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SinterCast Secures Full Funding

- **SEK 40 million (USD 3.8 million) raised in a directed share issue, primarily to international financial institutions**
- **The new financing secures the Company until the expected positive cash flow is achieved**
- **An employee stock option programme to replace the previous programme is proposed**

SinterCast is the leading supplier of process control systems for the production of compacted graphite iron (CGI). Following more than ten years as the CGI development partner of the world foundry and automotive industries, SinterCast was recently able to announce that Ford Motor Company had made the first ever high volume production commitment to CGI cylinder blocks for engines to be used in Jaguar, PSA (Peugeot-Citroën Group), Land Rover and Ford vehicles. After production start in 2003, high volumes will be realised as from 2004. Other production commitments are expected to follow.

SinterCast does not anticipate significant revenues from volume production until 2004 and had earlier secured funding until mid-2002.

The Board's objective has been to achieve an acceptable solution to secure the long-term financing of the Company and to assure SinterCast's customers of its viability as a long-term technology partner. Having evaluated several alternatives, the Board has concluded that – as the Company as yet lacks significant revenues and the liquidity lasts only until mid 2002 – the now negotiated new share issue is the safest way to secure the Company's future.

Bertil Hagman, SinterCast's President and CEO, commented: "Following our commercial breakthrough this summer, we have now achieved a long-term financing solution for our Company which is beneficial to our shareholders and our customers. The new capital injection allows us to further expand our technical leadership and the services that we offer to the industry".

The new share issue, in the amount of SEK 40 million (USD 3.8 million), is directed to Goldman Sachs International and, on behalf of clients and funds, to Merrill Lynch Investment Managers, NorgesInvestor Verdi and Erik Penser Fondkommission. Each of these institutions has undertaken to subscribe to the issue. The subscription price is SEK 50 (USD 4.76) per share and encompasses the issue of 800,000 class A-shares.

As part of the financing solution, the subscribers to the directed share issue will also receive 0.75 warrants for each class A-share subscribed. Thus, a total of 600,000 options will be made available, each conferring the right to subscribe for one new A-share at a price of SEK 58 (USD 5.52). The subscription can be exercised at any time from the date of issue until 31 December 2003. Full exercise of all options will raise approximately SEK 35 million (USD 3.3 million) through the issue of 600,000 new class A-shares.

The new subscribed shares will represent 16.7% of the total outstanding shares in the Company. If the subscriber's warrants are exercised the share will increase to 24.4%; in which case it has also been assumed that previously issued options will be exercised.

At an estimated market value of SEK 7 (USD 0.67) per warrant, the new share issue is achieved at an 8% discount of the closing price of the SinterCast A-share on 20 December 2001.

Against the above background the Board has today decided to propose an Extraordinary General Meeting to decide upon a directed share issue and subordinated loan with detachable warrants. The Extraordinary General Meeting will be held in early February 2002.

The Board has also decided to propose an employee stock option programme to replace the employee stock option programme of 200,000 warrants, which expired in May 2001 without subscription.

The Company is assisted by Handelsbanken Securities, Stockholm, Sweden, to handle the directed share issue and stock option programmes.

Stockholm, 22 December 2001

On behalf of the Board of Directors of SinterCast AB (publ)

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