SinterCast

Annual Report 2010

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Notes: This document is an unofficial translation of the official Swedish Annual Report
Pages 12–48 conform to IFRS (International Financial Reporting Standards)

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

SinterCast has been at the forefront of CGI product development and series production since 1992. These efforts have established SinterCast as a trusted supplier to the foundry and automotive industries. Building on the foundation provided by the current series production, SinterCast will continue to promote new CGI applications in order to increase the overall market opportunity. In parallel, SinterCast will develop new products and services to broaden and deepen its existing customer relations. SinterCast will also investigate new product development opportunities beyond the core CGI market in order to increase long-term shareholder value.

Compacted Graphite Iron is a form of cast iron that provides at least 75% higher tensile strength, 45% higher stiffness and approximately double the fatigue strength of conventional grey cast iron and aluminium. The properties of CGI allow design engineers to improve performance, fuel economy and durability while reducing weight, noise and emissions. The SinterCast process is used for the production of a variety of other CGI components including cylinder blocks and heads, bedplates, turbocharger housings, exhaust manifolds, clutch components and large engine castings for the industrial power sector.

Market Penetration grew significantly during 2010, with three new installation commitments and a 118% year-on-year increase in series production. During 2010, the SinterCast technology was used to support the production of more than two million CGI castings at 15 foundries in 10 countries around the world. The end-users of SinterCast-CGI components include Aston Martin, Audi, Caterpillar, Chrysler, DAF Trucks, Ford, Ford-Otosan, General Electric Transportation Systems, General Motors, Hyundai, Jaguar, Kia, Land Rover, MAN, Navistar, Porsche, PSA Peugeot-Citroën, Renault, Rolls-Royce Power Engineering, Toyota, VM Motori, Volkswagen, Volvo and Waukesha Engine.

Environmental Benefits are achieved when using the SinterCast technology. The accuracy of the SinterCast process enables foundries to produce castings more efficiently and to reduce scrap rates. For every one million Engine Equivalents, each 1% reduction in scrap or 1% improvement in mould yield provides the equivalent savings of 2,500 tonnes of CO_2 per year. The SinterCast process also enables the production of smaller and more fuel efficient engines, thus reducing both fuel consumption and CO_2 emissions.

Business Model

SinterCast sells or leases the System 3000 hardware, leases the process control software, sells the sampling consumables, and charges a running Production Fee for each tonne of CGI castings produced using the SinterCast technology. Revenue is also derived from spare parts, customer service, field trials and sales of test pieces. The individual components of the business model are described as follows:

System 3000

Sampling Cup

- **System 3000 Hardware Platform:** The System 3000 can be configured to suit the layout and process flow of any foundry. Typical sales prices are €300,000~500,000 for the full System 3000 and €50,000~100,000 for the Mini-System 3000, depending on the configuration and installation requirements. For leased systems, the typical lease period is seven years, but the duration can vary.
- **Process Control Software:** The software applies the metallurgical know-how and provides the operating logic for the System 3000 hardware. SinterCast charges an Annual Software Licence Fee and retains ownership of the software.
- **Sampling Consumables:** The consumables consist of the Sampling Cup and the Thermocouple Pair. One Sampling Cup is consumed with each measurement. The Thermocouple Pair is re-used for 150~200 measurements. One SinterCast measurement is required for each production ladle.
- **Production Fee:** A running fee is levied for each tonne of shipped castings, based on the as-cast (pre-machined) weight. There are 20 Engine Equivalents (50 kg each) per tonne.
- **Technical Support:** Engineering service for product development, new installations and calibrations, metallurgical consultancy, and ongoing customer service.

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

The Five Waves Strategy

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

Wave 1 V-diesels in Europe	Annualised year-end production: 265,000 Engine Equivalents (13,250 tonnes) Series production for: Audi, Jaguar Land Rover, PSA Peugeot-Citroën, Porsche, Volkswagen and VM Motori SinterCast-CGI Components: 6 cylinder blocks available in 20 vehicles and 8 brands (2.7~4.2 Litres) Outlook: Stable sector with some growth opportunity as market continues to recover
Wave 2 Commercial Vehicles	Annualised year-end production: 370,000 Engine Equivalents (18,500 tonnes) Series production for: DAF, Ford-Otosan, Hyundai, Navistar and MAN SinterCast-CGI Components: 11 cylinder blocks and 6 cylinder heads (3.9~12.9 Litres) Outlook: Near-term and long-term global growth opportunity
Wave 3 In-line Diesels in Europe	Current status: Limited product development underway Outlook: Long-term potential depends on performance demands, downsizing and emissions requirements. Potential for initial programme decisions in the near-term (<5 year) period
Wave 4 Diesels Beyond Europe	Annualised year-end production: 360,000 Engine Equivalents (18,000 tonnes) Series production for: Ford, Hyundai, Kia SinterCast-CGI Components: 2 cylinder blocks available in 7 vehicles and 3 brands (3.0 & 6.7 Litres) Outlook: Growth opportunity depends primarily on diesel acceptance in North America
Wave 5 Petrol Engines	Current status: Product development underway in parallel with downsizing Considerable motorsport experience Outlook: Potential application for highly charged and/or direct injection petrol or ethanol engines Potential for initial programme decisions in the near-term (<5 year) period

Other Growth Opportunities

Cylinder Heads – Diesel Passenger Vehicles	Current status: Initial product development Outlook: Long-term potential for mid-range (4~7 litre) diesels. No significant production opportunity in the near-term (<5 year) period
Automotive – Non Block & Head	Annualised year-end production: 155,000 Engine Equivalents (7,750 tonnes) Series production for: Audi, Ford, Renault and Volkswagen SinterCast-CGI Components: Exhaust manifolds, turbocharger housings and clutch components Outlook: Growth opportunity, including new installations
Non-Automotive (Industrial Power)	Annualised year-end production: 40,000 Engine Equivalents (2,000 tonnes) Series Production for: Federal Mogul, General Electric, Rolls-Royce, Volvo and Waukesha Engine SinterCast-CGI components: Available in marine, locomotive and stationary power generating applications Outlook: Near-term and long-term global growth opportunity

CEO Message

For a year that started on relatively thin ice for the global foundry and automotive industries, 2010 finished better than most companies expected, and was a particularly strong year for SinterCast.

For SinterCast, 2010 began with series production at a rate of 550,000 Engine Equivalents, approximately 25% below the pre-downturn high of 750,000 Engine Equivalents set in September 2008. However, series production increased in 11 out of 12 months during 2010 and, by September, we had passed the 'million milestone' for the first time in our history. The growing production was primarily driven by the continued ramp-up of the Ford 6.7 litre V8 engine in North America and by the production of turbocharger housings and exhaust manifolds in China. However, production was also buoyed by the announcement of six new series production programmes during the year: the Navistar 6.4 litre V8 cylinder block in March; the Land Rover 4.4 litre V8 cylinder block in June; the VM Motori 3.0 litre V6 cylinder block in September; and, three commercial vehicle cylinder heads for Hyundai in December. By year-end, series production finished at an annualised rate of 1.2 million Engine Equivalents, providing a 118% year-on-year increase and a 60% increase relative to the pre-downturn high. The positive growth of 2010 could also be seen by the 88% increase in Sampling Cup shipments, the 97% growth in revenue, positive P&L and cashflow results and, most importantly, SinterCast's first ever proposal for a dividend to its shareholders.

Beyond series production, 2010 also finished as a strong year for new installations. Following the Mini-System 3000 installation at First Automobile Works in China during February, SinterCast finished the year with two installation commitments in December. The first was for a full System 3000 at Daedong Metals in Korea and the second was for the activation of a consigned back-up system at Dashiang Precision in China, allowing Dashiang to expand CGI production to a second moulding line. These installations provided a 160% year-on-year increase in installation revenue and served as the basis for an almost four-fold increase in accounts receivable at year-end, to SEK 11.6 million.

The overall awareness of CGI continues to grow throughout the automotive industry. CGI has effectively become the standard material for passenger vehicle V-type diesel engine cylinder blocks and the momentum has continued to increase for commercial vehicle cylinder blocks and heads. Since 2007, SinterCast has supported the launch of 17 commercial vehicle components into series production, and this sector continues to provide the largest growth opportunity for CGI. Although CGI has not yet had any significant breakthroughs for passenger vehicle petrol engines or in-line diesel engines, the trend toward downsizing and increased performance provides new opportunities and we remain optimistic in the potential of these applications. At present, SinterCast's production activities are well balanced with 50-55% of the production for passenger vehicle cylinder blocks, 30-35% for commercial vehicles, and 15-20% for products such as exhaust components and industrial power applications.

One of the main opportunities for SinterCast is to bridge the divide between the OEMs that embrace CGI and those who do not yet use CGI. In our experience, every company that has specified a CGI engine has had a positive experience and has moved on to develop more CGI engines. Ford, Audi, Hyundai and Navistar are particularly good examples, with seven, six, five and three CGI engines respectively. We will grow as these and other pro-CGI OEMs continue to expand their CGI line-ups, and we will also continue our efforts to develop CGI opportunities with new manufacturers. This includes the off-road construction, agriculture and marine industries, and also the commercial vehicle sector in developing markets such as China and India. SinterCast has established credible production references in Asia and has a respected presence in the region. We will continue to focus on Asia during 2011, with particular emphasis on China.

North America also provides growth opportunities for SinterCast, both for passenger vehicles and commercial vehicles. Although the media and government focus is clearly on hybrid vehicles and electrification, the diesel 'take rate' is actually three to four times higher when vehicles are available with hybrid and diesel engine options. Indeed, diesel take rates in the US in 2010 were approximately 30% for cars and 60% for pick-ups, resulting in a diesel penetration that is remarkably similar to Europe. Consumer preference is guided by the on-cost compared to gasoline vehicles, which averages USD 1,900 for diesels and USD 4,300 for hybrids, and by driving flexibility. Despite this positive penetration, the North American OEMs remain undecided about the future of diesel engines in the pick-up sector, and this is an application that SinterCast continues to promote, both through its membership in the US Coalition for Advanced Diesel Cars and through direct contact with the OEMs.

From thin ice to strong finish, 2010 was a good year for SinterCast. With positive cashflow and strong liquidity, we are now able to be more pro-active in the market, adding sales resources and supporting new product development to increase the market opportunity and to enhance SinterCast's technology and brand. We look forward to new installations and new series production launches in 2011, and above all, to rewarding our shareholders for their confidence and support.

Dr Steve Dawson
President & CEO

Market Development

The global economic downturn has been the most significant factor influencing the recent development of the automotive and foundry industries. It is therefore helpful to evaluate SinterCast's market development with reference to the onset of the downturn in mid-2008, as shown in Figure 1. In terms of Engine Equivalents, Figure 1 illustrates the development of SinterCast's annualised series production for five full years, from 2006 to 2010, with separate trend lines for the programmes that started production before and after September 2008.

Prior to September 2008, SinterCast enjoyed steady growth, primarily derived from the start of production of eight new commercial vehicle engine programmes during 2007. However, with the onset of the economic downturn, series production decreased sharply and stabilised at the 2006 production level of approximately 400,000 Engine Equivalents during mid-2009. Since June 2009, the total production volume has increased every quarter, providing 2010 annualised year-end production of 1.2 million Engine Equivalents, a 118% year-on-year growth and an increase of 60% relative to the pre-downturn high of 750,000 Engine Equivalents established in September 2008.

Figure 1 clearly shows that, although there has been some recovery in the volume of the programmes that started production before the downturn, most of SinterCast's recent growth has been derived from the newer programmes. The programmes that started production before September 2008 have provided four consecutive quarters of increasing production, but the volume remains approximately 35% below the pre-downturn high. The recovery of the pre-downturn programmes has been predominantly buoyed by strong production of the Audi and Ford V6 cylinder blocks, but hindered by a relatively weak recovery of the European commercial vehicle programmes. In contrast, the programmes that have started production since September 2008 have provided six consecutive quarters of growth and, since early-2010, have exceeded the contribution of the older programmes, even though the newer programmes only account for 15 of SinterCast's 46 series production components.

The Fives Waves

SinterCast continues to view the overall market development in terms of the Five Waves strategy that was first introduced in 2002. The Five Waves are presented in terms of the main types of engines found in the automotive sector and the types of vehicles that the engines are used in. The Five waves include: V-diesel passenger vehicle engines in Europe; commercial vehicle engines; In-line passenger vehicle diesel engines; V-diesel passenger vehicle engines outside of Europe; and, petrol engines. In addition to these categories, SinterCast also supports series production and product development of automotive components other than cylinder blocks and heads, such as bedplates, exhaust and clutch components, and large industrial power castings for marine, locomotive and stationary power applications. These activities are viewed separately from the Five Waves. For each type of product, SinterCast presents the production volume in terms of Engine Equivalents, where each Engine Equivalent is defined to weigh 50 kg. Accordingly, there are 20 Engine Equivalents per tonne of castings. The development of SinterCast's series production for each of the main categories is summarised in the following table:

	Annualised Year-end Production (thousands of engine equivalents)			
SinterCast Wave/Sector	**2010**	**2009**	**2008**	**2007**
1. V-Diesels in Europe	265	195	280	350
2. Commercial Vehicles	370	105	235	100
3. In-Line Diesels	0	0	0	0
4. V-Diesels Beyond Europe	360	140	70	25
5. Petrol Engines	0	0	0	0
Automotive Non Block & Head	155	100	0	0
Industrial Power	50	10	40	50
Total:	**1,200**	**550**	**625**	**525**

Production of V-diesel engines for the European passenger vehicle market (Wave 1) increased steadily during 2010, but remains approximately 25% below the 2007 year-end level of 350,000. Volume in the first wave is primarily determined by the Audi 3.0 litre V6 and the Ford 3.0 litre V6, which has increased significantly as a result of the sales success of the Jaguar XF. The fact that the first wave production remains below the pre-downturn level indicates an opportunity for further growth, particularly as the VM Motori 3.0 litre V6 engine ramps up during 2011. Series production of commercial vehicle engines has grown almost four-fold since 2007, in parallel with the growth of

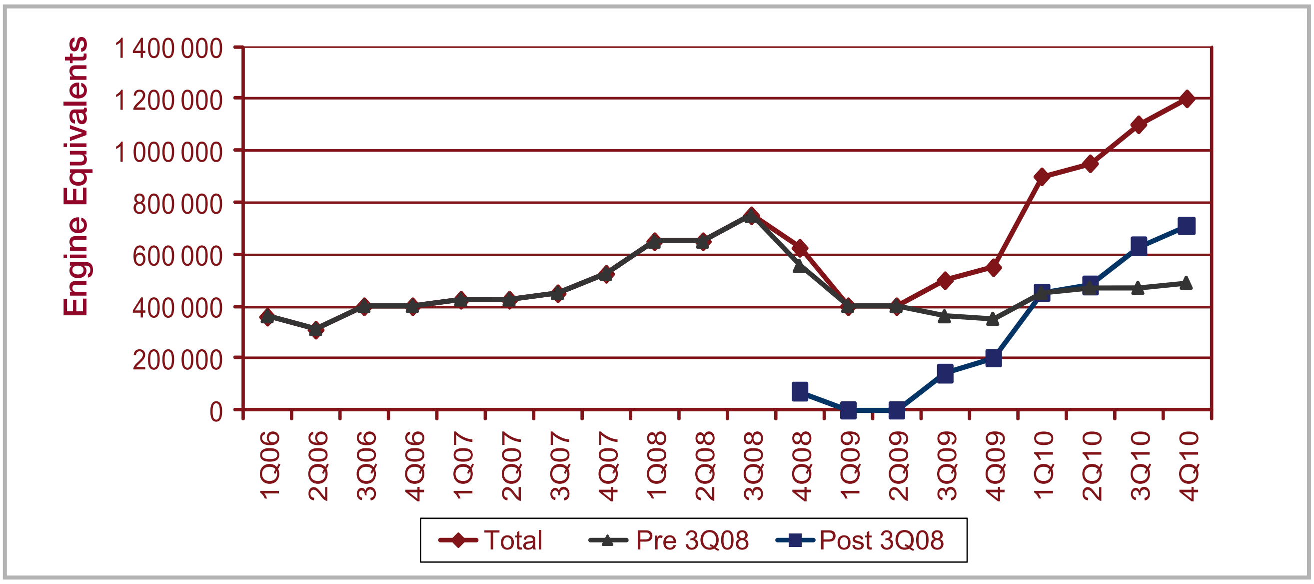


Figure 1: The production trend shows that the current growth is primarily derived from the programmes that started production after 3Q 2008

the number of SinterCast-CGI commercial vehicle components from eight to 17 over the same period. Commercial vehicles continue to provide a growth opportunity for SinterCast, in Europe, Asia and the Americas.

The fourth wave, passenger vehicle V-diesels beyond Europe, has grown significantly since the North American launch of the Ford 6.7 litre V8 diesel engine in September 2009. The Ford programme is currently SinterCast's highest volume production programme and is expected to continue contributing with similar volumes. Further growth in the fourth wave requires production commitments for new diesel engines, particularly in North America, but the plans for diesel engines in light duty pick-up trucks remain uncertain.

In addition to the first, second and fourth waves, the trends toward downsizing, turbocharging and direct injection provide future opportunities for Compacted Graphite Iron in the third and fifth waves. SinterCast continues to support product development and to promote the merits of CGI compared to conventional grey cast iron and aluminium for in-line diesels and petrol engines.

Beyond the five waves related to the core cylinder block and head market, the ongoing production of exhaust components, clutch components, and large engine castings for industrial power applications accounts for approximately 15–20% of SinterCast's total production volume. The production of exhaust components – turbocharger housings, exhaust manifolds and integrated manifolds with turbocharger housings – has provided approximately 150,000 Engine Equivalents of growth since 2007, plus the activation of a new installation during 2010. Although the long-term trend for these components may move toward austenitic steel castings, further growth can still be expected from this sector. Production of industrial power components has been relatively stagnant since 2007, caused primarily by the reduced demand for locomotive engines in North America. However, additional growth can be expected from this sector as off-road engines face new emissions legislation and require performance upgrades. Together, it is expected that the production of automotive components other than cylinder blocks and heads, plus industrial power components, will continue to contribute approximately 15–20% of the production as the total volume increases.

Market Penetration

The current global market demand for V-type diesel engines in passenger vehicles is approximately 800,000 engines per year. At an assumed average weight of 100 kg per V-type cylinder block, the total market opportunity can be estimated at approximately 1.6 million Engine Equivalents per year. Accordingly, the total current production of 625,000 Engine Equivalents in the first and third waves corresponds to a market penetration of approximately 40% for SinterCast-CGI. Likewise, the current global market demand for commercial vehicles (> 6 tonne capacity) can be estimated at approximately two million units per year, with approximately half of the volume in the domestic Chinese market. The range of commercial vehicles follows a pyramid-type size distribution where the majority of vehicles are in the 4-7 litre displacement range and the heavy-duty (>12 litre) size class represents the smallest number of vehicles. Assuming average weights of 200 kg for the cylinder block and 100 kg for the cylinder head over this wide range of displacements, the total market opportunity can be estimated at approximately 12 million Engine Equivalents per year, of which approximately four million Engine Equivalents are accounted for by Europe and North America. Accordingly, SinterCast's current production of 370,000 Engine Equivalents in the second wave corresponds to a penetration of approximately 3% of the global market and approximately 10% of the combined European and North American market. In both the passenger vehicle V-diesel sector and the commercial vehicle sector, the current production serves to prove the robustness of the SinterCast technology while providing further growth opportunities within the core market.

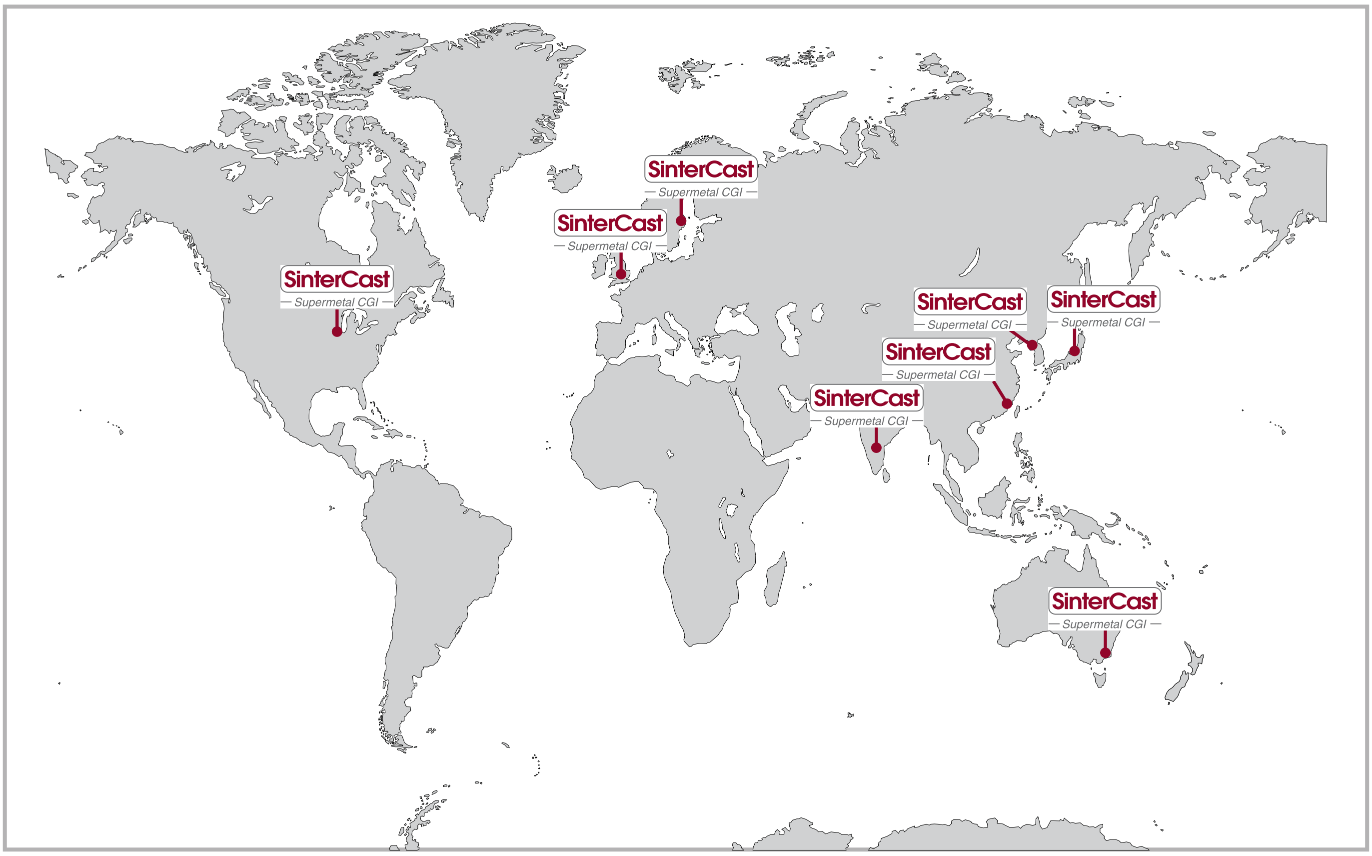
SinterCast's market development and penetration can also be evaluated in terms of the Tier I foundry customer market. SinterCast has supported the series production of 46 different components, in 15 foundries located in 10 different countries. At present, it is believed that the 46 SinterCast-CGI components account for more than two-thirds of the CGI components that are produced in compliance with the ISO 16112 international standard for Compacted Graphite Iron. Although SinterCast enjoys global brand recognition and respect as the CGI technology leader, alternative CGI technologies have been presented as the market has developed. SinterCast must continue to develop and promote its products as the most reliable and cost-effective solution for the production of high quality CGI.

The installation agreements established with First Automobile Works (FAW) in China and with the Daedong Metals in Korea during 2010, plus the activation of the back-up System 2000 at the Dashiang foundry in China, indicate renewed opportunities for capital expenditure in the foundry industry, and new installation negotiations are ongoing. Installations provide an up-front revenue injection for SinterCast and thereafter broaden the opportunity for SinterCast to increase its share of the global CGI market. As such, installations represent an important part of SinterCast's business. Many of the near-term installation opportunities will undoubtedly be in the price sensitive markets of the developing economies, which present a challenge for the SinterCast fee structure and business model. SinterCast has increased its sales presence in China to improve its ability to convey the positive cost-benefit proposition of the SinterCast technology.

Alternative Vehicle Technologies

New vehicle technologies, particularly hybrid and electric drive vehicles, dominate the media attention and will continue to grow in popularity. However, these technologies still have limited penetration in the overall market. For the vast majority of vehicles that offer hybrid and diesel powertrain options, the diesel option continues to enjoy a higher 'take rate'. Other technologies, such as hydrogen or natural gas fuelled vehicles remain in relative infancy. Biofuels do not affect SinterCast in either direction, as biofuels can equally be used in engines with CGI components. For the foreseeable future, SinterCast believes that the introduction of alternative powertrain technologies will not significantly affect SinterCast's market development and that the continuing trend toward higher performance and efficiency from smaller engine packages will provide new opportunities for increased use of Compacted Graphite Iron.

SinterCast Offices and Representation



Global Customer Base

- Motor Castings
- CAT
- Grainger & Worrall
- Federal Mogul
- SKF
- Volvo Powertrain
- Doosan Infracore Co Ltd
- Hyundai Motor Company
- Daedong
- FAW
- Case Western Reserve University
- Dashiang Precision
- Ford Cleveland Casting Plant
- Luitpoldhütte
- ASK Chemicals
- Halberg
- Componenta Dökümcülük Ticaret ve Sanayi A.S.
- International Casting Company
- Tupy – Joinville Tupy Mauá
- Cifunsa
- Y Luzuriaga Tafalla
- VDP
- Teksid

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

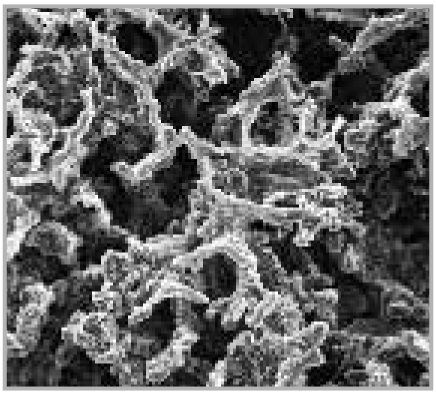
2008
- Local representation established in China and India
- High volume series production of exhaust components begins in China

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 and at Daedong Metals in Korea
- 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

Current Status

- 17 fully automated process control systems and 8 mini-systems installed in Europe, Asia and the Americas
- 46 components in series production, ranging from 2 kg to 17 tonnes
- More than two million castings produced in 2010 and 102,650 Sampling Cups shipped
- Series production for passenger vehicle, commercial vehicle and industrial power applications



Compacted Graphite Iron

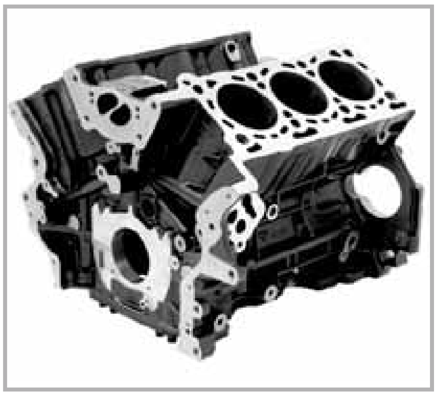
Compacted Graphite Iron is an engineered form of cast iron. It is at least 75% stronger and 45% stiffer than the standard grey cast iron and aluminium alloys. More importantly, CGI provides double the fatigue strength of grey iron and up to five times the fatigue strength of aluminium at elevated temperatures. The improved properties of CGI enable design engineers to reduce the size and weight of components, and/or to increase operating loads. CGI is ideally suited to components that have simultaneous mechanical and thermal loading, such as cylinder blocks and heads, exhaust manifolds, turbocharger housings and clutch components. CGI provides benefits for engines used in passenger vehicles, commercial vehicles, and industrial power applications such as marine, locomotive and stationary power generation. SinterCast has established successful production references in each of these areas.

System 3000

The System 3000 is available as a fully automated process control system, or as a 'Mini-System' (pictured) to support product development and niche volume production. The System 3000 provides a flexible and user-friendly platform that can be configured to suit the layout and process flow of any foundry, including ladle production and production from pressurised pouring furnaces. During 2010, the functionality of the System 3000 was expanded to include collection of series production data from the customer foundry equipment and processes, including chemical analyses, temperatures, ladle weight and moulding line information. The compilation of the data into a single information system provides customers with improved troubleshooting and traceability beyond the core SinterCast process. The System 3000 provides flexible, robust, accurate and independent CGI product development and series production for SinterCast's foundry customers.

The SinterCast Process

The SinterCast process begins with an accurate analysis of the liquid iron, conducted in the patented SinterCast Sampling Cup. Based on the result of this measurement, additional alloying elements (Magnesium and Inoculant) are automatically added to each ladle, in wire form, to optimise the composition of the iron prior to casting. During series production, the average corrective addition of magnesium is approximately 20 grams per tonne. The two-step measure-and-correct control strategy eliminates process variation and ensures cost-effective CGI series production. The results of each SinterCast analysis and wirefeeding can be automatically downloaded to the foundry quality system to satisfy QS9000 traceability requirements.



CGI Engine Benefits

CGI enables automotive engines to be 10-20% lighter than conventional cast iron engines and 10-20% shorter than aluminium engines. The reduced length means that all of the components that span the length of the engine are also shorter, and therefore lighter. The net result is that fully assembled CGI engines can effectively be the same weight as aluminium engines, and for V-type engines, CGI designs can frequently be lighter. CGI also allows for 10-20% increased specific performance (kW/litre), 75-100% improved durability, and 5-10% reduced operating noise. The strength and stiffness of CGI maintains the dimensional accuracy of the cylinder bore and allows engines to satisfy emissions legislation throughout the life of the vehicle. Compared to aluminium, CGI is stronger, creates less CO_2 during production, is more recyclable and, less expensive.

The SinterCast Board

Ulla-Britt Fräjdin-Hellqvist
MSc Eng, Ph, Chairman
Stockholm, Sweden
Born 1954, Nationality: Swedish
Main duties: Fräjdin & Hellqvist AB
Other Board duties: Castellum AB, e-man AB, Fouriertransform AB, Kongsberg Automotive, ASA (Chairman), Ruter Dam (Chairman), Rymdbolaget AB, Stiftelsen för Strategisk forskning (Chairman), Stockholm Environment Institute, Tällberg Foundation
Member of the Board since 2002
No. of shares: 4,998

Aage Figenschou
LLM, Vice Chairman
Oslo, Norway
Born 1948, Nationality: Norwegian
Main duties: MD, Aage Figenschou AS
Other Board duties: Camillo Eitzen & Co ASA, Eitzen Chemical ASA, Pareto Worldwide Shipping ASA, Simmons & Co International Inc, Sagex Oil ASA (Chairman) and Unison Forsikring ASA
Member of the Board since 1998
No. of shares: 12,748

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

Robert Dover
FR Eng, FIED, FRSA
London, United Kingdom
Born 1945, Nationality: British
Professor of Industrial Manufacturing, Warwick University
Former Chairman and CEO of Jaguar and Land Rover. Former Chairman and CEO Aston Martin
Other Board duties: British Motor Industry Heritage Trust (Chairman), Jaguar Daimler Heritage Trust, Cambridge University IMRC Advisory Board (Chairman) and Hayes Lemmertz
Member of the Board since 2004
No. of shares: 1,249

Steve Dawson
BEng, MASc, PhD, PEng, FIMechE
London, United Kingdom
Born 1962, Nationality: Canadian
Member of the Board since 2007
No. of shares: 33,750
No. of warrants: 127,500

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

Note: All information as of 1 March 2011.

The SinterCast Management

Daphner Uhmeier
Finance Director
Rönninge, Sweden
Born 1962, BSc
Nationality: Swedish
Employed since 2004
*No. of shares: 3,659
*No. of warrants: 17,000

Steve Dawson
President & CEO
London, United Kingdom
Born 1962, BEng, MASc, PhD, PEng, FIMechE
Nationality: Canadian
Employed since 1991
*No. of shares: 33,750
*No. of warrants: 127,500

Steve Wallace
Operations Director
Rejmyre, Sweden
Born 1967
Nationality: British
Employed since 2003
*No. of shares: 4,984
*No. of warrants: 17,000

*As of 1 March 2011.

(courtesy Navistar)

(courtesy VM Motori)

During 2010, the Navistar 6.4 litre 'MaxxForce^{TM} 7' V8 started series production at the Cifunsa foundry in Mexico while the VM Motori 3.0 litre V6 diesel engine, with SinterCast-CGI cylinder block and bedplate, started series production at the Tupy foundry in Brazil.

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 2010. SinterCast AB, the parent company of the SinterCast Group, is a publicly traded limited liability company with its registered office located in Stockholm, Sweden. Throughout this report, the use of the term SinterCast shall be regarded as referring to the SinterCast Group.

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

The SinterCast 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 78.26% (71.92%) of the capital and votes in SinterCast AB. The largest shareholder, SIX SIS AG (Switzerland), controlled 12.28% (12.61%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,841 (3,748) shareholders on 31 December 2010. The ten largest, of which five were nominee shareholders, controlled 45.92% (47.86%) of the capital and votes. As of 31 December 2010, the SinterCast Board, management and employees controlled 1.0% (0.9%) of the capital and votes.

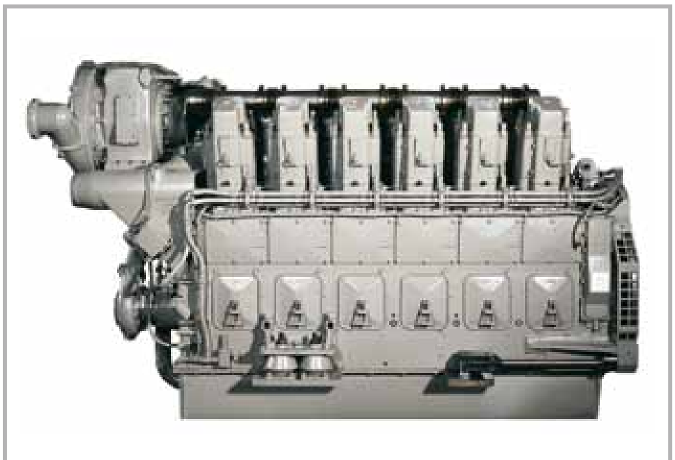
Financial Statements

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

Financial Summary

Revenue

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



(courtesy General Electric)

General Electric locomotive engine with SinterCast-CGI cylinder heads

Revenue Breakdown	January-December	
(Amounts in SEK million if not otherwise stated)	**2010**	2009
Number of Sampling Cups shipped	**102,650**	54,600
Equipment[1]	**6.8**	2.6
Series Production[2]	**30.9**	15.6
Engineering Service[3]	**1.3**	1.7
Other	**0.4**	0.1
Total	**39.4**	**20.0**

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 2010 revenue amounted to SEK 39.4 million (SEK 20.0 million). The revenue increase is a result of the significant increase in series production, including an increase from 54,600 Sampling Cups in 2009 to 102,650 Sampling Cups in 2010, plus invoicing of installations at the Daedong Metals foundry in Korea, the Dashiang Precision foundry in China, and at First Automobile Works foundry in China. The revenue from series production increased to SEK 30.9 million (SEK 15.6 million).

Results

Results Summary	January-December	
(Amounts in SEK million if not otherwise stated)	**2010**	2009
Operating Result	**7.2**	-6.3
Result for the period	**16.5**	-2.7
Result after tax per share (SEK)	**2.5**	-0.5

The January-December 2010 operating result of SEK 7.2 million (SEK -6.3 million) was primarily driven by the higher gross result of SEK 16.2 million compared to the same period 2009. The cost increase of SEK 2.7 million compared to the same period 2009 is mainly due to higher costs related to increased equipment sales, travel costs, advisory services, operational exchange losses and increased R&D costs. The R&D costs have been credited by SEK 0.4 million (SEK 0.8 million) due to the activation of development projects. The result after tax for the January-December 2010 period amounted to SEK 16.5 million (SEK -2.7 million), primarily related to the revaluation of the deferred tax asset, as described in the section entitled "Deferred Tax Asset".

Deferred Tax Asset

SinterCast calculates its estimated future taxable profit from secured production orders on a quarterly basis, in order to determine the valuation of its deferred tax asset.

Deferred Tax Asset	January-December	
(Amounts in SEK million if not otherwise stated)	**2010**	2009
Estimated future taxable profit	**120.4**	80.3
Change in carry-forward tax loss taken into consideration	**40.1**	10.3
Deferred tax on carry-forward tax losses	**31.7**	21.2
Change in deferred tax due to the result for the period	**-2.4**	-
Deferred tax asset	**29.3**	21.2
Change in deferred tax on carry-forward tax losses	**10.5**	2.7
Change in deferred tax due to the result for the period	**-2.4**	-
Deferred tax changes on income tax	**8.1**	2.7

SinterCast has reassessed the estimated future taxable profit and deferred tax asset calculation from secured orders to reflect the current expectation of programme longevity and the typical lifecycle for engine programmes in the automotive industry. As of 31 December 2010, SEK 120.4 million (SEK 80.3 million) of

SinterCast's total carried-forward tax losses have been used as the basis of the updated calculation, resulting in SEK 31.7 million (SEK 21.2 million) being capitalised as a deferred tax asset. Due to the positive result for the period, the deferred tax asset has been reduced by SEK 2.4 million (SEK 0.0 million) to SEK 29.3 million (SEK 21.2 million).

Employee Stock Option Programme

As of 31 December 2010, the cost of the employee stock option programme 2009-2013 was calculated at a total amount of SEK 3.1 million (SEK 3.3 million), based on a closing share price of SEK 51.3 (SEK 50.5). During 2010, SEK 1.5 million (SEK 0.8 million) has been accounted for as costs related to the option programme.

An Extraordinary General Meeting of the shareholders approved a new 2009–2013 employee stock option programme on 20 August 2009, effective on 1 January 2010. The maximum 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. The subscription of shares via the options will take place annually over a four year period, with the subscription price being equivalent to an annual increase of 10% of the average volume-weighted price paid for one SinterCast share on each trading day during the period 6-19 August 2009, specifically, SEK 36.6. The annual increase of ten percent corresponds to a 46.5% increase over the four year term of the programme. The programme has a maximum ceiling of SEK 50 per option.

During December 2010 the first 15% (45,000 options) of the employee stock options were exercised at SEK 40.3. The exercise increased the number of shares and votes in SinterCast by 45,000 to 6,975,653 and resulted in a capital injection amounting to SEK 1.7 million.

Cashflow, Liquidity and Investments

The January-December 2010 cashflow result was SEK 15.5 million (SEK 15.8 million). The cashflow change of SEK 15.5 million compared with the cash position of SEK 24.8 million at 31 December 2009 is a result of the warrant exercise programmes for shareholders (SEK 11.3 million) and for the first 15% of the employee options (SEK 1.7 million), together with the positive results for the period and an increase of working

(courtesy DAF)

DAF 12.9L MX engine with SinterCast-CGI cylinder block and head

(courtesy MAN)

MAN D20 & D26 engine with SinterCast-CGI cylinder block

capital. It is noted that accounts receivables has increased to SEK 11.6 million on 31 December 2010 (SEK 3.0 million). During December, the Sörmland Sparbank loan in the amount of SEK 3.0 million was extended for an additional three months.

Investments during the period amounted to SEK 0.7 million (SEK 1.3 million), of which SEK 0.4 million relates to the activation of development projects.

Cashflow Summary	January-December	
(Amounts in SEK million if not otherwise stated)	**2010**	2009
Cashflow from operating activities	**10.4**	-3.2
Cashflow from working capital	**-7.4**	-1.7
Cashflow from investment activities	**-0.5**	-0.6
Cashflow from financing activities	**13.0**	21.3
Cashflow total	**15.5**	**15.8**
Liquidity	**40.3**	24.8
Investments	**0.7**	1.3

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

Risks and Uncertainty Factors

Despite the positive increase in series production, and the renewed opportunities for installations, the main uncertainty factor for SinterCast continues to be the overall timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI engines and other components, the global economy for new vehicle sales and on the individual sales success of the vehicles equipped with SinterCast-CGI components.

Over the past two years, the economic conditions facing the global foundry and automotive industries have caused some automotive OEMs to delay production launches and this has directly affected SinterCast. Although the automotive market is enjoying a recovery, volumes in SinterCast's core markets are still significantly below pre-downturn levels and the SinterCast-CGI programmes that started production before 3Q08 have still not fully recovered. While SinterCast continues to support new product development activities, and anticipates new production launches and new opportunities for installation revenue, the

(courtesy Navistar)

Navistar Maxxforce™ 11 & 13 engine with SinterCast-CGI cylinder block

Board believes that it is still not possible to determine the ultimate effect of the global economic recession or the timing and rate of the overall market recovery.

For more information on risks and uncertainty factors please see Note 27.

Market Penetration and Competition

SinterCast enjoys global brand recognition and respect as the CGI technology leader and is welcomed by the industry as a reliable and trustworthy partner. However, virtually every company encounters competition, and SinterCast is no exception. As the CGI market has developed, some foundry supply companies have proposed alternative CGI technologies. To SinterCast's knowledge, these have included Hereaus-Electronite, OxyCast, OCC and NovaCast. It is also possible that some foundries may opt to produce CGI using in-house control and discipline, but this is generally judged to become less likely as product complexity and production volumes increase, and as specification requirements become more rigidly enforced by the end-users. SinterCast judges that its technology and engineering know-how provides the most reliable and cost-effective solution for the production of high quality CGI. Based on its proven technology, production experience and engineering service, SinterCast will continue to support new CGI development activities to further increase its share of the world CGI production capacity. With respect to the development of alternative automotive technologies such as biofuels, hybrids and fuel cells, SinterCast does not expect these to have a significant effect on the Company's competitive position for the foreseeable future.

Organisation and Human Resources

The Group management and sales activities are based at the headquarter office in London, UK. The Technical Centre based in Katrineholm, Sweden is responsible for technical and commercial support of ongoing foundry production activities, product development, production of the control systems and sampling consumables, ISO 9001:2008 quality certification, and finance and administration for the Group. Local support of customer activities in North and South America is provided by SinterCast Inc., based in Chicago, USA, while local support for the Chinese market is provided by the SinterCast AB Shanghai Representative Office. Technical back-up for the US and Chinese offices is provided by the Technical Centre in Katrineholm.

In order to expand SinterCast's market reach, representation agreements have been established with Ashland Casting Solutions on a global basis, ASD International in Japan, Pantech Engineering in Australia and with the STPC (Swedish Trade Promotion Center) in Korea. Consultancy agreements have also been established to support SinterCast's local sales activities in France and India. Together with the global presence of technology partners such as ABP for foundry automation, Grainger & Worrall for rapid prototyping and MAG Industrial Automation Systems for manufacturing, the representation and consultancy agreements provide a familiar and respected local presence for the SinterCast technology.

As of 31 December 2010, the Group had 13 (13) employees, two (two) of which were female. On 3 February 2011, Dr Jincheng Liu, a Chinese citizen and an advisor to the China Foundry Association, joined the company in the capacity of Sales Director – China. Following training at the SinterCast Technical Centre in Sweden, Dr Liu has been posted in China. Together with Dr Xiang Feng Zhang, General Manager – China, based at SinterCast's representation office in Shanghai, Dr Liu will increase SinterCast's sales presence in the Chinese market. Further recruitment will be phased with the development of field activities, particularly the need to support new installations.

Total absence from work within the SinterCast organisation due to illness as a percentage of regular working time during 2010 amounted to 0.6% (1.8% during 2009). Preventive actions have been implemented to continue to keep illness absence on a low level.

The Annual General Meeting 2010 decided upon a remuneration policy in respect of group management such that the total remuneration shall be competitive and in line with market conditions, and provide room for reflection of outstanding achievements. The benefits shall consist of fixed salary, possible variable remuneration, other customary benefits and pension. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2011 that the basic principles for compensation and other terms of employment for group management shall remain essentially unchanged for the coming year.

With the exception of the exercise of the first 15% of the warrants in the current Employee Stock Option Programme, no substantial transactions took place between the SinterCast and the Board and the Management during 2010.

R&D and Patents

SinterCast's Research and Development (R&D) activities are based at the Technical Centre in Katrineholm, Sweden. Following the launch of the System 3000 suite of technologies in 2009, SinterCast's R&D focused on the broadening of its technology during 2010. Within the core CGI market, SinterCast continued the development of the control technology for the production of CGI from pressurised pouring furnaces. The evaluation of this technology has primarily taken place at an extended trial in a production foundry, and trials remain ongoing. SinterCast also expanded the functionality of the System 3000 during 2010 to include data collection from the foundry production process. This includes data such as temperature, chemistry and moulding line activities (pouring time and shake-out time). The collected data can be compiled into a single database and made available to the foundry to improve traceability and to assist with troubleshooting.

Beyond the core CGI market, SinterCast continued the development of thermal analysis for the production of ductile iron during 2010. This development is ongoing and, pending the success of the internal development, is intended to be demonstrated for field trials and customer feedback during 2011. Ductile iron thermal analysis products exist in the market today and SinterCast's intention is to apply its experience gained from the CGI market to introduce a competitive product. The ultimate launch of a ductile product is contingent upon successful internal development and market acceptance. At this stage, the ductile iron project remains as an internal development activity.

SinterCast currently holds 12 (13) patents. SinterCast currently maintains 59 (63) individual national phase patents granted or pending worldwide. The 12 base patents address SinterCast's metallurgical technology, the Sampling Cup, product applications and machining.

Environment

Environmental benefits are achieved when using the SinterCast technology. The accuracy of the SinterCast process enables foundries to produce castings more efficiently and to reduce scrap rates. For every one million Engine Equivalents, each 1% reduction in scrap or 1% improvement in mould yield provides the equivalent savings of 2,500 tonnes of CO_2 per year. The SinterCast process also enables the production of smaller and more fuel efficient engines, thus reducing both fuel consumption and CO_2 emissions.

Corporate Governance Report

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

Events after the Balance Sheet Date

The following Press Releases have been issued:

1 March 2011 – Chrysler Launches 2011 Jeep Grand Cherokee with SinterCast-CGI V6 Diesel Engine

There have been no significant events since the balance sheet date of 31 December 2010 that could materially change these financial statements.

The Balance Sheet and the income statement will be adopted at the Annual General Meeting of the shareholders on 19 May 2011.

Annual General Meeting 2011

The Annual General Meeting 2011 will be held at 15:00 on 19 May 2011 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Proposals to the Annual General Meeting 2011

The Board of Directors propose that a dividend of SEK 0.5 (0.0) per share be paid to shareholders duly registered on the record date 24 May, 2011, and that the Parent Company shall retain the remaining part of non-restricted equity.

As a basis for the Board's dividend proposal, the Board of Directors´ has made an assessment in accordance with Chapter 18, Section 4 of the Swedish Companies Act of the Parent Company's and the Group's need for financial resources as well as the Parent Company's and the Group's liquidity, financial position in other respects and long-term ability to meet their commitments. The Group reports an equity ratio of 88.7 (85.3) percent and a net cash amount of SEK 40.3 (24.8) million. The Board of Directors´ has also considered the Parent Company´s result and financial position and the Group's position in general. In this respect, the Board of Directors´ has taken into account known commitments that may have an impact on the financial positions of the Parent Company and its subsidiaries. The proposed dividend does not limit the Group's ability to make investments or raise funds, and it is the Board's assessment that the proposed dividend is well-balanced considering the nature, scope and risks of the business activities as well as the capital requirements for the Parent Company and the Group.

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

Amount to be paid to the shareholders	3,487,827
Amount to be retained by the Parent Company	53,577,897
Total non-restricted equity of the Parent Company	57,065,724

The Board of Directors propose to adjust the current employee stock option programme to give the Board the option to provide the same net compensation from liquidity rather than having the options exercised in the stock market.

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

(courtesy Ford)

Ford 6.7 litre engine with SinterCast-CGI cylinder block

Income Statement

		GROUP		PARENT COMPANY	
Amounts in SEK million	NOTE	**2010**	2009	**2010**	2009
Revenue	1, 10	**39.4**	20.0	**38.5**	19.3
Cost of goods sold	3, 18	**-10.2**	-7.0	**-10.4**	-7.8
Gross result		**29.2**	**13.0**	**28.1**	**11.5**
Cost of sales and marketing	3, 5, 10	**-11.3**	-10.1	**-10.5**	-8.9
Cost of administration	3, 4, 5, 10	**-5.5**	-5.2	**-5.5**	-5.4
Cost of research & development	2, 3, 5, 10	**-4.5**	-3.9	**-4.5**	-3.8
Other operating income	11	**0.0**	0.0	**0.0**	0.0
Other operating costs	11	**-0.7**	-0.1	**0.1**	-0.1
Operating result		**7.2**	**-6.3**	**7.7**	**-6.7**
Financial Income	12	**2.2**	1.8	**2.2**	1.8
Financial Costs	12	**-0.9**	-0.9	**-0.9**	-0.9
Financial net		**1.3**	**0.9**	**1.3**	**0.9**
Result after financial income and expenses		**8.5**	**-5.4**	**9.0**	**-5.8**
Income tax	13	**8.0**	2.7	**8.0**	2.7
Result for the year for the parent company shareholders		**16.5**	**-2.7**	**17.0**	**-3.1**
Average number of shares, thousands	26	**6,574.5**	5,815.1	**6,574.5**	5,815.1
Earnings per share, SEK		**2.5**	-0.5	**2.6**	-0.5
Earnings per share diluted, SEK		**2.5**	-0.5	**2.6**	-0.5
Dividend		**–**	–	**–**	–

Statement of Comprehensive Income

	GROUP		PARENT COMPANY	
Amounts in SEK million	**2010**	2009	**2010**	2009
Results for the period	**16.5**	**-2.7**	**17.0**	**-3.1**
Other comprehensive income				
Translation differences, foreign subsidiaries	**0.1**	0.0	**–**	–
Other comprehensive income, net of tax	**0.0**	**0.0**	**17.0**	**-3.1**
Total comprehensive income	**16.6**	**-2.7**	**17.0**	**-3.1**
Total comprehensive income attributable to:				
Equity holder of the parent company	**16.6**	-2.7	**17.0**	-3.1
Non-controlling interests	**–**	–	**–**	–

Cashflow Statement

Amounts in SEK million	Note	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Operating activities					
Operating result		**7.2**	-6.3	**7.7**	-6.7
Adjustments for items not included in the cashflow					
Depreciation	14, 15	**1.1**	1.5	**1.1**	1.5
Other		**1.3**	1.4	**0.6**	1.4
Exchange rate differences		**0.9**	0.4	**0.5**	0.4
Received interest	12	**0.1**	0.0	**0.1**	0.0
Paid interest	12	**-0.2**	-0.2	**-0.2**	-0.2
Income tax		**0.0**	0.0	**0.0**	0.0
Total cashflow from operating activities before change in working capital		**10.4**	**-3.2**	**10.1**	**-3.6**
Change in working capital*					
Stock	18	**0.8**	1.2	**0.7**	2.0
Operating receivables	16	**-9.7**	0.6	**-10.4**	0.7
Operating liabilities	19, 20, 22, 23	**1.5**	-3.5	**2.4**	-3.6
Total change in working capital		**-7.4**	**-1.7**	**-7.3**	**-0.9**
Cashflow from operating activities		**3.0**	-4.9	**2.8**	-4.5
Investing activities					
Acquisition of intangible assets	14	**-0.3**	-0.5	**-0.3**	-0.5
Acquisition of tangible assets	15	**-0.2**	-0.1	**-0.2**	-0.1
Cashflow from investing activities		**-0.5**	**-0.6**	**-0.5**	**-0.6**
Financing activities					
Rights Issue**		**11.3**	18.3	**11.3**	18.3
Employee share option programme***		**1.7**	-	**1.7**	-
Bank loan		**-**	3.0	**-**	3.0
Cashflow from financing activities		**13.0**	**21.3**	**13.0**	**21.3**
Change in cash and cash equivalents		**15.5**	15.8	**15.3**	16.2
Cash – opening balance		**24.8**	9.0	**24.4**	8.2
Cash – closing balance******	27	**40.3**	**24.8**	**39.7**	**24.4**

*Classification between individual items has been changed compared to Books Closing Report 2009.

**The Rights Issue amounted to SEK 11.4 million (SEK 23.1 million) before transaction costs

***The subscription of warrants amounted to SEK 1.8 million (SEK 0.0 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 2010**	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets	14		
Capitalised development		**1.1**	1.1
Patents		**1.8**	2.2
Total intangible assets		**2.9**	**3.3**
Tangible assets	15		
Computers, fixtures and fittings		**0.1**	0.1
Plant and machinery		**0.1**	0.0
Total tangible assets		**0.2**	**0.1**
Financial assets			
Other long-term receivables	17	**29.3**	21.4
Total financial assets		**29.3**	**21.4**
Total fixed assets		**32.4**	**24.8**
Current assets			
Stock	18		
Finished products		**3.0**	3.8
Total stock		**3.0**	**3.8**
Short-term receivables			
Trade debtors	16, 27	**11.6**	3.0
Other debtors	19, 27	**1.8**	1.2
Prepaid expenses and accrued income	20, 27	**2.6**	1.6
Total short-term receivables		**16.0**	**5.8**
Cash and cash equivalents	27	**40.3**	24.8
Total cash and cash equivalents		**40.3**	**24.8**
Total current assets		**59.3**	**34.4**
TOTAL ASSETS		**91.7**	**59.2**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	25, 26	**7.0**	6.5
Additional paid in capital		**39.4**	26.9
Exchange differences	27	**6.4**	6.3
Accumulated result		**28.5**	10.8
Total shareholders' equity		**81.3**	**50.5**
Long-term liabilities			
Other long-term liabilities	21	**0.0**	0.0
Total long-term liabilities		**0.0**	**0.0**
Current liabilities			
Accounts payable	27	**2.8**	2.0
Other current liabilities	22, 27	**4.3**	4.4
Accrued expenses and prepaid income	23, 27	**3.1**	2.2
Provisions	23	**0.2**	0.1
Total current liabilities		**10.4**	**8.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**91.7**	**59.2**

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 2009*		**5.55**	**9.53**	**6.38**	**12.68**	**34.15**
Total comprehensive income		–	–	-0.05	-2.70	-2.75
Total recognised income and expense for 2009		**–**	**–**	**-0.05**	**-2.70**	**-2.75**
Employee stock option programme	5, 25	–	–	–	0.78	0.78
New Share Issue	26	0.93	17.37	–	–	18.30
Closing balance 31 December 2009*	26	**6.48**	**26.90**	**6.33**	**10.76**	**50.48**
Total comprehensive income				0.03	16.52	16.55
Total recognised income and expense for 2010				**0.03**	**16.52**	**16.55**
Employee stock option programme, IFRS-2	5, 25	**–**	**–**	**–**	1.25	1.25
Rights Issue, warrants	26	0.45	10.85	**–**	**–**	11.30
Employee stock option programme, exercise	5, 25, 26	0.05	1.65	**–**	**–**	1.70
Closing balance 31 December 2010		**6.98**	**39.40**	**6.36**	**28.54**	**81.29**

*Classification between individual items has been changed since Annual Report 2009

Balance Sheet – Parent Company

Amounts in SEK million	Note	**31 Dec 2010**	31 Dec 2009
ASSETS			
Fixed assets			
Intangible assets	14		
Capitalised development		**1.1**	1.1
Patents		**1.8**	2.2
Total intangible assets		**2.9**	**3.3**
Tangible assets	15		
Computers, fixtures and fittings		**0.1**	0.1
Plant and machinery		**0.1**	0.0
Total tangible assets		**0.2**	**0.1**
Financial assets			
Shares in subsidiaries	25	**2.8**	2.2
Deferred tax assets	13	**29.3**	21.2
Total financial assets		**32.1**	**23.4**
Total fixed assets		**35.2**	**26.8**
Current assets			
Stock	18		
Finished products		**2.3**	3.0
Total stock		**2.3**	**3.0**
Short-term receivables			
Trade debtors	27	**11.3**	2.5
Inter company receivables		**1.0**	0.4
Other debtors	19, 27	**1.8**	1.2
Prepaid expenses and accrued income	20	**2.1**	1.2
Total short-term receivables		**16.2**	**5.3**
Liquidity	27	**39.7**	24.4
Total liquidity		**39.7**	**24.4**
Total current assets		**58.2**	**32.7**
TOTAL ASSETS		**93.4**	**59.5**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted capital			
Share capital	25, 26	**7.0**	6.5
Statutory reserve		**9.5**	9.5
Total restricted capital		**16.5**	**16.0**
Retained result			
Result brought forward		**10.2**	12.0
Share premium reserve		**29.9**	17.4
Result for the year		**17.0**	-3.1
Total retained capital		**57.1**	**26.3**
TOTAL SHAREHOLDERS' EQUITY		**73.6**	**42.3**
Long-term liabilities			
Other long-term liabilities	21	**0.1**	0.1
Total long-term liabilities		**0.1**	**0.1**
Current liabilities			
Accounts payable	27	**2.5**	1.3
Inter company payable		**11.0**	10.1
Other current liabilities	22, 27	**4.2**	4.3
Accrued expenses and prepaid income	23	**2.0**	1.4
Total current liabilities		**19.7**	**17.1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**93.4**	**59.5**
Contingent liability	24	**–**	–

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 2009		**5.55**	**9.53**	**–**	**0.94**	**10.34**	**26.36**
Appropriation of last year's result		–	–	–	10.34	-10.34	–
Total comprehensive income		–	–	–	–	-3.11	-3.11
Total recognised income and expense for 2009		**–**	**–**	**–**	**10.34**	**-13.45**	**-3.11**
Employee stock option programme	5, 25	–	–	–	0.78	–	0.78
New Share Issue	26	0.93	–	17.37	–	–	18.30
Closing balance 31 December 2009	26	**6.48**	**9.53**	**17.37**	**12.06**	**-3.11**	**42.33**
Appropriation of last year's result		–	–	–	-3.11	3.11	–
Total comprehensive income		–	–	–	–	16.99	16.99
Total recognised income and expense for 2010		**6.48**	**9.53**	**17.37**	**8.95**	**16.99**	**59.32**
Employee stock option programme, IFRS-2	5, 25	-	-	-	1.25	-	1.25
Rights Issue, warrants	26	0.45	-	10.85	-	-	11.30
Employee stock option programme, exercise	5,25,26	0.05	-	1.65	-	-	1.70
Closing balance 31 December 2010	26	**6.98**	**9.53**	**29.87**	**10.20**	**16.99**	**73.57**

Accounting Policies

General Information

The consolidated financial accounts for SinterCast AB (Parent Company) for the financial year ending 31 December 2010 were approved on 15 April 2011 by the Board of Directors and the Managing Director, for publication on 20 April 2011 and will be presented at the Annual General Meeting on 19 May 2011 for approval. SinterCast AB (publ) is the parent company of the SinterCast Group with its registered office located in Stockholm, Sweden. SinterCast is the world leading supplier of process control technology for the reliable high volume production of Compacted Graphite Iron (CGI).

Basis of Preparation

The consolidated financial statements for 2010 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 2010, several amendments to existing standards, new interpretations and one new standard (IFRS 3R) have come into effect. Applying the new standards and interpretations has not any significant impact on the result or the shareholders' equity. IFRS 3R – Business Combinations is currently not applicable for SinterCast. Revised disclosure requirement according to IFRS 7 – Financial Instruments (Financial assets at fair value through profit and loss) has influenced the information given for the Group and the Parent Company.

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

Critical Accounting Judgements and Estimates

To establish financial statements according to IFRS, judgement of how to use accounting policies is needed. Further, the management must estimate how to apply chosen accounting principles. The principle of capitalisation of research & development costs, patent costs and the valuation of deferred taxes on tax losses carried forward are important for SinterCast.

The standard for accounting for deferred tax is IAS 12 "Income Taxes". SinterCast's interpretation of IAS 12 is that recognition of deferred tax assets for the carry forward of unused tax losses, when no taxable profit has yet been reported, is subject to meeting two criteria. The first criterion is that deferred tax assets 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. The second criterion is that, for a business that has yet not reported taxable profits, convincing evidence must be presented to demonstrate that sufficient taxable profit will be available.

SinterCast uses a model to determine when the recognition criterion of convincing evidence can be met. Convincing evidence, that can be objectively established, is obtained from the SinterCast business model in the form of its contracts with foundries for the engine programmes that are in current series production, or where SinterCast's foundry customers have received definitive orders for future series production, also referred to as secured production. The input for the model includes forecasted tonnes, communicated by the foundry and/or OEM, adjusted with probability factors for each engine programme. The probability factors are reviewed regularly and include safety margins to mitigate possible overestimates.

The above model is only used to decide when the convincing evidence criteria required by IAS 12 are met, and does not constitute to 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. During 2009 and 2010, several national phase patents were intentionally allowed to lapse. It was judged that these older patents no longer reflected SinterCast's current technology and that the protection offered did not warrant continued payment of the annual fees.

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

Share Based Compensation Plan

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

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

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

Stock options attributable to the staff of the subsidiary SinterCast Ltd. are accounted for pursuant to IFRIC 11, now included in IFRS 2. In this context, the issuance of options is regarded as a shareholders' contribution from the Parent Company to the subsidiary, and accordingly, this is accounted as an investment in subsidiaries. Like other contributions, this investment is then subject to an impairment test. If there is a need for write-downs on shares in subsidiaries, the effect is a financial cost posted to the SinterCast AB Income statement.

Consolidation

The consolidated accounts include the Parent Company and all companies in which the Parent Company directly or indirectly controls more than 50% of the voting rights or by other means has full control. No minority interest currently exists. The consolidated accounts have been prepared in accordance with the purchase method.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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. 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. Expenses 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 on 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 on 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 (20–33%) for capitalised development.

Impairment of Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment test of capitalised development cost has been performed based on future estimated sales. No impairment was identified.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial Instruments

Acquisitions and sales of financial instruments are accounted for attrade-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. The following SinterCast balance sheet items do not constitute financial instruments:

– Fixed assets, including deferred tax assets and excluding deposits, equity and accrued expenses.

SinterCast classifies its instruments in the following categories:

- Financial assets at fair value through profit or loss, consists of Derivative instruments and are included in other debtors

- Held-to-maturity investments, consisting of governmental bonds or commercial paper. These investments are presented in the balance sheet as cash equivalents.

- Loans and receivables, consisting of the balance sheet items, cash, trade debtors, other short and long term debtors, excluding deferred tax assets.

- Financial liabilities, consisting of long term loans, accounts payable and other current liabilities, excluding accruals.

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

Investments are initially recognised at fair value plus transaction costs. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Trade receivables are recognised initially at fair value 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 effective interest rate.

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

Foreign Currency Translation

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

Transactions and Balances

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

Translation of Group Companies

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

- All assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each profit and loss statement are translated at average exchange rates

The exchange rate differences that consequently arise are recognised as a separate component of equity.

Revenue Recognition

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

Revenue is recognised as follows:

- Sales of goods are recognised when an entity in the Group has delivered a product to a customer, the customer has accepted the product, the associated risks have been transferred and collectibles of the related receivable are reasonably assured.
- Sales of services and fixed price service agreements 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 customers' series production are recognised on an accrual basis according to the substance of the relevant agreement.
- Lease payments under operating leases are credited to the profit and loss statement on a straight-line basis over the contractual period of the lease. If equipment is sold after the lease period has expired, the revenue from the sale is accounted as revenue.

Stock

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

Provisions

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

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

Employee Benefits

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

If future period benefits are received from the employee the expense will be recognised as cost in that future accounting period.

The pension plan for employees in the UK is based on a 10% contribution of the salary while, for employees in the US, it is based on a 15% contribution of the salary, without any future commitments in either country. All commitments to the employees are in the form of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The pension plan for employees in Sweden follows the ITP-plan. The Alecta ITP-plan is by definition a multi employer benefit plan but is constructed such that it is not possible to calculate surplus or deficit on the pension plans that fulfil the requirements in IAS 19 enabling defined benefit accounting, for the respective participating legal entities. The plan is therefore accounted for as a defined contribution plan. The pension age for all SinterCast employees is 65 years, however a legal right to work beyond the age of 65 exists in the UK and until the age of 67 years exists in Sweden.

Leasing Agreements

SinterCast as Lessor

The Group has classified its lease agreements as operational because the Group maintains the ownership and associated risks and returns.

SinterCast 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 carryforward 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	
	2010	2009	**2010**	2009
Equipment	**6.8**	2.6	**6.5**	2.2
Series Production	**30.9**	15.6	**30.0**	14.2
Engineering Service	**1.3**	1.7	**0.8**	1.6
Other	**0.4**	0.1	**0.4**	0.0
Group Sales	**–**	–	**0.8**	1.3
Total	**39.4**	**20.0**	**38.5**	**19.3**

Equipment includes sold and leased Systems, Mini-Systems and spare parts. Market rights assignment amounting to SEK 0.1 million (0.1) for the piston ring market is also accounted for as Equipment. Series Production includes Consumables, Production Fees and Software Licence Fees. Engineering Service includes performed Engineering Services, Demonstrations and sales of Test Pieces. Revenue allocation is as follows: to Brazil, 50% (40%), China 20% (19%), Korea 19% (13%), U.S. 3% (7%), Sweden 3% (5%), Germany 1% (6%) and other countries 4% (10%).

For the Parent Company, 2% (9%) of the revenue represents Group sales and 52% (67%) 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	
	2010	2009	**2010**	2009
Costs for personnel and administration	**2.8**	2.7	**2.5**	2.6
External expenses	**1.0**	0.5	**1.0**	0.5
Depreciation	**1.0**	1.5	**1.0**	1.5
Capitalised development	**-0.3**	-0.8	**-0.3**	-0.8
Total	**4.5**	**3.9**	**4.2**	**3.8**

3 Costs per Category

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Personnel expenses	**16.1**	15.8	**10.4**	9.7
Cost of goods sold	**6.3**	3.1	**13.0**	10.2
Depreciation and write down*	**1.1**	1.5	**1.1**	1.5
Office and related costs	**1.8**	1.8	**1.3**	1.1
Travel, commissions, exhibition and similar	**2.4**	1.1	**1.6**	0.8
Consultants sales, marketing and administrations	**1.2**	1.2	**1.0**	1.0
Operational foreign exchanges differences	**0.7**	0.1	**-0.1**	0.1
Other	**2.9**	2.4	**2.8**	2.4
Capitalised development	**-0.3**	-0.8	**-0.3**	-0.8
Total	**32.2**	**26.2**	**30.8**	**26.0**

*SEK 0.1 million (SEK 0.8 million) is related to patents that have been allowed to lapse.

4 Auditors' Fees

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
PricewaterhouseCoopers				
Audit fees	**0.2**	0.3	**0.2**	0.3
Other services	**0.0**	0.2	**0.0**	0.2
Shanghai Ling Xin CPA firm				
Audit fees	**0.0**	0.0	**0.0**	0.0
Other services	**–**	–	**–**	–
Gorman Darby & Co Ltd				
Audit fees	**0.0**	–	**–**	–
Other services	**–**	–	**–**	–
PK Group				
Audit fees	**–**	0.0	**–**	–
Other services	**0.1**	0.1	**–**	–
Total	**0.3**	**0.6**	**0.2**	**0.5**

5 Salaries, Remuneration, Incentive Programme and Social Security Costs

The Board of Directors

The Chairman received remuneration of SEK 0.2 million (0.2). No bonus scheme, pension commitments, or pension liabilities exist. Remuneration for the other Board members 4 (4) has been within the limits laid down by the Annual General Meeting on 20 May 2010 and amounted to SEK 0.4 million (0.4) divided equally among the Board Members (excluding social security costs), with no Board fees being allocated to the Managing Director. The Board, with the exception of the Managing Director, is not included in any employee stock option programme.

Group Management

The remuneration to the Managing Director amounted to SEK 2.8 million (3.3) including taxable benefits in the form of insurance premiums paid for life, long term disability, and medical and school fees pay amounting to SEK 0.7 million (1.0). The pension costs (10% of salary), which are based on contributions made without any further commitments, amounted to SEK 0.2 million (0.2) and the social costs amounted to SEK 0.3 million (0.4). According to IFRS-2, SEK 0.7 million (0.5) has been expensed as share based compensation for the Managing Director and the corresponding social cost of SEK 0.1 million (-) has been expensed. The remuneration to the other members of the Group Management, two people, presented on page 11, amounted to SEK 2.0 million (1.8). The pension costs amounted to SEK 0.5 million (0.5) including additional voluntary contributions and the social costs amounted to SEK 0.7 million (0.7). The pension plan follows the Swedish ITP-Plan. According to IFRS-2, SEK 0.2 million (0.1) has been expensed as share based compensation for the other members of the Group Management and the corresponding social cost of SEK 0.0 million (-) has been expensed.

The Managing Director holds 127,500 options and the other members of the Group Management hold 17,000 options each. No bonus schemes exist beyond the employee stock option programme. The pension age for the Managing Director and the Group Management is 65 years, however a legal right to work beyond the age of 65 exists in the UK, and until the age of 67 years exists in Sweden.

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

The remuneration of the Managing Director is decided by the Compensation Committee. The remuneration of the other members of the Group Management is also decided by the Compensation Committee, after consultation with the Managing Director.

Salaries and remuneration allocated per country

All amounts in SEK thousands

	2010				2009			
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	**929**	**30**	**–**	**–**	913	–	–	–
Sweden	**6,401**	**565**	**2,259**	**970**	6,241	274	2,114	896
Total	**7,330**	**595**	**2,259**	**970**	**7,154**	**274**	**2,114**	**896**
GROUP								
China	**929**	**30**	**–**	**–**	913	–	–	–
Sweden	**6,401**	**565**	**2,259**	**970**	6,241	274	2,114	896
United Kingdom	**2,765**	**699**	**411**	**207**	3,333	506	364	224
USA	**1,336**	**–**	**67**	**142**	1,341	–	67	173
Total	**11,431**	**1,294**	**2,737**	**1,319**	**11,828**	**780**	**2,545**	**1,293**

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

All amounts in SEK thousands

	2010				2009			
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	**–**	**–**	**929**	**30**	–	–	913	–
Sweden	**2,558**	**161**	**3,843**	**404**	2,444	77	3,797	197
Total	**2,558**	**161**	**4,772**	**434**	**2,444**	**77**	**4,710**	**197**
GROUP								
China	**–**	**–**	**929**	**30**	–	–	913	–
Sweden	**2,558**	**161**	**3,843**	**404**	2,444	77	3,797	197
United Kingdom	**2,765**	**699**	**–**	**–**	3,333	506	–	–
USA	**–**	**–**	**1,336**	**–**	–	–	1,341	–
Total	**5,323**	**860**	**6,108**	**434**	**5,777**	**583**	**6,051**	**197**

Incentive Programme

The employee stock option programme 2006–2010 was terminated on 1 January 2010, without subscription. The total number of employee stock options issued was 240,000 of which the Managing Director held 150,000 Options.

A new employee stock option programme for the period 2009–2013 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.

The options will run for a period of approximately four (4) years, where 15 % of the allotted options were subscribed for shares during the period of 1 November to 15 December 2010. Further, 20% of the allotted options can be subscribed for shares during the period of 1 November to 15 December after two (2) years, 25% during the period of 1 November to 15 December after three (3) years and the remaining 40% during the period of 1 November to 15 December after four (4) years, provided that the employee is still employed by the Group during each exercise window.

The subscription of shares via the options will take place annually over a four year period, with the subscription price being equivalent to a compounded annual increase of 10% of SEK 36.6. The annual increase of 10% corresponds to a 46.5% increase over the four year term of the programme. The employee stock options are subject to a ceiling such that any profit, at exercise, cannot exceed SEK 50 per option.

The cost of the employee stock options was estimated at approximately SEK 3.1 million (SEK 3.3 million) including social security costs during the period 2010–2013. Social security charges will arise on the benefit incurred in holding the employee stock options.

Social security charges arose on the benefit incurred in holding the employee stock options. The charges were expensed as social cost and credited to a provision during the option period based on the change in value of the options. A fair value (SEK 0) calculation was continuously made according to Black & Scholes, considering share prices (SEK 51.3), remaining time of the individual tranches (0, 12, 24, 36 months) to exercise, volatility (45%) and risk-free interest rates (1.75%). The provision was made on the basis of the calculation of the expenditure that may arise when the instruments are exercised.

Employee Stock Option Programme Costs according to IFRS-2 and UFR 7

	2010		2009	
	Salaries and remuneration	Social security costs	Salaries and remuneration	Social security costs
Sweden	**0.6**	**0.1**	0.3	–
United Kingdom	**0.7**	**0.1**	0.5	–
Total	**1.3**	**0.2**	**0.8**	**–**

Number of options expected to vest	**2010***	**2009****
Total Options	**255,000**	240,000
Allocated	**255,000**	221,000
To be distributed	**–**	19,000
Total number of options expected to vest	**255,000**	**240,000**

*45,000 warrents were exercised during December 2010

**The employee stock option programme 2006-2009 was terminated on 1 January 2010 without subscription

Remuneration Policy in Respect of Senior Management

The Board of Directors propose that the Annual General Meeting decide upon a remuneration policy in respect of Senior Management in accordance with the following main principles. The total remuneration shall be competitive and in line with market conditions, and give room for reflection of outstanding achievements. The benefits shall consist of fixed salary, other customary benefits and pension. Retirement benefits shall be fixed either as to benefits or fees, and normally give a right to receive pension from the age of 65. Variable remuneration shall, in the main, not qualify for pension purposes. The terms of employment stipulate a mutual period of notice for the CEO of 12 months and for the Group Management of six months. In the event of a change in the controlling interest of the company, the mutual period of notice for the CEO shall increase to 24 months. In the case of notice by the company, no deduction should be made for remuneration paid by another employer during the notice period, provided that the new employment is approved by SinterCast. No other commitments regarding severance pay exist. The Board and, on behalf of the Board, the Compensation Committee, shall have the right to deviate from the above principles if the Board, in a specific case, finds this justified due to specific circumstances.

6 Transactions with Related Parties

With the exception of the exercise of the first 15% of the warrants in the current Employee Stock Option Programme, no substantial transactions took place between the SinterCast and the Board and the Management during 2010.

Transactions made have been carried out at market value.

7 Board and Group Management

	2010			2009		
GROUP	Total	Female	Female %	Total	Female	Female %
Board members	**11**	**4**	**36**	11	4	36
CEO and group management	**3**	**0**	**0**	3	0	0
PARENT COMPANY						
Board members	**5**	**2**	**40**	5	2	40
CEO and group management	**3**	**0**	**0**	3	0	0

8 Average Number of Employees Employed During the Year

GROUP	2010 Total	2010 Male	2009 Total	2009 Male
China	**1**	**1**	1	1
Sweden	**10**	**8**	10	8
United Kingdom	**1**	**1**	1	1
USA	**1**	**1**	1	1
Total	**13**	**11**	**13**	**11**
PARENT COMPANY				
China	**1**	**1**	1	1
Sweden	**10**	**8**	10	8

9 Absence from Work Due to Illness

	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Total absence from work due to illness as a percentage of regular working time	**0.62%**	1.77%	**0.75%**	2.09%
Of which more than 60 days	**0.00%**	0.00%	**0.00%**	0.00%

No further breakdown is presented due to the small size of the sub-groups.

10 Leasing

SinterCast as Lessor

	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Income from leased equipment	**0.5**	0.6	**0.4**	0.3
Contracted future income	**2.1**	2.5	**1.4**	1.5
Payable within 1 year	**0.4**	0.6	**0.3**	0.4
Payable within 2–5 years	**1.7**	1.9	**1.1**	1.1
Payable beyond 5 years	**0.0**	0.0	**0.0**	0.0

Leased equipment refers to Agreements with Motor Castings and Teksid.

SinterCast as Lessee

	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Cost from leased premises and equipment	**1.2**	1.3	**0.7**	0.8
Contracted future commitments	**4.6**	6.0	**3.6**	3.5
Payable within 1 year	**0.9**	1.2	**0.7**	0.7
Payable within 2–5 years	**3.7**	4.8	**2.9**	2.8
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 manufacturing, development, and office space.

11 Other Operating Income and Costs

	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Other Income				
Other Income	**–**	–	**–**	–
Exchange gains from operations	**0.4**	0.3	**0.4**	0.3
Total	**0.4**	**0.3**	**0.4**	**0.3**
Other Costs				
Exchange loss from operations	**-1.1**	-0.4	**-0.3**	-0.4
Total	**-1.1**	**-0.4**	**-0.3**	**-0.4**
Total other operation income and costs	**-0.7**	**-0.1**	**0.1**	**-0.1**

12 Financial Income and Expenses

	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Interest				
Interest received	**0.1**	0.0	**0.1**	0.0
Interest paid	**-0.2**	-0.1	**-0.2**	-0.1
Total	**-0.1**	**-0.1**	**-0.1**	**-0.1**
Translation differences				
Exchange gain	**2.1**	1.8	**2.1**	1.8
Exchange loss	**-0.7**	-0.8	**-0.7**	-0.8
Exchange gain/loss Group	**–**	–	**–**	–
Total	**1.4**	**1.0**	**1.4**	**1.0**
Total financial income and expenses	**1.3**	**0.9**	**1.3**	**0.9**

13 Tax

Income tax	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Income tax for the year	**-0.1**	0.0	**-0.1**	0.0
Change in value of capitalised tax losses	**8.1**	2.7	**8.1**	2.7
Income tax in the income statement	**8.0**	**2.7**	**8.0**	**2.7**

Deferred tax asset	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Deferred tax value brought forward	**21.2**	18.5	**21.2**	18.5
Capitalised during the year	**8.1**	2.7	**8.1**	2.7
Accumulated value carried forward	**29.3**	**21.2**	**29.3**	**21.2**

Carry forward tax losses

Based on the filed tax returns for the financial year 2009, the following carried forward tax losses were available to offset future taxable profits.

Country	**2010**	2009	Valid until	Tax Rates
Sweden	**525.6**	519.9	indefinitely	26.3%
United Kingdom	**33.3**	37.2	indefinitely	21%
USA	**36.6**	40.2	15 years from the year of filing	15-35%
Total	**595.5***	**597.3**		**26.3%**

*SEK 120.4 million (SEK 80.3 million) of the Company's total carried-forward tax losses has been used as the basis of the deferred tax asset calculation.

Tax expenses based on actual tax rate	GROUP 2010	GROUP 2009	PARENT COMPANY 2010	PARENT COMPANY 2009
Result before tax	**8.5**	-5.4	**9.0**	-5.8
Tax calculated based on Swedish tax rate	**-2.2**	1.4	**-2.4**	1.5
Tax effect on non tax deductible expenses	**-0.3**	0.0	**-0.1**	0.0
Tax effect on non taxable revenues	**0.0**	0.0	**0.0**	0.0
Tax effect on non capitalised tax losses	**0.0**	-1.4	**0.0**	-1.5
Tax effect on capitalised tax losses	**10.5**	2.7	**10.5**	2.7
Effect foreign tax rates	**0.0**	0.0	**0.0**	0.0
Tax on the result for the period as per the income statements	**8.0**	**2.7**	**8.0**	**2.7**

The income tax rate valid for the Group amounts is 26.3% (28%).
The income tax rate valid for Sweden amounts is 26.3% (26.3%).
The income tax rate valid for UK amounts is 21% (21%).
The income tax rate valid for US amounts is 15-35% (15-35%).

14 Intangible Assets

GROUP	Patent 2010	Patent 2009	Capitalised development 2010	Capitalised development 2009	Total 2010	Total 2009
Acquisition value brought forward	**16.2**	19.2	**1.1**	2.4	**17.3**	21.6
Acquisitions during the year						
Research & development	**0.1**	0.2	**0.4**	1.1	**0.5**	1.3
Disposals	**-0.2**	-3.2	**-0.2**	-2.4	**-0.4**	-5.6
Accumulated acquisition carried forward	**16.1**	**16.2**	**1.3**	**1.1**	**17.4**	**17.3**
Depreciation brought forward	**14.0**	15.7	**0.0**	2.4	**14.0**	18.1
Depreciation for the year						
Research & development	**0.4**	0.7	**0.2**	–	**0.6**	0.7
Disposals*	**-0.1**	-2.4	**–**	-2.4	**-0.1**	-4.8
Accumulated depreciation carried forward	**14.3**	**14.0**	**0.2**	**0.0**	**14.5**	**14.0**
Book value carried forward	**1.8**	**2.2**	**1.1**	**1.1**	**2.9**	**3.3**

PARENT COMPANY	Patent 2010	Patent 2009	Capitalised development 2010	Capitalised development 2009	Total 2010	Total 2009
Acquisition value brought forward	**16.2**	19.2	**5.3**	6.6	**21.5**	25.8
Acquisitions during the year						
Research & development	**0.1**	0.2	**0.4**	1.1	**0.5**	1.3
Disposals*	**-0.2**	-3.2	**-0.2**	-2.4	**-0.4**	-5.6
Accumulated acquisition carried forward	**16.1**	**16.2**	**5.5**	**5.3**	**21.6**	**21.5**
Depreciation brought forward	**14.0**	15.7	**4.2**	6.6	**18.2**	22.3
Depreciation for the year						
Research & development	**0.4**	0.7	**0.2**	–	**0.6**	0.7
Disposals	**-0.1**	-2.4	**–**	-2.4	**-0.1**	-4.8
Accumulated depreciation carried forward	**14.3**	**14.0**	**4.4**	**4.2**	**18.7**	**18.2**
Book value carried forward	**1.8**	**2.2**	**1.1**	**1.1**	**2.9**	**3.3**

*After a management review of ongoing development projects, one activity has been identified which will not been continued and has been disposed.

15 Tangible Fixed Assets*

GROUP	Computers, fixtures and fittings 2010	Computers, fixtures and fittings 2009	Plant and machinery 2010	Plant and machinery 2009	Total 2010	Total 2009
Acquisition value brought forward	**2.3**	3.9	**7.9**	8.8	**10.2**	12.7
Acquisitions during the year						
Administration	**0.1**	0.0	**–**	0.0	**0.1**	0.0
Sales and marketing	**–**	–	**0.1**	–	**0.1**	–
Disposals						
Sales and marketing	**–**	–	**–**	-0.9	**–**	-0.9
Administration	**–**	-1.6	**–**	–	**–**	-1.6
Accumulated acquisition carried forward	**2.4**	**2.3**	**8.0**	**7.9**	**10.4**	**10.2**
Depreciation brought forward	**2.2**	3.8	**7.9**	8.8	**10.1**	12.6
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.0	**0.0**	0.0
Administration	**0.1**	0.0	**–**	–	**0.1**	0.0
Disposals						
Sales and marketing	**–**	–	**–**	-0.9	**–**	-0.9
Administration	**–**	-1.6	**–**	–	**–**	-1.6
Accumulated depreciation carried forward	**2.3**	**2.2**	**7.9**	**7.9**	**10.2**	**10.1**
Book value carried forward	**0.1**	**0.1**	**0.1**	**0.0**	**0.2**	**0.1**

PARENT COMPANY	Computers, fixtures and fittings 2010	Computers, fixtures and fittings 2009	Plant and machinery 2010	Plant and machinery 2009	Total 2010	Total 2009
Acquisition value brought forward	**2.7**	4.3	**4.3**	5.2	**7.0**	9.5
Acquisition during the year						
Administration	**0.1**	0.0	**–**	0.0	**0.1**	0.0
Sales and marketing	**–**	–	**0.1**	–	**0.1**	–
Disposals						
Sales and marketing	**–**	–	**–**	-0.9	**–**	-0.9
Administration	**–**	-1.6	**–**	–	**–**	-1.6
Accumulated acquisition carried forward	**2.8**	**2.7**	**4.4**	**4.3**	**7.2**	**7.0**
Depreciation brought forward	**2.6**	4.2	**4.3**	5.2	**6.9**	9.4
Depreciation for the year						
Sales and marketing	**–**	–	**0.0**	0.0	**0.0**	0.0
Administration	**0.1**	0.0	**–**	–	**0.1**	0.0
Disposals						
Sales and marketing	**–**	–	**–**	-0.9	**–**	-0.9
Administration	**–**	-1.6	**–**	–	**–**	-1.6
Accumulated depreciation carried forward	**2.7**	**2.6**	**4.3**	**4.3**	**7.0**	**6.9**
Book value carried forward	**0.1**	**0.1**	**0.1**	**0.0**	**0.2**	**0.1**

*All fixed assets are related to Sweden.

16 Account Receivables – Trade

	GROUP 2010	GROUP 2009
Accounts receivables not due	**8.8**	0.7
Accounts receivables overdue 0–30 days	**2.5**	2.0
Accounts receivables overdue 31–90 days	**0.2**	0.2
Accounts receivables overdue 91–180 days	**0.1**	0.1
Provision for bad debts	**–**	–
Accounts receivables net	**11.6**	**3.0**

17 Other Long Term Receivables

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Deposits*	**0.0**	0.2	**0.0**	0.0
Deferred Tax Asset	**29.3**	21.2	**29.3**	21.2
Total	**29.3**	**21.4**	**29.3**	**21.2**

*SEK 0.2 million (SEK 0.0 million) was repaid during 2010.

18 Stock

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Finished products	**3.0**	3.8	**2.3**	3.0
Total	**3.0**	**3.8**	**2.3**	**3.0**

	GROUP		PARENT COMPANY	
The amount of inventories recognised as an expense during the period	**2010**	2009	**2010**	2009
Expensed to cost of goods sold	**6.0**	2.9	**6.0**	2.9

19 Other Debtors

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
VAT and tax receivables	**0.5**	0.4	**0.5**	0.4
Fair value of forward contracts	**1.3**	0.8	**1.3**	0.8
Total	**1.8**	**1.2**	**1.8**	**1.2**

20 Prepaid Expenses and Accrued Income

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Prepaid rents	**0.1**	0.2	**0.1**	0.1
Prepaid insurance	**0.3**	0.2	**0.2**	0.2
Prepaid benefit	**0.2**	0.2	**–**	–
Accrued income from Production Fee	**1.2**	0.5	**1.2**	0.5
Others	**0.8**	0.5	**0.6**	0.4
Total	**2.6**	**1.6**	**2.1**	**1.2**

21 Long Term liabilities

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Other long term liabilities	**0.0**	0.0	**0.1**	0.1
Total	**0.0**	**0.0**	**0.1**	**0.1**

22 Other Current Liabilities

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Withholding tax and national insurance contributions for employees	**1.3**	1.4	**1.2**	1.3
Bank loan	**3.0**	3.0	**3.0**	3.0
Total	**4.3**	**4.4**	**4.2**	**4.3**

23 Accrued Expenses, Prepaid Income and Provisions

	GROUP		PARENT COMPANY	
	2010	2009	**2010**	2009
Accrued personnel expenses	**1.1**	0.5	**0.5**	0.3
Accrued adminstrative costs	**0.2**	0.3	**0.1**	0.3
Deferred income	**0.7**	0.7	**0.5**	0.5
Provisions for cost of goods sold*	**0.2**	0.1	**0.2**	–
Others	**1.1**	0.7	**0.7**	0.3
Total	**3.3**	**2.3**	**2.0**	**1.4**

*Outstanding estimated customer visit costs for one invoiced extended trial.

24 Contingent Liabilities

	GROUP		PARENT COMPANY	
Guarantee to re-purchase system	**2010**	2009	**2010**	2009
Bank guarantees	**0.1**	–	**0.1**	–
Total contingent liabilities	**0.1**	**–**	**0.1**	**–**

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

All Amounts in SEK	**2010**	2009
Acquisition value brought forward	**63,095,053**	62,586,609
Acquisition during the year		
New share issue	**659,994**	508,444
Accumulated acquisition value carried forward	**63,755,047**	**63,095,053**
Depreciation brought forward	**-60,935,853**	-60,935,853
Depreciation for the year		
Write-off of equity in subsidiaries	**–**	–
Accumulated depreciation carried forward	**-60,935,853**	**-60,935,853**
Accumulated acquisition value carried forward	**2,819,194**	**2,159,200**

List of subsidiaries to SinterCast AB (publ)		**Corporate identification number**	**Votes and percentage of equity, %**	**Book Value**
SinterCast Ltd.	London, UK	2021239	100	2,719,191
SinterCast, Inc.	Chicago, USA	187363	100	1
SinterCast Personnel AB	Katrineholm, Sweden	556702-5092	100	100,000
SinterCast SA de CV	Saltillo, Mexico	SIN960415AY5	100	1
SinterCast Servicios SA de CV	Saltillo, Mexico	SSE960408EX1	100	1
Total				**2,819,194**

26 Share Capital Development in SinterCast AB (publ)

	Number of Shares				
	A*	B**	Total	Par Value (SEK)	Share Capital (SEK)
Share capital as of 1 January 1993	101,200	2,660	103,860	0.50	51,930
March 1993: Share issue I	161,200	2,660	163,860	0.50	81,930
April 1993: Split 10:1	1,612,000	26,600	1,638,600	0.05	81,930
April–May: 1993: Share issue II	2,084,600	26,600	2,111,200	0.05	105,560
April–May: 1993: Share issue III	2,311,350	26,600	2,337,950	0.05	116,898
December 1993: Bonus issue	2,311,350	26,600	2,337,950	1.00	2,337,950
January 1994: Directed share issue	2,811,350	26,600	2,837,950	1.00	2,837,950
October 1994: Directed share issue	2,811,350	626,600	3,437,950	1.00	3,437,950
October 1995: Directed share issue	3,435,350	626,600	4,061,950	1.00	4,061,950
December 1995: Subscription via warrants	3,435,350	628,600	4,063,950	1.00	4,063,950
June 1996: Subscription via warrants	3,435,350	655,600	4,090,950	1.00	4,090,950
February 2002: Directed share issue	4,235,350	655,600	4,890,950	1.00	4,890,950
			Number of Outstanding Shares		
June 2002: Change share structure* (B shares converted to A)			4,890,950	1.00	4,890,950
September 2002: Subscription via warrants			4,900,062	1.00	4,900,062
November 2003: Subscription via warrants			5,364,200	1.00	5,364,200
December 2003: Subscription via warrants			5,389,200	1.00	5,389,200
December 2004: Subscription via warrants			5,552,900	1.00	5,552,900
September 2009 Directed share issue			6,478,383	1.00	6,478,383
October 2010: Subscription via warrants			6,930,653	1.00	6,930,653
December 2010: Subscription via warrants			6,975,653	1.00	6,975,653
Share capital as of 31 December 2010			6,975,653	1.00	6,975,653

*One vote per share

**One tenth vote per share

27 Risk Management, Risks and Uncertainty Factors

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

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

Operational Risks

Market Risk

Despite the positive increase in series production, and the renewed opportunities for installations, the main uncertainty factor for SinterCast continues to be the overall timing of the CGI market ramp-up. This primarily depends on OEM decisions for new CGI engines and other components, the global economy for new vehicle sales and on the individual sales success of the vehicles equipped with SinterCast-CGI components.

Over the past two years, the economic conditions facing the global foundry and automotive industries have caused some automotive OEMs to delay production launches and this has directly affected SinterCast. Although the automotive market is enjoying a recovery, volumes in SinterCast's core markets are still significantly below pre-downturn levels and the SinterCast-CGI programmes that started production before 3Q08 have still not fully recovered. While SinterCast continues to support new product development activities, and anticipates new production launches and new opportunities for installation revenue, the Board believes that it is still not possible to determine the ultimate effect of the global economic recession or the timing and rate of the overall market recovery.

Major Customers

In recent years, SinterCast has actively worked to expand its customer base in order to reduce its dependence on individual customers. However, SinterCast still has relatively few customers. In 2010, SinterCast's three largest customers represented about 48% (40%), 16% (19%) and 11% (11%) of the Company's net sales while the five largest customers accounted for about 85% (82%) of sales. As a result, the loss of a single customer could – at least in the short term – have a significant negative effect on the Company's revenue and result.

Competition

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

Alternative Technologies

With respect to the development of alternative automotive technologies such as biofuels, hybrids and fuel cells, SinterCast does not expect these to have a significant effect on the Company's competitive position for the foreseeable future. Although these technologies receive considerable media attention, the penetration rate remains low.

Key Personnel

For the foreseeable future, SinterCast will be dependent on the expertise and creativity of a core group of key personnel. These people have the knowledge, experience and contacts that support and develop the underlying technology and maintain the customer support and sales activities. SinterCast's future development is linked to these key people remaining within the organisation. The departure of one or more of these persons could have a negative effect on the company's business. The Board of Directors have implemented an incentive programme to manage this risk, and SinterCast strives to provide a challenging and rewarding work environment.

Patents and Intellectual Property Rights

It is important for the Company to protect its technology through patents or other intellectual property rights in order to preserve its leading position within CGI process control. The Company therefore implements a patent strategy which involves applying for patents in countries that are considered relevant. However, there is no guarantee that the Company will continue to be granted patents in the relevant geographic markets, or will be able to defend the patents that have been granted. There is also a risk that new technologies may be developed which circumvent or replace the Company's patents. During 2009 and 2010, the Company allowed selected patents to lapse, as it was judged continued payment of the national phase annuities would not provide a return on the investment.

Price Risk

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

Financial Risks and Financial Instruments

In general, risks and principles are applicable for both the Parent Company and the Group. Please see page 23 "*Financial Instruments*" for more detailed information of SinterCast's classification of its instruments.

Financing

SinterCast has historically been financed by risk capital provided by its shareholders and has managed its expenses according to market forecasts, resource requirements, and regular reviews of expenditures in relation to the annual budget.

Following positive cashflow from operations during 2010, and the successful completion of the warrant programme resulting in a net cash injection of SEK 11.3 million during October 2010 and an additional SEK 1.7 million injection from the exercise of the first 15 % of the employee stock options during December 2010, the Board judges that the long-term financing of the Company is secure, allowing the Company to be more pro-active in its operations.

Liquidity

The liquidity risk is considered as low. The Group's liquidity on 31 December 2010 amounted to SEK 40.3 million (SEK 24.8 million). Held-to-maturity instruments consist of governmental bonds or commercial paper with high availability and with a maturity less than three months. SinterCast also holds a loan in the amount of SEK 3.0 million from the Sörmland Sparbank. The loan was reviewed on 30 December 2010 and extended until the next review date, 30 March 2011 and repaid.

Liquidity

(Amounts in SEK million)	**2010**	2009	2008
Bonds	**31.9**	20.0	6.0
Bank Deposits	**8.4**	4.8	3.0
Total	**40.3**	**24.8**	**9.0**

Liquidity	**2010**		2009	
	Total	**<30 days**	Total	<30 days
Total cash, cash equivalents and receivables	**40.3**	**39.9**	24.8	21.8
Total payable, ex salaries	**6.0**	**3.0**	5.1	1.9
Incomes from leases	**0.5**	**0.0**	0.6	0.0
Expenses from leases	**1.2**	**0.1**	1.3	0.1

Interest Rate Risk

Interest rate risk exists in short term investments, bank deposits and outstanding loans due to variability of interest rates. The Board of Directors' has established a Finance Policy to manage the interest rate risk.

An interest rate change of one percentage point up or down corresponds to an interest risk of approximately SEK 0.1 million for each SEK 10 million invested during a 12 month period.

Credit Risk

Credit risk is handled by the Group's Finance function. Credits are systematically monitored and followed-up. The majority of the Group's customers are large, well-known companies and organisations. The credit risk is distributed among the majority of the customers. Historical and present bad debt losses are insignificant SinterCast therefore operates without credit insurance for most contracts. At year-end, trade receivables amounted to SEK 11.6 million (SEK 3.0 million), of which SEK 8.8 million were not yet late for payment, SEK 2.5 million (SEK 2.0 million) were less than 30 days beyond due date and SEK 0.2 million (SEK 0.2 million) were less than 31–90 days beyond due date. No provision for bad debt has been made. The credit risk is limited to the books value.

Exchange Rate Risk

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

SinterCast's net inflow of foreign currency consists primarily of USD and EUR. During 2010, net inflow of these currencies amounted to approximately USD 1.8 million (USD 0.7 million) and EUR 1.0 million (EUR 0.8 million). In accordance with the Group's financial policy, part of the expected and budgeted flow of USD and EUR is hedged for the following 12 month period. Outstanding forward exchange contracts on the balance sheet date, was:

Forward Exchange Contracts

(Amounts in SEK million)	**2010**		2009	
	Total	**<6 month**	Total	<6 month
USD	**1.5**	**0.9**	0.8	0.4
EUR	**1.0**	**0.4**	0.7	0.3

The translation exposure of net assets in foreign subsidiaries is not hedged. The value of the Group's net assets, meaning the difference between capital employed and net debt, totalled to SEK 11.0 million, (SEK 10.9 million) and was distributed among the following currencies:

Net Assets in Foreign Subsidiaries

(Amounts in SEK million)	**2010**	2009	2008
GBP	**6.2**	5.9	4.9
USD	**4.5**	4.7	4.2
MEX	**0.2**	0.2	0.2
SEK	**0.1**	0.1	0.1

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

Translation Risk

(Amounts in SEK million)	
GBP	0.6
USD	0.5
MEX	0.0

Capital Risk

The Group's objective in respect of the capital structure is to secure SinterCast's ability to continue to conduct its operations so that it can generate a return for shareholders and value for other stakeholders and in order to maintain an optimal capital structure so that the cost of capital can be reduced. To manage the capital structure, the Group could issue new shares, buy-back shares, give dividends or increase/decrease loans. The Group equity on 31 December 2010 amounted to SEK 81.29 million (SEK 50.48 million). The equity of SinterCast AB amounted to SEK 73.57 million (SEK 42.33 million). SinterCast regularly monitors its need for equity. The foreign subsidiaries have been financed by internal loans and equity.

28 Events After the Balance Sheet Date

The following press releases have been issued:

1 March 2011 – Chrysler Launches 2011 Jeep Grand Cherokee with SinterCast-CGI V6 Diesel Engine

There have been no significant events since the balance sheet date of 31 December 2010 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 19 May 2011.

29 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 adjusted for outstanding warrants
Warrants related to 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
Warrants related to employee stock options

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

Adjusted shareholders' equity
Shareholders' equity plus 73.7 % of untaxed reserves

Capital employed
Total assets less non-interest bearing liabilities

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

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

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

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

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

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

Value presented as "-"
No amount applicable

Signatures

The Board of Directors and the Managing Director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of the operations. The Directors' Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of the operations, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 15 April 2011

Ulla-Britt Fräjdin-Hellqvist
Chairman

Aage Figenschou
Vice Chairman

Andrea Fessler
Board Member

Robert Dover
Board Member

Steve Dawson
Board Member & Managing Director

Our audit report was submitted on 18 April 2011

Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby
Authorised Public Accountant

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Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of SinterCast AB for the year 2010. The annual accounts and the consolidated accounts of the company are included on pages 12-37. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm 18 April 2011
Öhrlings PricewaterhouseCoopers AB

Anna-Carin Bjelkeby
Authorized Public Accountant

Corporate Governance Report 2010

Background

The Swedish Companies Act prescribes that listed companies shall, on a yearly basis, present a Corporate Governance Report, to be included in the Annual Report.

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

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

Corporate Governance in SinterCast

SinterCast AB (publ) is a publicly traded limited liability Company with its registered office located in Stockholm, Sweden. SinterCast provides on-line process control technology to the cast iron foundry industry to enable the reliable high volume production of Compacted Graphite Iron (CGI). CGI is primarily used in diesel engine cylinder blocks and heads, for passenger vehicle, commercial vehicle and industrial power applications. SinterCast AB (publ) is the Parent Company of the SinterCast Group. The Annual General Meeting is, by tradition, held during May each year. The Annual Meeting is the forum where the Shareholders meet the Board of Directors, the Management and the Company Auditors, and where the Shareholders are given the possibility to raise questions and to vote on the proposals distributed prior to the meeting. Traditionally, the Managing Director informs the AGM of the Group's development and financial position. According to the Articles of Association, the Board of Directors shall be elected annually at the AGM and the Directors' mandate shall last until the conclusion of the next AGM. The majority of the directors elected by the AGM are to be independent of the Company and its Group Management. A director's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence of the Company or its Group Management. The Nomination Committee is to propose candidates for election to the Board of Directors and the Chairman of the Board, as well as fees and other remuneration to each member of the Board. The AGM elects a Chairman and a Vice-Chairman and decides on the remuneration of the members of the Board of Directors according to the Nomination Committee proposal, in line with the Swedish Code of Corporate Governance rules.

The tasks and duties of the Board of Directors are laid down primarily in the Articles of Association, the Swedish Companies Act and other relevant laws and the Listing Agreement with the NASDAQ OMX stock exchange, Stockholm. Changes to the Articles of Association must be decided by the AGM. The Articles of Association of SinterCast do not regulate dismissal of directors. A majority of the members of the Board must be independent of the Company, its management and also independent of the Company's major shareholders.

SinterCast has complied with the Swedish Code of Corporate Governance since 1 July 2008 and presents a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting, without any major deviations, as SinterCast procedures and routines were essentially compliant when the code came into force. As of 1 February 2010, new Code rules came into force and they have been applied by the companies concerned from that date.

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 78.26% (71.92%) of the capital and votes in SinterCast AB. The largest shareholder, SIX SIS AG (Switzerland), controlled 12.28% (12.61%) of the capital and votes as a nominee shareholder. SinterCast AB had 3,841 (3,748) shareholders on 31 December 2010. The ten largest, of which five were nominee shareholders, controlled 45.92% (47.86%) of the capital and votes. As of 31 December 2010, the SinterCast Board, management and employees controlled 1.0% (0.9%) of the capital and votes.

Parent Company Result 2010

The January-December 2010 revenue amounted to SEK 38.5 million (SEK 19.3 million). The revenue increase is as a result of the significant increases in series production, Sampling Cup shipments, and the invoicing of both Mini-System and complete System 3000 process control systems.

The January-December 2010 operating result of SEK 7.7 million (SEK -6.7 million) was primarily affected by the higher gross result of SEK 16.6 million compared to the same period 2009. The cost increase compared to the same period 2009 is mainly related to sales costs for sold equipment, travel costs, advisory services, operational exchange losses and increased R&D costs. The result after tax for the January-December 2010 period amounted to SEK 17.0 million (SEK -3.1 million), primarily related to the revaluation of the deferred tax asset.

Annual General Meeting (AGM) 2010

The AGM was held on Thursday 20 May 2010, in Stockholm, Sweden. All Members of the Board, the Management and the external Auditor were present during the meeting. The AGM was attended by 47 shareholders, in person or by proxy, representing 950,218 votes.

Jan Rynning was elected as Chairman of the AGM. The Managing Director informed the AGM of the Group's development and financial position, and commented on the results for 2009. The AGM adopted the Annual Report and the consolidated financial statements as of 2009, as presented by the Board of Directors and the Managing Director; decided upon allocation of the Company's result; and, granted the Directors and the Managing Director discharge from liability.

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

During the AGM, Ulla-Britt Fräjdin-Hellqvist, Aage Figenschou, Andrea Fessler, Robert Dover and Steve Dawson were re-elected as Board members and the AGM decided, for the period until the next AGM, that the Board shall receive an unchanged total remuneration of SEK 600,000. The remuneration shall be divided between the Chairman (SEK 225,000) and the three ordinary Board Members (SEK 125,000 each), with no remuneration for the Managing Director.

The AGM decided the Nomination Committee to consist of three members and re-elected as members Lars Ahlström as Chairman, SinterCast's largest directly registered shareholder, as a representative of large shareholders, Torbjörn Nordberg, with the mandate to represent small shareholders and Ulla-Britt Fräjdin-Hellqvist, in her capacity as Chairman of the Board Directors.

The Annual General Meeting 2010 decided upon a remuneration policy in respect of group management such that the total remuneration shall be competitive and in line with market conditions, and provide room for reflection of outstanding achievements. The benefits shall consist of fixed salary, possible variable remuneration, other customary benefits and pension. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2011 that the basic principles for compensation and other terms of employment for group management shall remain essentially unchanged for the coming year.

The AGM 2010 decided on the election of Auditors, according to the proposal presented by the Board of Directors, for the period until the conclusion of the Annual General Meeting held during the fourth financial year hence. Accordingly, Öhrlings PricewaterhouseCoopers were re-appointed. Anna-Carin Bjelkeby was appointed as auditor in charge by Öhrlings PricewaterhouseCoopers, replacing Liselott Stenudd. The shareholders also decided to authorise the Board to, on one or more occasions prior to the next Annual General Meeting, decide upon the acquisition and disposal of SinterCast shares.

Statutory Board Meeting

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

The Board of Directors

The Board of Directors are presented on page 10.

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

The Board's Establishment of Committees and its Work

Nomination Committee

The task of the Nomination Committee is, after consultation with major and minor shareholders, to nominate members for election to the Board, to propose remuneration for each member of the Board, to nominate Auditors for election, to make recommendations on remuneration for the external auditors, and to establish certain other proposals for consideration at each AGM. The majority of the members of the Nomination Committee are to be independent of the Company and its Group Management. No members of the Group Management are to be members of the Nomination Committee and at least one member of the Nomination Committee is to be independent of the Company's largest shareholder. The AGM is to appoint members of the Nomination Committee or to specify how they are to be appointed.

Nomination Committee prior to the AGM 2010

The Nomination Committee, elected by the AGM 2009, consisted of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström and Torbjörn Nordberg. The Committee concluded that the current Board fulfilled the demands imposed on it in consideration of the Company's position and future focus. The Nomination Committee therefore proposed to the AGM 2010 that the Board of Directors be re-elected, with unchanged remuneration.

Nomination Committee after the AGM 2010

The Nomination Committee, elected by the AGM 2010, consists of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström (the largest directly registered shareholder as of 20 May 2010) and Torbjörn Nordberg. The Chairman of the Board has described to the Nomination Committee the process applied for the annual evaluation of the Board of Directors, Managing Director and Group Management and has provided information regarding the results of the evaluation. The Nomination Committee's proposals are to be presented in the notice of the AGM and on the Company's website. The Nomination Committee will also present how it conducted its work and explain its proposals during the AGM. During 2010, the Nomination Committee of SinterCast carried out three minuted meetings.

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

Compensation Committee

The Board has established a Compensation Committee whose main tasks are to monitor and evaluate the remuneration guidelines that the AGM is legally obliged to establish, as well as the current remuneration structures and levels in the Company and to propose new incentive programmes to the Board to decide upon.

The Compensation Committee shall also agree on the principles for remuneration, and other terms of employment of the Managing Director and, after advice from the Managing Director, for Directors and Managers reporting directly to him and monitor and evaluate programmes for variable remuneration, both for ongoing programes and for those that have ended during the year, for the Group Management.

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

During 2010, the Compensation Committee carried out one minuted meeting. The Board was informed of the Compensation Committee's decisions.

Audit Committee

SinterCast established an Audit Committee during 2008 and all Board Members sit on the Audit Committee. Until the Audit Committee was established, the Board fulfilled the duties of the Audit Committee.

On behalf of the Board, the Audit Committee is to ensure that the Company has adequate internal controls and formalised routines to ensure that approved principles for financial reporting and internal controls are applied, and that the Company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies. The Committee meets regularly with the Auditors during the year to discuss audit reports and audit plans. The Committee also meets with the Auditor in the absence of the Managing Director and Senior Management.

The Audit Committee is responsible for the evaluation of the Auditors' work and the Auditors' efficiency, qualifications, fees and independence. The Audit Committee must also assist the Nomination Committee with proposals for potential Auditors, which will be resolved during the Annual General Meeting. The Audit Committee also assists Group Management in determining how identified risks will be handled in order to ensure good internal control and risk management. The Audit Committee prepares and decides on the Corporate Governance Report. During 2010, SinterCast's Audit Committee carried out four minuted meetings.

External Auditor

Prior to the AGM 2010, after the Annual Report 2009 was approved, the Board of Directors met with the Auditor at the May Board meeting where the Auditor reported its observations directly to the Board of Directors without the presence of the Group Management. The Auditor has examined the Company's annual accounts and accounting practices and reviewed the Board's and the Managing Director's management of the Company and the Auditor presented the annual Audit Report at the AGM. The Audit Report contained a statement that the Annual Report has been compiled in accordance with the relevant legislation and recommended that the Directors and the Managing Director shall be discharged from liability.

At the AGM 2010, Öhrlings PricewaterhouseCoopers was re-appointed as Auditor until the AGM 2014. Anna-Carin Bjelkeby was appointed as Auditor in charge by PricewaterhouseCoopers. The Auditor in charge has had two Auditors assisting in the audit work during the year. The audit follows an audit schedule agreed with the Audit Committee. The Auditor provided a presentation of the Audit Plan for 2010 during the November Audit Committee meeting and gave audit feedback on the Interim Report July-September 2010 including the period January–September 2010 and the review that was conducted during the fourth quarter of 2010.

Chairman of the Board

The Chairman directs the Board's activities and promotes the overall efficiency of the Board. The Chairman ensures that the Board's activities are conducted in accordance with the Swedish Companies Act and other applicable laws and regulations and ensures that the resolutions of the Board are implemented. The Chairman also ensures that the Board members receive any necessary training and is responsible for evaluating the Board's activities and sharing the evaluations with the Nomination Committee. The Chairman proposes the agenda for Board meetings in consultation with the Managing Director. The Chairman has regular communication with the Managing Director, relays opinions from the shareholders to other Board members and acts as spokesperson on behalf of the Board.

Board Meetings

During 2010, the Board of Directors of SinterCast carried out nine minuted meetings. In connection with every quarterly report, the Managing Director presents the market and financial outlook and reports on operations and important current events. In addition, the Managing Director provides the Board with monthly reports on significant events and financial summary information. The Board of Directors dealt with long-term strategies, structural organisational issues, approval of the budget for the following year, the annual evaluation of the Board of Directors and, risk assessment. Individual Board members also assisted the management group in various strategic and operational matters.

With the exception of the exercise of the first 15% of the warrants in the current Employee Stock Option Programme, no substantial transactions took place between the SinterCast and the Board and the Management during 2010.

Work Programme

Each year the Board adopts a written Work Programme documenting the Board's responsibilities and regulating the internal division of duties between the Board, its Committees and Group Management, the decision-making process within the Board, the Board's meeting schedule, summonses to Board meetings, agendas and minutes, and the Board's work on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board is to receive information and documentation for its work so as to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy, the Authorisation Policy and the Organisation Chart.

Managing Director and Group Management

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

Summary

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

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

The Board of Directors' Report on Internal Control of Financial Reporting for the Financial Year 2010

Introduction

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

Description

Control Environment

The Board of Directors has the overall responsibility for internal control relating to financial reporting and an important part of the Board's work is to issue controlling instructions. The Board has established a Work Programme that clarifies the Board's responsibilities and regulates the internal distribution of work between the Board, its Committees and the Management. The Finance Policy and the Authorisation Policy including the organisation chart constitute other important controlling documents. The Board of Directors has established SinterCast's Finance Policy to provide a framework for how different types of risks shall be managed. Operational risks have been discussed and evaluated during all Board Meetings. The objective of this policy is to maintain a low risk profile. 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.

Risk Assessment

The Business is monitored in a structured process and associated risks have been discussed and evaluated during 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 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 OMX Nordic Exchange. Financial information concerning the Group may only be provided by the Managing Director.

Monitoring

The Board's monitoring of the internal control with respect to financial reporting takes place primarily through the Audit Committee follow-up on the Financial Reporting, by reports from the external auditors and through internal self-assessment reported to the Board.

Statement

The yearly evaluation of the need for a separate internal audit function has been discussed and, given the size of the company and the cost to add more functions, it was concluded that there is currently no need for a separate audit function.

The internal control over financial reporting has functioned well during the past financial year and no material weaknesses have been observed.

Stockholm 15 April 2011

Ulla-Britt Fräjdin-Hellqvist
Chairman of the Board

Aage Figenschou
Vice Chairman of the Board

Andrea Fessler
Member of the Board

Robert Dover
Member of the Board

Steve Dawson
Member of the Board & Managing Director

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Auditor´s report on the Corporate Governance Report

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

It is the board of directors who is responsible for the corporate governance report for the year 2010 on pages 39-43 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm 18 April 2011
Öhrlings PricewaterhouseCoopers

Anna-Carin Bjelkeby
Authorized Public Accountant

Historical Summary – Group

Amounts in SEK million	**2010**	2009	2008	2007	2006	2005
Profit and Loss accounts						
Revenue	**39.4**	20.0	24.8	22.8	18.1	17.2
Operating result	**7.2**	-6.3	-5.7	-5.1	-10.0	-13.1
Financial net	**1.3**	0.9	0.3	0.6	0.3	0.7
Tax	**8.0**	2.7	18.5	0.0	0.0	0.0
Result for the year for parent company shareholders	**16.5**	**-2.7**	**13.1**	**-4.5**	**-9.7**	**-12.4**
Cashflow analysis						
Cashflow from operations before change in working capital	**10.4**	-3.2	-3.3	-2.2	-6.9	-8.6
Change in working capital	**-7.4**	-1.7	-3.7	4.4	2.7	-3.0
Cashflow from operations	**3.0**	-4.9	-7.0	2.2	-4.2	-11.6
Cashflow from investments	**-0.5**	-0.6	-0.3	-1.4	-0.5	-0.4
Cashflow from financial operations	**13.0**	21.3	–	–	–	1.0
Change in cash position	**15.5**	**15.8**	**-7.3**	**0.8**	**-4.7**	**-11.0**
Balance sheet						
Assets						
Fixed assets	**32.4**	24.8	22.3	4.7	5.5	7.7
Current assets	**19.0**	9.6	9.4	7.1	9.3	14.2
Cash and bank deposits	**40.3**	24.8	9.0	16.3	15.5	20.2
Total assets	**91.7**	**59.2**	**40.7**	**28.1**	**30.3**	**42.1**
Total shareholders' equity	**81.3**	**50.5**	**34.1**	**20.0**	**23.4**	**33.0**
Long-term liabilities	**0.0**	0.0	0.0	0.0	1.0	1.0
Current liabilities	**10.4**	8.7	6.6	8.1	5.9	8.1
Total shareholders' equity and liabilities	**91.7**	**59.2**	**40.7**	**28.1**	**30.3**	**42.1**
Key ratios						
Solidity, %	**88.7**	85.3	83.8	71.2	77.2	78.4
Adjusted shareholders' equity	**81.3**	50.5	34.1	20.0	23.4	33.0
Capital employed	**84.3**	53.5	34.1	20.0	23.4	33.0
Total assets	**91.7**	59.2	40.7	28.1	30.3	42.1
Return on shareholders' equity, %	**25.0**	-6.4	48.4	-20.7	-34.4	-31.9
Return on capital employed, %	**24.3**	-5.6	50.0	-19.2	-33.7	-31.3
Return on total assets, %	**22.2**	-4.1	66.5	-29.7	-26.3	-26.1
Debt-to-equity ratio	**0.0**	–	–	–	–	–
Dividends, SEK	**-**	–	–	–	–	–
Employees						
Number of employees at the end of the period	**13**	13	15	14	12	11
Average number of employees	**13**	13	16	13	12	12

Definition of key ratios can be found in Note 29

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 shares 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 shares will not be more than 3%.

The SinterCast share capital on 31 December 2010 was SEK 6,975,653 (SEK 6,478,383 at 31 December 2009) at par value of SEK 1 per share.

During 2009, a new issue of 925,483 shares and 925,483 share warrants with pre-emption rights for existing Shareholders was approved. Following successful completion of the share issue in September 2009, the number of shares increased to 6,478,383 shares.

During October 2010, the exercise of the attached warrants increased the number of shares by 452,270, resulting in a new total number of SinterCast shares of 6,930,653. Likewise, the share capital increased by SEK 452,270 to a total of SEK 6,930,653, at par value of SEK 1 per share. During December 2010, the exercise of the employee stock options increased the number of shares by 45,000, resulting in a new total number of SinterCast shares of 6,975,653. Likewise, the share capital increased by SEK 45,000 to a total of SEK 6,975,653, at par value of SEK 1 per share.

SinterCast had 3,841 (3,748) shareholders on 31 December 2010. The ten largest, of which five were nominee shareholders, controlled 45.92% (47.86%) of the capital and votes.

As of 31 December 2010, the SinterCast Board, management and employees controlled 1.0% (0.9%).

Major Shareholders per 31 December 2010

	Country	No. of Share holders	No. of Shares 31 December 2010	% of Total Share Capital and Votes
SIX SIS AG*	CH		856,268	12.28%
Nordnet Pensionsförsäkring AB*	SE		688,824	9.87%
Försäkringsbolaget Avanza Pension*	SE		644,092	9.23%
Ahlström, Lars incl. affiliates	SE		480,947	6.89%
Hagman, Bertil	SE		149,700	2.15%
Svenska Handelsbanken Luxemburg*	CH		96,833	1.39%
Ingelman, Carl-Gustaf	SE		80,000	1.15%
Stenbeck, Ulf	SE		77,963	1.12%
Svesten AB	SE		73,488	1.05%
Robur Försäkring*	SE		55,151	0.79%
Subtotal		**10**	**3,203,266**	**45.92%**
Other shareholders approx.		3,831	3,772,387	54.08%
TOTAL		**3,841**	**6,975,653**	**100.00%**
Total foreign shareholders		183	1,516,735	21.74%
Total Swedish shareholders		3,658	5,458,918	78.26%

*Nominee shareholder

Distribution of Share Ownership 31 December 2010

No. of shares	No. of Shareholders	% of Shareholders	No. of Shares	% of Share capital
1-500	2,722	70.87%	427,858	6.13%
501-10,000	1,046	27.23%	2,122,435	30.43%
10,001-20,000	33	0.86%	455,586	6.53%
Above 20,000	40	1.04%	3,969,774	56.91%
Total	**3,841**	**100.00%**	**6,975,653**	**100.00%**

SinterCast Share January 2004 – December 2010

Share Data

	2010	2009	2008	2007	2006	2005
Number of shares at the end of the period	**6,975,653**	6,478,383	5,552,900	5,552,900	5,552,900	5,552,900
Average number of shares during the period	**6,574,481**	5,815,120	5,552,900	5,552,900	5,552,900	5,552,900
Average number of shares during the period adjusted for outstanding warrants[1]	**6,574,481**	–	–	–	–	–
EPS average number of shares, SEK[2]	**2.5**	-0.5	2.4	-0.8	-1.7	-2.2
EPS average number of shares adjusted for outstanding warrants, SEK[2]	**2.5**	–	–	–	–	–
Adjusted equity per share, SEK [3]	**12.4**	8.7	6.1	3.6	4.2	5.9
Adjusted equity per share adjusted for outstanding warrants, SEK[3]	**12.4**	–	–	–	–	–
Dividends, SEK	**–**	–	–	–	–	–
Share price at the end of the period, SEK	**51.3**	50.5	32.5	140.0	82.5	101.0
Highest share price during the period, SEK	**75.0**	60.0	150.5	172.0	93.5	105.5
Lowest share price during the period, SEK	**46.8**	28.9	30.0	64.0	70.5	58.0
Number of shareholders	**3,841**	3,748	3,686	3,806	3,698	3,512
Non-Swedish shareholdings, % of share capital	**22**	27	31	33	38	39
Swedish shareholdings, % of share capital	**78**	73	69	67	62	61
Market value, MSEK	**357.5**	327.2	180.5	777.4	458.1	560.8

***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 29.

Important Dates

Annual General Meeting

The Annual General Meeting 2011 will be held at 15:00 on 19 May 2011 at The Royal Swedish Academy of Engineering Sciences (IVA), Grev Turegatan 16, Stockholm.

Information

The Interim Report January-March 2011 will be published on 4 May 2011.

The Interim Report April-June 2011 will be published on 24 August 2011.

The Interim Report July-September 2011 will be published on 2 November 2011.

The Interim Report October-December and Full Year Results 2011 will be published on 22 February 2012.

In consideration of cost-efficiency and environmental concern, the Annual Report 2010 will be distributed in PDF-format and will be available on the SinterCast website. The Annual Report 2010 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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