SinterCast

Annual Report 2013

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Notes: This document is an unofficial translation of the official Swedish Annual Report
The Director´s Report, page 16-26, includes the Corporate Governance Report, page 22-26.
Pages 16, 27-49 conform to IFRS (International Financial Reporting Standards)

Highlights

- World´s first high volume CGI petrol engine begins series production for Ford F-150
- Engine commitments in Ram, Ford and Nissan full-size pick-ups in North America
- *Wards* 10 Best Engine Award for VM Motori 3.0 litre Ram pick-up engine
- Commercial vehicle series production increases 100% year-on-year
- Record annualised series production of 1.8 million Engine Equivalents in October
- Record installation performance for third consecutive year
- 39 installations in 12 countries, supported in 10 languages

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

Strategy

SinterCast will focus primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast will promote CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast will also build upon its technical expertise in thermal analysis and cast iron process control to develop and launch new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the Company for its shareholders. As a technology lead Company, SinterCast will grow and prosper by earning the respect of its customers.

Environmental Benefits

The accuracy of the SinterCast process enables foundries to produce castings right-first-time, thus reducing scrap rates. For every one million Engine Equivalents, each 1% reduction in scrap or 1% improvement in mould yield provides the equivalent savings of 2,500 tonnes of CO_2 per year. By enabling CGI, the SinterCast process also contributes to the production of smaller and more efficient engines, thus improving fuel economy and reducing 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 €300,000-600,000 for the full System 3000 or System 3000 *Plus*, and €50,000-100,000 for the Mini-System 3000, depending on the configuration and installation requirements. For leased systems, the typical lease period is seven years, but the duration can vary.
- **Process Control Software:** The software applies the metallurgical know-how and provides the operating logic for the System 3000 hardware. SinterCast charges an Annual Software Licence Fee and retains ownership of the software.
- **Sampling Consumables:** The consumables consist of the Sampling Cup and the Thermocouple Pair. One Sampling Cup is consumed with each measurement. The Thermocouple Pair is re-used for up to 250 measurements. One SinterCast measurement is required for each production ladle.

- **Production Fee:** A running fee is levied for each tonne of shipped castings, based on the as-cast (pre-machined) weight. There are 20 Engine Equivalents (50 kg each) per tonne.
- **Technical Support:** SinterCast provides engineering service for product development, trials, new installations and calibrations, metallurgical consultancy, and ongoing customer service.

The total running fees (sampling consumables plus Production Fee) depend on the ladle size and the casting yield. For typical cylinder block production, the current running fees provide a revenue of approximately €40-50 per tonne of castings, equivalently, €2.00-2.50 for each 50 kg Engine Equivalent. The SinterCast business model is highly scalable, allowing profitability to rise as the installed base grows and as more products enter series production.

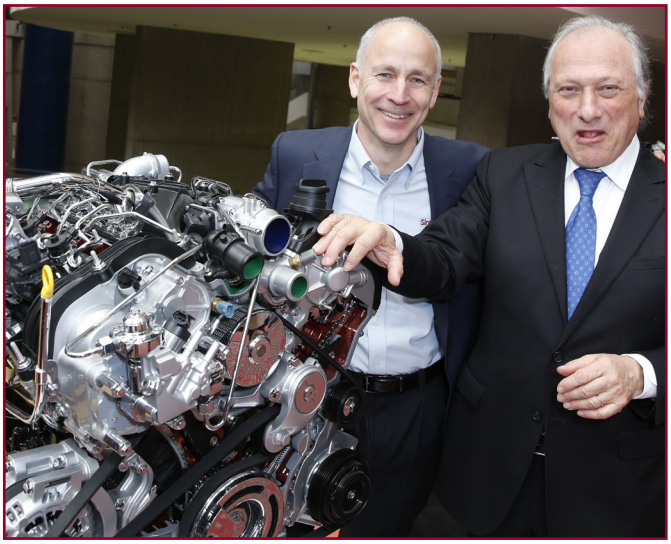
Five Waves Status Report

Introduced in 2002, the Five Waves strategy continues to provide the basis for how the Company views the overall market development. The production status for each of the Five Waves, based on the annualised year-end production rate of 1.6 million Engine Equivalents, is summarised in the following table:

Wave 1 V-Diesel Passenger Vehicle Engines in Europe	Annualised year-end production: 270,000 Engine Equivalents (13,500 tonnes) Series production for: Audi, Chrysler, Jaguar, Jeep, Lancia, Land Rover, Porsche and Volkswagen SinterCast-CGI Components: Four cylinder blocks (3.0-4.4 litres) Outlook: Stable contribution as European V-diesel vehicle sector continues to perform well
Wave 2 Commercial Vehicle Engines Worldwide	Annualised year-end production: 600,000 Engine Equivalents (30,000 tonnes) Series production for: DAF, Ford-Otosan, Hyundai, MAN, Navistar and Scania SinterCast-CGI Components: 13 cylinder blocks and four cylinder heads (3.9-16.4 litres) Outlook: Near-term and long-term global growth opportunity
Wave 3 In-Line Passenger Vehicle Diesel Engines	Current status: Limited product development underway Outlook: Long-term potential depends on performance demands, downsizing and emissions requirements
Wave 4 V-Diesel Passenger Vehicle Engines Beyond Europe	Annualised year-end production: 590,000 Engine Equivalents (29,500 tonnes) Series production for: Ford, Hyundai, Jeep, Kia and Ram SinterCast-CGI Components: Four cylinder blocks (2.7-6.7 litres) Outlook: Continued growth opportunity following start of sales of full-size diesel pick-ups in North America
Wave 5 Passenger Vehicle Petrol Engines Worldwide	Current Status: First high volume cylinder block (2.7 litres) start of production 4Q 2013 Outlook: Growth opportunity as first high volume engine sets new benchmarks for performance, size, weight and fuel efficiency

Other Growth Opportunities

Automotive - Other than Passenger Vehicle Cylinder Blocks	Annualised year-end production: 80,000 Engine Equivalents (4,000 tonnes) Series production for: Various OEMs and Tier I suppliers including BorgWarner and Honeywell SinterCast-CGI Components: Exhaust manifolds, turbocharger housings, bedplates and Motorsport blocks Outlook: Stable production with growth opportunity
Industrial Power	Annualised year-end production: 55,000 Engine Equivalents (2,750 tonnes) Series Production for: Allen Diesels, Cameron Compression, Federal Mogul, General Electric, MAN, MTU and Waukesha Engine SinterCast-CGI components: Available in marine, locomotive, off-road and stationary power applications Outlook: Near-term and long-term global growth opportunity



Dr Steve Dawson, President & CEO, and Mr Giorgio Garimberti, Chief Executive Officer of VM Motori, share a smile and a laugh following the 2014 Wards 10 Best Engine Awards at the North American International Auto Show

CEO Message

As I sit to write this year's CEO Message, I can't help but think of the difference compared to last year. One year ago, we were burdened by the suspended production of the Navistar engine and by the impact of the European economy on our commercial vehicle programmes. Series production was at a two-year low; it was a difficult way to start a year. But step-by-step, new production programmes were launched and new installations were secured. By October, we announced record series production of 1.8 million Engine Equivalents. In November, we announced record installation revenue. And, at year-end, we achieved record revenue. The progress of 2013 provides a strong starting point for 2014 and a solid foundation for our continued growth.

In a year of positives, the highlight for SinterCast was the start of series production of the first high volume CGI petrol engine during late-2013. After supporting the product development, prototyping and pre-production phases, the start of series production established running references in four of the Five Waves that we originally presented in 2002. And, with application in the model year 2015 Ford F-150 pick-up – North America's best-selling vehicle for the last 32 years – it is difficult to imagine a better first reference. Although performance data have not yet been released, it is a tribute to the strength of CGI that a 2.7 litre V6 can be introduced in an application that was dominated by 4.6 and 5.4 litre V8 engines only a few years ago. The petrol engine is a clear breakthrough for SinterCast, with the potential to spark a follower reaction in the industry.

The North American pick-up sector provided another exciting first reference for SinterCast in 2013, as the Ram 1500 became the first full-size pick-up to offer a diesel engine. After receiving *Motor Trend's* Truck of the Year award and a coveted *Wards* 10 Best Engine Award, and posting class-leading fuel economy, the Ram Eco-Diesel poses a fascinating challenge in the pick-up sector. Nissan has already responded with the announcement of a SinterCast-CGI 5.0 litre V8 diesel in the next generation Titan pick-up, and we watch with great anticipation to see how the other OEMs will react. We continue to believe that North American pick-ups are ideally suited to increased diesel use, and we support this conviction through our foundry and OEM activities, and our membership in the United States Coalition for Advanced Diesel Cars. With the Ram, Ford and Nissan announcements, SinterCast will be present in three of the five full-size pick-ups in North America's fastest growing sector. Together with the SinterCast-CGI 6.7 litre V8 diesel in Ford Super-Duty applications, the pick-up sector has the clear potential to provide more than one million Engine Equivalents per year.

While the pick-up sector provided excitement and promise in 2013, commercial vehicles were again the workhorse. With resumed production and the launch of new high volume programmes, commercial vehicle volume doubled in 2013 and accounted for 75% of the total growth. This growth restored the balance in our product mix, with approximately 50% of the production for passenger vehicle engines, 40% for commercial vehicle engines, and 10% for industrial power and automotive components other than engines. This diversification broadens our footprint and provides respected production references in every sector. While our technology is complex, our market strategy remains simple. The market has embraced the benefits of CGI: we don't need to do anything differently; we only need to do more. The starting point for doing more is to secure more foundries into the SinterCast camp and three consecutive years of record installations has substantially increased our production base. We will continue to seek new installations, but we also have to acknowledge that three consecutive records is a tough act to follow.

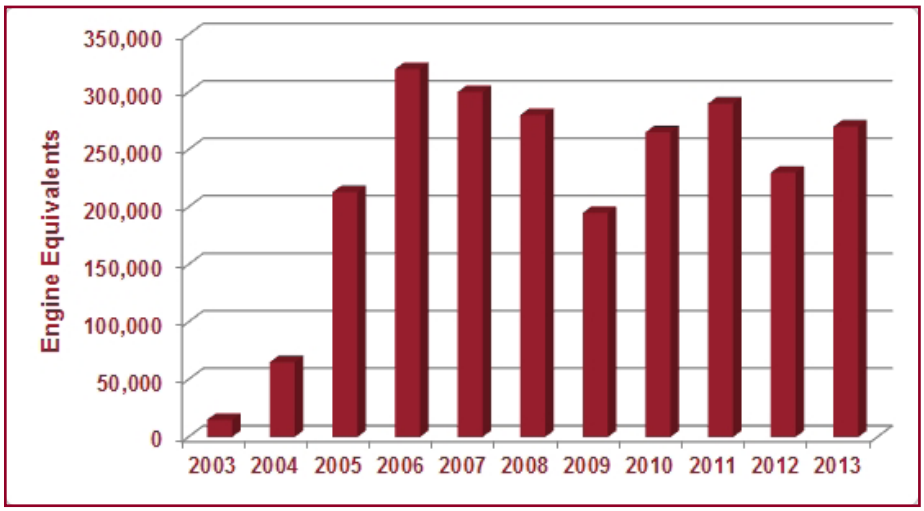
The development of the ductile iron technology provides a new opportunity to increase our global presence. Similar to the core CGI technology, the ductile iron technology begins with an accurate thermal analysis of the iron to provide additional insight that can help foundries improve process efficiency and quality control. Technical development and field trials continued throughout the year and two new patents were filed to protect the technology. However, as the CGI side of the business became busier in the second half of the year, we focussed our technical resources on the core CGI customer priorities. The ductile iron project remains a part of our growth strategy and we will continue the technical and commercial development in 2014.

The rewards for our efforts are being manifested in many ways: the start of diesel pick-up sales in the US; the launch of the first high volume CGI petrol engine; the potential to crack the two million Engine Equivalent milestone; three consecutive years of record installations; and, four consecutive years of dividend. But the greatest reward is the ever-increasing respect, credibility and acceptance in the industry. It is a wonderful recognition that the foundry and the OEM communities accept SinterCast as a peer, that they want to hear what we have to say.

Dr Steve Dawson
President & CEO

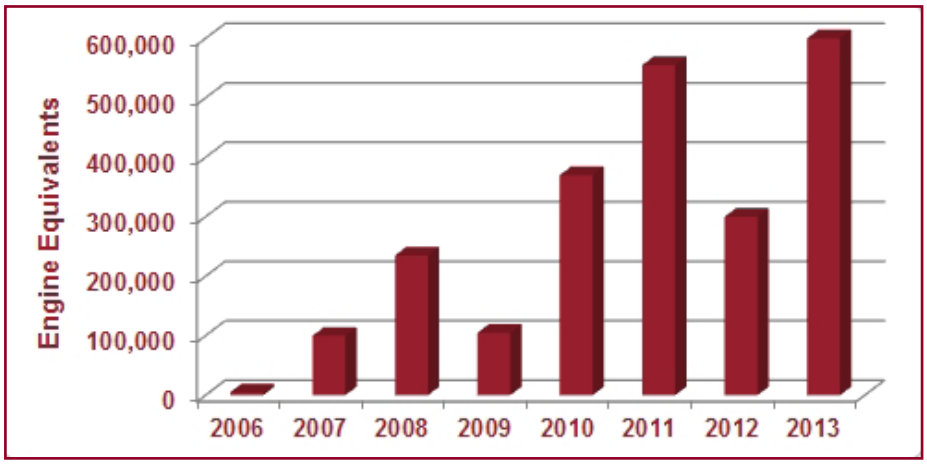
Market Development

SinterCast continues to view the overall market development in terms of the Five Waves strategy that was first introduced in 2002. The Five Waves are presented in terms of the main types of engines found in the automotive sector, and the types of vehicles that the engines are used in. For each type of product, SinterCast presents the production volume in terms of Engine Equivalents, where each Engine Equivalent is defined to weigh 50 kg. Accordingly, there are 20 Engine Equivalents per tonne of castings. SinterCast's revenue is approximately €2.00-2.50 per Engine Equivalent.



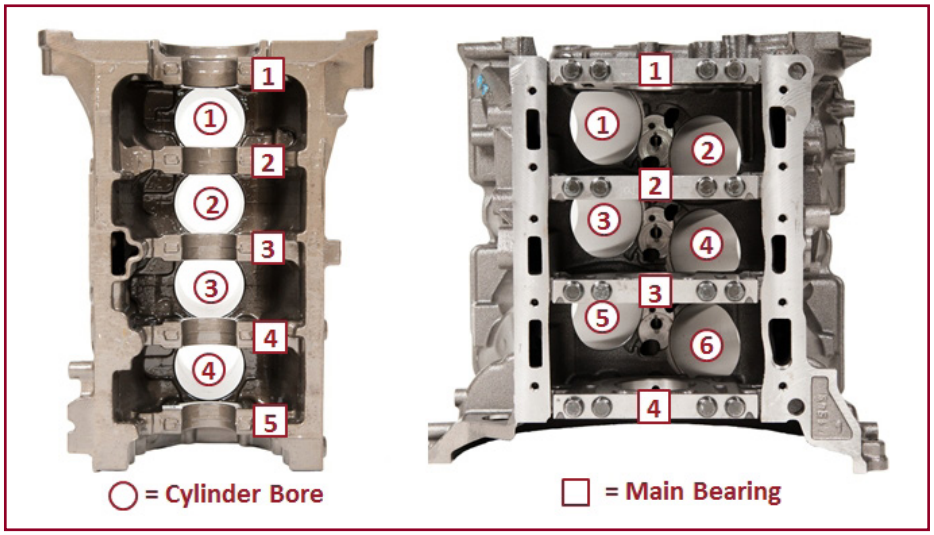
Wave 1: V-Diesel Passenger Vehicle Engines in Europe

The first wave began in 1999 with the introduction of the first-ever series production CGI cylinder block: the Audi 3.3 litre V8. Although the annual production was less than 10,000 units per year, Audi's commitment to CGI established a critical reference that contributed to the subsequent start of high volume production by Ford and Audi in 2003. With the exception of 'dips' in 2009 and 2012 due to the global economy, the first wave has provided strong and stable contribution as luxury vehicles and SUVs have outperformed the market. The Audi 3.0 litre V6 has also entered the North American market in the A6, A7, A8, Q5 and Q7, although all of the Audi V6 volume is accounted for in the first wave. With 53.5% diesel penetration in Europe during 2013, and with SUVs the fastest growing sector in Europe, the outlook is for continued strong and stable contribution from the first wave.



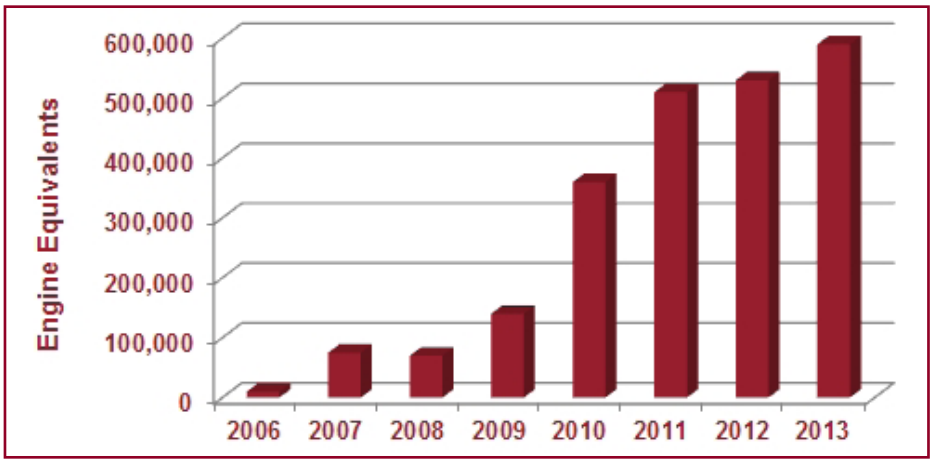
Wave 2: Commercial Vehicle Engines Worldwide

Following new foundry installations in 2005, in Brazil and Turkey, initial commercial vehicle production began in 2006 and ramped up during 2007 and 2008, accounting for approximately one-third of the total production in 2008. Commercial vehicle sales are directly linked to the overall economy and the economic challenges of 2009 and 2012 led to sharp decreases in volume. Commercial vehicle volume recovered during 2013, with a 100% increase due to the resumed production of the Navistar 13 litre engine in North America and the start of production of two new heavy-duty cylinder blocks for European OEMs during the second quarter of 2013. With full year production from the two new European programmes in 2014, a larger base of 17 different commercial vehicle components, and improving economic conditions, the second wave is poised to provide further growth.



Wave 3: In-line Passenger Vehicle Diesel Engines

In 2002, it was expected that in-line passenger vehicle diesel engines would provide the third growth opportunity. At that time, the recent introduction of common rail fuel injection had increased peak firing pressure from 135 bar to over 160 bar, increasing engine performance from 35 kW/litre to over 50 kW/litre. Continued increases were expected, exceeding the durability limits of in-line blocks. However, peak firing pressures eventually stabilised at approximately 170 bar. In combustion engines, the load from the cylinders is absorbed by the main bearings at the bottom of the engine. As shown in the figure, in-line engines have five main bearings to support the load from only four cylinders. In contrast, V-engines have only four main bearings to support the load from six cylinders. The lower load per bearing in in-line engines has allowed conventional materials to remain durable. The future development of the third wave depends on the demand for increases in performance, downsizing and emissions.

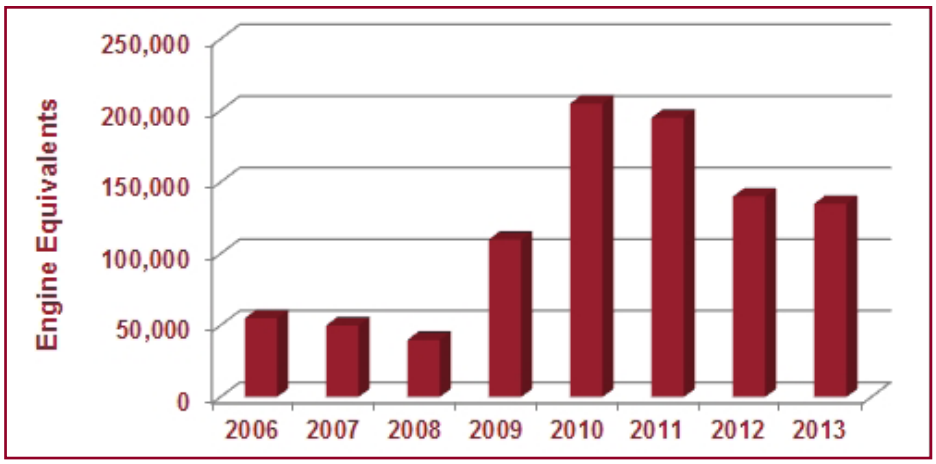


Wave 4: V-Diesel Passenger Vehicle Engines Beyond Europe

The fourth wave began with the start of production of the Hyundai 3.0 litre V6 in 2006 and increased significantly with the introduction of the Ford 6.7 litre V8 for Super-Duty pick-up applications in 2009. The V8 remains SinterCast's highest volume programme, with more than 80% of Ford's Super-Duty pick-up customers choosing the SinterCast-CGI diesel. Continued growth is expected from the fourth wave, with the start of sales of the Ram 1500 full size pick-up in early 2014, the Nissan commitment to a SinterCast-CGI 5.0 litre V8 diesel for the next generation Titan pick-up, and the potential for a follower reaction from other OEMs. The overall strength of the North American market adds to the positive outlook, with continued strong sales expected, and with pick-ups being the fastest growing sector in 2012 and 2013.

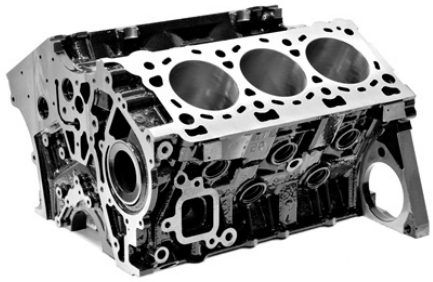
Wave 5: Passenger Vehicle Petrol Engines Worldwide

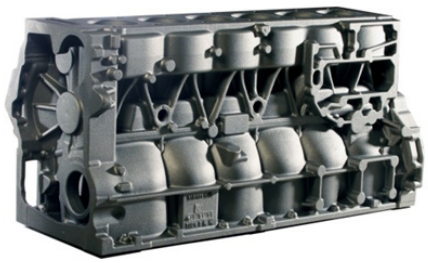
With the demand to improve corporate average fuel economy in the US from 27.5 miles per gallon (8.6 litres per 100 km) in 2010 to 54.5 miles per gallon (4.3 litres per 100 km) in 2025, and the need to reduce CO_2 emissions in Europe from 130 g per km in 2012 to 95 g per km in 2021, the demands for engine downsizing and vehicle lightweighting have increased substantially. As petrol engines incorporate direct fuel injection and turbocharging to improve efficiency, the differences between petrol and diesel engines are reduced. These factors have led to the first-ever commitment for a high volume petrol engine for the Model Year 2015 Ford F-150 pick-up. The high profile introduction of the SinterCast-CGI engine in North America's best-selling vehicle provides a strong reference for CGI in petrol engines. As with diesel engines, the initial petrol development is expected to focus on V-engines.



Other Growth Opportunities

Beyond the Five Waves related to the core cylinder block and head applications, SinterCast also supports the production of passenger vehicle exhaust components and bedplates, and large engine castings for the industrial power sector. The production of industrial power components began in 2005 with the start of production of a locomotive cylinder head for General Electric Transportation Systems in North America. The sector has since grown to include more than 10 components for the rail, marine, stationery power and off-road industries. The North America industrial power production declined sharply in 2008 and 2009, due to the US economic crisis, but was offset by the simultaneous start of production of exhaust manifolds and turbocharger housings in China. The exhaust component production, destined for small car applications in Europe, declined during 2012 and 2013, in line with the decline in European sales. Automotive components other than cylinder blocks and heads, plus industrial power components, accounted for approximately 10% of the total volume in 2013 and provide further growth opportunities.





Passenger Vehicles

SinterCast Volume:	0.85 MEqvs
Market (approx.):	1.4 MEqvs
Penetration (Global):	60%

Commercial Vehicles

SinterCast Volume:	0.60 MEqvs
Market (approx.):	12 MEqvs
Penetration (West):	15%
Penetration (Global):	5%

Market Penetration

The current global demand for passenger vehicle V-diesel engines in is approximately 700,000 units per year. At an assumed average weight of 100 kg per cylinder block, the total market opportunity can be estimated at approximately 1.4 million Engine Equivalents per year. Accordingly, SinterCast's current production of 850,000 Engine Equivalents in the first and third waves corresponds to a penetration of approximately 60%. The current global demand for commercial vehicles (>6 tonne capacity) can be estimated at approximately two million units per year, with approximately half of the volume in the Chinese market. Assuming average weights of 200 kg for the cylinder block and 100 kg for the cylinder head, the total market opportunity can be approximated at 12 million Engine Equivalents per year, with approximately four million accounted for by Europe and North America. Accordingly, SinterCast's current production of 600,000 Engine Equivalents in the second wave corresponds to a penetration of approximately 15% of the Western market, and approximately 5% of the global market, providing significant growth potential.

SinterCast's largest casting during 2013 was a 9 tonne engine entablature for Allen Diesels of the UK. With CGI entablatures and heads, the Allen Series 4000 engines provide power outputs from 1,800 to 5,050 kWe in power generation applications around the world. (Courtesy Allen Diesels)

SinterCast and the Environment

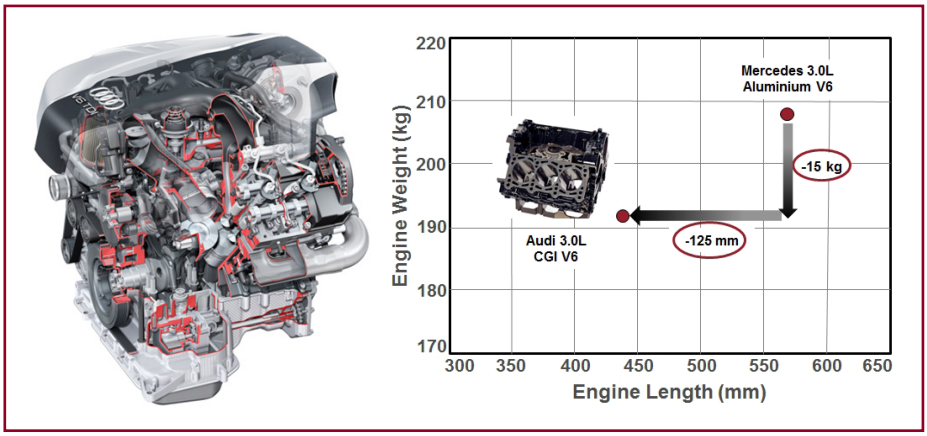
SinterCast contributes to the environment directly and indirectly. In the foundry industry, the improved efficiency of the CGI casting process provides energy savings and reduced CO_2 emissions. In the automotive industry, CGI enables the production of smaller more efficient engines, thus improving fuel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

In the Foundry: Improved process control reduces energy consumption and CO_2 emissions. By reducing the scrap rate, fewer castings need to be re-melted and re-cast. The energy needed to melt cast iron is approximately 10,000 MJ per tonne. For a foundry producing one million Engine Equivalents per year, with a mould yield of 65%, the annual energy demand for melting is over 800 million MJ, corresponding to more than 35,000 tonnes of coal per year. Every 1% of scrap reduction, weight reduction or improved mould yield provides the potential to reduce the coal demand by over 350 tonnes per year – approximately 1,000 tonnes of CO_2 for every one million Engine Equivalents. SinterCast's main contribution to the environment is to improve the process efficiency, helping foundries to be right-first-time.

In Passenger Vehicles: The increased strength and stiffness of CGI allows engine engineers to increase the combustion pressure, resulting in more power per litre and more complete combustion of the air-fuel mixture. CGI allows the size, weight and displacement of diesel and petrol engines to be reduced without sacrificing performance or durability. For passenger vehicles, every 20 kg of weight reduction provides a fuel saving of 0.1 litres for every 100 km driven. For a typical 3.0 liter V6 diesel, SinterCast's weight reduction contribution is approximately 10%, or equivalently, 20 kg. This downsizing can save 100 litres of fuel for every 100,000 km driven.

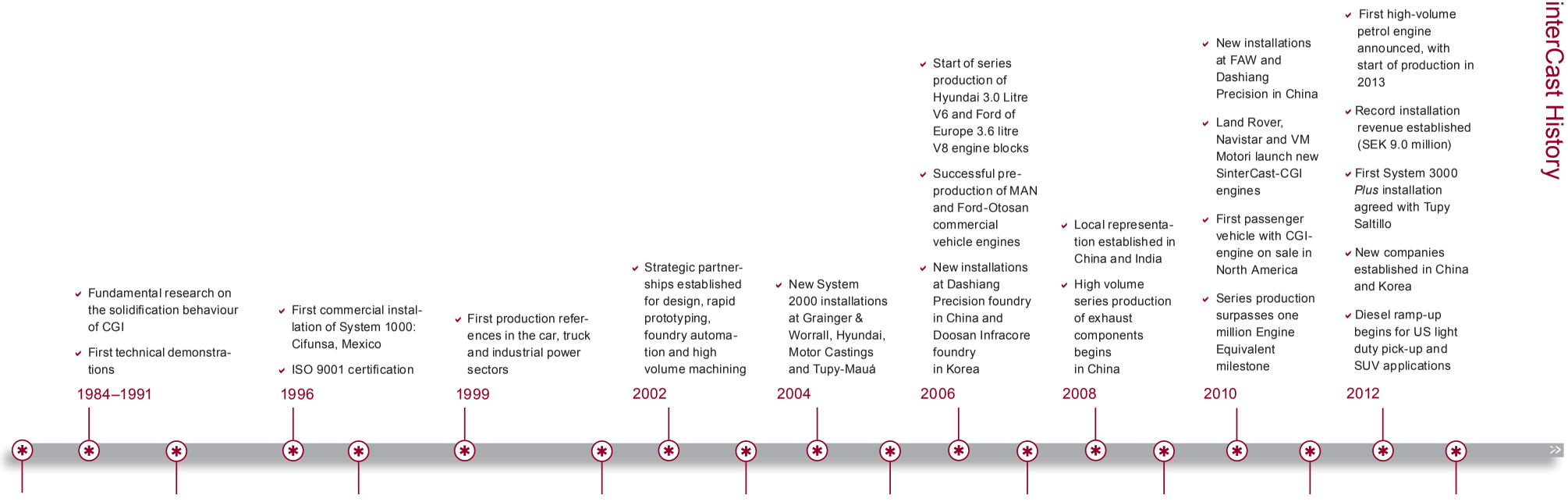
In Commercial Vehicles: Weight reduction is particularly important in commercial vehicles, both for improved fuel economy and increased payloads. In heavy-duty applications, a downsized CGI engine can weigh 100 kg less than a grey iron engine with the same performance, improving fuel economy by 0.1%. Considering typical fuel consumption of 40 litres per 100 km, and average annual mileage of 250,000 km, the saving of 100 kg in a fleet of one hundred 12 litre trucks corresponds to a fuel saving of approximately 10,000 litres per year – more than 25 tonnes of CO_2 per year for the fleet.

Compared to Aluminium: The melting of aluminium requires approximately 90,000 MJ/tonne - nine times more than that of iron. In order to provide a net energy benefit to society, the reduced weight of an aluminium engine must provide fuel savings that are larger than the up-front energy consumed in the foundry. Weight reduction in passenger vehicles saves 0.5 litres for each 100 km driven and 100 kg of weight saved. Considering the 34 MJ/litre energy content of petrol, an 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 12 years of driving.



The Audi 3.0 litre V6 diesel, based on a CGI cylinder block, is 125 mm shorter and 15 kg lighter than the Mercedes 3.0 litre V6 diesel based on an aluminium cylinder block. V-type CGI petrol engines can realise similar advantages. (Courtesy Audi)

SinterCast History



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

2012
- First high-volume petrol engine announced, with start of production in 2013
- Record installation revenue established (SEK 9.0 million)
- First System 3000 *Plus* installation agreed with Tupy Saltillo
- New companies established in China and Korea
- Diesel ramp-up begins for US light duty pick-up and SUV applications

2013
- First high volume CGI petrol engine begins series production for Ford F-150
- Engine commitments in full-size pick-ups for Ram, Ford and Nissan
- *Wards* 10 Best Engine Award for VM Motori 3.0 litre Ram pick-up engine
- Record annualised series production of 1.8 million Engine Equivalents in October
- Record installation performance for third consecutive year

Current Status

- 23 fully automated process control systems and 16 mini-systems in 12 countries, supported in 10 languages
- More than 55 components in series production, from 2 kg to 9 tonnes
- Approximately 2 million castings produced and 118,500 Sampling Cups shipped in 2013
- Series production for passenger vehicle, commercial vehicle and industrial power applications

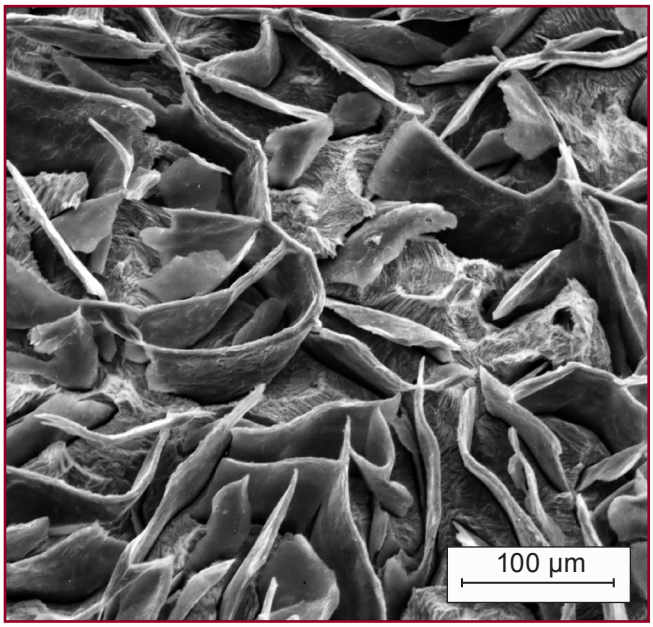
Compacted Graphite Iron

Microstructure and Properties

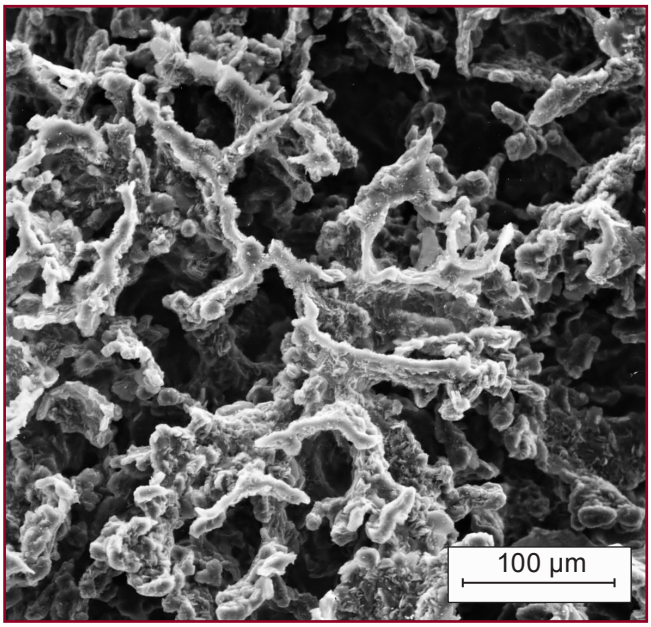
The graphite particles in Compacted Graphite Iron (CGI) appear as individual 'worm-shaped' or vermicular particles. The particles are elongated and randomly oriented as in grey iron; however, they are shorter and thicker than the graphite flakes in grey iron, and have rounded edges. While the compacted graphite particles appear worm-shaped when viewed in two dimensions, deep-etched SEM micrographs (below) show that the individual 'worms' are connected to their nearest neighbours within the eutectic cell. This complex coral-like graphite morphology, together with the rounded edges and irregular bumpy surfaces, results in strong adhesion between the graphite and the iron matrix. This compacted graphite morphology inhibits crack initiation and growth and is the source of the improved mechanical properties relative to grey iron.

Compacted Graphite Iron 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, off-road and stationary power generation.

The ISO 16112 international standard for CGI provides for five grades of CGI, ranging from a minimum tensile strength of 300 MPa to 500 MPa (GJV 300 to GJV 500). For each of these grades, the microstructure specification requires a nodularity range of 0-20%. Pearlite content can be chosen to suit the application, with the GJV 300 Grade being fully ferritic and the GJV 500 Grade being fully pearlitic. Flake graphite is inadmissible. As with grey iron and ductile iron, specific alloying elements can be added to enhance high temperature strength, wear resistance or other properties. A full range of heat treatments, including austempering, can also be applied. The chemical specification of CGI castings is subordinate to the graphite microstructure and the mechanical properties.



Grey Iron: smooth surfaces and sharp edges promote crack initiation and propogation, making grey iron weak and brittle



CGI: coral-like graphite with rounded edges provides increased strength, stiffness and fatigue resistance.

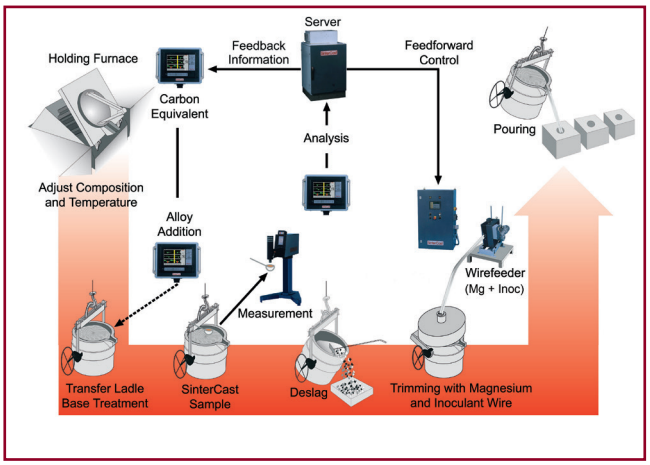
The SinterCast Process

Ladle Production

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

Process Flow

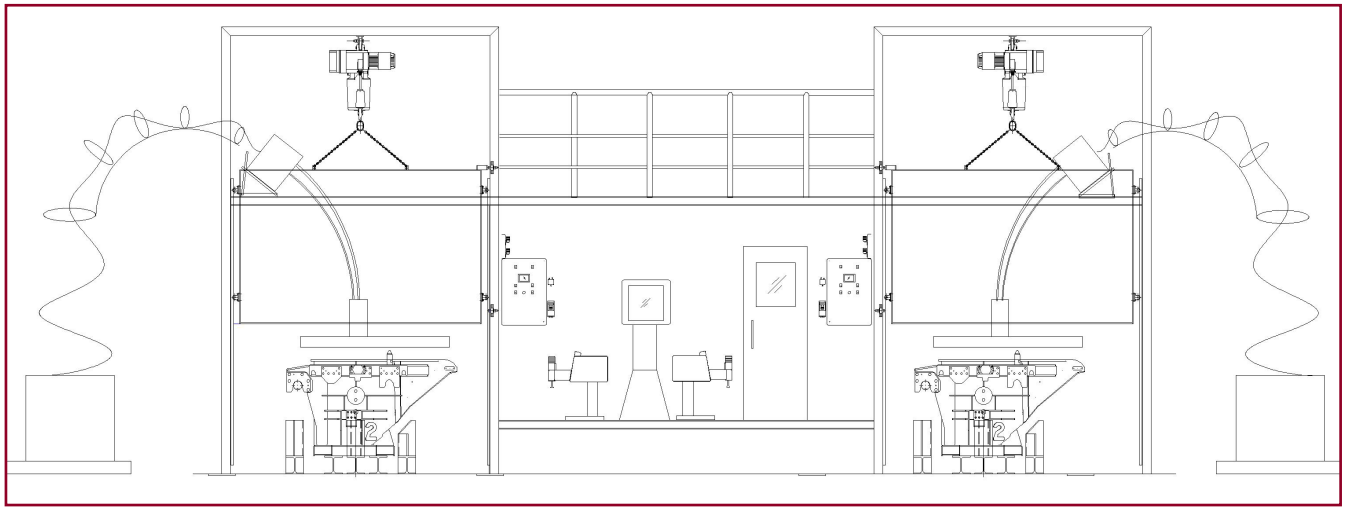
The process begins with the thermal analysis of a 200 gram sample of the magnesium and inoculant treated base iron. The thermal analysis sample is obtained by immersing the patented Sampling Cup into the iron for approximately three seconds. After completion of the thermal analysis, the SinterCast software calculates the 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.



Process flow for ladle production

System 3000 *Plus*

In addition to the automatic feedforward correction provided by the basic System 3000, the System 3000 *Plus* also provides automatic feedback control of the initial base treatment process. Based on the automatic input of ladle weight, temperature and sulphur content, plus the historical SinterCast results, the *Plus* technology calculates and adds the optimal amount of magnesium and inoculant in the initial base treatment. The automation of the base treatment process prevents operator error and improves the accuracy and productivity of the CGI series production process. The layout below shows an integrated base treatment and correction installation designed and constructed for a new purpose-built CGI foundry in China.



The System 3000 Plus provides automated control of the base treatment (right) and correction (left) processes.

SinterCast Process Control - Mini-System 3000

Mini-System 3000

The Mini-System 3000 is a purpose-built thermal analysis system for product development, prototyping and niche volume production. The Mini-System 3000 uses the same sampling technology and software as the fully automated System 3000, but is based on a simplified hardware platform. The Mini-System 3000 does not include an integrated wirefeeder. The foundry can source a separate wirefeeder and manually input the magnesium and inoculant wire addition results provided on the operator display screen. As with the fully automated System 3000, all analysis results and thermal analysis software parameters are available to foundry supervisors and engineers.

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

Mini-System 3000 Specifications

Components	Operator Control Module (OCM) Sampling Mechanism SAM Lighthouse Operator Box
Foot-print	1400 x 550 mm
Max Height	1630 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

SinterCast´s unique immersion sampling

Consistency and Resolution

The patented SinterCast Sampling Cup is fabricated from stamped and drawn steel sheet. In comparison to conventional thermal analysis sand cups, the design of the thin-wall immersion sampler ensures a constant sample volume, prevents oxidation of the iron during pour-in filling, provides a more uniform solidification profile and yields a more accurate measurement of undercooling because of the elimination of chill-solidification. The thermal analysis is obtained from two high-accuracy thermocouples that are contained within a protective tube in the Sampling Cup and reused up to 250 times. These design advantages ensure consistency and are a key element of successful CGI production: the stable CGI window is so small that it is essential that all measured differences in the thermal analysis can be attributed to changes in the solidification behaviour of the iron rather than to variation in the sampling conditions. The walls of the Sampling Cup are coated with a reactive coating that consumes active magnesium in order to simulate the fading of magnesium in the ladle. This patented Mg-fade simulation allows SinterCast's customers to safely target the low end of the 0-20% Nodularity window, preventing flake graphite formation, minimising the risk of porosity defects and optimising material properties and machinability. SinterCast has successfully used steel Sampling Cups and re-useable thermocouples since 1999.

SinterCast Process Control - System 3000

The fully automated System 3000 provides a flexible, robust and accurate hardware and software platform that enables SinterCast´s customers to independently control CGI series production and product development. The System 3000 is comprised of individual hardware modules that can be configured to suit the layout, process flow and production volume of any foundry, both for ladle production and pouring furnaces. The basic configuration consists of one Sampling Module (SAM), one Operator Control Module (OCM), a Power Supply and a 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. The System 3000 *Plus* also incorporates automatic feedback control of the base treatment process.

System 3000 with two Sampling Modules

The System 3000 features include:

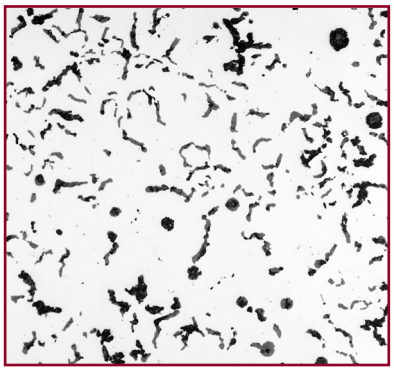
- *Accuracy:* Proven, high resolution SinterCast thermal analysis.
- *Process Control:* Automatic wirefeed correction of magnesium and inoculation for each ladle.
- *Automation:* Automatic base treatment by wire, based on network-streamed input of sulphur, ladle weight, temperature and SinterCast analysis 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

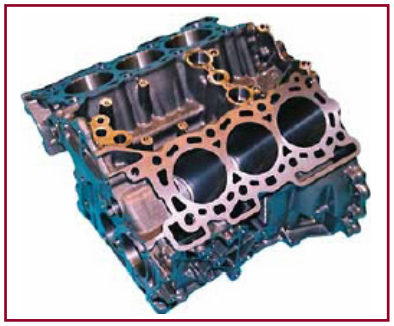
Components	Sampling Module (SAM) Operator Control Module (OCM) Complete Wirefeeder Power Supply Module
Foot-print	1200 x 800 mm, on pallet
Max Height	1960 mm
Weight	315 kg (pallet mounted items) 250 kg (Complete Wirefeeder)
System 3000 Power Supply	110–120V, 50–60Hz, 2kW max 220–240V, 50–60Hz, 2kW max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

Automatic wirefeeding for base treatment and correction

SinterCast-CGI Cylinder Block Benefits



STRENGTH & DURABILITY
+75% Tensile Strength
+45% Elastic Modulus
+100% Fatigue Strength



ENGINE PERFORMANCE
10-20% Weight Reduction
10-20% Power-up (kW/litre)
5-10% Noise Reduction

PROVEN RELIABILITY
>50,000 Cylinder Blocks/month
2.7-16.4 litre Deplacement
High Volume Diesel & Petrol

25 REASONS TO USE SINTERCAST-CGI

1. ***WEIGHT REDUCTION***
2. ***SIZE REDUCTION***
3. ***POWER INCREASE***
4. ***IMPROVED DURABILITY***
5. ***REDUCED NOISE***
6. ***INCREASED CYLINDER PRESSURE***
7. ***FUTURE POWER-UP POTENTIAL***
8. ***LESS CYLINDER BORE DISTORTION***
9. ***LESS BLOW-BY EMISSIONS***
10. ***IMPROVED WEAR RESISTANCE***
11. ***IMPROVED HONING SURFACE***
12. ***LESS OIL CONSUMPTION***
13. ***LESS CAVITATION***
14. ***CLEANER AS-CAST SURFACES***
15. ***>100,000 KM EMISSIONS CAPABILITY***
16. ***WELL-TO-WHEELS ENERGY REDUCTION***
17. ***100% RECYCLABLE***
18. ***LESS EXPENSIVE THAN ALUMINIUM***
19. ***SECONDARY WEIGHT REDUCTION BENEFITS***
20. ***THERMAL EXPANSION EQUAL TO GREY IRON***
21. ***COMPATIBLE WITH GREY IRON TOOLING***
22. ***FRACTURE SPLIT MAIN BEARINGS***
23. ***REDUCED THREAD ENGAGEMENT***
24. ***PROVEN HIGH VOLUME MACHINING***
25. ***ISO AND SAE INTERNATIONAL STANDARDS***

The SinterCast Management

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

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

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

*As of 15 March 2014

Global Foundry Customers

The SinterCast Board*

Ulla-Britt Fräjdin-Hellqvist
MSc Eng, Ph, Chairman

Aage Figenschou
LLM, Vice Chairman

Robert Dover
FR Eng, FIED, FRSA

	Stockholm, Sweden Born 1954, Nationality: Swedish	Oslo, Norway Born 1948, Nationality: Norwegian	London, United Kingdom Born 1945, Nationality: British
Main Duties	Fräjdin & Hellqvist AB	MD, Aage Figenschou AS	Professor of Industrial Manufacturing, Warwick University, Former Chairman and CEO of Jaguar and Land Rover. Former Chairman and CEO Aston Martin
Other Assignments	DataRespons ASA, e-man AB, Fouriertransform AB, Kongsberg Automotive ASA (Chairman), Micronic Mydata AB, Tällberg Foundation, Vindora Holding AB	Jason ASA (CEO), Chairman of Eitzen Chemical ASA and Pareto Worldwide Shipping ASA	British Motor Industry Heritage Trust (Chairman), Jaguar Daimler Heritage Trust, Autoscan Ltd (Chairman), Chemtura Corporation (Director and Member of the Audit Committee)
Elected Year	2002	1998	2004
Board Fee, SEK**	280,000 (260,000)	140,000 (130,000)	140,000 (130,000)
Review Group Fee, SEK	-	20,000 (20,000)	-
Attendance, Board Meetings	11/11	11/11	9/11
Audit Committee	4/4	4/4	4/4
Compensation Committee	2/2	2/2	-
Number of Shares	4,998	6,000	1,249
Independent	Yes	Yes	Yes

Laurence Vine-Chatterton
B.A., F.C.A.

Hans-Erik Andersson

Steve Dawson
BEng, MASc, PhD, PEng, FIMechE

	Guildford, United Kingdom Born 1949, Nationality: British	Danderyd, Sweden Born 1950, Nationality: Swedish	London, United Kingdom Born 1962, Nationality: Canadian
Main Duties	Trustee-Treasurer of the Arboricultural Association, Non-executive Director of Surrey and Borders Partnership NHS Trust and Chairman of its Audit Committee	Chairman of the Board of Cision AB, Board Member of Gjensidige Forsikring ASA, Anticimex International AB and Skandia Liv, Member of the Citibank Nordic Advisory Board	President & CEO, SinterCast AB (publ) No other Board duties
Other Assignments	Former President of Intermet Europe GmbH. Former non-executive Director of Automotive Components Europe S.A.		Former Technical Director and Chief Operating Officer, SinterCast Group
Elected Year	2011	2013	2007
Board Fee, SEK**	140,000 (130,000)	140,000 (-)	No Board Fee (No Board Fee)
Review Group Fee, SEK	20,000 (20,000)	-	-
Attendance, Board Meetings	11/11	5/11	11/11
Audit Committee	4/4	2/4	4/4
Compensation Committee	-	-	-
Number of Shares	800	0	33,750
Independent	Yes	Yes	No

* At the AGM 2013 on 15 May 2013, Hans-Erik Andersson was elected as a new Board Member and Andrea Fessler declined re-election.
** The Board Fee was decided for the period 15 May 2013 until 20 May 2014 (24 May 2012-15 May 2013). Board Fee for Andrea Fessler amounted to SEK -,- (130,000).

Note: All information as of 15 March 2014.

Directors Report

The Board of Directors and the Managing Director of SinterCast AB (publ), corporate identity number 556233-6494, hereby submit the Annual Report and consolidated financial statements for 2013. SinterCast AB, the Parent Company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden.

Operations

SinterCast is the world's leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI). With at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium, CGI allows engine designers to improve performance, fuel economy and durability while reducing engine size, weight, noise and emissions. The SinterCast technology, with 39 installations in 12 countries, is primarily used for the production of petrol and diesel engine cylinder blocks and exhaust components for passenger vehicles, medium-duty and heavy-duty cylinder blocks and heads for commercial vehicles, and industrial power engine components for marine, rail, off-road and stationary engine applications. SinterCast's series production components range from 2 kg to 9 tonnes, all using the same proven process control technology.

Organisation

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

The global organisation includes separate functions for Sales & Marketing, Operations, Research & Development, Process Engineering and Finance & Administration. All of these functions report directly to the President & CEO of the SinterCast Group and Managing Director of SinterCast AB. The global Sales & Marketing function is responsible for supporting the commercial needs of existing customers and for the active development of new foundry and OEM business opportunities. The Operations function is responsible for the production and supply of the control systems and sampling consumables, commissioning of new installations, and quality management, including the current ISO 9001:2008 certification. The Research & Development function is responsible for the continuous improvement of the core thermal analysis technology, the process control software, and general metallurgical support. The Process Engineering function is responsible for the metallurgical planning and commissioning of new installations and customer training, technical support of ongoing foundry production activities, field trials, and technical support of prospective customers. The centralised Finance & Administration function, based at the Technical Centre in Katrineholm, is responsible for supporting the needs of all Group companies with regard to finance, control, administration, human resources and information technology.

Legal Structure

SinterCast AB (publ) is the Parent Company of the SinterCast Group, with its registered office located in Stockholm, Sweden. The Parent Company has 12 (15) employees. The reduction in the number of employees is due to reassignment of Chinese personnel to the local company and changes from employee to consultant status for two individuals. The majority of the operations are managed by the Parent Company while local operations in the UK, USA, Korea and China are managed by the local companies.

The Parent Company holds all of the patents and trademarks and controls the activities of the Group. The legal structure of the SinterCast Group includes the Parent Company, SinterCast AB (publ), and its subsidiaries SinterCast Ltd in the United Kingdom, SinterCast Inc in the USA, SinterCast Personnel AB in Sweden, SinterCast Trading (Beijing) Co., Ltd in China, SinterCast Korea Co., Ltd in Korea and SinterCast SA de CV and SinterCast Servicios SA de CV, both in Mexico.

As of 31 December 2013, the Group had 17 (19) employees, three (three) of whom were female. The company is well positioned to support global market activities and to drive SinterCast's future growth.

Board Member Bob Dover off-roading in a Land Rover with a SinterCast-CGI 4.4 litre V8 diesel engine

Patents, Intellectual Property and Research & Development

The company has implemented a strategy to protect its technology through patents or other intellectual property rights to preserve its leading position within CGI process control. Patents have also been filed to protect the ductile iron technology. The company applies for patents in selected countries that are relevant to the foundry and/or automotive industries. However there is no guarantee that the company will continue to be granted patents in the relevant geographic markets, or that it will be able to defend the patents that have been granted.

SinterCast currently holds 13 (11) patents and maintains 44 (43) individual national phase patents granted or pending worldwide. The 13 base patents address SinterCast's metallurgical technology, thermal analysis, the Sampling Cup, product applications and machining. During the recent years, the company allowed selected patents to lapse, as it was judged that continued payment of the national phase annuities for these patents would not provide a return on the investment.

SinterCast has continued to expand the functionality of its core CGI technology and continued the ongoing development of its thermal analysis process control technology for ductile iron. The SinterCast ductile iron technology is expected to provide an additional benefit to customers by reducing magnesium consumption, improving mould yield and reducing casting defects in the foundry, and by improving machinability. The remaining emphasis of the R&D activity is to continuously improve the accuracy and the reliability of the thermal analysis and process control software.

The advances in the core CGI technology have resulted in the implementation of the System 3000 *Plus* technology with automated base treatment or System 3000 *Plus* upgrades at five foundries.

Environment

SinterCast operates within the environmental limits established by local and national legislation and does not have any operations that require specific environmental permission or concessions from the authorities. The accuracy of the SinterCast process enables foundries to produce CGI castings with a lower scrap rate, thus reducing the emissions and the cost associated with re-manufacturing. As a CGI-enabler, the SinterCast technology contributes to the production of smaller and more fuel-efficient engines, thus reducing CO_2 emissions in passenger vehicle and commercial vehicle applications. In general, the diesel engines produced using SinterCast-CGI provide approximately 30% better fuel efficiency and less CO_2 emissions than the nearest available petrol engine alternatives.

Risks and Uncertainty Factors

The main uncertainty factor for SinterCast continues to be the timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI products, the global economy for new vehicle sales, and the individual sales success of vehicles equipped with SinterCast-CGI components. The European and Asian economies continue to be uncertain and this may impact passenger vehicle and commercial vehicle sales. SinterCast's diversification between V-diesel engines for passenger vehicles, commercial vehicle engines, exhaust components, industrial power engines and most recently, the launch of the first high volume CGI petrol engine, combined with its presence in Europe, Asia and the Americas, reduces the dependence on individual product applications and geographical regions.

Ram 1500 Motor Trend Truck of the Year with a SinterCast-CGI 3.0 litre V6 diesel engine

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

New powertrain technologies, such as vehicle electrification (hybrid and plug-in vehicles) and fuel cells attract significant media attention; however, the development and implementation of these technologies remain a long-term prospect and SinterCast does not expect these technologies to have a significant effect on the Company's competitive position for the foreseeable future.

For full risk and uncertainty factor information, please see note 26 on 46-47.

Model Year 2015 Ford F-150 with a SinterCast-CGI 2.7 litre V6 petrol engine

Financial Summary

Revenue

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

Revenue Breakdown	**January-December**	
Amounts in SEK million if not otherwise stated	**2013**	2012
Number of Sampling Cups shipped	**118,500**	102,400
Equipment[1]	**10.1**	9.0
Series Production[2]	**40.2**	35.8
Engineering Service[3]	**1.4**	1.0
Other	**0.2**	0.1
Total	**51.9**	45.9

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 2013 revenue amounted to SEK 51.9 million (SEK 45.9 million). The revenue from series production increased by 12% to SEK 40.2 million (SEK 35.8 million), due to higher volume and the shipment of 118,500 (102,400) Sampling Cups. Equipment revenue amounted to SEK 10.1 million (SEK 9.0 million), primarily related to the new System 3000 installations at Tupy Foundry C in Brazil, Halberg in Germany and Scania in Sweden; the Mini-System 3000 shipments to the University of Alabama in the US and to JMC in China; and, the automated base treatment control system (System 3000 *Plus* upgrade) at Tupy, Brazil. The revenue from the leased installations is accrued over the lease period.

Results

The business activities of SinterCast are best reflected by the Operating Result. This is because the "Result for the period after tax" and the "Earnings per Share" are influenced by the financial income and costs and by the revaluation of deferred tax assets.

Results Summary	**January-December**	
Amounts in SEK million if not otherwise stated	**2013**	2012
Operating Result	**7.3**	1.0
Result for the period after tax	**8.1**	-3.7
Earnings per share (SEK)	**1.2**	-0.5

The January-December 2013 Operating Result of SEK 7.3 million (SEK 1.0 million), increased as a result of higher gross results of SEK 5.1 million derived from higher revenue and lower operational expenses of SEK 1.3 million and lower exchange gains from operating receivables and liabilities of SEK 0.1 million.

The Result for the period after tax amounted to SEK 8.1 million (SEK -3.7 million), primarily related to an increase in the Operating Result of SEK 6.3 million, the decreased financial net of SEK 0.8 million and decreased net tax expense of SEK 6.3 million.

Audi A8 with a SinterCast-CGI 3.0 litre V6 diesel engine

Deferred Tax Asset

Tax amounted to SEK 0.6 million (SEK -5.7 million) during the January-December 2013 period, of which SEK 5.4 million of the difference, accounted in 2012, is explained by the change in the Swedish corporate tax rate from 26.3% to 22% as of 1 January 2013, SEK 0.8 million is explained by the increase of the deferred tax asset that was made during the first quarter 2013 and SEK 0.1 million is tax in China. The estimated

Jaguar XJ with a SinterCast-CGI 3.0 litre V6 diesel engine

future taxable profit and deferred tax asset calculation is reassessed every quarter. As of 31 December 2013, SEK 128.5 million (SEK 125.1 million) of SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 28.3 million (SEK 27.5 million) being capitalised as a deferred tax asset. The main uncertainty factor for SinterCast continues to be the timing of the CGI market ramp-up. This is the main reason not to increase the estimated carried-forward tax at this time.

Employee Stock Option Programme

As of 31 December 2013, the total cost of the employee stock option programme 2010-2013 was SEK 3.5 million (SEK 2.9 million). During 2013, SEK 0.8 million (SEK 0.4 million) was accounted for as IFRS-2 and social costs related to the option programme. The final tranche of the options in the employee stock option programme 2010-2013 was exercised during the fourth quarter. The employees exercised 114,480 warrants at the subscription price of SEK 50.34 and a total amount of SEK 5.8 million was paid to the Company. The increase of the equity and cash was SEK 5.6 million, after expenses and fees related to the exercise of the options.

Cashflow, Liquidity and Investments

The January-December 2013 cashflow from operations was SEK 14.4 million (SEK 1.3 million). The increased cashflow of SEK 13.1 million was primarily linked to the operations before change in working capital (SEK 4.6 million) and due to change in working capital (SEK 8.5 million), of which SEK 6.9 million was related to increased operating liabilities.

Cashflow Summary	**January-December**	
Amounts in SEK million if not otherwise stated	**2013**	2012
Cashflow from operations	**14.4**	1.3
Cashflow from investment activities	**-0.6**	-1.6
Cashflow from financing activities	**-1.4**	-11.9
Cashflow total	**12.4**	-12.2
Liquidity	**47.8**	35.4

Cashflow from financial activities was SEK -1.4 million, as a result of the new share issue in the amount of SEK 5.6 million, less the dividend that was paid to shareholders in the amount of SEK 7.0 million (SEK 11.9 million). The total cashflow result for the period was SEK 12.4 million (SEK -12.2 million),

resulting in SEK 47.8 million (SEK 35.4 million) in liquidity on 31 December 2013. Investments amounted to SEK 0.6 million (SEK 1.6 million).

Outlook

It is estimated that the combined potential of the current series production programmes and the programmes currently under development represents a market opportunity of approximately 4.7 million Engine Equivalents per year within SinterCast's five year planning horizon. It is further estimated that the programmes that are currently in series production have the potential to provide more than 2.5 million Engine Equivalents when they reach mature volume.

Annual General Meeting

The Annual General Meeting 2014 of SinterCast AB (publ) will be held on Tuesday 20 May 2014.

Shareholders wishing to have a matter considered at the Annual General Meeting should provide written submissions to agm.registration@sintercast.com or to the Company: SinterCast AB (publ), P.O. Box 10203, SE-100 55 Stockholm, Sweden, at least seven weeks prior to the Annual General Meeting for the proposal to be included in the notice to the meeting. Further details on how and when to register will be published in advance of the Annual General Meeting.

Dividend 2013

The Annual General Meeting of SinterCast AB (publ) held on 15 May 2013 approved an ordinary dividend for 2013 amounting to SEK 1.0 per share. A total amount of SEK 7.0 million was transferred to the shareholders.

Proposed Dividend 2014

The Board's intention is to continue to provide an ordinary dividend to the shareholders, based primarily on the cashflow from operations. In the event that the Board considers that the liquidity exceeds the amount needed to support the operational requirements and strategic objectives, the Board has the option to propose an extraordinary dividend or a share buy-back to further adjust the liquidity.

The Board of Directors propose an ordinary dividend of SEK 1.2 per share (SEK 1.0), representing a transfer of SEK 8.5 million (SEK 7.0 million) to the shareholders of SinterCast AB (publ). The Board proposes 23 May, 2014 as the record date

Jeep Grand Cherokee with a SinterCast-CGI 3.0 litre V6 diesel engine

Porsche Cayenne with a SinterCast-CGI 3.0 litre V6 diesel engine

for entitlement to receive dividends. In deciding the amount of the ordinary dividend to be proposed to the AGM 2014, the Board considered cashflow from operations, the financial position, investment requirements and other factors, such as market outlook, growth strategy and the internal financial forecast for the Company and for the Group.

As a basis for the Board's dividend proposal, the Board of Directors has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act including the Parent Company's and the Group's liquidity, the need for financial resources, the current financial position, and the long-term ability to meet commitments. The Group reports an equity ratio of 84.7% (77.9%) and a net cash amount of SEK 47.8 million (35.4 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.

Proposed Allocation of Profits in SinterCast AB (publ)

The following earnings in the Parent Company are at the disposal of the Annual General Meeting.

(Amounts in SEK)	
Share premium preserve	35,336,610
Result brought forward	15,076,221
Result for the year	6,987,834
Total non-restricted equity of the Parent Company	57,400,665

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

(Amounts in SEK)	
A dividend of SEK 1.20 per share shall be distributed	8,508,160
To be retained by the Parent Company	48,892,505
Total	57,400,665

Events after the Balance Sheet Date

There have been no significant events since the balance sheet date of 31 December 2013 that could materially change these financial statements. The following press releases have been issued:

14 January 2014 – SinterCast technology features at North American International Auto Show

16 January 2014 – SinterCast secures process control contract for new purpose-built Compacted Graphite Iron foundry in China

29 January 2014 – Tupy begins series production of CGI cylinder head for MTU industrial power engine

26 February 2014 – SinterCast Results October-December 2013

Ford Super-Duty pick-up with a SinterCast-CGI 6.7 litre V8 diesel engine

Corporate Governance Report 2013

Introduction

SinterCast will focus primarily on providing process control technology and know-how for the reliable high volume production of Compacted Graphite Iron. SinterCast will promote CGI within the foundry and end-user communities to increase the overall market opportunity for CGI and to define the forefront of CGI development, production and application. This focus and these efforts will secure SinterCast's global leadership in the field of CGI. SinterCast will also build upon its technical expertise in thermal analysis and cast iron process control to develop and launch new technologies beyond the core CGI market. These focused activities will provide the foundation for increasing the long-term value of the Company for its shareholders. As a technology lead Company, SinterCast will grow and prosper by earning the respect of its customers.

Corporate Governance at SinterCast is aimed at ensuring the continued strong development of the company and, consequently, that the Group fulfils its obligations to shareholders, customers, employees, suppliers, creditors and society.

Corporate Governance at SinterCast includes: establishing the overall operational goals and strategy of the company; ensuring that there is an effective system for follow-up and control of the company's operations; ensuring that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations; and, defining necessary guidelines to govern the company's ethical conduct and ensuring that the company's external communications are characterised by openness and that such communications are accurate, reliable and relevant. The Group's risks are well-analysed and risk management is integrated in the work of the Board and in operational activities.

External and Internal Regulation of Corporate Governance

The Swedish Annual Accounts Act prescribes that listed companies shall, on a yearly basis, present a Corporate Governance Report, to be included in the Annual Report. 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 legal framework for limited liability companies including rules for the Articles of Association, the share, the Annual General Meeting (AGM), and the Management of the company. The Corporate Governance Report must be in accordance with the Swedish Code of Corporate Governance which is applicable to all Swedish companies whose shares are traded on a regulated market in Sweden.

Board of Directors' Report on Internal Control and Risk Management of the Financial Reporting

The Board of Directors has the overall responsibility for internal control relating to financial reporting and an important part of the Board's work is to issue controlling instructions. The Board has established a Work Programme that clarifies the Board's responsibilities and regulates the internal distribution of work between the Board, its Committees and the Management. The Finance Policy and the Authorisation Policy, including the organisation chart, constitute other important controlling documents. The Board of Directors has established SinterCast's Finance Policy to manage different types of risks. The objective of this policy is to maintain a low risk profile. Operational risks have been discussed and evaluated during most Board Meetings. The entire Board constitutes the Audit Committee. The primary task of the Audit Committee is to ensure that established principles for financial reporting and internal control regarding financial reporting are followed and that appropriate relations are maintained with the company's auditors. During the year, the Audit Committee established a separate Review Group. The primary task of the Review Group is to ensure the quality of the Financial Reports.

Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during most Board Meetings. Any significant risks will result in changes in the instructions for the preparation of Financial Reports. Processes to track changes in accounting regulations to ensure that these changes are implemented correctly in the financial reporting are in place, in which the external auditors play an important role.

Control Activities

The primary purpose of control activities is to prevent, or to discover at an early stage, errors in the financial reporting so that these can be addressed and rectified. Control activities take place on both higher and more detailed levels within the Group. Routines and activities have been designed in order to find and rectify significant risks associated with the financial reporting.

Information and Communication

All external information must be provided in accordance with the listing agreement for listed companies in Sweden. The Board of Directors approves the Group's Annual Report and 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.

Outcome 2013

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.

Overview of Corporate Governance of the SinterCast Group

General Meeting of Shareholders

The Shareholders' main influence to govern the company is during the AGM, which is the company's highest decision-making body, where the Shareholders meet the Board of Directors, the Management and the Company Auditors and where the Shareholders are given the opportunity to raise questions and to vote on the proposals distributed prior to the meeting. The shareholders shall be given the opportunity to exercise their ownership role in an active, well-informed manner. All shares represented at the AGM have the same voting rights. The Board is elected annually at the AGM and the majority of the Directors elected are to be independent of the company and its Group Management. Independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence.

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.

External Auditors

The Company shall appoint one or two Auditors with not more than two Alternate Auditors. A registered accounting firm may also be appointed as Auditor.

At the 2010 AGM, the accounting firm Öhrlings PricewaterhouseCoopers AB was elected as auditor until the conclusion of the 2014 AGM

Board of Directors

The Board is the company's highest decision making body, appointed at the Annual General Meeting. The Board is responsible for establishing the overall operational goals and strategy of the company and ensuring that there is an effective system for follow-up and control of the company's operations.

The AGM appoints the Chairman of the Board. The Chairman's role is to head the Board's work and ensure the Board completes its mandate.

The Board has executed a Work Programme including instructions regarding the distribution of work and financial reporting, as a complement to the regulations of the Swedish Companies Act, Articles of Association of the Company and the Swedish Code of Corporate Governance.

Compensation Committee

The Board shall appoint a Compensation Committee whose main tasks are to monitor and evaluate the remuneration guidelines that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the company and to propose new incentive programmes to the Board to decide upon. The Compensation Committee shall also agree on the principles for remuneration, and other terms of employment of the Managing Director and, after advice from the Managing Director, for Directors and Managers reporting directly to the Managing Director and to monitor and evaluate programmes for variable remuneration, both ongoing and for those that have ended during the year.

Audit Committee

The Board annually appoints the Audit Committee, whose responsibility is to ensure the financial reporting and internal controls. The Committee meets regularly with the Auditors to discuss audit reports and audit plans and meets with the Auditor in the absence of the Group Management. The Audit Committee is responsible for the evaluation of the Auditors' work and the Auditors' efficiency, qualifications, fees and independence and also assists the Nomination Committee with proposals for potential Auditors. The Audit Committee also assists the Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management. The Audit Committee prepares and decides on the Corporate Governance Report.

Managing Director

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.

SinterCast Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment of the NASDAQ OMX stock exchange, Stockholm. Swedish shareholders hold and control 80.9% (79.5%) of the capital and votes in SinterCast AB. The largest shareholder, UBS AG Clients Account (Switzerland), controlled 11.2% (11.8%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,623 (3,396) shareholders on 31 December 2013. The ten largest, of which four (four) were nominee shareholders, controlled 45.0% (46.7%) of the capital and votes. As of 31 December 2013, the SinterCast Board, management and employees controlled 1.0% (1.0%) of the capital and votes.

Annual General Meeting (AGM) 2013

The AGM was held on Wednesday 15 May 2013, in Stockholm, Sweden. All Members of the Board, the Group Management, the Nomination Committee and the external Auditor were present during the meeting. The AGM was attended by 44 (54) shareholders, in person or by proxy, representing 1,430,069 (1,874,212) votes.

Jan Rynning was elected as Chairman of the AGM. During the AGM, presentations were provided by Mr Terry Aldea, Global Executive, Casting and Forging, Ford Motor Company and by Dr Steve Dawson, Managing Director. During the presentation, Dr Dawson presented an overview of recent market activities and provided an outlook for SinterCast's potential market development.

The AGM adopted the Annual Report and the consolidated financial statements as of 31 December 2013, as presented by the Board of Directors and the Managing Director; decided upon allocation of the company's result; and, granted the Directors and the Managing Director discharge from liability.

The Nomination Committee presented how it conducted its work during the year and presented its proposals.

During the AGM, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Robert Dover, Laurence Vine-Chatterton and Steve Dawson were re-elected as Board Members. Hans-Erik Andersson was elected as a new Board Member. Andrea Fessler declined re-election after ten years of service to the Board. Ms. Fessler was thanked for her contributions and devotion. Ulla-Britt Fräjdin-Hellqvist was re-appointed as Chairman. The AGM decided, for the period until the next AGM, that the Board shall receive a total remuneration of SEK 840,000 (SEK 780,000). The AGM decided the Nomination Committee to consist of three members and re-elected Ulla-Britt Fräjdin-Hellqvist, in her capacity as Chairman of the Board of Directors and Karl-Arne Henriksson as Chairman of the Nomination Committee. Andrea Fessler was elected as a new member of the Nomination Committee.

The Annual General Meeting decided upon a remuneration policy in respect of the Managing Director and other members of the Group Management, and authorised the Board to decide upon acquisition and disposal of SinterCast shares, as proposed by the Board of Directors.

Board of Directors

During the AGM 2013, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Robert Dover, Laurence Vine-Chatterton and Steve Dawson were re-elected as Board Members. Hans-Erik Andersson was elected as a new Board Member, Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou were re-elected as Chairman and Vice Chairman respectively. The remuneration, decided at the AGM 2013, shall be divided between the Chairman SEK 280,000 and the four ordinary Board Members SEK 140,000 each, with no remuneration for the Managing Director. With the exception of the Managing Director, no member of the Board holds an operational position in the company. A more detailed description of the Board of Directors is presented on page 16.

Statutory Board Meeting

In the statutory Board meeting held immediately after the AGM, Ulla-Britt Fräjdin-Hellqvist was re-confirmed as Chairman of the Board and Aage Figenschou was re-confirmed as Vice Chairman. The Compensation Committee, elected by the Board, consists of 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. Further, the entire Board was elected to constitute the Audit Committee and Aage Figenschou and Laurence Vine-Chatterton were elected to constitute the Review Group.

The Board's Establishment of Committees and its Work

Nomination Committee

Nomination Committee prior to the AGM 2013

The Nomination Committee, elected by the AGM 2012, consisted of Karl-Arne Henriksson (Chairman), Torbjörn Nordberg and Ulla-Britt Fräjdin-Hellqvist. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the company's position and future focus. As a result of this review, the Nomination Committee proposed to the AGM 2013, re-election of the Board members, with the exception of Andrea Fessler who declined re-election, and election of Hans-Erik Andersson as a new Board member. The Nomination Committee proposed the Board remuneration to the AGM, for the period until the next AGM.

Nomination Committee after the AGM 2013

The Nomination Committee, elected by the AGM 2013, consists of Karl-Arne Henriksson (Chairman), Andrea Fessler 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 these evaluations. The Nomination Committee's proposals are to be presented in the notice of the AGM and on the company's website. During the AGM 2014 the Nomination Committee will also present how it conducted its work and explain its proposals. Since the AGM 2013, the Nomination Committee of SinterCast carried out several informal meetings and one minuted meeting.

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

Compensation Committee

The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. The Board has established a Work Programme that defines the tasks and responsibilities of the Compensation Committee.

Since the AGM 2013, the Compensation Committee carried out two minuted meetings. The Board was informed of the Compensation Committee's activities and confirmed its decisions.

Audit Committee

During the statutory Board meeting, all Board Members were elected to sit on the Audit Committee and two Board members were elected to constitute a separate Review Group. The primary task of the Review Group is to ensure the quality of the Financial Reports.

On behalf of the Board, the responsibility of the Audit Committee is to ensure that the company has adequate internal controls and formal routines to ensure that 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 Audit Committee met the Auditors during the year to discuss audit reports and audit plans. The Committee also meets the Auditor in the absence of the Group Management.

The Audit Committee is responsible for the evaluation of the Auditors' work and the Auditors' efficiency, qualifications, fees and independence. The Audit Committee assisted the Nomination Committee with proposals for potential Auditors, which will be resolved during the Annual General Meeting. The Audit Committee also determined and identified risks to be handled in order to ensure good internal control and risk management. The Audit Committee prepared and approved the Corporate Governance Report for 2013. Since the AGM 2013, the Audit Committee carried out four minuted meetings. The Review Group reviewed the four interim reports in detail and provided feedback to the Finance Director.

External Auditor

At the AGM 2010, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor until the AGM 2014. Anna-Carin Bjelkeby was appointed as Auditor in charge by Öhrlings PricewaterhouseCoopers. When Ms. Bjelkeby left PWC in November 2013, Tobias Stråhle was appointed as Auditor in charge by PWC. The Auditor in charge has had two Auditors assisting in the audit work during the year. The audit follows an audit schedule, based on the Auditors risk assessment, in agreement with the Audit Committee.

Prior to the AGM 2013, in conjunction with the approval of the Annual Report 2012, the Auditor met with the Audit Committee. The Auditor reported its audit of the company's annual accounts and consolidated accounts and accounting practices and reported its observations directly to the Audit Committee. The Auditor provided a presentation of the Audit Plan for 2013 during the May Audit Committee meeting and met with the Board of Directors at the May and November Board meetings where the Auditor reported its observations directly to the Board of Directors without the presence of the Group Management. The Auditor has audited the company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the company. The Auditor presented the annual Audit Report at the AGM 2013. The Audit Report contained a statement that

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

the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director shall be discharged from liability. The Auditor provided a follow-up of the Audit Plan for 2013 during the November Audit Committee meeting and presented the result from the review procedures on the Interim Report July-September 2013 and gave audit feedback from the interim audit procedures that was conducted during the third quarter of 2013.

Chairman of the Board

The Chairman directed the Board's activities and promoted the overall efficiency of the Board. The Chairman ensured that the Board's activities were conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensured that the resolutions of the Board were implemented. The Chairman also conducted the evaluation of the Board's activities and shared the evaluation with the Nomination Committee. The Chairman proposed the agenda for each Board meeting in consultation with the Managing Director. The Chairman had regular communication with the Managing Director, relayed opinions from shareholders to the other Board Members and acted as spokesperson on behalf of the Board.

Board Meetings

During 2013, the Board of Directors of SinterCast carried out eleven minuted meetings. In connection with every quarterly report, the Managing Director presented the market and financial outlook and reported on operations and important current events. In addition, the Managing Director provided the Board with monthly reports including significant events and financial 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 exceptions of the ordinary Board fees and reimbursements and the final tranche of the employee stock option programme for the Managing Director. It was decided that the Board Members could invoice the Board fee, provided that it was cost neutral to the Company.

Articles of Association, Work Programme and Other Instructions

The Articles of Association defines name, location, objectives of the company, number of shares, number of the Board members, number of Auditors, and proceedings for convening Annual General meetings. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of Directors.

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 and its committees work on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board is to receive information and documentation in order to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation Policy, including the organisation chart. During the year, the Board established a formal Code of Conduct for the company, to clearly define how SinterCast and its employees shall behave and interact with business partners.

Managing Director and Group Management

SinterCast's Board appointed Steve Dawson as the Managing Director for SinterCast AB (publ) and President & CEO for the Group. The Managing Director is responsible for the operational management of the company in accordance with the Board of Directors' instructions and guidelines. The Managing Director assisted the Chairman with the preparation for each Board Meeting and distributed information according to the Work Programme to be decided upon by the Board. The Managing Director established, as the President & CEO for the SinterCast Group, the Group Management team including the Operations Director and the Finance Director. More detailed information of the Managing Director and the Group Management is presented on page 15.

Remuneration Policy for Group Management

The AGM 2013 established guidelines for the remuneration policy in respect of the Managing Director and other members of the Group Management. The remuneration shall consist of a balanced combination of fixed remuneration, variable remuneration, long-term incentive programmes, pension and other benefits. The total remuneration shall be in accordance with market practice and shall be based on performance. The fixed remuneration shall be individually determined and shall be based on each individual's responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group level and the individual level, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation (i.e. excluding remuneration according to long-term incentive programmes adopted by the Annual General Meeting) may not exceed an amount corresponding to 75 percent of the fixed annual salary. Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment of nine months compensation. For the other members of the Group Management, severance pay does not exist. As regards the Managing Director, in the case of notice being provided by the company, no deduction shall be made for remuneration paid by another employer. The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons or needs in an individual case. The main conditions for remuneration to Group Management in the current employment agreements are described on page 38 and 39 in the Annual Report 2013. The Board proposes unchanged guidelines for remuneration to Group Management to the 2014 AGM.

Employee Stock Option Programme

The final tranche of the options in the employee stock option programme 2010-2013 was exercised during the fourth quarter. The employees exercised 114,480 warrants at the subscription price of SEK 50.34 and a total amount of SEK 5.8 million was paid to the Company. The increase of the equity and cash was SEK 5.6 million, after expenses and fees related to the exercise of the options. As of 31 December 2013, there were no outstanding shares or share-based incentive programs for Board members, the Managing Director or the employees.

Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the company's organisation is designed in such a way that the bookkeeping, financial management and the company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance clarifies and prescribes that the Board is to ensure that the company has adequate internal controls and formal routines to ensure that approved principles for financial reporting and internal controls are applied, and that the company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

It has been decided by the Board that SinterCast shall comply with the Swedish Code of Corporate Governance and present a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting. The Corporate Governance Report is without any major deviations from the Corporate Governance code, as SinterCast's procedures and routines are compliant with the code.

Income Statement

Amounts in SEK million	Note	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Revenue	1, 9	**51.9**	45.9	**50.9**	43.6
Cost of goods sold	3, 17	**-14.6**	-13.7	**-14.6**	-13.5
Gross result		**37.3**	**32.2**	**36.3**	**30.1**
Cost of sales and marketing	3, 5, 9	**-18.2**	-19.7	**-18.1**	-19.2
Cost of administration	3, 4, 5, 9	**-6.4**	-6.5	**-6.5**	-6.5
Cost of research & development	2, 3, 5, 9	**-5.8**	-5.5	**-5.8**	-5.5
Other operating income	10	**0.4**	0.5	**0.3**	0.8
Other operating costs	10	**0.0**	0.0	**0.0**	0.0
Operating result		**7.3**	**1.0**	**6.2**	**-0.3**
Financial income		**0.6**	1.1	**0.6**	1.1
Financial costs		**-0.4**	-0.1	**-0.4**	-0.1
Financial net	11	**0.2**	1.0	**0.2**	1.0
Result before income tax		**7.5**	**2.0**	**6.4**	**0.7**
Income tax	12	**0.6**	-5.7	**0.6**	-5.7
Result for the period for the parent company shareholders		**8.1**	**-3.7**	**7.0**	**-5.0**
Average number of shares, thousands	25	**7,090.1**	6,975.7	**7,090.1**	6,975.7
Earnings per share, SEK		**1.2**	-0.5	**1.0**	-0.7
Earnings per share diluted, SEK		**1.2**	-0.5	**1.0**	-0.7
Dividend		**1.0**	1.7	**1.0**	1.7

Statement of Other Comprehensive Income

Amounts in SEK million	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Results for the period for the parent company shareholders	**8.1**	**-3.7**	**7.0**	**-5.0**
Other comprehensive income				
Items may be reclassified to the Income Statement:				
Translation differences, foreign subsidiaries	**-0.1**	-0.2	**–**	–
Other comprehensive income, net of tax	**-0.1**	-0.2	**–**	–
Total comprehensive income for the period	**8.0**	**-3.9**	**7.0**	**-5.0**
Total comprehensive income attributable to:				
Share holder of the parent company	**8.0**	-3.9	**7.0**	-5.0
Non-controlling interests	**–**	–	**–**	–

Cashflow Statement

Amounts in SEK million	Note	GROUP 2013	GROUP 2012	PARENT COMPANY 2013	PARENT COMPANY 2012
Operating activities					
Operating result		**7.3**	1.0	**6.2**	-0.3
Adjustments for items not included in the cashflow					
Depreciation	13, 14	**0.8**	1.0	**0.8**	1.0
Other		**-0.2**	0.4	**-0.2**	0.2
Unrealised exchange rate differences		**0.0**	0.6	**0.0**	0.6
Received interest		**0.3**	0.6	**0.3**	0.6
Paid interest		**-0.1**	-0.1	**-0.1**	-0.1
Total cashflow from operating activities before change in working capital		**8.1**	**3.5**	**7.0**	**2.0**
Change in working capital					
Stock	17	**0.1**	0.1	**0.1**	-0.6
Operating receivables	15	**1.2**	-0.4	**2.2**	-2.5
Operating liabilities	18, 19, 21, 22	**5.0**	-1.9	**4.9**	3.3
Total change in working capital		**6.3**	**-2.2**	**7.2**	**0.2**
Cashflow from operating activities		**14.4**	**1.3**	**14.2**	**2.2**
Investing activities					
Acquisition of intangible assets	13	**-0.3**	0.0	**-0.3**	0.0
Acquisition of tangible assets	14	**-0.3**	-1.6	**-0.3**	-1.6
Increase/decrease in long-term receivables/payables		**0.0**	–	**-0.3**	–
Cashflow from investing activities		**-0.6**	**-1.6**	**-0.9**	**-1.6**
Financing activities					
Employee share option programme*		**5.8**	–	**5.8**	–
Expenses for new share issue*		**-0.2**	–	**-0.2**	–
Dividend		**-7.0**	-11.9	**-7.0**	-11.9
Cashflow from financing activities		**-1.4**	**-11.9**	**-1.4**	**-11.9**
Change in cash and cash equivalents		**12.4**	-12.2	**11.9**	-11.3
Cash – opening balance		**35.4**	47.6	**34.1**	45.4
Cash – closing balance**	26	**47.8**	**35.4**	**46.0**	**34.1**

* The subscription of warrants during 2013 amounted to SEK 5.8 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 2013	31 Dec 2012
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		0.7	0.6
Patents		0.9	1.1
Total intangible assets		**1.6**	**1.7**
Tangible assets	14		
Computers, fixtures and fittings		1.6	1.7
Plant and machinery		0.3	0.3
Total tangible assets		**1.9**	**2.0**
Financial assets	16		
Other long-term receivables		0.4	0.3
Total financial assets		**0.4**	**0.3**
Deferred tax asset	12	28.3	27.5
Total deferred tax assets		**28.3**	**27.5**
Total fixed assets		**32.2**	**31.5**
Current assets			
Stock	17	3.9	4.0
Total stock		**3.9**	**4.0**
Short-term receivables			
Trade debtors	15, 26	7.4	7.8
Other debtors	18, 26	0.7	0.5
Prepaid expenses and accrued income	19, 26	2.8	3.8
Total short-term receivables		**10.9**	**12.1**
Cash and cash equivalents	26	47.8	35.4
Total cash and cash equivalents		**47.8**	**35.4**
Total current assets		**62.6**	**51.5**
TOTAL ASSETS		**94.8**	**83.0**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholder´s Equity			
Share capital	24, 25	7.1	7.0
Additional paid in capital		44.9	39.4
Exchange rate differences	26	6.5	6.6
Accumulated result		26.2	24.9
Total shareholders' equity		**84.7**	**77.9**
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	2.5	1.6
Other current liabilities	21, 26	3.2	0.7
Accrued expenses and prepaid income	22, 26	3.8	2.3
Provisions	22	0.6	0.5
Total current liabilities		**10.1**	**5.1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**94.8**	**83.0**
Contingent liability	23	0.0	2.6

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 2012		**6.98**	**39.41**	**6.78**	**40.03**	**93.20**
Total Comprehensive Income		–	–	-0.20	-3.69	-3.89
Employee stock option programme IFRS-2	5, 26	–	–	–	0.44	0.44
Dividend		–	–	–	-11.86	-11.86
Closing balance 31 December 2012	25	**6.98**	**39.41**	**6.58**	**24.92**	**77.89**
Opening balance 1 January 2013		**6.98**	**39.41**	**6.58**	**24.92**	**77.89**
Total Comprehensive Income		–	–	-0.12	8.12	8.00
Employee stock option programme IFRS-2	5, 24	–	–	–	0.18	0.18
Employee stock option programme, exercise		**0.11**	**5.65**	–	–	5.76
Expenses, new share issue		–	-0.19	–	–	-0.19
Dividend		–	–	–	-6.98	-6.98
Closing balance 31 December 2013	25	**7.09**	**44.87**	**6.46**	**26.24**	**84.66**

Balance Sheet – Parent Company

Amounts in SEK million	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Fixed assets			
Intangible assets	13		
Capitalised development		0.7	0.6
Patents		0.9	1.1
Total intangible assets		**1.6**	**1.7**
Tangible assets	14		
Computers, fixtures and fittings		1.6	1.6
Plant and machinery		0.3	0.3
Total tangible assets		**1.9**	**1.9**
Financial assets			
Shares in subsidiaries	24	4.3	3.9
Deferred tax asset	12	28.3	27.5
Total financial assets		**32.6**	**31.4**
Total fixed assets		**36.1**	**35.0**
Current assets			
Stock	17	3.9	4.0
Total stock		**3.9**	**4.0**
Short-term receivables			
Trade debtors	26	6.7	7.4
Inter company receivables		0.3	0.8
Other debtors	18, 26	0.6	0.4
Prepaid expenses and accrued income	19	2.4	3.6
Total short-term receivables		**10.0**	**12.2**
Liquidity	26	46.0	34.1
Total liquidity		**46.0**	**34.1**
Total current assets		**59.9**	**50.3**
TOTAL ASSETS		**96.0**	**85.3**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	24, 25	7.1	7.0
Statutory reserve		9.5	9.5
Total restricted capital		**16.6**	**16.5**
Retained result			
Share premium reserve		35.3	29.9
Result brought forward		15.1	26.9
Result for the year		7.0	-5.0
Total retained capital		**57.4**	**51.8**
TOTAL SHAREHOLDERS' EQUITY		**74.0**	**68.3**
Long-term liabilities			
Other long-term liabilities	20	0.2	0.1
Total long-term liabilities		**0.2**	**0.1**
Current liabilities			
Accounts payable	26	2.0	1.3
Inter company payable		15.0	13.0
Other current liabilities	21, 26	1.8	0.6
Accrued expenses and prepaid income	22	3.0	2.0
Total current liabilities		**21.8**	**16.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**96.0**	**85.3**
Contingent liability	23	0.0	2.6

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 2012		**6.98**	**9.53**	**29.88**	**24.21**	**14.03**	**84.63**
Appropriation of last year's result		–	–	–	14.03	-14.03	–
Total Comprehensive Income		–	–	–	–	-4.96	-4.96
Employee stock option programme, IFRS-2	5, 26	–	–	–	0.44	–	0.44
Dividend		–	–	–	-11.86	–	-11.86
Closing balance 31 December 2012	25	**6.98**	**9.53**	**29.88**	**26.82**	**-4.96**	**68.25**
Opening balance 1 January 2013		**6.98**	**9.53**	**29.88**	**26.82**	**-4.96**	**68.25**
Appropriation of last year's result		–	–	–	-4.96	4.96	–
Total Comprehensive Income		–	–	–	–	6.99	6.99
Employee stock option programme, IFRS-2	5, 24	–	–	–	0.18	–	0.18
Employee stock option programme, exercise		0.11	–	5.65	–	–	5.76
Expenses, new share issue		–	–	-0.19	–	–	-0.19
Dividend		–	–	–	-6.98	–	-6.98
Closing balance 31 December 2013	25	**7.09**	**9.53**	**35.34**	**15.06**	**6.99**	**74.01**

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2013 were approved on 2 April 2014 by the Board of Directors and the Managing Director, for publication on 3 April 2014 and will be presented at the Annual General Meeting on 20 May 2014 for approval. SinterCast AB (publ) is the parent company of the SinterCast Group with its registered office located in Stockholm, Sweden. SinterCast is the world´s leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI).

Basis of Preparation

The consolidated financial statements for 2013 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 2013, several amendments to existing standards, new interpretations and new standards have come into effect. Standards being applied by the Group for the first time for the year starting 1 January 2013 and, which impact the consolidated financial statements, are summarised as follows:

– An amendment was made to IAS 1 "Presentation of Financial Statements," concerning other comprehensive income. The most significant change in the amended IAS 1 is the requirement that the items that are recognised in "other comprehensive income" must be divided into two different categories. The division is based on whether the items can be reclassified to profit or loss (reclassification adjustments) or not.

– IFRS 13 "Fair Value Measurement" aims to make measurements at fair value more consistent and less complex by providing a precise definition and a joint source in IFRS for fair-value measurements and the associated disclosures. The standard provides guidance on fair-value measurements for all types of assets and liabilities, financial and non-financial. While the requirements do not expand the application area for when fair value is to be applied, it provides guidance on how to apply it for cases in which other IFRS standards already require or allow measurements at fair value.

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 following sections entitled: Critical Accounting Judgements and Estimates; and, Cost by Functions and Segment Reporting.

Critical Accounting Judgements and Estimates

The preparation of financial statements according to IFRS requires judgement of how to use accounting policies. Further, the management must decide how to apply chosen accounting principles. The principle of capitalisation of Research & Development costs, patent costs and the valuation of deferred taxes on tax losses carried forward are important for SinterCast.

The standard for accounting for deferred tax is IAS 12 "Income Taxes". SinterCast's interpretation of IAS 12 is that recognition of deferred tax assets for the carry forward of unused tax losses may be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

SinterCast uses a model to determine when the recognition criterion of convincing evidence can be met. Convincing evidence, that can be objectively established, is obtained from the SinterCast business model in the form of its contracts with foundries for the programmes that are in current series production or where SinterCast's foundry customers have received definitive orders for future series production. The input for the model is based on the forecast volume, as communicated by the foundry and/or OEM, and is adjusted with a probability factor for each production programme. The probability factors are reviewed regularly. To determine the future taxable profit, the forecast contribution from secure production is reduced by forecast 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, management also considers the ability of market success and the future economic benefits.

Share Based Compensation Plan

The Group had an equity-settled, share-based compensation plan that ran from 2010 to 2013. 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 revised its estimation of the number of options that were expected to vest and recognised the impact of the

revisions 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 were credited to share capital (nominal value) and share premium when the options were exercised.

Provisions for social security costs were calculated by applying the same valuation model used when the options were issued. The provision was 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 was accrued in relation to the vesting period.

SinterCast conducted 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 was 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 was regarded as a shareholders' contribution from the Parent Company to the subsidiary, and accordingly, was accounted as an investment in subsidiaries. Like other contributions, this investment was 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

A financial instrument is a real or virtual document such as derivative instruments, commercial papers, fixed income instruments, debt or loan agreements, representing a legal agreement between two or more parties regarding a right to payment of money.

A financial asset or liability is recognised when the company is a party to the contractual conditions to the instrument. Acquisitions and sales of financial instruments are accounted for at trade date. An instrument is removed from the balance sheet when cashflow rights from the instrument have expired or been transferred and when the Group has transferred substantially all the risks and rewards of ownership.

Financial instruments are recognised at amortised costs or at fair value depending on its initial classification according IAS 39. SinterCast classifies its instruments in the following categories:

– Financial assets at fair value through profit or loss, consists of derivative instruments, included in other debtors or other creditors, and commercial papers and fixed income instruments, included as cash equivalents.

  At book closing, the fair value of derivative instruments, not traded on an active market, is based on observable market currency rates. Cash flows are discounted using market interest rates. Commercial papers and fixed income instruments are traded on an active market and the fair value is determined by available market prices. See Notes 18, 21 and 26.

– Loans and receivables consist of the following balance sheet items: cash, trade debtors, other short and long term debtors, excluding deferred tax assets.

  Investments and trade receivables are recognised initially at fair value including transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

  A provision for impairment of trade receivables is established and presented as sales costs when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate.

– Financial liabilities consist of the following balance sheet items: long term loans, accounts payable and other current liabilities, excluding accruals.

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Subsequently, the liabilities are stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss statement over the period of the liabilities using the effective interest method. SinterCast posts cost of borrowing for each period to its profit and loss statement.

Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish Kronor, which is the company's functional and presentation currency.

Transactions and Balances

Transactions in foreign currency have been translated into the functional currency at the transaction date using the exchange rate prevailing at the dates of the transactions. Payment in foreign currency following the transaction, resulting in currency gain or loss, is accounted for in the profit and loss statements. Conversion of monetary liabilities or receivables in foreign currency has been made at the currency rate at the end of the period. Gains or losses from recalculation of receivables or liabilities related to the operation are presented in the profit and loss statements as other income or costs.

Translation of Group Companies

Translating the foreign subsidiaries' financial statements into Swedish Kronor has been made according to the following principles:

– All assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

– Income and expenses for each profit and loss statement are translated at average exchange rates. The exchange rate differences that consequently arise are recognised as Other Comprehensive Income

Revenue Recognition

Revenue comprises the fair value for the sale of goods and services. Revenue is shown, net of value-added tax, rebates and discounts and after eliminated sales within the Group.

Revenue is recognised as follows:

- Sales of systems and consumables are recognised when, essentially, all risks and rights connected with ownership have been transferred to the customer. This usually occurs in connection with the shipment of the goods, after the price has been determined, the collectibles of the related receivable are reasonably assured, the installation and final inspection are of a simple nature and after establishing provisions for estimated residual expenses. The shipment is normally made according to the Incoterms rules, ex-works.
- Sales of systems, including a unique installation in terms of a new technology or new application, is recognised when the installation or final inspection is accepted by the customer.
- In Customer Agreements, including goods and services, revenue is distributed to the individual items, after equal distribution of any discounts.
- Services provided to customers are recognised in the accounting period in which the service is performed, and recognised according to the percentage of completion method.
- Revenues from Production Fees are recognised on an accrual basis when the customers have reported shipped castings.
- An annual software licence fee is charged and SinterCast retains ownership of the software. The fee is recognised to the profit and loss statement on a straight-line basis over the contractual period of the lease.
- Lease payments under operating leases are recognised to the profit and loss statement on a straight-line basis over the contractual period of the lease. If equipment is sold after the lease period has expired, the revenue from the sale is accounted as revenue.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost consists of purchase price, and other costs directly related to the purchase, and is determined using the first in, first out method (FIFO). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reasonably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Employee Benefits

All expenses related to the remuneration of the employees have been accounted for in the period the work has been performed. If notice terminating the employment has been served, expenses until termination of the employment are accounted for in the period when the notice was served.

If future period benefits are received from the employee the expense will be recognised as cost in that future accounting period. The pension plan for employees in the UK is based on a 30% contribution of the salary while, for employees in the US, it is based on a 15% contribution of the salary, without any future commitments in either country. All commitments to the employees are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The 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	
	2013	2012	**2013**	2012
Equipment	**10.1**	9.0	**9.7**	8.7
Series Production	**40.2**	35.8	**36.8**	31.6
Engineering Service	**1.4**	1.0	**0.8**	0.7
Other	**0.2**	0.1	**0.2**	0.1
Group Sales	–	–	**3.4**	2.5
Total	**51.9**	45.9	**50.9**	43.6

Equipment includes sold and leased Systems, Mini-Systems and Spare Parts. Series Production includes Consumables, Production Fees and Software Licence Fees. Revenue breakdown per country was Brazil SEK 32.7 million (SEK 22.5 million), USA SEK 3.7 million (SEK 4.6 million), Korea SEK 3.6 million (SEK 4.1 million), Sweden SEK 3.5 million (SEK 0.9 million), China SEK 3.0 million (SEK 3.7 million) and others SEK 2.8 million (SEK 9.8 million). Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. For the Parent Company, 7% (6%) of the revenue represents Group sales and 60% (55%) 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	
	2013	2012	**2013**	2012
Costs for personnel and administration	**4.8**	4.5	**4.8**	4.5
External expenses	**0.2**	0.3	**0.2**	0.3
Depreciation	**0.7**	0.7	**0.7**	0.7
Capitalised development*	**0.1**	–	**0.1**	–
Total	**5.8**	5.5	**5.8**	5.5

*Image Analysis Software and External Control Module

3 Costs per Category

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Personnel expenses	**23.1**	22.6	**24.1**	19.5
Cost of goods sold	**10.0**	9.0	**11.8**	13.7
Depreciation and write down	**0.8**	1.0	**0.8**	1.0
Office and related costs	**2.0**	2.1	**1.4**	1.7
Travel, commissions, exhibition and other sales costs	**3.2**	4.8	**1.7**	3.3
Consultants sales, marketing and administration	**2.2**	2.3	**1.7**	2.1
Operational foreign exchanges difference	**-0.4**	-0.5	**-0.2**	-0.8
Other	**3.6**	3.6	**3.4**	3.4
Capitalised development	**0.0**	0.0	**0.0**	0.0
Total	**44.5**	44.9	**44.7**	43.9

4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
PricewaterhouseCoopers (Sweden)				
Audit fees	**0.3**	0.3	**0.3**	0.3
Other statutory audit fees	**0.2**	0.1	**0.2**	0.1
Tax consultancy	**0.0**	0.3	**0.0**	0.3
Other services	**–**	0.0	**–**	0.0
Shanghai Lin Xin CPA firm (China)				
Audit fees	**0.0**	0.0	**0.0**	0.0
Gorman Darby & Co Ltd (United Kingdom)				
Audit fees	**0.0**	0.0	–	–
Tax consultancy	**0.0**	–	–	–
Other services	**0.0**	0.0	–	–
Beijing Zhongpingjianhuahao CPA Co.,Ltd				
Audit fees	**0.0**	–	–	–
Total	**0.5**	0.7	**0.5**	0.7

5 Salaries, Remuneration, Incentive Programme and Social Security Costs

Remuneration Policy in Respect of Senior Management
The Annual General Meeting 2013 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. The fixed remuneration shall be individually determined and shall be based on each individual´s responsibility, role, competence and position. Variable remuneration shall be based on predetermined targets on the Group and individual level, considering the effect on the long term result. In extraordinary situations a special compensation may be paid out to attract and retain key competence. Variable remuneration and special compensation (i.e. excluding remuneration according to long-term incentive programmes adopted by the Annual General Meeting) may not exceed an amount corresponding to 75 percent of the fixed annual salary. Pension benefits are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Upon termination by the company, the notice period for the Managing Director is nine months, and six months for the other members of the Group Management. Upon termination of the Managing Director by the company the Managing Director is entitled to a severance payment of nine months compensation. For the other members of the Group Management, severance pay does not exist. As regards the Managing Director, in the case of notice being provided by the company, no deduction shall be made for remuneration paid by another employer.

The Board of Directors and, on behalf of the Board of Directors, the Compensation Committee, shall be entitled to deviate from the guidelines if there are specific reasons or needs in an individual case. These principles have been followed during the last year and the Board will propose to the Annual General Meeting 2014 that the basic principles for compensation and other terms of employment for Group Management shall remain unchanged for the coming year.

The Board of Directors
The Annual General Meeting on 15 May 2013 (AGM 2012) decided upon a total Board remuneration, for the period until the next AGM, of SEK 840,000 (SEK 780,000). It was further decided that the remuneration shall be divided between The Chairman, Ulla-Britt Fräjdin-Hellqvist, SEK 280,000 (SEK 260,000) and the ordinary Board Members, SEK 140,000 (SEK 130,000) each, with no Board remuneration for the Managing Director. The AGM 2013 decided that the remuneration may, if certain conditions are fulfilled, be billed by the Board Member's company. In such cases the invoiced amount shall be adjusted upward with an amount corresponding to the social security contributions and value added tax that SinterCast thereby does not have to pay, provided that the procedure is cost-neutral for SinterCast.

The Board remuneration during 2013 has been in accordance with the AGM decision, in total SEK 0.84 million (0.78). The Chairman's remuneration amounted to SEK 0.28 million (0.26) and the remuneration to the ordinary Board Members Aage Figenschou, Robert Dover and Laurence Vine-Chatterton amounted to SEK 0.14 million (0.13) each. The remuneration to the new ordinary Board Member, Hans-Erik Andersson, amounted to SEK 0.14 million (-,-). The remuneration to the former Board Member, Andrea Fessler, amounted to SEK -,- million (0.13). No Board fees were allocated to the Managing Director. No bonus schemes, incentive programmes, pension commitments, or pension liabilities exist for the Board Members, with the exception of the Managing Director. During the year, two Board Members invoiced their Board remuneration. The Audit Committee has established a Review Group consisting of two members, Aage Figenschou and Laurence Vine-Chatterton, who received an additional remuneration of SEK 0.02 million (0.02) each. A description of the remuneration to the individual Board members is presented on page 16.

Group Management
The remuneration to the Managing Director amounted to SEK 3.1 million (2.9) including taxable benefits in the form of insurance premiums paid for life, long term disability and medical, and school fees amounting to SEK 0.4 million (0.5). Pension contributions (30% of salary), amounted to SEK 0.9 million (1.0), which are based on contributions made without any further commitments. The social costs for the Managing Director amounted to SEK 0.7 million (0.5). The remuneration to the other two (two) members of the Group Management, presented on page 15, amounted to SEK 2.1 million (2.1). In addition, pension contributions amounting to SEK 0.5 million (0.5) were paid, including additional voluntary contributions, including bonuses amounting to SEK 0.02 million (SEK 0.02 million) beyond the stock option programme. The social costs amounted to SEK 0.9 million (0.7). The pension plan follows the Swedish ITP-Plan, according to collective agreement. No bonus schemes existed in 2013 beyond the employee stock option programme 2010-2013. 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.

Salaries and remuneration allocated per country

All amounts in SEK thousands

	2013				2012			
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	**–**	**–**	**–**	**–**	2,206	21	–	–
Sweden	**8,407**	**70**	**3,162**	**1,085**	8,307	147	2,687	1,254
Total	**8,407**	**70**	**3,162**	**1,085**	**10,512**	**168**	**2,687**	**1,254**
GROUP								
China	**1,451**	**–**	**85**	**–**	2,206	21	–	–
Korea	**1,318**	**–**	**–**	**114**	761	–	–	57
Sweden	**8,407**	**70**	**3,162**	**1,085**	8,307	147	2,687	1,254
United Kingdom	**3,082**	**63**	**679**	**913**	2,927	216	477	950
USA	**3,053**	**–**	**128**	**318**	2,938	–	131	323
Total	**17,311**	**133**	**4,054**	**2,430**	**17,139**	**384**	**3,295**	**2,584**

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

All amounts in SEK thousands

	2013				2012			
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	**–**	**–**	**–**	**–**	–	–	2,206	21
Sweden	**2,982**	**19**	**5,425**	**51**	2,924	45	5,382	102
Total	**2,982**	**19**	**5,425**	**51**	**2,924**	**45**	**7,588**	**123**
GROUP								
China	**–**	**–**	**1,451**	**–**	–	–	2,206	21
Korea	**–**	**–**	**1,318**	**–**	–	–	761	–
Sweden	**2,982**	**19**	**5,425**	**51**	2,924	45	5,382	102
United Kingdom	**3,082**	**63**	**–**	**–**	2,927	216	–	–
USA	**–**	**–**	**3,053**	**–**	–	–	2,938	–
Total	**6,064**	**82**	**11,247**	**51**	**5,851**	**261**	**11,287**	**123**

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

Incentive Programme 2010-2013 Approved at the EGM 2009

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

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

Fair Value of the Employee Stock Option Programme 2010-2013

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

The employee stock option programme was valued, and revaluated every quarter during the programme to recalculate the social cost for the period, pursuant to the Black & Scholes model, which considered 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 was 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 million and the social security costs (UFR-7) was calculated to SEK 0.6 million.

The fair value calculation on 31 December 2012 was made according to Black & Scholes, considering a share price of SEK 45.0, remaining time of the individual tranches 12 months to exercise, volatility 45% and risk-free interest rates 2.31%. The volatility has been decided based on earlier years volatility.

The IFRS-2 costs of approximately SEK 2.7 million was 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 was expensed regardless of whether or not the options were exercised, and not affected by the subscription price. The provision of the calculated social security costs, UFR-7, was 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*

	2013			2012		
	IFRS-2	UFR-7	Exercise	IFRS-2	UFR-7	Exercise
	(Fair Value Cost)	(Social Costs)	(Social Costs)	(Fair Value Cost)	(Social Costs)	(Social Costs)
Sweden	**0.09**	**-0.02**	**0.2**	0.21	-0.04	–
United Kingdom	**0.09**	**-0.03**	**0.5**	0.23	-0.02	–
Total	**0.18**	**-0.05**	**0.7**	**0.44**	**-0.06**	**–**

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

Incentive Programme 2013

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

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

Number of alloted options	**31 Dec 2013***	**31 Dec 2012****
Total Options	**–**	120,000
Allocated	**–**	120,000
To be distributed	**–**	–
Total number of alloted options	**–**	120,000

* 114,480 warrants were exercised during December 2013. The remaining have past due.

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

6 Transactions with Related Parties

With the exception of the exercise of the last 40% of the warrants in the Employee Stock Option Programme, no substantial transactions took place between SinterCast and the Board and the Management during 2013.

7 Board and Group Management

	2013			2012		
GROUP	Total	Female	Female %	Total	Female	Female %
Board members	**16**	**4**	**25**	16	5	31
CEO and Group Management	**3**	**0**	**0**	3	0	0
PARENT COMPANY						
Board members	**6**	**1**	**17**	6	2	33
CEO and Group Management	**3**	**0**	**0**	3	0	0

8 Average Number of Employees Employed During the Year

	2013		2012	
GROUP	Total	Male	Total	Male
China	**2**	**2**	2	2
Korea	**1**	**1**	1	1
Sweden	**12**	**9**	14	11
United Kingdom	**1**	**1**	1	1
USA	**2**	**2**	2	2
Total	**18**	**15**	**20**	**17**
PARENT COMPANY				
China	**0**	**0**	2	2
Sweden	**12**	**9**	14	11
Total	**12**	**9**	16	13

9 Leasing

	GROUP		PARENT COMPANY	
SinterCast as Lessor	**2013**	2012	**2013**	2012
Income from leased equipment	**0.3**	0.4	**0.1**	0.3
Contracted future income	**1.3**	1.3	**0.5**	0.5
Receivables within 1 year	**0.3**	0.3	**0.1**	0.1
Receivables within 2–5 years	**1.0**	1.0	**0.4**	0.4
Receivables beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leased equipment refers to Agreements with Motor Castings and SKF.

	GROUP		PARENT COMPANY	
SinterCast as Lessee	**2013**	2012	**2013**	2012
Cost from leased premises and equipment	**1.3**	1.2	**0.7**	1.0
Contracted future commitments	**6.1**	5.9	**3.7**	3.7
Payable within 1 year	**1.2**	1.2	**0.7**	0.7
Payable within 2–5 years	**4.9**	4.7	**3.0**	3.0
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leasing fees for operational leasing charged to the operating result refer primarily to leased premises used for production, inventory, development, and office space.

10 Other Operating Income and Costs

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Other Income				
Other Income	**–**	–	**–**	–
Exchange gains from operations	**1.5**	1.7	**1.9**	2.3
Total	**1.5**	**1.7**	**1.9**	**2.3**
Other Costs				
Exchange loss from operations	**-1.1**	-1.2	**-1.6**	-1.5
Total	**-1.1**	**-1.2**	**-1.6**	**-1.5**
Total other operating income and costs	**0.4**	**0.5**	**0.3**	**0.8**

11 Financial Income and Expenses

	GROUP		PARENT COMPANY	
Interest	**2013**	2012	**2013**	2012
Interest received	**0.3**	0.5	**0.3**	0.5
Interest paid	**-0.1**	-0.1	**-0.1**	-0.1
Total	**0.2**	**0.4**	**0.2**	**0.4**
Translation differences				
Exchange gain	**0.3**	0.6	**0.3**	0.6
Exchange loss	**-0.3**	0.0	**-0.3**	0.0
Total	**0.0**	**0.6**	**0.0**	**0.6**
Total financial income and expenses	**0.2**	**1.0**	**0.2**	**1.0**

12 Tax

	GROUP		PARENT COMPANY	
Income tax	**2013**	2012	**2013**	2012
Income tax for the year	**-0.2**	-0.3	**-0.2**	-0.3
Change in value of capitalised tax losses	**0.8**	-5.4	**0.8**	-5.4
Income tax in the income statement	**0.6**	**-5.7**	**0.6**	**-5.7**

	GROUP		PARENT COMPANY	
Deferred tax asset	**2013**	2012	**2013**	2012
Deferred tax value brought forward	**27.5**	32.9	**27.5**	32.9
Capitalised during the year	**0.8**	-	**0.8**	-
Tax rate change from 26.3% to 22%	**-**	-5.4	**-**	-5.4
Accumulated value carried forward	**28.3**	**27.5**	**28.3**	**27.5**

No tax effects on items included in other comprehensive income.

Carry forward tax losses

Based on the filed tax returns for the financial year 2012, with addition of the calculated taxable result of the financial year 2013.

Country	**2013**	2012	Valid until	Tax Rates
Sweden	**505.6**	506.2	indefinitely	22%
United Kingdom	**32.1**	32.5	indefinitely	21%
USA**	**21.7**	30.6	15 years from the year of filing	15-35%
Total	**559.4***	**569.3**		**22%**

*SEK 128.5 million (SEK 125.1 million) of the company's total carried-forward tax losses has been used as the basis of the deferred tax asset calculation.
**Of which USD 2.4 million is due within 5 years, USD 3.3 million within 10 years and USD 3.3 million within 15 years.

	GROUP		PARENT COMPANY	
Tax expenses based on actual tax rate	**2013**	2012	**2013**	2012
Result before tax	**7.5**	2.0	**6.4**	0.7
Tax calculated based on Swedish tax rate	**-1.7**	-0.5	**-1.4**	-0.2
Tax effect on non tax deductible expenses	**-0.2**	0.0	**-0.2**	0.0
Tax effect on foreign tax	**0.0**	-0.3	**-0.2**	-0.3
Tax effect on utilised carried forward tax losses	**1.7**	0.5	**1.6**	0.2
Tax effect on tax rate change	**-**	-5.4	**0.8**	-5.4
Tax effect on capitalised tax losses	**0.8**	0.0	**-**	0.0
Effect foreign tax rates	**0.0**	0.0	**0.0**	0.0
Tax on the result for the period as per the income statements	**0.6**	**-5.7**	**0.6**	**-5.7**

The income tax rate valid for the Group amounts was 22% (26%).
The income tax rate valid for Sweden amounts was 22% (26.3%).
The income tax rate valid for UK amounts was 21% (21%).
The income tax rate valid for US amounts was 15-35% (15-35%).

13 Intangible Assets*

GROUP	Patent 2013	Patent 2012	Capitalised development 2013	Capitalised development 2012	Total 2013	Total 2012
Acquisition value brought forward	**16.2**	16.2	**1.3**	1.3	**17.5**	17.5
Acquisitions during the year						
Research & development	**0.2**	0.0	**0.1**	–	**0.3**	0.0
Disposals	**-0.1**	0.0	**–**	–	**-0.1**	0.0
Accumulated acquisition carried forward	**16.3**	**16.2**	**1.4**	**1.3**	**17.7**	**17.5**
Depreciation brought forward	**15.1**	14.7	**0.7**	0.5	**15.8**	15.2
Depreciation for the year						
Research & development	**0.3**	0.4	**0.0**	0.2	**0.3**	0.6
Disposals	**0.0**	0.0	**–**	–	**0.0**	0.0
Accumulated depreciation carried forward	**15.4**	**15.1**	**0.7**	**0.7**	**16.1**	**15.8**
Book value carried forward	**0.9**	**1.1**	**0.7**	**0.6**	**1.6**	**1.7**

PARENT COMPANY	Patent 2013	Patent 2012	Capitalised development 2013	Capitalised development 2012	Total 2013	Total 2012
Acquisition value brought forward	**16.2**	16.2	**5.5**	5.5	**21.7**	21.7
Acquisitions during the year						
Research & development	**0.2**	0.0	**0.1**	–	**0.3**	0.0
Disposals	**-0.1**	0.0	**–**	–	**-0.1**	0.0
Accumulated acquisition carried forward	**16.3**	**16.2**	**5.6**	**5.5**	**21.9**	**21.7**
Depreciation brought forward	**15.1**	14.7	**4.9**	4.7	**20.0**	19.4
Depreciation for the year						
Research & development	**0.3**	0.4	**0.0**	0.2	**0.3**	0.6
Disposals	**0.0**	0.0	**–**	–	**0.0**	0.0
Accumulated depreciation carried forward	**15.4**	**15.1**	**4.9**	**4.9**	**20.3**	**20.0**
Book value carried forward	**0.9**	**1.1**	**0.7**	**0.6**	**1.6**	**1.7**

* All fixed assets are related to Sweden

14 Tangible Fixed Assets*

GROUP	Computers, fixtures and fittings		Plant and machinery		Total	
	2013	2012	**2013**	2012	**2013**	2012
Acquisition value brought forward	**3.2**	1.6	**6.9**	6.6	**10.1**	8.2
Acquisitions during the year						
Administration	**0.2**	1.6	**–**	–	**0.2**	1.6
Sales and marketing	**–**	–	**0.1**	0.3	**0.1**	0.3
Disposals						
Sales and marketing	**–**	–	**–**	0.0	**–**	0.0
Administration	**–**	–	**–**	–	**–**	–
Accumulated acquisition carried forward	**3.4**	**3.2**	**7.0**	**6.9**	**10.4**	**10.1**
Depreciation brought forward	**1.5**	1.3	**6.6**	6.5	**8.1**	7.8
Depreciation for the year						
Sales and marketing	**–**	–	**0.1**	0.1	**0.1**	0.1
Administration	**0.3**	0.2	**–**	–	**0.3**	0.2
Disposals						
Sales and marketing	**–**	–	**–**	0.0	**–**	0.0
Administration	**–**	–	**–**	–	**–**	–
Accumulated depreciation carried forward	**1.8**	**1.5**	**6.7**	**6.6**	**8.5**	**8.1**
Book value carried forward	**1.6**	**1.7**	**0.3**	**0.3**	**1.9**	**2.0**

PARENT COMPANY	Computers, fixtures and fittings		Plant and machinery		Total	
	2013	2012	**2013**	2012	**2013**	2012
Acquisition value brought forward	**3.8**	2.3	**3.3**	3.0	**7.1**	5.3
Acquisition during the year						
Administration	**0.2**	1.5	**–**	–	**0.2**	1.5
Sales and marketing	**–**	–	**0.1**	0.3	**0.1**	0.3
Disposals						
Sales and marketing	**–**	–	**–**	0.0	**–**	0.0
Administration	**–**	–	**–**	–	**–**	–
Accumulated acquisition carried forward	**4.0**	**3.8**	**3.4**	**3.3**	**7.4**	**7.1**
Depreciation brought forward	**2.2**	2.0	**3.0**	2.9	**5.2**	4.9
Depreciation for the year						
Sales and marketing	**–**	–	**0.1**	0.1	**0.1**	0.1
Administration	**0.2**	0.2	**–**	–	**0.2**	0.2
Disposals						
Sales and marketing	**–**	–	**–**	0.0	**–**	0.0
Administration	**–**	–	**–**	–	**–**	–
Accumulated depreciation carried forward	**2.4**	**2.2**	**3.1**	**3.0**	**5.5**	**5.2**
Book value carried forward	**1.6**	**1.6**	**0.3**	**0.3**	**1.9**	**1.9**

*Fixed assets relates to Sweden, SEK 1.9 million (SEK 1.9 million).

15 Accounts Receivable – Trade

	GROUP	
	2013	2012
Accounts receivable not due	**6.5**	6.8
Accounts receivable overdue 0–30 days	**0.5**	1.0
Accounts receivable overdue 31–90 days	**0.4**	–
Accounts receivable overdue 91–180 days	**0.0**	0.0
Provision for bad debts	**–**	–
Accounts receivables net	**7.4**	**7.8**

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

16 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Deposits*	**0.4**	0.3	**0.1**	0.1
Deferred tax asset	**28.3**	27.5	**28.3**	27.5
Total	**28.7**	**27.8**	**28.4**	**27.6**

*Mainly office rental deposits.

17 Stock

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Work in progress	**1.1**	0.2	**1.1**	0.2
Finished products	**2.8**	3.8	**2.8**	3.8
Total	**3.9**	**4.0**	**3.9**	**4.0**

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
The amount of inventories recognised as an expense during the period	**9.3**	8.5	**9.2**	8.5
Total	**9.3**	**8.5**	**9.2**	**8.5**

18 Other Debtors

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
VAT and tax receivables	**0.5**	0.3	**0.6**	0.2
Other current receivables	**0.2**	0.2	**0.0**	0.0
Fair value on currency forward exchange contracts	**–**	–	**–**	0.2
Total	**0.7**	**0.5**	**0.6**	**0.4**

19 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Prepaid rents	**0.2**	0.1	**0.1**	0.1
Prepaid insurance	**0.5**	0.6	**0.5**	0.5
Prepaid benefit	**0.1**	0.1	**–**	–
Accrued income from Production Fee	**–**	2.2	**–**	2.2
Others	**2.0**	0.8	**1.8**	0.8
Total	**2.8**	**3.8**	**2.4**	**3.6**

20 Long Term Liabilities

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Other long term liabilities	**0.0**	0.0	**0.2**	0.1
Total	**0.0**	**0.0**	**0.2**	**0.1**

21 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Withholding tax and national insurance contributions for employees	**3.0**	0.7	**1.6**	0.6
Fair value on currency forward exchange contracts*	**0.2**	–	**0.2**	–
Total	**3.2**	**0.7**	**1.8**	**0.6**

* The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. The fair value of derivative instruments is established using valuation techniques. For this purpose, observable market information is used.

22 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Accrued personnel expenses	**2.0**	1.0	**1.0**	0.7
Accrued adminstrative costs	**0.4**	0.2	**0.3**	0.1
Deferred income	**1.0**	0.9	**0.8**	0.6
Provisions for cost of goods sold	**0.6**	0.5	**0.6**	0.5
Others	**0.4**	0.2	**0.3**	0.1
Total	**4.4**	**2.8**	**3.0**	**2.0**

23 Contingent Liabilities

	GROUP		PARENT COMPANY	
	2013	2012	**2013**	2012
Bank guarantees*	**0.0**	2.6	**0.0**	2.6
Total contingent liabilities	**0.0**	**2.6**	**0.0**	**2.6**

*Advance payment guarantee given to customer in 2012.

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

All Amounts in SEK	**2013**	2012
Acquisition value brought forward	**64,761,328**	64,023,971
Acquisition during the year		
New share issue	**404,456**	737,357
Accumulated acquisition value carried forward	**65,165,784**	**64,761,328**
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**
Book value carried forward	**4,229,931**	**3,825,475**

List of subsidiaries to SinterCast AB (publ)		**Corporate identification number**	**Votes and percentage of equity, %**	**Book Value 2013**	**Book Value 2012**
SinterCast Trading (Beijing) Co., Ltd.	Beijing, China	110000450218467	100	745,499	438,004
SinterCast Korea Co., Ltd	JeonJu-City, South Korea	418-81-40366	100	67,981	67,981
SinterCast Ltd.*	London, UK	2021239	100	3,316,448	3,219,487
SinterCast, Inc.	Chicago, USA	187363	100	1	1
SinterCast Personnel AB	Katrineholm, Sweden	556702-5092	100	100,000	100,000
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	1	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	1	1
Total				**4,229,931**	3,825,475

*Shareholder contribution

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
December 2013: Subscription via warrants			7,090,133	1.00	7,090,133
Share capital as of 31 December 2013			**7,090,133**	**1.00**	**7,090,133**

* One vote per share

**One tenth vote per share

26 Risk Management, Risks and Uncertainty Factors

The Board of Directors has established policies to provide a framework for how the various risks that SinterCast can encounter shall be managed and to define the risk exposure with which the business may be operated. The objective of the Board's policies is to maintain a low risk profile. External monitoring is conducted by the auditors. Internal monitoring takes place in accordance with the operating principles approved by the Board of Directors. Appropriate insurance has been taken against risks associated with assets and interruption of operations and to minimise indemnity. SinterCast is currently not involved in any legal disputes.

All business and share-ownership involves some measure of risk. The risk factors reported herein are not ranked in order of priority or significance, and do not claim to be comprehensive. Shareholders should make their own assessment of each risk factor and its significance for the future development of the company. The risk exposure for SinterCast can be divided into operational risks and financial risks.

Operational Risks

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

The global economy has developed differently in Europe, Asia and the Americas over the last few years. The Asian and European economies continue to be uncertain and this may impact passenger vehicle and commercial vehicle sales in these regions. However consumer confidence has recently increased in North America and SinterCast has benefitted from increased vehicle sales. SinterCast's geographical diversification helps to mitigate changing macroeconomic conditions in the different regions. However, as manufacturing continues to grow in developing countries, many of the future installation opportunities will be in price sensitive markets and this can present a challenge for the SinterCast fee structure and Business Model.

Major Customers
In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual foundry customers. SinterCast supports 39 installations in 12 countries and 10 different languages. In 2013, SinterCast's three largest customers represented about SEK 32.9 million (SEK 22.5 million), SEK 3.0 million (SEK 7.1 million) and SEK 2.9 million (SEK 4.5 million) of the company's sales while the five largest customers accounted for approximately SEK 43.7 million (SEK 39.4 million) of sales. As a result, the loss of a single foundry customer, or capacity constraints at any such customer, could – at least in the short term – have a significant negative effect on the company's revenue and result.

End Users
SinterCast's series production is diversified between V-diesel engines for passenger vehicles, commercial vehicle engine components, and other applications such as exhaust components and industrial power engines. The start of the first high volume petrol engine production began during the fourth quarter of 2013. This diversification, combined with the delivery of SinterCast-CGI castings to more than 30 different end-users, helps to mitigate the risk of cyclical demand in any one sector or for any one customer. SinterCast also endeavours to offset the risk in its current customer activities by developing new products and applications including the application of CGI for light duty pick-up trucks and for petrol engines, and the extension of the core thermal analysis technology for the process control of ductile iron.

Alternative Technologies and Emissions Legislation
SinterCast's business development is strongly linked to the internal combustion engine. New powertrain technologies, such as vehicle electrification (hybrids and plug-in vehicles) and fuel cells attract significant media attention; however, the development and widespread adoption of these technologies remain a long-term prospect. Most automotive industry forecasts indicate a market penetration for these technologies of less than 10% in the 2020 to 2025 timeframe. In consideration of the technology leadtime and other practical concerns such as cost and driving range, SinterCast does not expect these technologies to have a significant effect on the company's competitive position for the foreseeable future.

In recent years, legislating bodies around the world have introduced increasingly stringent fuel economy and emissions standards. In Europe, CO_2 emissions are set to decrease from 130 g/km (42 mpg) in 2012 to 95 g/km (57 mpg) in 2020. In the United States, fuel economy will increase from 27.5 miles per gallon (8.6 litres per 100 km) in 2010 to 54.5 miles per gallon (4.3 litres per 100 km) in 2025. This legislation is motivating a wide range of new technologies including lightweight cast components and body panels, downsized gasoline and diesel engines, electric powertrains, improved aerodynamics and reduced rolling resistance. While the legislation will increase the development of alternative technologies, it simultaneously requires the improvement of conventional petrol and diesel engines. These developments can benefit from stronger materials such as CGI.

Key Personnel
For the foreseeable future, SinterCast will be dependent on the expertise and creativity of a core group of key personnel. These people have the knowledge, experience and contacts that develop and support the underlying technology and that maintain the customer support and sales activities. The departure of one or more of these individuals could have a negative effect on the company's business. The Board of Directors have implemented incentive programmes to manage this risk and to motivate, retain and reward employees. SinterCast strives to provide a challenging and rewarding work environment.

Patents and Intellectual Property Rights
The Company has implemented a strategy to protect its technology through patents or other intellectual property rights to preserve its leading position within CGI process control. Patents have also been filed to protect the ductile iron technology. The company applies for patents in selected countries that are relevant to the foundry and/or automotive industries. However, there is no guarantee that the company will continue to be granted patents in the relevant geographic markets, or will be able to defend the patents that have been granted. There is also a risk that new technologies may be developed which circumvent the company's patents. During the recent years, the company allowed selected patents to lapse, as it was judged that continued payment of the national phase annuities for these patents would not provide a return on the investment.

Risk for Claims
The risk for claims refers to the costs that SinterCast could incur to replace or rectify non-conforming or defective products or systems and the possible costs for customer-levied penalties. SinterCast endeavours to resolve any claim quickly and efficiently to ensure customer satisfaction and loyalty, even if such resolutions result in short term costs. During 2013, the Group's cost for claims amounted to less than one percent of turnover. SinterCast strives to minimise its risks for claims by means of comprehensive testing during the development phase and through quality control.

Financial Risks and Financial Instruments

The Board of Directors has established SinterCast's finance policy to provide a framework for how different types of financial risks shall be managed and to define the risk exposure with which the business may be operated. The objective of this policy is to maintain a low risk profile. In general, risks and principles are applicable for both the Parent Company and the Group. Please see page 35 "Financial Instruments" for more detailed information of SinterCast's classification of its instruments.

Liquidity Risk
Liquidity risk is the risk that the Group's short term cash and cash equivalents requirements may not be met. Planning of the Group's future requirements for liquid funds is facilitated by continuously updating the Group's requirements for liquidity over a 12-month period. The Board must promptly be notified of any sudden or expected decline in the Group liquidity. The risk is limited by holding sufficient cash and cash equivalents and granted but unused credit facilities that can be utilised without conditions, for at least a 12-month period. The liquidity risk is considered as low. The Group's liquidity on 31 December 2013 amounted to SEK 47.8 million (SEK 35.4 million).

Liquidity	Group		Parent Company	
Amounts in SEK million	**2013**	2012	**2013**	2012
Bonds, fixed income instruments	**36.5**	28.2	**36.5**	28.2
Cash at bank	**11.3**	7.2	**9.5**	5.9
Total	**47.8**	**35.4**	**46.0**	**34.1**

Maturity Structure	**2013**		2012	
Group (Parent Company)	**Total**	**<30 days**	Total	<30 days
Total cash & equivalents	**47.8 (46.0)**	**47.6 (45.8)**	35.4 (34.1)	32.5 (31.5)
Receivables	**7.4 (6.7)**	**0.5 (0.2)**	7.8 (7.4)	1.0 (0.9)
Income from leases	**0.3 (0.1)**	**0.0 (0.0)**	0.4 (0.3)	0.0 (0.0)
Total	**55.5 (52.7)**	**48.1 (46.0)**	43.6 (41.8)	36.4 (35.1)
Total payable, ex salaries	**3.7 (3.4)**	**3.7 (3.3)**	1.7 (1.5)	1.7 (1.5)
Expenses from leases	**1.3 (0.7)**	**0.1 (0.1)**	1.2 (1.0)	0.1 (0.1)
Total	**5.0 (4.1)**	**3.8 (3.4)**	2.9 (2.5)	1.8 (1.6)

Refinancing Risk
Refinancing risk is the risk that the Group will be unable to raise new loans or to refinance existing loans, when falling due. Planning of the Group's future finance requirements is facilitated by continuously updating the Group's finance requirements over a five year period, and reviewing existing loans, if any. Currently, the SinterCast Group has no external loans. Only the Board can approve new loans.

Credit Risk, Customers and Deposits
Credit risk is the risk that any counterparty may not be able to fulfil its commitments and, as a consequence, the Group suffers a loss. Prior to entering a business relationship with a new customer, professional credit information about the customer is obtained and reviewed. Before offering credit, financing guarantee products that provide cover against payment risks are evaluated and the credit terms and terms of payments are determined accordingly. This is also valid regarding deposits. Credit risk in excess of SEK 5 million must be approved by the Board. Credit risk is handled by the Group's Finance function. Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies and organisations. The credit risk is distributed among the majority of the customers. Historical and present bad debt losses are insignificant. SinterCast therefore operates without credit insurance for most contracts. No provision for bad debts has been made.

Credit Risk	Group		Parent Company	
Amounts in SEK million	**2013**	2012	**2013**	2012
Receivables, not due	**6.5**	6.8	**6.3**	6.5
Due <30 days	**0.5**	1.0	**0.2**	0.9
Due 31-90 days	**0.4**	0.0	**0.2**	0.0
Total trade receivables	**7.4**	7.8	**6.7**	7.4

Funds not needed in the operation are invested in commercial papers and in the SEB Modern Protection Fund, in order to minimise risks and optimise returns. Investments shall be made according to the short term rating class Standard & Poors K1. The Group shall not invest in securities or funds which are exposed to long term interest rate risks.

Interest Rate Risk
Interest rate risk is the risk that variations in interest rates will have a negative impact on the Group results. The aim is to minimise the interest rate risk by investing the Group's liquid funds in a well-balanced portfolio. Interest rate risk exists in short term investments, bank deposits and outstanding loans due to variability of interest rates. An interest rate change of one percentage point up or down corresponds to an interest risk of approximately SEK 0.3 million for SinterCast´s short term investments and bank deposits.

Currency Risk
Currency risk is the risk that the value of future flows, loans, and equity may change as a result of foreign exchange rate fluctuations. This risk can be further subdivided as follows:

Transaction exposure is the risk that the value in Swedish krona of actual and estimated net inflows in foreign currencies varies with the exchange rate. The net inflow of exposed currencies shall be budgeted for the next 12 months and presented to the Group´s Bank for advice on future hedging. The hedging for the following year will thereafter be decided by the Board.

SinterCast's net inflow of foreign currency primarily consists of USD and EUR and its expenses have primarily been in SEK. However, SinterCast´s increased expenses outside Sweden since 2011 has established a natural hedge to the USD and EUR inflow. SinterCast's net surplus of foreign currency primarily consists of USD and EUR which are exchanged to SEK and GBP. During 2013, foreign currencies exchanged to SEK amounted to approximately USD 2.4 million (USD 2.7 million) and EUR 1.5 million (EUR 1.2 million). In accordance with the Group's financial policy, part of the expected and budgeted flow of USD and EUR was hedged for the following 12 month period. Outstanding currency forward exchange contracts on the balance sheet date, were:

Forward Exchange Contracts				
Amounts in million	**2013**		2012	
	Total	**<6 month**	Total	<6 month
USD	**0.6**	**0.2**	1.2	0.2
EUR	**0.7**	**0.1**	0.5	0.0

Translation exposure is the risk of holding net assets in a foreign subsidiary (i.e. subsidiaries with a base currency other than SEK). Currently, the net asset in foreign subsidiaries is not hedged. This is reviewed on a yearly basis, in conjunction with the Finance Policy review and approval. Any changes to the hedge decision must be approved by the Board. The value of the Group's net assets, meaning the difference between capital employed and net debt, totalled to SEK 14.9 million, (SEK 13.5 million) and was distributed among the following currencies:

Net Assets in Foreign Subsidiaries		
Amounts in SEK million	**2013**	2012
GBP	**8.0**	7.4
USD	**5.7**	5.4
RMB	**0.7**	0.3
MEX	**0.2**	0.2
SEK	**0.1**	0.1
KRW	**0.2**	0.1

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

Translation Risk	
Amounts in SEK million	
GBP	0.8
USD	0.6
RMB	0.1
MEX	0.0
KRW	0.0

Loan exposure is the risk of holding loans denominated in a foreign currency, which are not used to hedge the transaction or equity position. The matching principle is applied to funds borrowed externally. Accordingly, if possible, money is raised, or hedged, in the currency in which it is intended to invest the funds. Internal loans are denominated in the currency of the lender. External foreign currency loans must be approved by the Board.

Capital Risk
Capital Risk is the risk that the Group´s capital structure is not efficient or that there are risks to cease the Group's operation.

The Group's objective in respect of the capital structure is to optimise the capital structure in order to secure SinterCast's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced.

To manage the capital structure, the Group must seek approval from the shareholders to issue new shares, buy-back shares, give dividends or increase/decrease loans. The capital structure is regularly monitored and the Board is updated of the current capital structure and provided with proposals for decisions. The Group equity on 31 December 2013 amounted to SEK 84.7 million (SEK 77.9 million). The equity of SinterCast AB amounted to SEK 74.0 million (SEK 68.3 million). The foreign subsidiaries have been financed by internal loans and equity.

27 Events After the Balance Sheet Date

The following press releases have been issued:
14 January 2014 – SinterCast technology features at North American International Auto Show
16 January 2014 – SinterCast secures process control contract for new purpose-built Compacted Graphite Iron foundry in China
29 January 2014 – Tupy begins series production of CGI cylinder head for MTU industrial power engine
26 February 2014 – SinterCast Results October-December 2013 and Full Year Results

There have been no other significant events since the balance sheet date of 31 December 2013 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 20 May 2014.

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

Adjusted shareholders' equity
Shareholders' equity plus 78% of untaxed reserves if any

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

Capital employed
Total assets less non-interest bearing liabilities

Return on shareholders' equity
Net result as a percentage of average adjusted shareholders' equity

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

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

Debt-to-equity ratio
Interest bearing liabilities divided by adjusted shareholders' equity

Dividend per share
Dividend divided by the number of shares

Cashflow from operations per share
Cashflow from operations divided by the number of shares

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

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

Value presented as "-"
No amount applicable

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 2014

Ulla-Britt Fräjdin-Hellqvist
Chairman of the Board

Aage Figenschou
Vice Chairman of the Board

Robert Dover
Member of the Board

Laurence Vine-Chatterton
Member of the Board

Hans-Erik Andersson
Member of the Board

Steve Dawson
Member of the Board & Managing Director

Our audit report was submitted on 3 April 2014
Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of SinterCast AB, corporate identity number 556233-6494

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SinterCast AB for the year 2013, except for the corporate governance report on pages 22 – 26. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16–49.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 22-26. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SinterCast AB for the year 2013. We have also conducted a statutory examination of the corporate governance report

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts

Stockholm 3 April 2013

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle

Authorized Public Accountant

Historical Summary – Group

Amounts in SEK million	2013	2012	2011	2010	2009
Profit and Loss accounts					
Revenue	**51.9**	45.9	49.0	39.4	20.0
Operating result	**7.3**	1.0	11.6	7.2	-6.3
Financial net	**0.2**	1.0	-0.5	1.3	0.9
Tax	**0.6**	-5.7	3.4	8.0	2.7
Result for the year for parent company shareholders	**8.1**	**-3.7**	**14.5**	**16.5**	**-2.7**
Cashflow analysis					
Cashflow from operations before change in working capital	**8.1**	3.5	13.4	10.4	-3.2
Change in working capital	**6.3**	-2.2	1.1	-7.4	-1.7
Cashflow from operations	**14.4**	**1.3**	**14.5**	**3.0**	**-4.9**
Cashflow from investments	**-0.6**	-1.6	-0.4	-0.5	-0.6
Cashflow from financial operations	**-1.4**	-11.9	-6.8	13.0	21.3
Change in cash position	**12.4**	**-12.2**	**7.3**	**15.5**	**15.8**
Balance sheet					
Assets					
Fixed assets	**32.2**	31.5	35.6	32.4	24.8
Current assets	**14.8**	16.1	16.7	19.0	9.6
Cash and bank deposits	**47.8**	35.4	47.6	40.3	24.8
Total assets	**94.8**	**83.0**	**99.9**	**91.7**	**59.2**
Total shareholders' equity	**84.7**	77.9	93.2	**81.3**	**50.5**
Long-term liabilities	**0.0**	0.0	0.0	0.0	0.0
Current liabilities	**10.1**	5.1	6.7	10.4	8.7
Total shareholders' equity and liabilities	**94.8**	**83.0**	**99.9**	**91.7**	**59.2**
Key ratios					
Solidity, %	**89.3**	93.9	93.3	88.7	85.3
Adjusted shareholders' equity	**84.7**	77.9	93.2	81.3	50.5
Capital employed	**84.7**	77.9	93.2	84.3	53.5
Total assets	**94.8**	83.0	99.9	91.7	59.2
Return on shareholders' equity, %	**10.0**	-4.3	16.6	25.0	-6.4
Return on capital employed, %	**10.5**	-4.3	16.4	24.3	-5.6
Return on total assets, %	**9.6**	-4.0	15.2	22.2	-4.1
Debt-to-equity ratio	**–**	–	–	0.0	–
Dividend per share, SEK	**1.0**	1.7	0.5	–	–
Cashflow from operations/share, SEK	**2.1**	0.2	2.1	0.5	-0.8
Operating margin %	**14.1**	2.2	23.7	18.3	-31.5
Employees					
Number of employees at the end of the period	**17**	19	17	13	13
Average number of employees	**18**	20	16	13	13

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 number of shares and votes in SinterCast AB increased by 114,480 to 7,090,133 during December 2013, following the exercise of the last 40% of the warrants in the 2010-2013 employee stock option programme. Prior to the warrant exercise, there were 6,975,653 SinterCast shares and an equal number of votes.

The SinterCast share capital on 31 December 2013 was SEK 7,090,133 (SEK 6,975,653 at 31 December 2012) at par value of SEK 1 per share.

SinterCast had 3,623 (3,396) shareholders on 31 December 2013. The ten largest, of which four were nominee shareholders, controlled 45.0% (46.7%) of the capital and votes.

As of 31 December 2013, the SinterCast Board, management and employees controlled 1.0% (1.0%).

Major Shareholders 31 December 2013

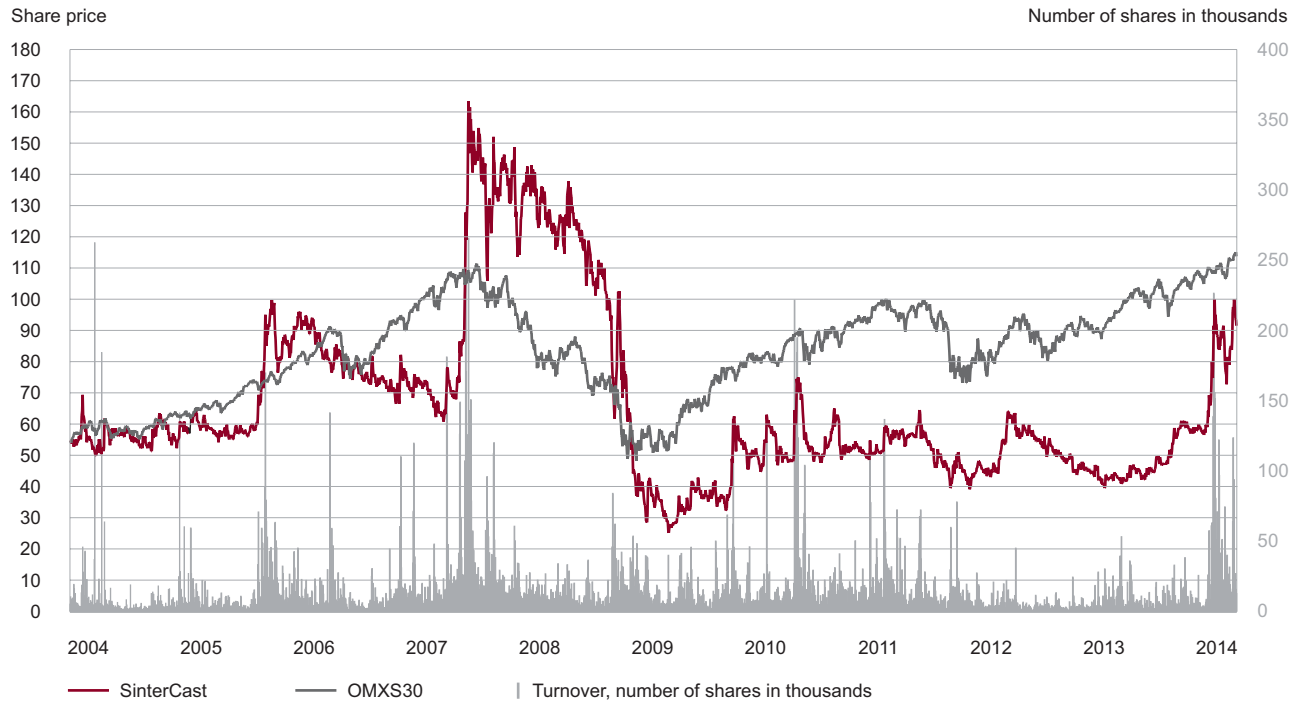
	Country	No. of Share holders	No. of Shares 31 December 2013	% of Total Share Capital and Votes
UBS AG Clients Account*	CH		796,271	11.2%
Försäkringsbolaget Avanza Pension*	SE		661,944	9.3%
Nordnet Pensionsförsäkring AB*	SE		552,306	7.8%
Ahlström, Lars incl. affiliates	SE		462,831	6.5%
Svesten AB	SE		178,429	2.5%
Handelsbanken Liv*	SE		134,280	1.9%
EC Askers Invest AB	SE		130,450	1.8%
Brandels, Jan Olof	SE		116,375	1.6%
Gustavsson, Torbjörn	SE		93,551	1.3%
Stenbeck Invest AB	SE		63,000	0.9%
Subtotal		**10**	**3,189,437**	**45.0%**
Other shareholders approx.		3,613	3,900,696	55.0%
TOTAL		**3,623**	**7,090,133**	**100.0%**
Total foreign shareholders		147	1,351,970	19.1%
Total Swedish shareholders		3,476	5,738,163	80.9%

*Nominee shareholder

Distribution of Share Ownership 31 December 2013

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,607	72.0%	415,049	5.8%
501-10,000	938	25.9%	1,943,842	27.4%
10,001-20,000	38	1.0%	527,731	7.5%
Above 20,000	40	1.1%	4,203,511	59.3%
Total	**3,623**	**100.0%**	**7,090,133**	**100.0%**

SinterCast Share January 2004 – December 2013



Share Data

	2013	2012	2011	2010	2009
Number of shares at the end of the period	**7,090,133**	6,975,653	6,975,653	6,975,653	6,478,383
Average number of shares during the period	**6,982,013**	6,975,653	6,975,653	6,574,481	5,815,120
Average number of shares during the period adjusted for outstanding warrants[1]	**6,982,013**	6,975,653	6,975,653	6,574,481	–
EPS average number of shares, SEK[2]	**1.2**	-0.5	2.1	2.5	-0.5
EPS average number of shares adjusted for outstanding warrants, SEK[2]	**1.2**	-0.5	2.1	2.5	–
Adjusted equity per share, SEK[3]	**10.6**	11.2	13.4	12.4	8.7
Adjusted equity per share adjusted for outstanding warrants, SEK[3]	**10.6**	11.2	13.4	12.4	–
Dividends, SEK	**1.0**	1.7	0.5	–	–
Share price at the end of the period, SEK	**79**	43.8	45.0	51.3	50.5
Highest share price during the period, SEK	**100**	66.0	66.5	75.0	60.0
Lowest share price during the period, SEK	**41**	39.0	35.0	46.8	28.9
Number of shareholders	**3,623**	3,396	3,721	3,841	3,748
Non-Swedish shareholdings, % of share capital	**19**	20	24	22	27
Swedish shareholdings, % of share capital	**81**	80	76	78	73
Market value, MSEK	**560.1**	305.5	313.9	357.5	327.2

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 2014 will be held at 15:00 on 20 May 2014 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The Interim Report January-March 2014 will be published on 23 April 2014.

The Interim Report April-June 2014 will be published on 20 August 2014.

The Interim Report July-September 2014 will be published on 5 November 2014.

The Interim Report October-December and Full Year Results 2014 will be published on 11 February 2015.

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In consideration of cost-efficiency and environmental concern, the Annual Report 2013 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2013 will not be distributed as a printed document. This Annual Report is available in Swedish and English. The English version is an unofficial translation of the Swedish original. Interim Reports and the Annual Report can be obtained by contacting SinterCast AB (publ), or at the SinterCast website:

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