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SINTERCAST INTERIM REPORT JANUARY-JUNE 1999

During the second quarter of 1999, SinterCast has presented its first customer commitment to commercially produce passenger car engine blocks in Compacted Graphite Iron (CGI). On May 6, The German car manufacturer Audi launched a state-of-the-art Direct Injection V8 Diesel engine with an engine block cast in SinterCast CGI. The new Audi V8 TDI forms a milestone in automotive design and in the use of SinterCast CGI for a high performance passenger car Diesel engine. The engine blocks will be series produced at Halberg Guss in Germany utilising the previously installed SinterCast System 2000.

The presentation of the Audi V8 TDI engine in May, together with earlier presented installations including Caterpillar, has created considerable interest and activity in the engine design community around the world, and several CGI projects are on-going. The trend towards high performance Diesel engines is encouraging for SinterCast. As cylinder pressures are elevated in order to meet current and future emissions standards, the demands on the strength and durability of the engine material increases. Compacted Graphite Iron can specifically meet these demands.

Following an increasing interest in CGI in the worldwide market, potentially competing technologies may emerge. However, SinterCast is entirely confident in its well protected technology suited for volume production. The SinterCast Process is respected as best-in-class both by the foundry and the automotive industry.

An important technical bottleneck to pass before decision on high volume production of CGI engine blocks can be expected, is an economical solution for the high speed machining of cylinder bores. SinterCast is working as an integral part of two machining consortium projects in Germany with active programmes at the University of Darmstadt and at the Fraunhofer Institute in Dresden, where considerable work is underway by the automakers evaluating tooling concepts from a number of leading suppliers. Preliminary results regarding the critical operations of roughing and finishing of CGI cylinder bores are promising. The original target of matching the tool life when machining grey iron is starting to be relaxed by the automakers in the interest of achieving a short term production solution. A tool life of one shift or one day's production is becoming a more realistic and acceptable aim whilst longer term and more economic solutions are being developed.

SinterCast participated June 9-15 at the world leading foundry exhibition GIFA-99, in Düsseldorf, Germany. GIFA takes place every four years and attracts a substantial audience from the world's foundry industry, including its suppliers and customers. Apart from the stand-alone SinterCast System 2000 Process Control Equipment, the well-visited SinterCast exhibit featured the new Audi V8 TDI Diesel Engine Block. Other displayed CGI components cast between 1994 and 1999 include a 5.9 litre Cummins Diesel engine block cast at Tupy in Brazil, a 2.0 litre Ford gasoline engine block cast at Cifunsa in Mexico and a 1.6 litre Opel gasoline engine block cast at Fritz Winter, Germany. The latest concepts and tooling solutions for machining of Compacted Graphite Iron were also

displayed in co-operation with PTW/The University of Darmstadt and the machine tool companies Rotary Technologies, Mapal and Nagel.

Operating result and investments

Operating income for the Group for the period January - June 1999 was SEK 1.5 million (SEK 1.4 million for the corresponding period of the previous year). The revenues mainly relate to income from demonstrations, production and installations. The result for the Group, after estimated tax, amounted to SEK –21.9 million, SEK –5.2 per share (SEK –21.1 million, SEK –5.2 per share).

Although 1999 already now can be described as the year of technical break-through, revenues are still limited, but important production references are created.

Investments by the Group during the period amounted to SEK 1.7 million (SEK 0.7 million).

Liquidity

The Group's liquidity on 30 June 1999 amounted to SEK 103.0 million (SEK 143.8 million). With current market assumptions, excluding expected revenues, this liquidity is expected to cover the company's anticipated expenses up to and inclusive of the year 2001.

Still high risk

The commercial risk remains high until large-scale series production has commenced.

1 Information Activities

A shareholder's day at the premises of SinterCast Technologies in Katrineholm, Sweden, is planned for later this autumn.

Stockholm, 27 July 1999
On behalf of the Board of Directors

Bertil Hagman
President & CEO

This Interim Report has not been subject to special examination by the company's auditors.

Financial information:

Interim Report for nine months

9 November 1999

**1.1.1.1.1 Preliminary Financial Report for 1999
15 February 2000**

**1.1.1.1.1.1 Interim Reports are distributed to
shareholders who have requested such
information from**

the company. The Annual Report and Interim Reports can also be found at the SinterCast website:
<http://www.sintercast.com>

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