

Corporate Governance Report

Background

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

The Shareholders' main influence to govern the Company is during the GM, where all present shareholders have the right to vote on the presented proposals.

Within six months of the expiry of each financial year, the shareholders shall hold an ordinary General Meeting, since 2006 referred to as the Annual General Meeting (AGM), at which the Board of Directors shall present the Annual Report and Auditor's Report for the Parent Company and the Group.

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 Nordic 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 SinterCast Group.

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. Effective as of 1 July 2008, 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 Swedish Code of Corporate Governance. 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 Nordic Exchange, Stockholm. Changes to the Articles of Association are decided by the General Meeting. The Articles of Association do not regulate dismissal of directors. A majority of the members of the Board are to be independent of the company and its management and at least two members must also be independent of the company's major shareholders.

SinterCast has complied with the Swedish Code of Corporate Governance since 1 July 2008 without any reservations and presents a Corporate Governance Report in accordance with the Code including the Board of Directors' Report on internal control of financial reporting. The Corporate Governance report does not constitute a part of the formal Annual Report documentation and has not been reviewed by the Company's auditors.

Shareholders

The SinterCast shares have been listed since 26 April 1993 and are quoted on the Small Cap segment of the Nordic Exchange, Stockholm.

SinterCast AB had 3,748 (3,686) shareholders on 31 December 2009. The largest shareholder, SIX SIS AG, controlled 12.61% (11.86%) of the capital and votes as a nominee shareholder. The ten largest shareholders, of which five were nominee shareholders, controlled 47.86% (47.29%) of the capital and votes. As of 31 December 2009, the SinterCast Board, management and employees controlled 0.9% of the capital and votes (0.9% on 31 December 2008).

Parent Company Result 2009

The full year operating result amounted to SEK -6.7 million (SEK -8.4 million). The result is primarily affected by the economic conditions facing the global foundry and automotive industries which has resulted in reductions in demand in both the passenger vehicle and commercial vehicle sectors, causing automotive OEMs to reduce production and, in some cases, delay production launches. The result after financial net and taxes was SEK -3.1 million (SEK 10.3 million), which is SEK 13.4 million lower than the same period 2008, following changes in the capitalisation of deferred taxes.

Annual General Meeting (AGM)

The AGM was held on Tuesday 7 May 2009, in Stockholm, Sweden. All Members of the Board, the Management and the external Auditor were present during the meeting. The AGM was attended by 61 shareholders, in person or by proxy, representing 37% of the 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 2008. The AGM adopted the Annual Report and the consolidated financial statements as of 2008, 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 Annual General Meeting 2009 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, although it was decided that, in consideration of the economic downturn, no bonuses would be paid before the 2010 AGM. These principles have been followed during the year and the Board will propose to the Annual General Meeting 2010 that the basic principles for compensation and other terms of employment for group management shall remain unchanged for the coming year.

Extraordinary General Meeting (EGM)

The EGM was held on Tuesday 20 August 2009, in Stockholm, Sweden. The Board was represented by the Chairman, and two additional Board Members, Steve Dawson and Robert Dover. The Management was represented by The President & CEO and the Finance Director. The external Auditor was present during the meeting. The EGM was attended by 34 shareholders, in person or by proxy, representing 24% of the votes.

Jan Rynning was elected as Chairman of the EGM. During the EGM, the shareholders approved the Board of Directors' proposal for a new issue of shares and share warrants of Series 2009/2010 with pre-emption rights for existing shareholders. The rights issue comprises a maximum of 925,483 new shares and 925,483 new warrants. The gross amount of the new rights issue was SEK 23,137,075.

The shareholders also approved the Board of Directors' proposal for a new Employee Stock Option Programme for the period 2009-2013. The employee stock options shall be allocated to all staff employed in the SinterCast Group at the time of issue. The stock options entitle each such employee to acquire one (1) share in the Company. The number of stock options allotted was 285,000.

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

Name	Independent	Committees/attendance		
		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 the major shareholders, to nominate members for election to the Board, to nominate Auditors for election, to make recommendations on remuneration of 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 executive management. No members of the executive 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 Nomination Committee can be contacted at the following e-mail address: nomination.committee@sintercast.com.

Nomination Committee prior to the AGM 2009

The Nomination Committee, elected by the AGM 2008, consisted of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström and Lennart Svantesson. 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 2009 that the Board of Directors be re-elected, with unchanged remuneration. A new composition of the Nomination Committee was also proposed.

Nomination Committee after the AGM 2009

The Nomination Committee, elected by the AGM 2009, consists of Ulla-Britt Fräjdin-Hellqvist, Lars Ahlström (the second largest shareholder as of 7 May 2009) and Torbjörn Nordberg. The Chairman of the Board has described to the Nomination Committee the process applied in conjunction with the annual evaluation of the Board of Directors, Managing Director and Senior Management and has also 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.

Compensation Committee

The Compensation Committee, elected by the Board, consists of Ulla-Britt Fräjdin-Hellqvist and Aage Figenschou. The task of the Compensation Committee is to make recommendations on remuneration of the Board of Directors and, on behalf of the Board, to decide upon the employment agreement for the Managing Director and, after consulting with the Managing Director, for the Senior Management.

The Board has not established a work programme for the work of the Compensation Committee. During 2009, the Compensation

Committee did not establish formal minutes. The Board was informed of the Compensation Committee's decision. The justification for the deviation from the code is that the company is small; the Compensation Committee is composed of only two persons; and, the overall objective of the Board to avoid unnecessary bureaucratisation of the business.

Audit Committee

SinterCast established an Audit Committee during 2008. 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 responsible for the quality assurance of the Company's financial reporting to ensure that these systems meet the requirements of applicable laws and regulations, internal control and risk management. 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.

External Auditor

At the AGM 2006, PricewaterhouseCoopers was re-appointed as Auditor until the AGM 2010. Liselott Stenudd was appointed as Auditor in charge by PricewaterhouseCoopers. The Auditor in charge has had three Auditors assisting in the audit work during the year. The audit follows an audit schedule agreed with the Audit Committee. After the Annual Report is approved, the Board of Directors meets with the Auditor at the May Board meeting where the Auditor reports its observations directly to the Board of Directors without the presence of the Group Management. The Auditor participates in the AGM to briefly describe the auditing work and to summarise the recommendations in the Auditor's Report for the shareholders. The Auditor provided a presentation of the Swedish Company's Act and the Audit plan for 2009 during the November Board Meeting and gave audit feedback on the Interim Report July-September 2009 and the 3Q audit.

Chairman of the Board

The Chairman directs the Board's activities and promotes the efficiency of the Board's activities. 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 2009, the Board of Directors of SinterCast carried out twelve 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.

There were no material transactions between the Company and any of the Board members during the year, with the exception of their unanimous participation in the new rights Issue.

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 and Group Management, the decision-making process within the Board, the Board's meeting schedule, summonses to board meetings, agendas and minutes, the division of duties between the Board and the Audit Committee, and the Board's work on accounting and auditing matters and financial reporting. The Work Programme also regulates how the Board is to receive information and documentation for its work so as to be able to make well informed decisions. Other controlling documents adopted by the Board include the Finance Policy and the Authorisation policy.

Managing Director and Group Management

SinterCast's Board has appointed a Managing Director who is responsible for the day-to-day management of the Company in

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

Summary

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organisation is designed in such a way that the bookkeeping, financial management and the Company's financial conditions are controlled in a satisfactory manner. The Swedish Code of Corporate Governance was extended to all listed companies on the Nordic Exchange, Stockholm as of 1 July 2008. The code clarifies and prescribes that the Board is responsible for internal control. SinterCast complies with the extended rules and has implemented the code in full and the Board of Directors hereby submits its report on internal control of financial reporting. The Auditor has reviewed the Corporate Governance Report.