**24.21**	**14.03**	**84.63**

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2011 were approved on 3 April 2012 by the Board of Directors and the Managing Director, for publication on 4 April 2012 and will be presented at the Annual General Meeting on 24 May 2012 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 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 2011 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 estimate 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 engine 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 engine 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 fixed price agreements, revenue is distributed to the individual items, after equal distribution of any discounts. Revenue from service, installation and training are budgeted by time consumption and recognised in the accounting period in which the service is performed, and recognised according to the percentage of completion method.

– 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 10% 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	
	2011	2010	**2011**	2010
Equipment	**7.9**	6.8	**4.9**	6.5
Series Production	**39.0**	30.9	**35.0**	30.0
Engineering Service	**2.0**	1.3	**1.0**	0.8
Other	**0.1**	0.4	**0.0**	0.4
Group Sales	**–**	–	**5.2**	0.8
Total	**49.0**	**39.4**	**46.1**	**38.5**

Equipment includes sold and leased Systems, Mini-Systems and spare parts. Market rights assignment amounting to SEK 0.1 million (0.1) for the piston ring market is also accounted for as Equipment. 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, 50% (50%), U.S. 16% (3%), China 15% (20%), Korea 8% (19%), Japan 3% (0%),Sweden 2% (3%),and other countries 6% (4%).

For the Parent Company, 11% (2%) of the revenue represents Group sales and 38% (52%) 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	
	2011	2010	**2011**	2010
Costs for personnel and administration	**3.4**	2.8	**3.4**	2.5
External expenses	**0.4**	1.0	**0.4**	1.0
Depreciation	**0.6**	1.0	**0.6**	1.0
Capitalised development	**–**	-0.3	**–**	-0.3
Total	**4.4**	**4.5**	**4.4**	**4.2**

3 Costs per Category

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Personnel expenses	**17.5**	16.1	**11.4**	10.4
Cost of goods sold	**10.2**	6.3	**15.6**	13.0
Depreciation and write down	**0.9**	1.1	**0.8**	1.1
Office and related costs	**1.8**	1.8	**1.5**	1.3
Travel, commissions, exhibition and other sales costs	**2.8**	2.4	**1.9**	1.6
Consultants sales, marketing and administrations	**2.1**	1.2	**2.1**	1.0
Operational foreign exchanges differences	**-2.2**	0.7	**-2.2**	-0.1
Other	**4.2**	2.9	**4.0**	2.8
Capitalised development	**0.0**	-0.3	**0.0**	-0.3
Total	**37.3**	**32.2**	**35.1**	**30.8**

4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
PricewaterhouseCoopers				
Audit fees	**0.3**	0.2	**0.3**	0.2
Tax consultancy	**0.0**	-	**0.0**	-
Other services	**0.2**	0.0	**0.2**	0.0
Shanghai Ling Xin CPA firm				
Audit fees	**0.0**	0.0	**0.0**	0.0
Tax consultancy	**–**	–	**–**	–
Other services	**–**	–	**–**	–
Gorman Darby & Co Ltd				
Audit fees	**0.0**	0.0	**–**	–
Tax consultancy	**–**	–	**–**	–
Other services	**0.0**	–	**–**	–
PK Group				
Audit fees	**–**	–	**–**	–
Tax consultancy	**–**	–	**–**	–
Other services	**0.0**	0.1	**–**	–
Total	**0.5**	**0.3**	**0.5**	**0.2**

5 Salaries, Remuneration, Incentive Programme and Social Security Costs

Remuneration Policy in Respect of Senior Management

The Annual General Meeting 2011 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 and special compensation (i.e. excluding remuneration according to long-term incentive programmes) may not exceed an amount corresponding to 75% of the fixed annual salary. These principles have been followed during the year. The Board and, on behalf of the Board, the Compensation Committee, shall have the right to deviate from the above principles if the Board, in a specific case, finds this justified due to specific circumstances. The remuneration of the other members of the Group Management is also decided by the Compensation Committee, after consultation with the Managing Director.

The Board of Directors

The Chairman received remuneration of SEK 0.2 million (0.2). No bonus scheme, pension commitments, or pension liabilities exist. Remuneration for the other Board members 5 (4) has been within the limits laid down by the Annual General Meeting on 19 May 2011 and amounted to SEK 0.5 million (0.4) divided equally among the Board Members (excluding social security costs), with no Board fees being allocated to the Managing Director. The Board members, with the exception of the Managing Director, are not included in any employee stock option programmes.

Group Management

The remuneration to the Managing Director amounted to SEK 2.9 million (2.8) including taxable benefits in the form of insurance premiums paid for life, long term disability, and medical and school fees amounting to SEK 0.6 million (0.7). A bonus provision of SEK 0.3 million is included in the total compensation. In addition, pension contributions (10% of salary), amounted to SEK 0.2 million (0.2), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.4 million (0.3).

The remuneration to the other members of the Group Management, two people, presented on page 14, amounted to SEK 2.1 million (2.0). In addition, pension contributions amounting to SEK 0.4 million (0.5) 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 97,500 options and the other members of the Group Management hold 13,000 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.

The terms of employment stipulate a mutual period of notice for the Managing Director of 12 months and for the other members of the Group Management of six months. In the event of a change in the controlling interest of the company, the mutual period of notice for the Managing Director shall increase to 24 months. In the case of notice by the Company, no deduction should be made for remuneration paid by another employer during the notice period if the new employment is approved by SinterCast. No other commitments regarding severance pay exist

Salaries and remuneration allocated per country

All amounts in SEK thousands

	2011				2010			
PARENT COMPANY	Salaries and remuneration	IFRS-2 costs*	Social security costs	Pension costs	Salaries and remuneration	IFRS-2 costs*	Social security costs	Pension costs
China	**1,763**	**19**	**–**	**–**	929	30	–	–
Sweden	**6,909**	**315**	**2,196**	**903**	6,401	565	2,259	970
Total	**8,672**	**334**	**2,196**	**903**	**7,330**	**595**	**2,259**	**970**
GROUP								
China	**1,763**	**19**	**–**	**–**	929	30	–	–
Sweden	**6,909**	**315**	**2,196**	**903**	6,401	565	2,259	970
United Kingdom	**3,051**	**384**	**403**	**222**	2,765	699	411	207
USA	**1,712**	**–**	**85**	**178**	1,336	–	67	142
Total	**13,435**	**718**	**2,684**	**1,303**	**11,431**	**1,294**	**2,737**	**1,319**

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

All amounts in SEK thousands

	2011				2010			
PARENT COMPANY	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	**–**	**–**	**1,763**	**19**	–	–	929	30
Sweden	**2,806**	**90**	**4,103**	**225**	2,558	161	3,843	404
Total	**2,806**	**90**	**5,866**	**244**	**2,558**	**161**	**4,772**	**434**
GROUP								
China	**–**	**–**	**1,763**	**19**	–	–	929	30
Sweden	**2,806**	**90**	**4,103**	**225**	2,558	161	3,843	404
United Kingdom	**2,934**	**384**	**100**	**–**	2,765	699	–	–
USA	**–**	**–**	**1,712**	**–**	–	–	1,336	–
Total	**5,740**	**474**	**7,678**	**244**	**5,323**	**860**	**6,108**	**434**

* 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 2011, the total fair value of the employee stock option during the period 2010–2013 was estimated to approximately SEK 3.0 million (SEK 3.1 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 0.3 million (SEK 0.4 million). The fair value calculation was made according to Black & Scholes, considering share prices SEK 45 (SEK 51.3), remaining time of the individual tranches (0, 12, 24, months) to exercise, volatility (45%) and risk-free interest rates (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*

	2011			2010		
	IFRS-2 (Fair Value Cost)	UFR-7 (Social Costs)	Exercise (Social Costs)	IFRS-2 (Fair Value Cost)	UFR-7 (Social Costs)	Exercise (Social Costs)
Sweden	0.37	-0.01	0.03	0.59	0.09	0.05
United Kingdom	0.40	-0.04	0.02	0.70	0.07	0.03
Total	**0.77**	**-0.05**	**0.05**	**1.29**	**0.16**	**0.08**

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

Incentive Programme – revised at the AGM 2011

The Board of Directors used the authorisation given at the 2011 AGM to compensate the employees in cash instead of exercising the options, from the second subscription period. In consideration of the current market conditions and the daily turnover, coupled with the dilution effects and administrative costs, the Board preferred to follow the AGM authorisation and to compensate the employees in cash.

The cash alternative resulted in remuneration to the employees amounting to SEK 0.3 million, including social contributions. The remuneration was accounted as equity and the social contribution was accounted as social costs. The social costs are presented in the table above. The Board retains the authorisation given at the 2011 AGM for the third and fourth years of the 2010-2013 incentive programme. The cash exercise was based on SEK 49 per option.

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.

Number of options expected to vest	**2011***	2010**
Total Options	**195,000**	255,000
Allocated	**195,000**	255,000
To be distributed	**–**	–
Total number of options expected to vest	**195,000**	255,000

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

**45,000 warrants were exercised during December 2010

6 Transactions with Related Parties

With the exception of the exercise of the second 20% of the warrants in the current Employee Stock Option Programme, no substantial transactions took place between SinterCast and the Board and the Management during 2011.

Transactions made have been carried out at market value.

7 Board and Group Management

	2011			2010		
GROUP	Total	Female	Female %	Total	Female	Female %
Board members	**12**	**4**	**33**	11	4	36
CEO and group management	**3**	**0**	**0**	3	0	0
PARENT COMPANY						
Board members	**6**	**2**	**33**	5	2	40
CEO and group management	**3**	**0**	**0**	3	0	0

8 Average Number of Employees Employed During the Year

	2011		2010	
GROUP	Total	Male	Total	Male
China	**2**	**2**	1	1
Sweden	**12**	**9**	10	8
United Kingdom	**1**	**1**	1	1
USA	**1**	**1**	1	1
Total	**16**	**13**	**13**	**11**
PARENT COMPANY				
China	**2**	**2**	1	1
Sweden	**12**	**9**	10	8

9 Leasing

	GROUP		PARENT COMPANY	
SinterCast as Lessor	**2011**	2010	**2011**	2010
Income from leased equipment	**0.4**	0.5	**0.3**	0.4
Contracted future income	**2.1**	2.1	**1.3**	1.4
Payable within 1 year	**0.4**	0.4	**0.3**	0.3
Payable within 2–5 years	**1.7**	1.7	**1.0**	1.1
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leased equipment refers to Agreements with Motor Castings, SKF and Teksid.

	GROUP		PARENT COMPANY	
SinterCast as Lessee	**2011**	2010	**2011**	2010
Cost from leased premises and equipment	**1.0**	1.2	**0.8**	0.7
Contracted future commitments	**5.8**	4.6	**4.6**	3.6
Payable within 1 year	**1.1**	0.9	**0.9**	0.7
Payable within 2–5 years	**4.7**	3.7	**3.7**	2.9
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	
	2011	2010	**2011**	2010
Other Income				
Other Income	**–**	–	**–**	–
Exchange gains from operations	**3.2**	0.4	**3.2**	0.4
Total	**3.2**	**0.4**	**3.2**	**0.4**
Other Costs				
Exchange loss from operations	**-1.0**	-1.1	**-1.0**	-0.3
Total	**-1.0**	**-1.1**	**-1.0**	**-0.3**
Total other operation income and costs	**2.2**	**-0.7**	**2.2**	**0.1**

Since 2011, revaluation of foreign currency accounts is included in exchange gains and losses from operations. Prior to 2011, it was included in translation differences (note 11).

11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
Interest	**2011**	2010	**2011**	2010
Interest received	**0.6**	0.1	**0.6**	0.1
Interest paid	**-0.1**	-0.2	**-0.1**	-0.2
Total	**0.5**	**-0.1**	**0.5**	**-0.1**
Translation differences				
Exchange gain	**0.2**	2.1	**0.2**	2.1
Exchange loss	**-1.2**	-0.7	**-1.2**	-0.7
Exchange gain/loss Group	**–**	–	**–**	–
Total	**-1.0**	**1.4**	**-1.0**	**1.4**
Total financial income and expenses	**-0.5**	**1.3**	**-0.5**	**1.3**

Since 2011, revaluation of foreign currency accounts is included in exchange gains and losses from operations. Prior to 2011, it was included in translation differences (note 10)

12 Tax

	GROUP		PARENT COMPANY	
Income tax	**2011**	2010	**2011**	2010
Income tax for the year	**-0.2**	-0.1	**-0.2**	-0.1
Change in value of capitalised tax losses	**3.6**	8.1	**3.6**	8.1
Income tax in the income statement	**3.4**	**8.0**	**3.4**	**8.0**

	GROUP		PARENT COMPANY	
Deferred tax asset	**2011**	2010	**2011**	2010
Deferred tax value brought forward	**29.3**	21.2	**29.3**	21.2
Capitalised during the year	**3.6**	8.1	**3.6**	8.1
Accumulated value carried forward	**32.9**	**29.3**	**32.9**	**29.3**

No tax effects on items included in other comprehensive income.

Carry forward tax losses

Based on the filed tax returns for the financial year 2010, the following carried forward tax losses were available to offset future taxable profits.

Country	**2011**	2010	Valid until	Tax Rates
Sweden	**516.7**	525.6	indefinitely	26.3%
United Kingdom	**32.7**	33.3	indefinitely	21%
USA	**27.2**	36.6	15 years from the year of filing	15-35%
Total	**576.6***	**595.5**		**26.3%**

*SEK 125.1 million (SEK 120.4 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	
Tax expenses based on actual tax rate	**2011**	2010	**2011**	2010
Result before tax	**14.5**	8.5	**14.5**	9.0
Tax calculated based on Swedish tax rate	**-3,8**	-2.2	**-3.8**	-2.4
Tax effect on non tax deductible expenses	**-0.2**	-0.3	**-0.2**	-0.1
Tax effect on non taxable revenues	**0.0**	0.0	**0.0**	0.0
Tax effect on non capitalised tax losses	**0.0**	0.0	**0.0**	0.0
Tax effect on capitalised tax losses	**7.4**	10.5	**7.4**	10.5
Effect foreign tax rates	**0.0**	0.0	**0.0**	0.0
Tax on the result for the period as per the income statements	**3.4**	**8.0**	**3.4**	**8.0**

The income tax rate valid for the Group amounts is 26.3% (28%).
The income tax rate valid for Sweden amounts is 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 2011	Patent 2010	Capitalised development 2011	Capitalised development 2010	Total 2011	Total 2010
Acquisition value brought forward	**16.1**	16.2	**1.3**	1.1	**17.4**	17.3
Acquisitions during the year						
Research & development	**0.1**	0.1	**–**	0.4	**0.1**	0.5
Disposals	**-0.0**	-0.2	**–**	-0.2	**0.0**	-0.4
Accumulated acquisition carried forward	**16.2**	**16.1**	**1.3**	**1.3**	**17.5**	**17.4**
Depreciation brought forward	**14.3**	14.0	**0.2**	0.0	**14.5**	14.0
Depreciation for the year						
Research & development	**0.4**	0.4	**0.3**	0.2	**0.7**	0.6
Disposals	**0.0**	-0.1	**–**	–	**0.0**	-0.1
Accumulated depreciation carried forward	**14.7**	**14.3**	**0.5**	**0.2**	**15.2**	**14.5**
Book value carried forward	**1.5**	**1.8**	**0.8**	**1.1**	**2.3**	**2.9**

PARENT COMPANY	Patent 2011	Patent 2010	Capitalised development 2011	Capitalised development 2010	Total 2011	Total 2010
Acquisition value brought forward	**16.1**	16.2	**5.5**	5.3	**21.6**	21.5
Acquisitions during the year						
Research & development	**0.1**	0.1	**–**	0.4	**0.1**	0.5
Disposals	**-0.0**	-0.2	**–**	-0.2	**0.0**	-0.4
Accumulated acquisition carried forward	**16.2**	**16.1**	**5.5**	**5.5**	**21.7**	**21.6**
Depreciation brought forward	**14.3**	14.0	**4.4**	4.2	**18.7**	18.2
Depreciation for the year						
Research & development	**0.4**	0.4	**0.3**	0.2	**0.7**	0.6
Disposals	**0.0**	-0.1	**–**	–	**0.0**	-0.1
Accumulated depreciation carried forward	**14.7**	**14.3**	**4.7**	**4.4**	**19.4**	**18.7**
Book value carried forward	**1.5**	**1.8**	**0.8**	**1.1**	**2.3**	**2.9**

14 Tangible Fixed Assets*

GROUP	Computers, fixtures and fittings		Plant and machinery		Total	
	2011	2010	**2011**	2010	**2011**	2010
Acquisition value brought forward	**2.4**	2.3	**8.0**	7.9	**10.4**	10.2
Acquisitions during the year						
Administration	**0.3**	0.1	**–**	–	**0.3**	0.1
Sales and marketing	**–**	–	**0.0**	0.1	**0.0**	0.1
Disposals						
Sales and marketing	**–**	–	**-1.4**	–	**-1.4**	–
Administration	**-1.1**	–	**–**	–	**-1.1**	–
Accumulated acquisition carried forward	**1.6**	**2.4**	**6.6**	**8.0**	**8.2**	**10.4**
Depreciation brought forward	**2.3**	2.2	**7.9**	7.9	**10.2**	10.1
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.0	**0.0**	0.0
Administration	**0.1**	0.1	**–**	–	**0.1**	0.1
Disposals						
Sales and marketing	**–**	–	**-1.4**	–	**-1.4**	–
Administration	**-1.1**	–	**–**	–	**-1.1**	–
Accumulated depreciation carried forward	**1.3**	**2.3**	**6.5**	**7.9**	**7.8**	**10.2**
Book value carried forward	**0.3**	**0.1**	**0.1**	**0.1**	**0.4**	**0.2**

PARENT COMPANY	Computers, fixtures and fittings		Plant and machinery		Total	
	2011	2010	**2011**	2010	**2011**	2010
Acquisition value brought forward	**2.8**	2.7	**4.4**	4.3	**7.2**	7.0
Acquisition during the year						
Administration	**0.3**	0.1	**–**	–	**0.3**	0.1
Sales and marketing	**–**	–	**0.0**	0.1	**0.0**	0.1
Disposals						
Sales and marketing	**–**	–	**-1.4**	–	**-1.4**	–
Administration	**-0.8**	–	**–**	–	**-0.8**	–
Accumulated acquisition carried forward	**2.3**	**2.8**	**3.0**	**4.4**	**5.3**	**7.2**
Depreciation brought forward	**2.7**	2.6	**4.3**	4.3	**7.0**	6.9
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.0	**0.0**	0.0
Administration	**0.1**	0.1	**–**	–	**0.1**	0.1
Disposals						
Sales and marketing	**–**	–	**-1.4**	–	**-1.4**	–
Administration	**-0.8**	–	**–**	–	**-0.8**	–
Accumulated depreciation carried forward	**2.0**	**2.7**	**2.9**	**4.3**	**4.9**	**7.0**
Book value carried forward	**0.3**	**0.1**	**0.1**	**0.1**	**0.4**	**0.2**

*All fixed assets are related to Sweden.

15 Accounts Receivable – Trade

	GROUP	
	2011	2010
Accounts receivable not due	**6.8**	8.8
Accounts receivable overdue 0–30 days	**0.5**	2.5
Accounts receivable overdue 31–90 days	**0.5**	0.2
Accounts receivable overdue 91–180 days	**0.0**	0.1
Provision for bad debts	**–**	–
Accounts receivables net	**7.8**	**11.6**

16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Deposits	**0.0**	0.0	**0.0**	0.0
Deferred tax asset	**32.9**	29.3	**32.9**	29.3
Total	**32.9**	**29.3**	**32.9**	**29.3**

17 Stock

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Finished products	**4.4**	3.0	**3.7**	2.3
Total	**4.4**	**3.0**	**3.7**	**2.3**

	GROUP		PARENT COMPANY	
The amount of inventories recognised as an expense during the period	**2011**	2010	**2011**	2010
Expensed to cost of goods sold	**9.6**	6.0	**9.6**	6.0

18 Other Debtors

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
VAT and tax receivables	**0.8**	0.5	**0.8**	0.5
Fair value of forward contracts	**0.5**	1.3	**0.4**	1.3
Total	**1.3**	**1.8**	**1.2**	**1.8**

19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Prepaid rents	**0.1**	0.1	**0.1**	0.1
Prepaid insurance	**0.5**	0.3	**0.4**	0.2
Prepaid benefit	**0.1**	0.2	**–**	–
Accrued income from Production Fee	**1.7**	1.2	**1.6**	1.2
Others	**0.8**	0.8	**0.7**	0.6
Total	**3.2**	**2.6**	**2.8**	**2.1**

20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Other long term liabilities	**0.0**	0.0	**0.1**	0.1
Total	**0.0**	**0.0**	**0.1**	**0.1**

21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Withholding tax and national insurance contributions for employees	**0.9**	1.3	**0.7**	1.2
Bank loan	**–**	3.0	**–**	3.0
Total	**0.9**	**4.3**	**0.7**	**4.2**

22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2011	2010	**2011**	2010
Accrued personnel expenses	**1.6**	1.1	**0.5**	0.5
Accrued adminstrative costs	**0.3**	0.2	**0.2**	0.1
Deferred income	**1.0**	0.7	**0.7**	0.5
Provisions for cost of goods sold	**0.3**	0.2	**0.3**	0.2
Others	**0.8**	1.1	**0.4**	0.7
Total	**4.0**	**3.3**	**2.1**	**2.0**

23 Contingent Liabilities

	GROUP		PARENT COMPANY	
Guarantee to re-purchase system	**2011**	2010	**2011**	2010
Bank guarantees	**0.1**	0.1	**0.1**	0.1
Total contingent liabilities	**0.1**	**0.1**	**0.1**	**0.1**

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

All Amounts in SEK	**2011**	2010
Acquisition value brought forward	**63,755,047**	63,095,053
Acquisition during the year		
New share issue	**268,924**	659,994
Accumulated acquisition value carried forward	**64,023,971**	**63,755,047**
Depreciation brought forward	**-60,935,853**	-60,935,853
Depreciation for the year		
Write-off of equity in subsidiaries	**–**	–
Accumulated depreciation carried forward	**-60,935,853**	**-60,935,853**
Accumulated acquisition value carried forward	**3,088,118**	**2,819,194**

List of subsidiaries to SinterCast AB (publ)		**Corporate identification number**	**Votes and percentage of equity, %**	**Book Value**
SinterCast Ltd.	London, UK	2021239	100	2,988,115
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
Total				**3,088,118**

25 Share Capital Development in SinterCast AB (publ)

	Number of Shares				
	A*	B**	Total	Par Value (SEK)	ShareCapital (SEK)
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
Share capital as of 31 December 2011			**6,975,653**	**1.00**	**6,975,653**

*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 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.

SinterCast has diversified its product development activities in order to minimise the risk associated with any one industrial sector. Current series production is well balanced between V-diesel engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power engines. SinterCast continues to support product development in these traditional areas while also exploring other potential applications. SinterCast's presence in Europe, Asia and the Americas also reduces the dependence on any one geographical sector. 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 2011, SinterCast's three largest customers represented about 51% (48%), 20% (16%) and 13% (11%) of the Company's net sales while the five largest customers accounted for approximately 97% (85%) of sales. As a result, the loss of a single 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. To SinterCast's knowledge, these have included Hereaus-Electronite, OCC, OxyCast and NovaCast. 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. SinterCast's future development is linked to these key people remaining within the organisation. 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, 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 indicies 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 28 "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 during 2010 and 2011, 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 2011 amounted to SEK 47.6 million (SEK 40.3 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

Amounts in SEK million	**2011**	2010	2009
Bonds	**41.0**	31.9	20.0
Bank Deposits	**6.6**	8.4	4.8
Total	**47.6**	**40.3**	**24.8**

Liquidity	**2011**		2010	
	Total	**<30 days**	Total	<30 days
Total cash, cash equivalents and receivables	**47.6**	**47.2**	40.3	39.9
Total payable, ex salaries	**2.0**	**1.9**	6.0	3.0
Income from leases	**0.4**	**0.0**	0.5	0.0
Expenses from leases	**1.0**	**0.1**	1.2	0.1

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. At year-end, trade receivables amounted to SEK 7.8 million (SEK 11.6 million), of which SEK 6.8 million (SEK 8.8 million) were not yet due for payment, SEK 0.5 million (SEK 2.5 million) were less than 30 days beyond due date and SEK 0.5 million (SEK 0.2 million) were less than 31–90 days beyond due date. No provision for bad debts has been made. The credit risk is limited to the books value.

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). SinterCast's net inflow of foreign currency consists primarily of USD and EUR. During 2011, net inflow of these currencies amounted to approximately USD 2.5 million (USD 1.8 million) and EUR 1.4 million (EUR 1.0 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, was:

Forward Exchange Contracts

Amounts in SEK million	**2011**		2010	
	Total	**<6 month**	Total	<6 month
USD	**1.4**	**0.0**	1.5	0.9
EUR	**0.8**	**0.1**	1.0	0.4

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 12.6 million, (SEK 11.0 million) and was distributed among the following currencies:

Net Assets in Foreign Subsidiaries

Amounts in SEK million	**2011**	2010	2009
GBP	**7.0**	6.2	5.9
USD	**5.3**	4.5	4.7
MEX	**0.2**	0.2	0.2
SEK	**0.1**	0.1	0.1

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

Translation Risk

Amounts in SEK million	
GBP	0.7
USD	0.5
MEX	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 2011 amounted to SEK 93.20 million (SEK 81.29 million). The equity of SinterCast AB amounted to SEK 84.63 million (SEK 73.57 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:

25 January 2012 – PurePOWER Technologies begins Compacted Graphite Iron Production at Indianapolis Casting Facility

22 February 2012 – SinterCast Results October-December 2011 Full Year Results 2011

There have been no other significant events since the balance sheet date of 31 December 2011 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 24 May 2012.

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

Share price at the end of the period
Latest paid price for the SinterCast share at NASDAQ OMX stock exchange, Stockholmsbörsen

Value presented as "0.0"
Amount below SEK 50,000

Value presented as "-"
No amount applicable

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 3 April 2012

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 3 April 2012
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 (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on 15-42.

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.

The Auditors´ responsibilities

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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report are 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 examined 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 2011.

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.

The Auditors´ responsibilities

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 opinion.

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 3 April 2012

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby
Authorized Public Accountant

Corporate Governance Report 2011

Background

The Swedish Companies 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 Shareholders' main influence to govern the Company is during the AGM, which is the Company's highest decision-making body, where all present shareholders have the right to vote on the presented proposals. All shares represented at the AGM have the same voting right. The shareholders shall be given the possibility to exercise their ownership role in an active, well-informed manner. Within six months of the expiry of each financial year, the shareholders shall hold an Annual General Meeting, at which the Board of Directors shall present the Annual Report and Auditor's Report for the Parent Company and the Group and the Nomination Committee shall 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 Board of Directors are elected at the AGM, for the period until the next AGM. The tasks and duties of the Board of Directors are laid down primarily in the Swedish Companies Act and other relevant laws, the Listing Agreement with the NASDAQ OMX stock exchange, Stockholm and the Swedish Code of Corporate Governance.

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 diesel engine cylinder blocks and heads, for passenger vehicle, commercial vehicle and industrial power applications. SinterCast AB (publ) is the Parent Company of the SinterCast Group. The Annual General Meeting is, by tradition, held during May each year. The Annual Meeting is the forum 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. 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 shall be 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.

The tasks and duties of the Board of Directors are laid down primarily in the Articles of Association, the Swedish Companies Act and other relevant laws and the Listing Agreement with the NASDAQ OMX stock exchange, Stockholm. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of directors.

SinterCast complies with the Swedish Code of Corporate Governance and presents a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting, without any major deviations, as SinterCast's procedures and routines are essentially compliant with the code.

The Corporate Governance report does not constitute a part of the formal Annual Report documentation and has only been reviewed by the Company's auditors.

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 76.3% (78.3%) of the capital and votes in SinterCast AB. The largest shareholder, SIX SIS AG (Switzerland), controlled 12.3% (12.3%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,721 (3,841) shareholders on 31 December 2011. The ten largest, of which five were nominee shareholders, controlled 46.3% (45.9%) of the capital and votes. As of 31 December 2011, the SinterCast Board, management and employees controlled 1.0% (1.0%) of the capital and votes.

Parent Company Result 2011

The January-December 2011 revenue amounted to SEK 46.1 million (SEK 38.5 million). The revenue increase is a result of the significant increases in series production, Sampling Cup shipments, and the invoicing of both Mini-System 3000 and fully automated System 3000 process control systems.

The January-December 2011 operating result of SEK 11.1 million (SEK 7.7) million was primarily affected by the higher gross result of SEK 3.9 million compared to the same period 2010. The cost increase compared to the same period 2010 is mainly related to sales & marketing costs and administrative costs. The result after tax for the January-December 2011 period amounted to SEK 14.0 million (SEK 17.0 million), primarily related to the revaluation of the deferred tax asset, which was positively influenced in 2010 by the market recovery following the economic downturn.

Annual General Meeting (AGM) 2011

The AGM was held on Thursday 19 May 2011, 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 52 (47) shareholders, in person or by proxy, representing 1,840,668 (950,218) votes.

Jan Rynning was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Jeffrey Breneman, Executive Director of the United States Coalition for Advanced Diesel Cars (USCADC) 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.

Further, the AGM adopted the Annual Report and the consolidated financial statements as of 2010, 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 and Steve Dawson were re-elected as Board members and Laurence Vine-Chatterton was elected as a new member of the Board. Ulla-Britt Fräjdin-Hellqvist was re-appointed as Chairman. The AGM decided, for the period until the next AGM, that the Board shall receive an unchanged total remuneration of SEK 725,000. The remuneration shall be divided between the Chairman (SEK 225,000) and the four ordinary Board Members (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 as members Lars Ahlström, SinterCast's largest directly registered shareholder, as Chairman and representative of large shareholders, Torbjörn Nordberg, with the mandate to represent small shareholders and Ulla-Britt Fräjdin-Hellqvist, in her capacity as Chairman of the Board Directors.

The Annual General Meeting 2011 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 and special compensation (i.e. excluding remuneration according to long-term incentive programmes) may not exceed an amount corresponding to 75% of the fixed annual salary. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2012 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year. Further, the AGM authorised the Board of Directors to compensate the employees in cash instead of exercising the employee stock options for new shares in the stock market.

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 13.

		Committees/attendance		
Name	**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/100%		
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 2011

The Nomination Committee, elected by the AGM 2010, 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, but also decided to propose the addition of new knowledge, competence and insights to the Board. As a result of this review, the Nomination Committee proposed to the AGM 2011, re-election of the present Board members and election of Laurence Vine-Chatterton as a new Board member. The Nomination Committee proposed that, for the period until the next AGM, the Board should receive the following remuneration: SEK 225,000 for the Chairman; SEK 125,000 for each of the ordinary Board Members; and, no remuneration for the Managing Director.

Nomination Committee after the AGM 2011

The Nomination Committee, elected by the AGM 2011, consists of Lars Ahlström (Chairman, and the largest directly

registered shareholder as of 19 May 2011), 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 2011, the Nomination Committee of SinterCast carried out three minuted meetings.

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

Compensation Committee
The Board has established a Compensation Committee whose main tasks are 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 2011, the Compensation Committee carried out three minuted meetings. The Board was informed of the Compensation Committee's decisions.

Audit Committee
All Board Members sit on the Audit Committee. 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.

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 Managing Director and Senior 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 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 2011, Audit Committee of SinterCast carried out four minuted meetings.

External Auditor

Prior to the AGM 2011, after the Annual Report 2010 was approved, the Board of Directors met with the Auditor 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.

At the AGM 2010, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor. 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. The Auditor provided a presentation of the Audit Plan for 2011 during the November Audit Committee meeting and gave audit feedback on the Interim Report July-September 2011 and the audit that was conducted during the third quarter of 2011.

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 2011, 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 the Managing Director, who received cash compensation for the second tranche (20%) of the warrants in the current Employee Stock Option Programme, according to the mandate received by the Board at the 2011 AGM.

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.

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 2011

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 3 April 2012

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 Report

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

It is the board of directors who is responsible for the corporate governance report for the year 2011 on pages 44-48 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 3 April 2012

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby

Authorized Public Accountant

Historical Summary – Group

Amounts in SEK million	2011	2010	2009	2008	2007	2006
Profit and Loss accounts						
Revenue	**49.0**	39.4	20.0	24.8	22.8	18.1
Operating result	**11.6**	7.2	-6.3	-5.7	-5.1	-10.0
Financial net	**-0.5**	1.3	0.9	0.3	0.6	0.3
Tax	**3.4**	8.0	2.7	18.5	0.0	0.0
Result for the year for parent company shareholders	**14.5**	**16.5**	**-2.7**	**13.1**	**-4.5**	**-9.7**
Cashflow analysis						
Cashflow from operations before change in working capital	**13.4**	10.4	-3.2	-3.3	-2.2	-6.9
Change in working capital	**1.1**	-7.4	-1.7	-3.7	4.4	2.7
Cashflow from operations	**14.5**	**3.0**	**-4.9**	**-7.0**	**2.2**	**-4.2**
Cashflow from investments	**-0.4**	-0.5	-0.6	-0.3	-1.4	-0.5
Cashflow from financial operations	**-6.8**	13.0	21.3	–	–	–
Change in cash position	**7.3**	**15.5**	**15.8**	**-7.3**	**0.8**	**-4.7**
Balance sheet						
Assets						
Fixed assets	**35.6**	32.4	24.8	22.3	4.7	5.5
Current assets	**16.7**	19.0	9.6	9.4	7.1	9.3
Cash and bank deposits	**47.6**	40.3	24.8	9.0	16.3	15.5
Total assets	**99.9**	**91.7**	**59.2**	**40.7**	**28.1**	**30.3**
Total shareholders' equity	**93.2**	**81.3**	**50.5**	**34.1**	**20.0**	**23.4**
Long-term liabilities	**0.0**	0.0	0.0	0.0	0.0	1.0
Current liabilities	**6.7**	10.4	8.7	6.6	8.1	5.9
Total shareholders' equity and liabilities	**99.9**	**91.7**	**59.2**	**40.7**	**28.1**	**30.3**
Key ratios						
Solidity, %	**93.3**	88.7	85.3	83.8	71.2	77.2
Adjusted shareholders' equity	**93.2**	81.3	50.5	34.1	20.0	23.4
Capital employed	**93.2**	84.3	53.5	34.1	20.0	23.4
Total assets	**99.9**	91.7	59.2	40.7	28.1	30.3
Return on shareholders' equity, %	**16.6**	25.0	-6.4	48.4	-20.7	-34.4
Return on capital employed, %	**16.4**	24.3	-5.6	50.0	-19.2	-33.7
Return on total assets, %	**15.2**	22.2	-4.1	66.5	-29.7	-26.3
Debt-to-equity ratio	**–**	0.0	–	–	–	–
Dividend, SEK	**0.5**	–	–	–	–	–
Employees						
Number of employees at the end of the period	**17**	13	13	15	14	12
Average number of employees	**16**	13	13	16	13	12

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 2011 was SEK 6,975,653 (SEK 6,975,653 at 31 December 2010) 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 3,721 (3,841) shareholders on 31 December 2011. The ten largest, of which five were nominee shareholders, controlled 46.3% (45.9%) of the capital and votes.

As of 31 December 2011, the SinterCast Board, management and employees controlled 1.0% (1.0%).

Major Shareholders per 31 December 2011

	Country	No. of Share holders	No. of Shares 31 December 2011	% of Total Share Capital and Votes
SIX SIS AG*	CH		855,468	12.3%
Försäkringsbolaget Avanza Pension*	SE		763,131	10.9%
Nordnet Pensionsförsäkring AB*	SE		614,396	8.8%
Ahlström, Lars incl. affiliates	SE		476,440	6.8%
Hagman, Bertil	SE		139,700	2.0%
Gustafsson, Torbjörn	SE		87,400	1.3%
Ingelman, Carl-Gustaf	SE		80,000	1.1%
Svenska Handelsbanken Luxemburg*	CH		77,333	1.1%
Robur Försäkring*	SE		74,424	1.1%
Stenbeck, Ulf	SE		63,000	0.9%
Subtotal		**10**	**3,231,292**	**46.3%**
Other shareholders approx.		3,711	3,744,361	53.7%
TOTAL		**3,721**	**6,975,653**	**100.00%**
Total foreign shareholders		162	1,655,043	23.7%
Total Swedish shareholders		3,559	5,320,610	76.3%

*Nominee shareholder

Distribution of Share Ownership 31 December 2011

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,678	72.0%	412,784	5.9%
501-10,000	971	26.1%	2,073,154	29.7%
10,001-20,000	34	0.9%	428,823	6.2%
Above 20,000	38	1.0%	4,060,892	58.2%
Total	**3,721**	**100%**	**6,975,653**	**100%**

SinterCast Share January 2004 – December 2011

Share Data

	2011	2010	2009	2008	2007	2006
Number of shares at the end of the period	**6,975,653**	6,975,653	6,478,383	5,552,900	5,552,900	5,552,900
Average number of shares during the period	**6,975,653**	6,574,481	5,815,120	5,552,900	5,552,900	5,552,900
Average number of shares during the period adjusted for outstanding warrants[1]	**6,975,653**	6,574,481	–	–	–	–
EPS average number of shares, SEK[2]	**2.1**	2.5	-0.5	2.4	-0.8	-1.7
EPS average number of shares adjusted for outstanding warrants, SEK[2]	**2.1**	2.5	–	–	–	–
Adjusted equity per share, SEK[3]	**13.4**	12.4	8.7	6.1	3.6	4.2
Adjusted equity per share adjusted for outstanding warrants, SEK[3]	**13.4**	12.4	–	–	–	–
Dividends, SEK	**0.5**	–	–	–	–	–
Share price at the end of the period, SEK	**45.0**	51.3	50.5	32.5	140.0	82.5
Highest share price during the period, SEK	**66.5**	75.0	60.0	150.5	172.0	93.5
Lowest share price during the period, SEK	**35.0**	46.8	28.9	30.0	64.0	70.5
Number of shareholders	**3,721**	3,841	3,748	3,686	3,806	3,698
Non-Swedish shareholdings, % of share capital	**24**	22	27	31	33	38
Swedish shareholdings, % of share capital	**76**	78	73	69	67	62
Market value, MSEK	**313.9**	357.5	327.2	180.5	777.4	458.1

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 2012 will be held at 17:00 on 24 May 2012 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The Interim Report January-March 2012 will be published on 25 April 2012.

The Interim Report April-June 2012 will be published on 22 August 2012.

The Interim Report July-September 2012 will be published on 7 November 2012.

The Interim Report October-December and Full Year Results 2012 will be published on 20 February 2013.

In consideration of cost-efficiency and environmental concern, the Annual Report 2011 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2011 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:

www.sintercast.com

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