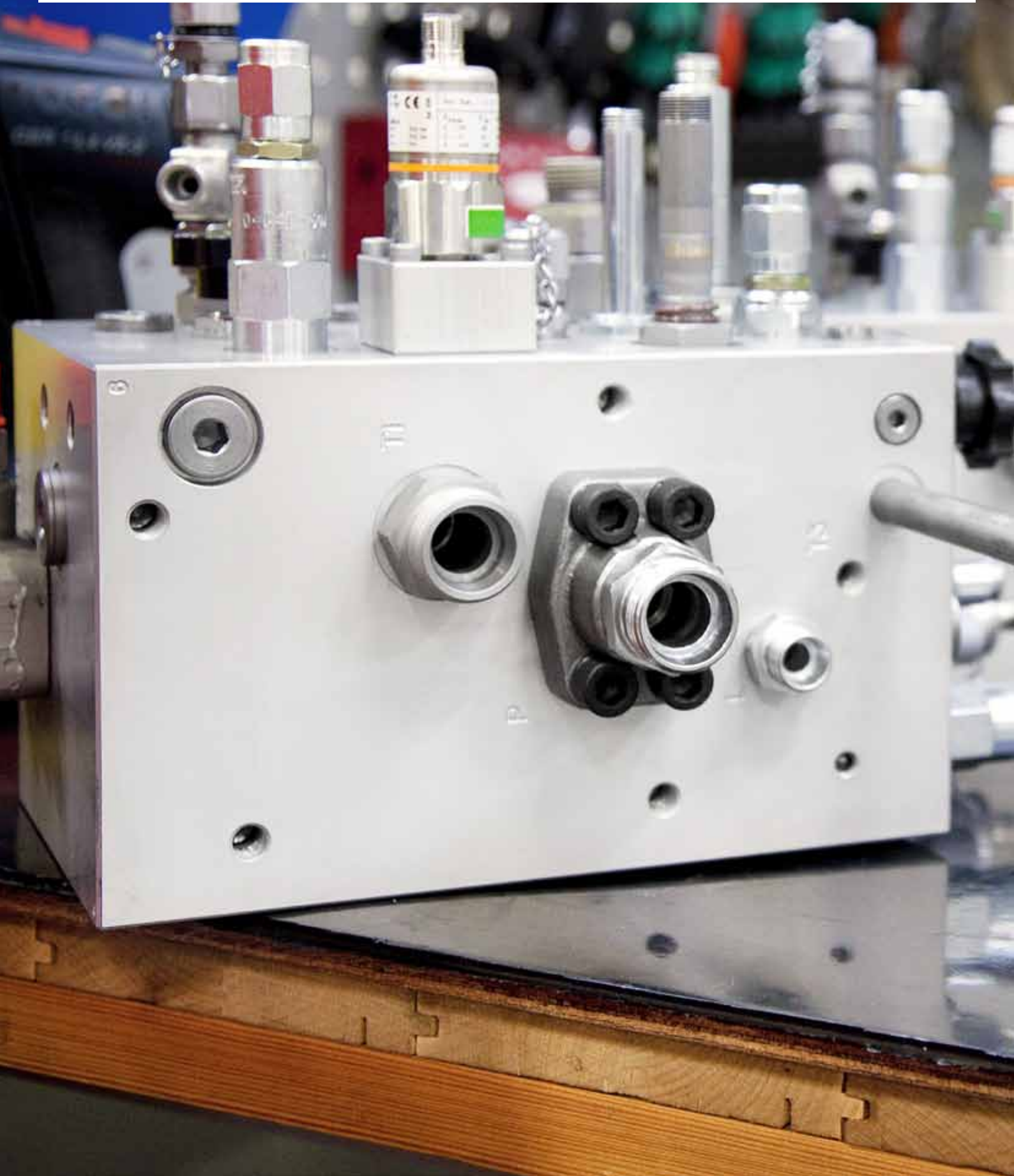


Annual Report

2010

pmcgroup



Complete Solutions in Hydraulics

PMC is the Nordic region's leading provider of hydraulic solutions for industry. Our offering extends from construction and design to complete components, cylinders and hydraulic systems. The Group's skills also include electromechanics, lubrication and pneumatics. This gives PMC unique total competence to offer customers complete solutions.

Global Thinking

PMC's customers are mainly active in the Energy, Off-shore & Marine, Industrial and Mobile Systems areas. The base of its operations is the Nordic region, but its customers and applications are highly globalised. PMC operates on a borderless basis, closely following in its customers' footsteps around the world. PMC is a global partner.

Specialist Competence through Collaboration

PMC consists of a number of entities with matching specialist competences. By increasingly coordinating the Group's resources, PMC attains a stronger, broader customer offering. This expanded collaboration means PMC can grow with existing customers, while also attracting new ones.



Highlights of 2010

- Recovery in Mobile Systems, and late in the year, in Industrial
- Demand downturn in Offshore & Marine and Energy
- First deliveries leave US plant
- Formation of associated company in Qatar focusing on after-market in Offshore & Marine
- SEK 75 m new share issue
- Net sales were SEK 2,818 (3,126) m
- EBIT reduced to SEK 125 (156) m
- Profit/loss after tax increased to SEK -2 (-32) m
- Return on capital employed reduced to 12% (13)

Key Financial Ratios			
	2010	2009	2008
Order intake, SEK m	2,797	2,682	3,978
Net sales, SEK m	2,818	3,126	3,774
Growth, %	-9.9	-17.2	8.7
EBIT	125	156	359
EBIT, %	4.4	5.0	9.5
Net profit/loss, SEK m	-2	-32	89
Return on capital employed, %	12	13	29
No. of employees	1,363	1,377	1,655

Contents	
President's Statement	2
Trends, Core Values, Goals and Strategies	6
Strengths	8
Offering	11
Customer Areas	
Overview	12
Energy	14
Industrial	15
Offshore & Marine	16
Mobile Systems	17
Environment	18
Human Resources	19
Senior Management	20
Board of Directors and Auditors	21
Statutory Administration Report	22
Financial Reports	24
Notes on the Financial Statements	34
Proposed Appropriation of Profits	62
Audit Report	63
History	64

Momentous Advances Despite Difficult Markets

In 2010, PMC made momentous advances in several areas. Our international start-ups were successful, we rationalized our supply chain and strengthened our brand. Meanwhile, our business was still affected by the global economic crisis, which has now also spread to our Energy and Offshore & Marine customer areas. But some customer areas have now bottomed out and are starting to recover gradually.

I'm pleased to be able to conclude that in 2010, PMC made momentous advances in several areas. PMC made successful market initiatives, enhanced its supply chain, realized the more effective transfer of technology from its Nordic companies, intensified the development of sub-systems and strengthened its collective brand identity.

Market Initiatives

In late-2009, we established a new enterprise in the US, which assembles hydraulic and lubrication systems, as well as manifold blocks, primarily for the wind power industry. This start-up exceeded our expectations, with the first batch deliveries occurring in the second quarter of 2010. Sales were nearly USD 6 m, and at year-end, the company had 13 employees. This initiative is a part of our strategy of following our customers, but also a bridgehead in the US and a base for onward expansion.

Our Chinese company progressed positively in the year. Initially, this start-up was highly focused on the wind power industry, but we are now seeing a higher share of customers in other segments. This is the result of close partnership with our global OEM customers, which we are now gradually starting to supply from our Chinese business.

I'm also really pleased that we started up a partnership with a local Chinese wind power producer. Prototypes were delivered in the year, and the first batch deliveries will be in the first quarter of 2011. This has been possible through our positioning as a world leader in the hydraulic pitch control of wind turbines, combined with us having a presence in China.

Our associated company in Qatar, which was incorporated in late-2010, is another example of our international market initiatives. This business became operational in the beginning of 2011.

Late in the year, we started negotiations on an acquisition in India and a deal was signed in early-2011. This acquisition is conditional on certain earnings goals, and take-over is scheduled for the second quarter of 2011. The company, Winstar Hydraulics, with its registered office in Bangalore, has some 40 employees and focuses on the development and assembly of hydraulic systems and manifold blocks for the Indian wind power and industrial market. This is a really exciting acquisition that gives us immediate access to the Indian market, but it's also a base for our activities in India with existing customers. We expect steady market growth in India through the coming years. Winstar Hydraulics has a high level of technology competence, and the company will be playing an active role in the Group's development of new manifold blocks.

By focusing and integrating the Group's overall offering, we also advanced our positioning on local Nordic markets. We exe-

cuted some structural changes, simultaneous with intensifying our PMC-KAC (Key Account Concept) working method. Through the coming years, we will deepen PMC-KAC further, to address the needs of our Nordic OEM customers. In tandem with this process, we are also reinforcing our activities that address local Nordic consumers.

Supply Chain

We continued to develop our supply chain in the year, with activities including more work on downscaling our supplier base. Keeping pace with globalization and increased competition on all fronts, we intensified the development of our purchasing from Asia. Several of our customers are now expanding their business in Asia, and are increasingly demanding a local supply chain. In this process, we screened nearly 200 Asian suppliers.

Qualifying as a PMC supplier requires far-reaching technical evaluation including blind tests and comparisons with leading suppliers, conducted by independent assessors. Apart from technical performance, we also prioritize delivery precision and product development capacity. The introduction of new components is in close partnership with our customers. Our consistent aim is to assure quality and reliability.

Production

Our customers also want to cut their costs, and are sharpening their competitiveness on the local market. Naturally, a local supply chain is part of this, but the main savings are in what we call redesign.

In the year, we launched the PMC-PTP (Production Transfer Process) working method and concept for how we migrate production of hydraulic systems from the Nordic region to our non-Nordic companies. Redesign is part of this process, where we remodel systems and introduce local components. Our experience is that strict processes and action-plans are a must when transferring production, especially to new markets like China. PMC's objective is to be able to guarantee the same quality and delivery precision regardless of where systems are produced.

PMC-PTP has been highly successful, we executed a number of projects with different customers in the year, and several new ones are ongoing.

Product Development

PMC is not a component producer, but rather, its focus is on developing/designing and assembling various types of hydraulic system and valve solution. Standardizing and modularizing are a component of this work, with the aim of achieving economies of scale and sharper competitiveness.



In the year, we intensified our development work, focusing on developing sub-systems that can be used in our hydraulic systems. PMC Cyklontank, which radically reduces oil volumes in hydraulic systems, is one example. PMC Cyklontank has attracted great interest from our customers and a number of prototype tests are now being run.

Brand

The corporate name-change of our companies was completed in the year, with the PMC prefix added. The objective is to create a cohesive Group that everyone feels part of. These corporate name changes are facilitating communication with our suppliers and customers. The PMC Group™ trademark has been registered and will be used as a consistent and over-arching brand for all our activities.

Market and Results of Operations

In tandem with these advances, the year also featured the ongoing effects of the global financial crisis that began in late-2008. Our Offshore & Marine and Energy customer areas were affected by substantial volume losses in the year.

In Offshore & Marine, this was expected. This customer area has a long order horizon, and fundamentally, is controlled by oil prices and the volume of global trade. In the year, sales fell by 26%.

However, the downturn in our Energy customer area was unexpected. The majority of the Group's sales in this area address wind power. The overall wind power market made worse-than-expected progress due to political decisions and funding difficulties. The main reason for our volume contraction in this customer area was that our sub-segment underperformed the market overall. This meant that instead of the expected weak

growth, we saw a volume contraction of as much as 31%. This downturn primarily affected our business in Denmark, but to some extent, China and the US too. An effect of the downturn was that we gradually adapted in Denmark, and as of 1 April 2011, are merging our two businesses into one.

Nevertheless, in our Industrial and Mobile Systems customer areas, both with an emphasis in Sweden and Finland, progress was positive. Both these areas bottomed out in the year and achieved brisk volume growth late in the year.

For Industrial, this means that full-year sales were down somewhat from 2009.

Mobile Systems achieved growth as high as 28%. Mobile Systems is normally first in and first out of typical cyclical fluctuations, as was also the case this time. But despite the high growth, this customer area remains some way off its peak year of 2008.

Overall, this meant that our net sales reduced by 10% (in comparable currencies 5%) to SEK 2,818 (3,126) m and that EBIT decreased by 19% to SEK 125 (156) m.

The change and adaptation projects that started in late-2008 were completed in 2010. One consequence was that the average number of employees reduced by another 86 staff despite us hiring 12 staff in our new US company and expanding by 14 staff in China, where we now have a total of 77 staff.

Future

We feel very positive about the results of the adaptations and structural changes we executed and our objective is to be a stronger and more robust company now the market is turning. Adaptations and cost savings won't be enough to cope with all the opportunities that will arise, we will also need continued initiatives and innovation.

We will be building on the advances we have made in recent years and continuing to focus on our customers and their needs.

In the year, we ran large-scale strategy work that encompassed large parts of our organization. We will be deepening, and breaking down, this work in 2011. You can read more about our strategy in the "Trends, Core values, Goals and Strategies" section on page 6.

In brief, it is fair to say that PMC's base is in the Nordic region. This is where we have our customers, competence and resources. Through the coming years, we will continue to develop our market positioning and increase our market shares in the Nordic region.

A large part of the Nordic market consists of major global OEMs, who also need their suppliers to be able to deliver to their non-Nordic production units.

To service these customers, we are continuing to develop PMC-KAC, our way of satisfying the increasing standards our customers set. We integrate a broad selection of products, systems and services that can be coordinated into complete solutions. Our experiences after just over a year are positive, and we are gradually migrating new customers to this working method.

We are convinced that the major changes ongoing in the market also require new working methods and types of partnership with customers and suppliers. We have to break the paradigms.

We expect growth in 2011 across all customer areas apart from Offshore & Marine, which is late in the business cycle, and we expect a continued, albeit faint, downturn in 2011. However, we already note some stabilization in order intake. The fundamental growth parameters for this area are in place, i.e. a high oil price and strong global trade. What will prevent growth getting underway in 2011 are the long lead-times from order to delivery.

Changes to our organization and internal processes mean that we have reduced our cost base. Thus we can cope with higher sales volumes, which coupled with market growth, offer us good prospects to improve operating earnings in 2011. And we will continue our internal rationalization work, through channels including the continued development of our logistics chain,

which will offer us an opportunity to reduce working capital in relative terms.

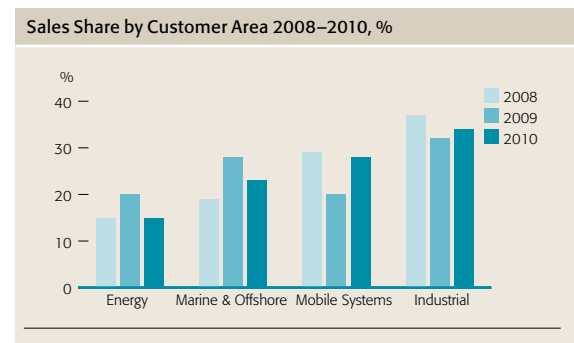
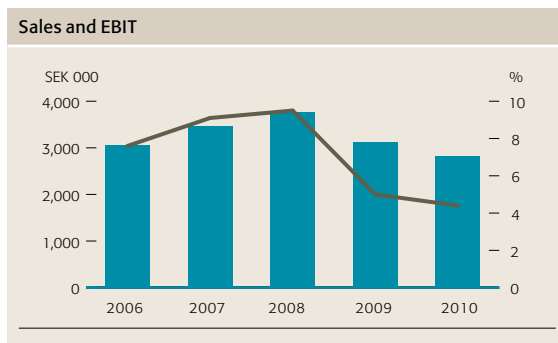
We think that a large part of PMC's future growth will come from existing customers. This means upscaled activity in our Nordic companies, but first and foremost, in our non-Nordic companies as a result of greater globalization. Accordingly, the continued focus and expansion of existing companies, and start-ups on new geographical markets, will be a prerequisite to benefit from this growth.

To further accentuate our growth, we are actively considering acquisition opportunities. Our focus is on consolidating the Nordic market, strengthening our positioning in growth segments and extending our global presence.

To be able to manage the substantial volume downturns from the peak year of 2008, we were forced into making staff reductions and major changes to our working methods. In turn, this put a heavy burden on our remaining staff. I would now like to take this opportunity to thank all our employees for their efforts for the Group and express my regret about those redundancies that have been necessary.

However, we take a confident view of the future, as well as strong and positive progress through the coming years.

Mikael Andersson
President and CEO





Trends, Core Values, Goals and Strategies

Trends

PMC's customers can be divided into two main groups, OEM customers and professional consumers. OEM customers represent the majority of sales, and they include large parts of the Nordic engineering industry. Professional consumers are far greater in number, and mainly consist of small enterprises active on the Nordic market, often subcontractors to OEMs, as well as a number of large process industries located in the Nordic region.

Customers are primarily in four customer areas: Energy, Industrial, Offshore & Marine and Mobile Systems. These areas are described in more detail on pages 14–17.

PMC has identified four trends that have a major effect on the Group and its customers, local and global.

Globalization

New growth markets are emerging, keeping pace with more open political attitudes in the world and expanding trade. China has been in dramatic growth for many years. Countries like India, Brazil and others, are now following in its tracks.

Local start-ups are required for long-term success on these markets. Now, most of PMC's OEM customers are present on growth markets, and require their suppliers to have a local presence.

New Players

Globalization also means the emergence of new players. They may be new competitors to PMC's customers, but also new suppliers and competitors for PMC.

The production of wind turbines is one example: a few years ago, this market was completely dominated by Western producers. But now, a number of new Chinese players have appeared, quickly developing the technology, and taking market share. In 2007, the four largest Western produc-

ers had a market share of nearly 70%. By 2009, the corresponding share was 40%. (according to BTM Consult AS, World Market Update 2009). A dramatic shift in market shares in just two years.

Operational Excellence

The standards applying to the safety and quality of deliveries from suppliers are also becoming more stringent. Moreover, there is a growing interest in new geographical start-ups, partly to get closer to the market, and partly to cut costs, and thus sharpen competitiveness.

Nowadays, many Western companies are having difficulties starting up on the major volume markets, like China. Western technology and price levels mean that only a minority of the overall market is available. The remainder is served by local suppliers.

Western companies with ambitions of taking a larger share of local markets have to develop their offerings. This may mean simpler technology and technical performance, but also lower cost and price. Regardless of the route chosen, the focus on cost reductions is increasing.

Altered Purchasing Patterns

To sharpen competitiveness, customers are increasingly focusing on their own core business, which has implications including a higher share of outsourcing. Simultaneously, they want to rationalize their purchasing, and here, downscaling supplier bases is central. Attracting customers takes an offering with breadth and depth, and complete solutions and partnerships are becoming more important.

A consolidation of component suppliers is approaching, as global suppliers extend their offerings.

Core Values

PMC has four core values that should drive all employees. They make up PMC's soul and are the guiding principles of our day-to-day work.

Partnership

Closer and deeper partnership brings a better understanding of the customer's problems, creating the possibility of technologically superior and more cost-efficient solutions. Partnership also applies to our suppliers. The most effective solutions can only be achieved once the whole value chain is permeated by a partnership philosophy.

Motivation

The Group's operations are based on individual skill and competence and motivated people are a basic prerequisite for the Group to deliver attractive solutions for its customers. This will be achieved by providing a working environment offering scope for development and stimulation where entrepreneurship and drive are fundamental.

Creativity

Creativity should not be confined to the Group's technology offering, but our whole structure and business process. Daring to take up challenges and drive proactive change are self-evident.

Responsibility

Responsibility features in all parts of our business and means that every stakeholder should be able to rely on PMC's people and solutions. Responsibility and quality begin with the individual. Continuous improvement, in our own organization and with suppliers, is an integrated component of our business. It is important for every employee to match agreed specifications and commitments.

Strategies

To achieve its goals, PMC employs the following strategies:

To be the leading supplier of hydraulic and lubrication solutions in northern Europe

PMC is a leader in hydraulic solutions in the Nordic region. Its focus is to further increase market shares in northern Europe by increasing sales to existing customers, secure new customers and expand its presence on neighboring geographical markets.

Following customers' global expansion

Many of the Group's customers are active on the global market and have a presence outside the Nordic region. To grow with these customers, PMC needs to be able to deliver in the Nordic region and to its customers' international production units.

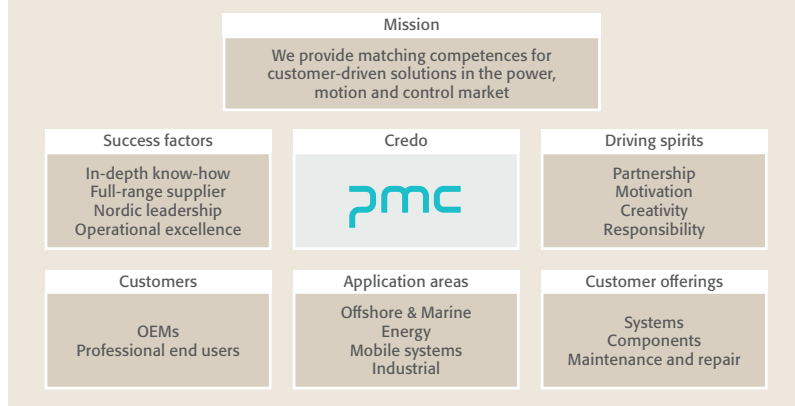
To establish global positioning in selected application areas

Many of PMC's large customers are world leaders in their relevant segments, and the Group's offering to them is competitive internationally. Accordingly, the focus is on utilizing the Group's aggregate know-how to secure new customers outside the Nordic region in selected application areas where PMC's competence or offering is unique.

Financial Goals

- Over a business cycle, PMC shall:
- grow organically by at least 7% yearly, with the effect of acquisitions being additional.
 - have a minimum EBIT margin of 10%.

PMC GROUP – The solution provider



Four Key Strengths – the Foundation of Our Strategies

1. In-depth and broad-based technological know-how in hydraulics/lubrication and customer applications

PMC's technical know-how and close partnerships with customers are the base of its business. Its organization is decentralized, with resources located close to customers. The Group currently has over 300 engineers and designers who focus on solving customers' problems and developing new applications.

PMC consists of a number of units with matching specialist competences. PMC can offer its customers specialist competence in different areas through partnerships between the Group's various units. Primarily, its competences are in four prioritized customer areas: Offshore & Marine, Energy, Industrial and Mobile Systems.

PMC has also sharpened its focus on developing proprietary hydraulics sub-systems and valve solutions that can be used in a variety of customer applications. A hydraulic oil tank, which utilizes the cyclone principle, is one example.

PMC Cyclontank

Every hydraulic system has an oil tank, whose volume is dimensioned according to pump flow. PMC Cyclontank reduces the oil volume of a hydraulic system by utilizing established cyclone technology, previously part of milk separators. PMC has taken development forward, and this product is now patented.

The tank enables customers to make savings of 50–75% of volumes compared to traditional oil tanks, and in certain applications, even more. This revolutionary technological advance offers major benefits in a raft of applications where saved weight and volume are priorities.

- Radically downscaled oil tanks, and thus, oil volumes.
- Lower weight.
- More effective ventilation.
- Slower oxidation of hydraulic oil.
- Reduced motion sensitivity.
- High accessibility.

The first prototypes have been delivered and batch deliveries start in early-2011 to mining equipment producers.

2. A full-range supplier with a broad-based and supplier-independent offering

PMC is the leading supplier of hydraulic solutions for industry in the Nordic region. Its offering extends from construction and design to finished components, cylinders and hydraulic systems. The Group's know-how also encompasses electro-mechanics, lubrication and pneumatics. This means the Group has a unique overall competence to deliver complete solutions.

PMC's focus is to solve its customers' problems and participate in their new product development. In these solutions, PMC can select constituent components freely without ties to any specific component supplier. This means that PMC can offer the right technology solution at the right cost. A number of major cost-reduction projects are being run jointly with customers, which result in new technological design and new alternative components from new suppliers, primarily from Asia.

As part of cutting costs, many customers want to downscale their supplier bases, instead establishing closer partnerships with a reduced number of suppliers. With its profile and strategy, PMC has a lead on many competitors, and is progressively reaching new agreements with leading customers.

Alternative Suppliers

Currently, the Group's suppliers are mainly Western companies. They can satisfy PMC's standards on know-how, reliable logistics and high quality, and thus constitute PMC's supply chain. PMC's strategic purchasing monitors and initiates changes to established supplier relations, with the aim of ensuring sustainable performance for our various customer segments.

The primary purpose is to be able to offer a disruption-free supply chain on competitive terms wherever deliveries are required worldwide. This also set standards on geographical flexibility for the strategic suppliers PMC wants to associate with.

As customers start up on new geographical markets, their requirements for a local supply chain increase. For its Chinese business, PMC screened nearly 200 Asian suppliers. Qualifying as a PMC supplier requires far-reaching technical evaluation including blind tests and comparisons with leading suppliers, conducted by independent assessors, as well as field tests jointly with PMC customers. The consistent aim is to assure quality and reliability.

With increased purchasing from Asian suppliers, PMC can offer its customers in Asia alternative technology solutions for a lower cost. Work on actively building a supply chain for the US business is being conducted to minimize exchange rate fluctuations.

3. A strong Nordic market position with global bridgeheads

The Nordic region is the base of PMC's business. One major challenge is to keep developing market shares in the Nordic region. PMC is already one of the leading suppliers, but thinks the Group can outgrow the market.

This is being achieved through continued close partnership with customers, including geographical start-ups close to customers. Partnerships between the various parts of the Group should be strengthened further, so the Group's complete offering becomes readily available to its customers.

A large part of the Nordic market consists of Nordic global OEM customers. Growing with these customers means the ability to deliver in the Nordic region must be complemented by the capacity to deliver to customers' international production units.

Accordingly, non-Nordic start-ups are an important part of PMC's strategy. The first start-up was in China back in 2004. PMC also established a presence in the US in late-2009, incorporated an associated company in Qatar in 2010, and in early-2011, an agreement was signed to acquire Winstar Hydraulics in India.

Primarily, the target group for these units is existing Nordic customers. But as these companies gain local resources such as engineers and sales people, the focus on securing new, local customers in segments where PMC has specialist competence will increase.

China

PMC's operation in China is located in Qingdao. The company was formed in 2004, initially as an assembly unit for hydraulic systems. Demand increased, and in 2008, PMC invested in production equipment for the local manufacture of hydraulic cylinders and manifold blocks. The customer base has evolved gradually, from its focus on the wind power industry, to now cover all four customer areas. The company also plays a central role in developing an Asian supply chain.

Sales in 2010 were SEK 117 m, and at year-end, the company had 77 employees.

PMC has established a partnership with a local Chinese wind turbine producer. Prototypes were delivered in the year, and the first batch deliveries will be in the first quarter of 2011. This has been possible through PMC's positioning as a world leader in hydraulic pitch control of wind turbines, combined with the Group having a presence in China.



USA

PMC's US operation is the result of a very close partnership with a customer in the wind power sector. This company was founded in late-2009 in Denver, Colorado, and batch deliveries began in the second quarter of 2010.

They produce hydraulic assemblies and systems for the wind power industry.

Sales in 2010 were SEK 42 m, and at year-end, the company had 13 employees.



4. Easy to do business with

One important part of the Group's customer focus is that it should be easy to do business with PMC. This means high availability, well-developed business processes, creative and reliable technology solutions, and not least, a positive encounter with PMC.

This attitude is easier to manage in local business between two parties. But as partnerships deepen on larger accounts, new business opportunities occur between new units and on new geographical markets. It is also important that PMC delivers the same high operational excellence everywhere in the world.

To facilitate this, the Group has created two internal processes or tools. The first is PMC-KAC and the second is PMC-PTP.

PMC-PTP (Production Transfer Process)

PMC-PTP was launched in 2010 as a way of transferring production of hydraulic systems from the Nordic region to the Group's non-Nordic companies. The system was implemented against a background of the necessity of strict processes for successful production transfer, especially to new markets like China. PMC's objective is to be able to guarantee the same quality and delivery precision regardless of where systems are produced.

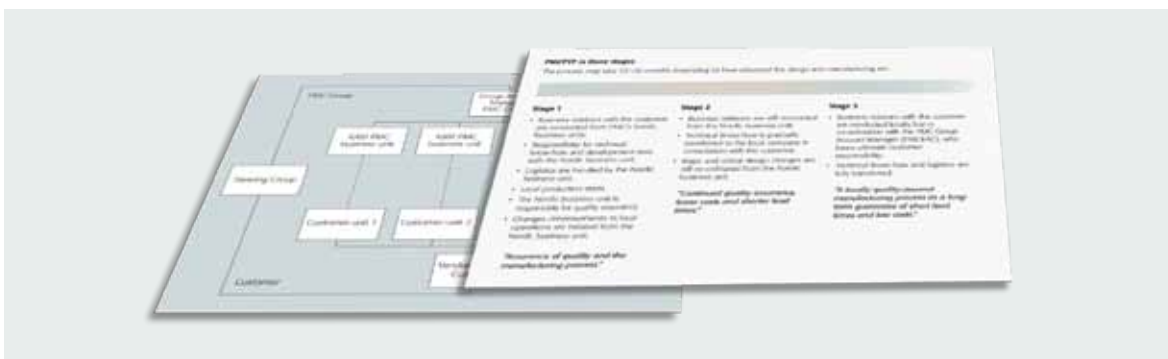
System redesign and introduction of local components are parts of this process. The process is conducted in three phases where production, technology development and commercial responsibility are progressively transferred to the local PMC unit in the country where the customer has production. This can take 12 to 36 months depending on the sophistication of design and production. A number of such projects were conducted with different customers in the year.

PMC-KAC (Key Account Concept)

A large part of the Group's customer base consists of major global corporations that need PMC to be able to deliver to non-Nordic production units.

To service these accounts, PMC has developed PMC-KAC. A broad array of products, systems and services from different parts of the Group are integrated in a separate organization, where they can be coordinated into complete solutions. Experiences after just over a year are positive, and new customers are being gradually introduced to this working method.

PMC-KAC promotes a greater understanding of customer needs, in turn sharpening PMC's competitiveness. Partnerships build on long-term relations, and the concept is in continuous development.



PMC Group's offering

PMC Group is the Nordic region's leading supplier of complete solutions in the technology segment of PMC—Power, Motion, Control. The Group delivers everything from tailored hydraulic systems and cylinders to components, special products, plus after-market service and maintenance.

Hydraulic Systems



In close partnership with customers, PMC develops, designs and builds complete hydraulic systems for all needs—from small, simple systems controlling lifting tables to complex systems for wind power and the off-shore industry. PMC is a specialist in unique and advanced systems that require high-precision motion, high-pressure hydraulics or special liquids. PMC has also developed unique competence in heavy industrial lubrication, and lubrication systems for hydrostatic and hydrodynamic bearings.

Hydraulic Cylinders



PMC is one of the Nordic region's leading suppliers of high-quality hydraulic cylinders for all types of environment. Cylinders are delivered in a wide variety of dimensions: long cylinders with strokes of up to 15 m for mobile applications like trucks, cranes, loaders and container lifters; heavy cylinders for the energy sector and heavy industry like hydropower, steelworks and the mining industry; cylinders for offshore and marine applications and small and medium-sized cylinders for industry, energy and materials handling.

Components



PMC is the Nordic region's leading independent distributor of components such as pumps, motors, valves, tubing, connectors and filters. By partnering with a range of leading international suppliers, we can deliver a broad range that is suitable for most purposes.

After-market Servicing & Maintenance



Servicing and maintenance are important components of PMC's offering. Servicing agreements can be bundled into turn-key systems, but the Group also services hydraulic systems produced by other suppliers in the Nordic region and internationally. PMC has trained servicing staff at several sites across the Nordic region, meaning that stop-pages can be quickly rectified.

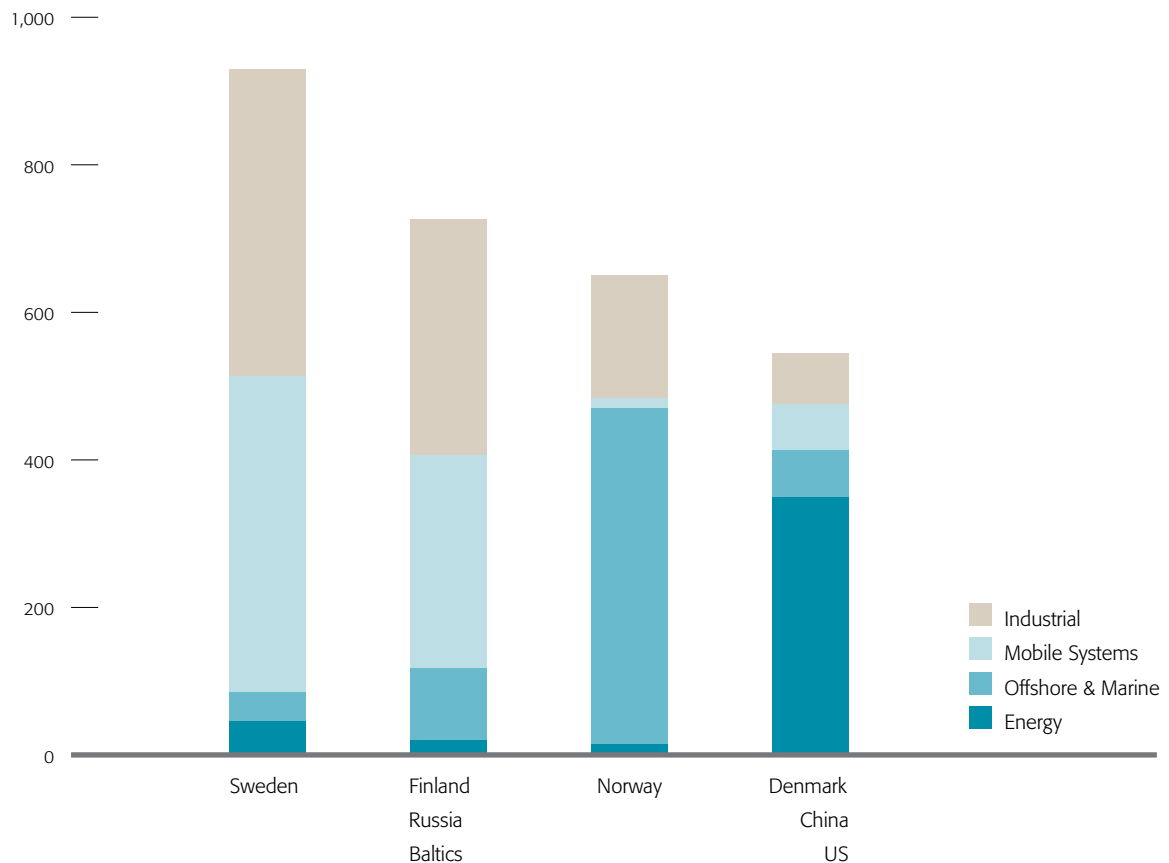
Special Products



PMC also develops and produces a wide range of special products in electromechanics, lubrication and pneumatics. These products include electromechanical worm gears, jacks, systems for marine applications, mechanical components for X-ray systems, pneumatically and electromechanically controlled interior train doors and pneumatic systems. Other special products include systems for fork adjustment for forklift trucks and slide bearings.

Customer Areas and Organization

Sales by segment, SEK m



In organizational terms, PMC Group consists of several units with specialist competences and resources in different customer areas. These units are located locally close to customers. Partnerships between the different parts of the Group and across borders give customers access to the whole Group's broad-based and in-depth competence.

PMC delivers products and solutions for different customer areas—Industrial, Mobile Systems, Offshore & Marine and Energy. Operations are organized into different geographical regions. In the Sweden region, Industrial and Mobile Systems are the largest customer areas. In the Norway region, the focus is in Offshore & Marine. Norway is the largest Nordic market for Offshore & Marine, and the centre of global development in offshore. The Sweden and Norway regions consist of national companies in each country.

The focus of the Finland/Russia/Baltics region is in the Industrial and Mobile Systems customer areas. Finland is the geographical core of this operation, but there are also smaller-scale businesses in Estonia, Latvia and Russia.

Operations in the Denmark/US/China region focus primarily on the Energy customer area. The wind power industry is the primary target group and this operation also has responsibility for start-ups on new markets. Over and above the geographical presence in Denmark, there are operations in China and the US. An agreement to acquire Indian enterprise Winstar Hydraulics was signed in early-2011.

Five-year Summary

Income Statement ¹⁾					
SEK m	2010	2009	2008	2007	2006
Net sales	2,818	3,126	3,774	3,471	3,053
EBITDA	172	204	401	358	278
EBIT	125	156	359	318	232
Profit/loss before tax	35	18	122	233	147
Profit/loss after tax	-2	-32	89	168	104
EBITDA margin, %	6.1	6.5	10.6	10.3	9.1
EBIT margin, %	4.4	5.0	9.5	9.1	7.6

Balance Sheet ¹⁾					
SEK m	2010	2009	2008	2007	2006
Intangible assets	532	579	578	553	550
Tangible and financial assets	250	299	327	251	227
Total non-current assets	782	878	905	804	777
Trading assets	929	942	1,246	1,085	933
Cash and cash equivalents	147	207	180	189	132
Total current assets	1,076	1,149	1,426	1,274	1,065
Total assets	1,858	2,027	2,331	2,078	1,842
Equity and non-controlling interests	-442	-427	-394	-560	177
Interest-bearing liabilities, derivative instruments	1,733	1,855	1,946	1,924	1,093
Non-interest-bearing liabilities and provisions	567	599	779	714	572
Total liabilities	2,300	2,454	2,725	2,638	1,665
Total equity and liabilities	1,858	2,027	2,331	2,078	1,842

¹⁾ Group Structure

Restructuring was conducted in 2007, affecting the Group's Income Statement and Balance Sheet. The Group rearranged its financing, which meant that Dacke Holding AB (corp. ID no. 556664-7227) was acquired by PMC Group AB (corp. ID no. 556709-7539). This resulted in increased indebtedness, and according to IFRS 3, reduced equity as a result. This restructuring means that the Group has had different parent companies in the years 2006-2007, and differing circumstances, which mainly affected consolidated equity and indebtedness, but also financial expenses.

This means that comparative figures for the Income Statements for 2007 and 2006 and the Balance Sheet for 2006 have been sourced from the official Annual Accounts of Dacke PMC Holding AB.

Energy

Intensifying Competition in Wind Power

PMC Group is one of the world's leading suppliers of hydraulic solutions for wind turbines. The wind power market made worse-than-expected progress in the year and featured intense competition.

PMC develops and manufactures hydraulic systems for the energy sector, primarily the wind power industry, in its Energy customer area. PMC is the market leader in the Nordic region in hydraulics for wind turbines and one of the world's largest suppliers. Its major accounts are leading producers of wind turbines like Vestas and Siemens. Its main competitors are Bosch-Rexroth and Parker.

PMC also delivers controls and cylinders for hydropower and systems and cylinders for biofuel plants. Customers include Opcon Bioenergy, CCI Valve Technology and Andritz Hydro. PMC also participates in a number of development projects in solar energy and wave power.

Wind energy operations are conducted in the Group's Danish companies, PMC Technology and PMC Hydropower. These two companies will be merged in the first half-year 2011. Production has also been ongoing in Qingdao, China since 2007. The Chinese company performed positively in the year, and a partnership was started up with a local Chinese wind power producer, with the first batch deliveries scheduled for the first quarter of 2011.

PMC incorporated a new company in the US in late-2009, primarily focusing on the wind power industry. This company exceeded expectations in the year with sales of nearly USD 6 m. Indian company Winstar Hydraulics, which PMC signed an agreement to acquire in early 2011, focuses on the development and assembly of hydraulic systems for the Indian wind power market.

PMC Group extended its offering to the wind power industry in 2010 through partnerships between Group companies. This involved specific solutions on customer projects and more general development projects.

PMC continued its work on producing a methodology for manufacturers to be able to convert from electromechanical to

hydraulic pitch control in wind turbines. Clearly greater interest in hydraulic pitch control from producers that had previously not used this technology was apparent in the year.

A new product for filtration and lubrication of gearboxes for wind turbines was developed jointly with a German filter producer. This development work is continuing in 2011. PMC also collaborated with a major American hydraulics producer to develop the digital proportional valves of the future for pitch control.

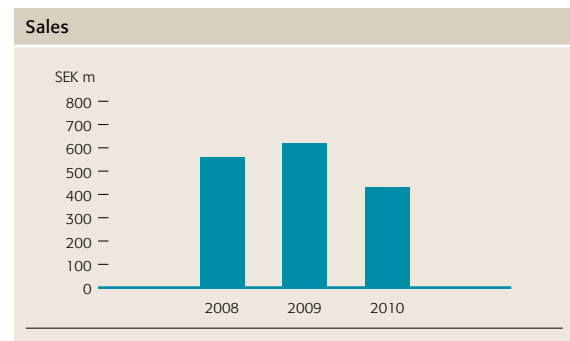
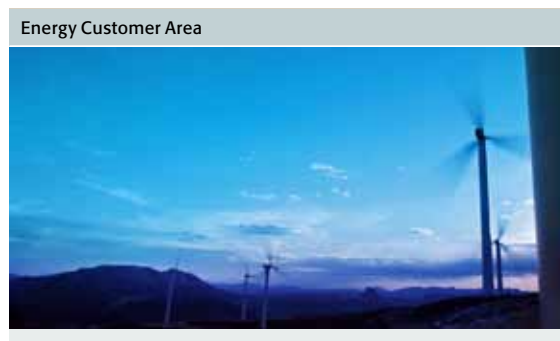
The trend of the major owners of wind turbines setting more stringent standards on producers continued in the year. In response, PMC created a dedicated supplier development function, whose aim is to ensure that suppliers also satisfy these more stringent standards, applying to quality control and processes, for example.

In the year, the trend towards Chinese producers increasing market shares in the wind power industry continued, in China and internationally. This increased competition is contributing to persistent intense price pressure on suppliers to the wind power industry.

However, the overall wind power market performed worse than expected due to political decisions and funding difficulties. In addition, our sub-segment underperformed the overall market. Nevertheless, demand in hydropower and biofuels increased in the year.

Overall, the consequence was that this customer area was affected by a 31% sales decrease. Sales were SEK 430 (620) m. This customer area's share of the group's total revenues was 15% (20).

PMC expects some growth for this customer area in 2011, and in the long term, high global demand for renewable energy.



Industrial

A Leader in Automation and Production

PMC Group is the Nordic market leader in hydraulic solutions for industrial automation and production. Its customers are major OEMs with global sales, and Nordic-based manufacturing industries.

Jointly with mobile applications, the industrial market is the largest market for hydraulics. PMC is a specialist in sophisticated hydraulic systems and possesses substantial technological competence for developing high-quality solutions for virtually all types of industrial production.

Development work is conducted in close partnership with customers. In 2010, PMC developed and delivered a raft of complex hydraulic systems with control systems based on microprocessors for industrial and mobile applications. This accumulation of competence is crucial for the future, because it gives PMC better prospects of participating in large-scale projects without being dependent on external suppliers of control systems.

In the year, PMC developed the 'lubrication systems of the future' in partnership with one of the Group's largest customers, a project that included high-power magnetic filtration and electrical monitoring of magnetic particles.

The Industrial customer area also harbors specialist competence in pneumatics, lubrication and electromechanics.

Primarily, its customers are large Nordic industrial corporations with global operations like Atlas Copco, Sandvik and Tetra Pak. Other customers are Metso, which produces equipment for the paper, mineral and process industry, FLSmidth, which produces equipment for the cement and mineral industry and Outotec

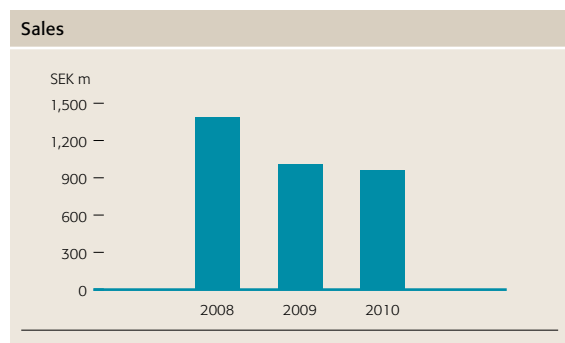
Group, a world-leading vendor of equipment for the mining industry.

This customer area has major global customers that have been identified as central to the Group's future progress. To further enhance its partnership with a number of these customers, PMC-KAC was introduced in the year, with aims including making the whole of PMC Group's broad-based offering easily available for customers. There is a large number of producers of industrial hydraulics in the Nordic region. Most are small or medium-sized enterprises that do not possess the resources to develop the broad-based in-depth know-how PMC possesses across a large number of application areas. Bosch-Rexroth is the competitor with a similar product offering to PMC, and is its primary competitor globally.

An increasing share of the customer area's sales are in Asia. PMC has started up an operation in Qingdao, China, where it delivers to customers including FLSmidth and Howden.

Demand in the Industrial customer area was weak in the first part of 2010, but recovered in the second half-year. Overall, this meant that full-year sales were just below the year-2009 level. Sales reduced by some 5% to SEK 960 (1,010) m. The customer area represented 34% (32) of the Group's revenues.

PMC expects sales to increase in 2011.



Offshore & Marine

High Oil Price Stabilizes Demand

The global financial crisis had its first effect on the revenues of Offshore & Marine in 2010. However, order intake stabilized in the second half-year, primarily an effect of the high oil price.

Consistently, Offshore & Marine environments are very demanding. High humidity, salt water and underwater activities put great strains on the equipment used on vessels and offshore installations.

PMC has long-term experience of hydraulic solutions that can satisfy the specific standards applying. Its broad-based competence and application know-how are an important competitive advantage, as increasingly, customers are demanding complete solutions.

PMC's customers include several world-leading OEMs in the vessel and offshore industries such as National Oilwell Varco and Aker Solutions, the dominant producers of drilling equipment and Rolls-Royce Marine, a supplier of vessel equipment. Framo Engineering, Cargotec/MacGregor and TTS Marine, all major suppliers of various types of equipment for vessels and offshore platforms, are also customers. The primary competitors are Parker and Bosch-Rexroth.

A number of promising product development projects were conducted in the customer area in the year, including the development of PMC Servi Silent System, which is based on reducing the noise levels and energy consumption of existing hydraulic and electromechanical equipment on oil platforms. This system fits well with customer demands for energy saving, while also enabling the substantial reduction of noise levels, and thus, a better working environment. A proprietary integrated valve solution,

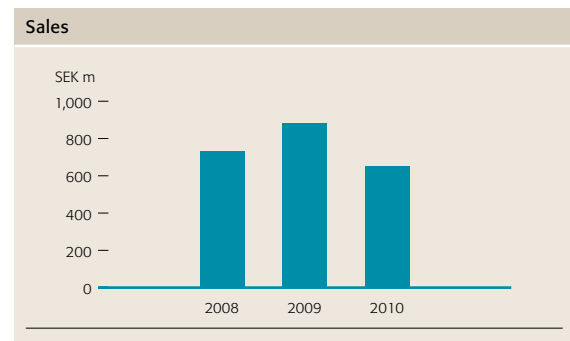
which improves performance and increases cost-efficiency, made major sales successes in the year.

The operations of Offshore & Marine are primarily conducted in PMC's Norwegian operation. Norway is Offshore & Marine's single biggest market, and the center of global development in offshore. The operation in Finland also delivers systems, primarily in the marine area. The Danish operation is active in global servicing and installations on existing facilities and systems.

The Offshore & Marine customer area features long order horizons, and accordingly, fairly high predictability for about one year ahead. Accordingly, this operation is late in, and late out, of cyclical downturns. This means that the global financial crisis had its first impact on revenues in 2010.

Sales in the year decreased by 26% to SEK 650 (880) m. This reflects a substantial reduction of order intake from the fourth quarter 2009. The customer area's share of the group's total revenues was 23% (28).

In the long-term, this customer area's demand is controlled by the progress of global trade and the price of oil. In the second half-year 2010, the stabilization of order intake was apparent, mainly an effect of high oil prices. Jointly with robust global trade, this means that the basic prospects for increased demand are in place. Despite this, the customer area's sales are expected to fall somewhat in 2011, due to the long lead-times from order to delivery.



Mobile Systems

High Growth in the Second Half-year

PMC Group develops hydraulic systems and hydraulic cylinders for several of the world's leading manufacturers of trucks, rail freight wagons, forestry vehicles, civil engineering machinery, forklift trucks, cranes, mining equipment and other mobile units.

PMC is the leading supplier of hydraulic systems and hydraulic cylinders for mobile application areas in the Nordic region, such as forklift and container trucks, mobile cranes, skylifts, container loaders, rock drills and drilling rigs.

Development work is demand driven and in close partnership with customers. In the year, this customer area developed a proprietary hydraulic sub-system in the form of a hydraulic oil tank that utilizes the cyclone principle. This tank creates the possibility of saving 50–75%, or even more, of volumes compared to a traditional old tank, which is often a high priority in mobile applications.

In 2010, PMC also developed and delivered several complex hydraulic systems with control systems based on microprocessors for industrial and mobile applications.

Primarily, customers are large multinational industrial corporations like Atlas Copco, Cargotec, Konecranes, Nacco (Hyster and Yale), Mitsubishi, Atlet (owned by Nissan) and Sandvik. Väderstad-Verken (agricultural machinery) and Bronto (world leader in skylifts) are also PMC customers.

Large customers are exhibiting a clear trend towards greater specialization of their operations. Accordingly, they are increasingly deciding to outsource development and assembly of hydraulic systems to subcontractors that can take responsibility for technological content and quality, while they conduct final assembly of the mobile unit themselves. Many customers are also endeavoring to downscale their supplier bases.

This means that the standards applying to suppliers are increasing. They need a broader offering of competitive products,

the ability to offer tailored solutions and have high levels of technological know-how. Additionally, they must have the resources to follow customers' international expansion.

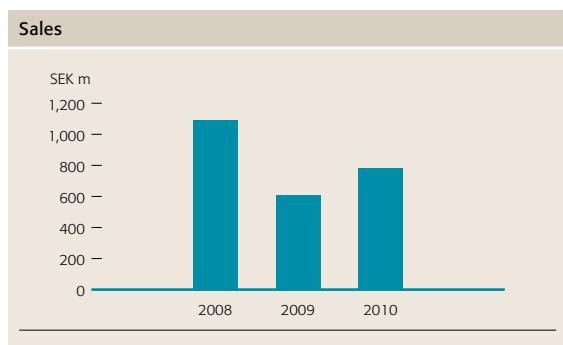
The Group's size and breadth in mobile applications is an important competitive advantage. Apart from production in the Nordic region, the group also has production of hydraulic cylinders and assembly of hydraulic systems in Qingdao, China. PMC's presence in China enables reduced production costs and closeness to customers on the Asian market.

A Full Line concept for the mobile sector was launched in Finland in the year. This concept utilizes the group's broad product range and the objective is to offer customers complete solutions and systems instead of individual components. The production of hose fittings, which is part of the concept, increased rapidly in the year to over 500,000 units, more than double the 2009 level.

The Nordic mobile hydraulics market is fragmented and consists of multiple local small and medium-sized enterprises including Specma Hydraulik and Wipro. The largest global competitors are Bosch-Rexroth, Parker and Hydac, plus Montanhydraulik for cylinders.

As previously, Mobile Systems is first of PMC's customer areas in the business cycle, and its growth was high in the latter part of the year. Sales were SEK 780 (610) m in 2010, a 28% increase year on year. Mobile Systems represented 28% (20) of Group sales.

Sales in Mobile Systems are expected to keep increasing in 2011.



Environmental Issues Integrated into Our Business

In its day-to-day work, PMC maintains a good working environment, economizing resources and minimizing the environmental impact of operations. Its ambition is to achieve continuous improvement of its environmental work.

The Group's overarching environmental policy means that PMC:

- strives to create a feeling of responsibility for the environment in all employees through communication and training.
- conducts environmental work with high objectives, with the legislated and regulatory standards as minimums.
- considers environmental issues when developing new products, system solutions and production methods.
- strives to minimize the environmental impact of transportation and travel.
- shows great openness on environmental issues towards the Group's stakeholders.

The responsibility for environmental work rests with line organizations and all companies formulate their own environmental goals based on the Group's policy and the needs and focus of their own operations.

PMC also has a group-wide quality policy with implications including all units having clearly documented processes for their operations and continuously endeavor for improved and more effective processes.

Most Group companies have certified management systems for quality and the environment. All of them apply ISO 9001 for quality, and most of them, ISO 14001 for environmental management systems. In addition, a number of companies have certified management systems for quality alone, or uncertified environmental management systems.

Environmental Work in 2010

In the year, the Group delivered the first prototypes of the proprietary PMC Cyclontank, which has positive environmental effects by reducing the oil volume of a hydraulic system by 50–75% compared to a traditional oil tank. Apart from reduced oil volumes, PMC Cyclontank has several other benefits like lower weight, more effective ventilation and slower oxidation of hydraulic oil.

In the year, PMC Servi developed the Servi Silent System based on reducing noise levels and energy consumption of existing hydraulic and electromechanical equipment on oil platforms. This system provides energy savings, and simultaneously, sub-

stantial reduction of noise levels, and thus, a better working environment.

In the year, PMC Hytech mapped the company's carbon footprint and is preparing plans to reduce it. The sorting of food waste was introduced, as well as increased sorting of plastic and paper, resulting in reduced volumes of combustible waste and increased recycling.

PMC Servi introduced waste sorting at source and installed containers for aerosols, fluorescent tubes, batteries and electrical products on its workshop floor, and signed agreements with haulage company Børstad to dispose of all waste.

In early-2010, PMC Hydropower received another diploma for its extraordinary environmental efforts from environmental project Miljönätverk Syd. The company's action-plan for the environment includes a gradual migration to more environmental vehicles and reduced power consumption for its operation.

PMC Hydropower and PMC Technology received diplomas for quality, safety and environment from the Danish hydraulic and pneumatic sector organization.

Company	Quality	Environment
PMC Cylinders ¹	ISO 9001	ISO 14001
PMC Lubrication ²	ISO 9001	ISO 14001
PMC Hydraulics ³	ISO 9001	ISO 14001
PMC Polarteknik	ISO 9001	ISO 14001
PMC Swedrive	ISO 9001	ISO 14001
PMC Hytech ⁴	ISO 9001	ISO 14001
PMC Servi	ISO 9001	Works according to ISO 14001, uncertified
PMC Hydropower	ISO 9001	KSM cert.
PMC Technology	ISO 9001	–
PMC Qingdao	ISO 9001 ⁵	–

¹ Formerly CA-Verken, Vaggerdyds Hydraulik and Hällaryds Hydraulik

² Formerly Hydraulik Leverantören

³ Formerly Terlings and INAB (ISO 14001 (ö-vik))

⁴ Formerly Hydraul Syd

⁵ Jointly with PMC Technology

Continued Focus on Competence Development

Poor demand in the wind power segment resulted in some further adaptation of PMC's workforce. Meanwhile, initiatives in competence development and work on bringing subsidiaries together into a more cohesive group continued.

The number of employees of the group was 1,363 (1,377) at year-end, over 300 of which are engineers and designers. Staff reductions were due to the completion of a previously decided adaptation project and took their full effect in the year, and on some further reductions caused by reduced demand in the wind power segment. Meanwhile, the number of employees increased in China and the US. PMC has employees in nine countries.

A More Cohesive Group

Work on bringing subsidiaries together into a more cohesive group continued in the year. The launch of a group-wide intranet in all countries was an important step in this process. This intranet strengthens group identity and contributes to improved internal communication and expectations of greater collaboration.

Efforts to unify employment terms and benefits in all companies concluded in Sweden and Finland, with a corresponding review commencing in Denmark.

PMC Technology and PMC Hydropower will be merged in the first half-year 2011. The aim is to further rationalize PMC's Danish business and strengthen the group's positioning on the global wind power market.

A focus on further improvements of internal processes and flows continued in a number of subsidiaries, thus increasing efficiency in all segments of the company. The results of this work were very positive in many areas.

Competence Development

To retain and sharpen the group's competitiveness, continuously upgrading competence levels in hydraulics is a priority.

Mapping PMC Hydraulics' hydraulic competence was conducted in the year. This laid the foundation for competence

development measures. A process for certifying staff as fitters, service technicians and designers was also commenced.

Competence development also involves several other areas, one example in the year being sales training for all regional sales people in the Finnish operation.

An extensive training program in metrology, reading drawings, 5S, production technology, leadership, project management and production finance was completed in PMC Cylinders.

Working Environment and Health

A keep-fit project was completed in PMC Servi, which will improve employees' health through a range of activities. This project covers smoking cessation, dietary advice, physical activity and health checks. In 2010, this project achieved objectives including no sickness absence being caused by a poor working environment. After this project, very few employees in Norway still smoke.

Working environment and health projects were conducted in several operations, including Internet training in safety procedures and the working environment and health checks that serve as starting-points for remedial measures.

Equal Opportunities and Diversity

PMC offers equal opportunities and rights for everyone regardless of sex, nationality or ethnic origin, age, sexual orientation or faith. The company endeavors for women and men to be able to reconcile work and parenting more easily. At year-end 2010, 14% of the group's employees were women and 86% men.

Number of Employees by Country	
	31 December 2010
Sweden	494
Finland	315
Norway	258
Denmark	186
China	77
Estonia	15
Russia	3
Latvia	2
US	13
Total	1,363



Senior Management



MIKAEL ANDERSSON

Born in 1955
Employed in 2006
President and CEO
President of Sweden region
M.Sc. (Eng.)



ULF FRIDLUND

Born in 1961
Employed in 2000
Chief Financial Officer
B.Sc. (Econ.)



ERIK HOLST

Born in 1948
Employed in 2000
President of Denmark/China/US
region and the Group's Wind Power area
B.Sc. (Econ.)/M.Sc. (Eng.)



BJÖRN ARNE GUNDERSEN

Born in 1960
Employed in 1982
President of Norway region and the Group's
Offshore area
Vocational training school technology graduate



MATS DANKER

Born in 1955
Employed in 2009
President of Finland/Russia/Baltic region
M.Sc. (Eng.)



HÅKAN SÄBERG

Born in 1968
Employed in 2007
President of PMC Cylinders AB
M.Sc. (Eng.)



MIKAEL LUNDGREN

Born in 1961
Employed in 2005
President of PMC Hydraulics AB and
head of PMC-KAC
M.Sc. (Eng.)



FIA GÖRANSSON

Born in 1963
Employed in 2008
Vice President, Human Resources
B.Sc. (Econ.)



INGVAR ALM

Born in 1955
Employed in 2006
Vice President, Purchasing and Logistics
Senior high school economics graduate

Board of Directors and Auditors



SEBASTIAN EHRNROOTH

Born in 1963
 M.Sc. (Eng.)
 MBA IMD, Lausanne
 Partner: Segulah Advisor AB
 Board member of: Segulah Advisor AB, Scan
 Coin and Medstop
 Elected to the Board: 2007
 (in acquired subsidiary since 2005)



CARL-GUSTAF BERGSTRÖM

Born in 1945
 B.Sc. (Econ.)
 Chairman of: Outotec Oyj
 Board member of: Gunnebo Industrier AB and
 Förlags AB Sydvästkusten
 Elected to the Board: 2007
 (in acquired subsidiary since 2006)



CECILIA VIEWEG

Born in 1955
 LL.B.
 General Counsel and member of
 Electrolux's Executive Management since 1999
 Board member of: Haldex AB, Vattenfall AB and
 several Electrolux group companies
 Elected to the Board: 2009



JÖRGEN CENTERMAN

Chairman of the Board
 Born in 1951
 M.Sc. (Eng.)
 Industrial Partner of Segulah Advisor AB
 Chairman of: Kemetyl AB and Gunnebo
 Industrier AB
 Board member of: Segulah Advisor AB
 Elected to the Board: 2007
 (in acquired subsidiary since 2005)



GABRIEL URWITZ

Born in 1949
 Ph.D., Associate Professor Emeritus in
 Financial Economics at the Stockholm
 School of Economics
 Chairman/Partner: Segulah Advisor AB
 Chairman of: AB Segulah
 Elected to the Board: 2007
 (in acquired subsidiary since 2005)



SVEN OHLSSON

Born in 1944
 B.Sc. (Econ.)
 Elected to the Board: 2007
 (in acquired subsidiary since 2005)

AUDITORS, Öhrlings PricewaterhouseCoopers AB

Åke Christiansson

Auditor-in-charge
 Authorized Public Accountant
 Born in 1954

Christer Kålefors

Authorized Public Accountant
 Born in 1962
 PMC's Auditors since 2005.

Statutory Administration Report

The Board of Directors and President of PMC Group AB, corporate identity number 556709-7539, hereby present the Annual Accounts and Consolidated Accounts for the financial year 1 January 2010–31 December 2010.

Group Structure and Formation

On 21 December 2007, PMC Group AB acquired all the shares of Dacke PMC Holding AB. This acquisition was part of restructuring and refinancing the operations of Dacke PMC Holding AB. The owners of PMC Group AB were the same as of the acquired group. In accordance with IFRS 3, there is no restatement of fair values at the acquisition date in the Consolidated Accounts, but the difference arising between the cost price and reported equity in the acquired group is recognized directly against equity. This meant that at the end of the financial year 2008, the Group recognized negative equity, which has not yet been restored through the Group's own earnings ability.

The Group's Operations

PMC Group is a leading corporate grouping in the Nordic region in hydraulic solutions for industry. The Group's operations focus on products and services and cover everything from components and systems, to after market servicing in hydraulics, electromechanics, pneumatics and lubrication.

The company sells products developed itself and conducts agency operations for branded products and servicing. The company's broad competence and extensive product range enable the production and sale of optimal system designs. The Group's business is conducted through several operational companies active in the Nordic region, Baltic states, Russia, China and the US.

The companies are all active locally, with technical specialist competence, strong product ranges and closeness to customers.

Customers are both manufacturing industrial customers and end-users across many different areas. Mobile applications like forklift trucks and forestry machinery, industrial plant in the forestry industry, steelworks and mines, offshore and vessel installations, electricity generation from water and wind power and the engineering, food, transportation and defense industries are all important customer groups.

PMC's components and system designs also help the Group's customers to automate their processes in environments that require high-precision motion and high reliability. Efficient after-market resources ensure the intended functionality, accessibility and efficiency. Components are produced in eight proprietary plants or are purchased from leading component suppliers worldwide.

Apart from the domestic market, a number of the Group's companies have secured European market positions in components and systems across a range of applications. This applies to segments including equipment for mobile machinery, energy production, offshore, press technology, door systems and test equipment for the engineering industry. PMC Group has a world-leading position in the pitch control of wind turbine blades.

Demand for the Group's products for different application areas progressed completely differently in the year. A substantial demand increase occurred in applications for the Industrial and Mobile Systems customer areas. The financial downturn had its first impact in the Offshore & Marine customer area in 2010, where the lead-time from order to delivery is much longer, with a significant decrease in demand as a consequence. The year brought an unexpected downturn in sales for the Group's customers in the energy segment, mainly on the wind power side. For geographical markets, this means a significant increase in Sweden and Finland, while sales fell on other markets.

Significant Events

The company incorporated in the US in 2009 made its first deliveries in the second quarter of 2010. The assembly of hydraulic systems in the US has been fully operational since the mid-point of the year.

The Group is maintaining its strategic focus on following customers in their globalization. As part of this, in late-2010, a company was established in Qatar. This company focuses on servicing assignments, mainly for marine customers. This company is 49% owned by PMC Hydropower A/S, with the remainder held by a domestic partner. This company started operations in early-2011.

During the year, PMC Group AB conducted a new share issue of SEK 75 m. The financing agreement renegotiated in 2009 was signed in 2010.

Results of Operations and Financial Position

Invoicing in the Group was SEK 2,818 (3,126) m. The decrease in sales was caused by reduced demand in the Danish and Norwegian companies, whose largest customers experienced a declining market in the year. Profit/loss before tax was SEK 35 (18) m. The tax expense for the year was SEK 37 (50) m. The high percentage tax expense for the year is mainly due to the Group not having capitalized some loss carry-forwards relating to the Swedish parts of operations, which relates to the Group's financing. As of 31 December, total assets were SEK 1,858 (2,027) m. The consolidated equity/assets ratio was negative, please refer to 'Group Structure and Formation' above. Equity/assets ratio is defined as equity including non-controlling interest as a percentage of total assets. Consolidated equity reduced by SEK -15 (-33) m in 2010.

Risks and Uncertainty Factors

PMC Group has operations in ten countries, as well as substantial export activities. Operations are conducted through several operational subsidiaries. Business risks are limited through this diversification and in a large customer base in different sectors combined with a large number of suppliers. In its operations, PMC is exposed to financial risks of differing character: financing and liquidity risk, interest risk, currency risk, price risk and customer and counterparty risk (credit risk). The Group's financing activities are concentrated at one site, partly to achieve economies of scale and partly to minimize processing risks. All significant external financial transactions are conducted from this site, and the subsidiary Dacke PMC AB functions as the treasury for the Group's transactions on the currency and bond markets.

PMC Group AB's Board of Directors adopts a finance policy yearly, which sets the framework for managing financial risks and financial activities. The policy also formalizes the limits applying to counterparties. For more details on managing the different financial risks, see Note 3.

Research and Development

The Group does not conduct traditional research and development in the literal sense, but development work is completely focused on modifications according to customer needs.

Human Resources

At the end of the financial year, the Group had 1,363 (1,377) employees. The average number of employees was 1,318 (1,404).

Future Prospects

The Group expects increased invoicing in 2011.

The Group experienced increased order intake and activity in all customer areas during the second half-year 2010, with the exception of the Offshore & Marine customer area. Our view is that the Group can cope with increased volumes cost-efficiently, which will result in improved profits.

Post Balance Sheet Events

On 3 February 2011, Dacke PMC AB reached an agreement to purchase 100% of Indian company Winstar Hydraulics Private Limited (Winstar). This take-over is scheduled for the second quarter of 2011. This acquisition is an important component of the Group's strategy of following in our customers footsteps around the world, which it judges to be a necessity for the development of PMC-KAC.

Ownership Structure

PMC Group AB corp. ID no. 556709-7539, with registered office in Helsingborg, Sweden is 89.3% owned by UK private equity fund Segulah III, L.P. Other shareholders include the President, other senior managers and Board members.

Environment

The Group has seven companies that are certified according to the ISO 14001 environmental management system. The Group has 14 operations in Sweden subject to permits in accordance with the Swedish Environmental Code. These relate to machining sites (7), pickling gel (2) and solvents (5). The company affects the external environment through airborne emissions and noise.

Parent Company

The main purpose of the parent company is to provide Group-wide support functions to its subsidiaries.

Consolidated Income Statement

CONSOLIDATED INCOME STATEMENT			
SEK 000	Note	2010	2009
Net sales	5	2,818,071	3,126,100
Cost of goods sold	6, 7, 8	-2,195,867	-2,406,483
Gross profit/loss		622,204	719,617
Selling expenses	6, 7, 8	-338,655	-379,894
Administrative expenses	6, 7, 8, 9	-159,636	-185,877
Research and development costs	6, 7, 8	-3,806	-6,119
Other operating income	10	10,680	15,187
Other operating expenses	11	-5,362	-7,393
Operating profit/loss	12, 17	125,425	155,521
Financial income	13	2,453	3,949
Financial expenses	13	-147,307	-150,393
Value change, derivative instruments		54,117	9,356
Profit/loss before tax		34,688	18,433
Tax on profit/loss for the year	14	-36,675	-50,440
Net profit/loss for the year		-1,987	-32,007
<i>Profit/loss attributable to:</i>			
Equity holders of the parent		-3,548	-34,059
Non-controlling interest		1,561	2,052

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
SEK 000	Note	2010	2009
Net profit/loss for the year		-1,987	-32,007
Other comprehensive income			
Translation differences for the year on foreign operation		-86,770	-1,166
Total other comprehensive income		-86,770	-1,166
Total comprehensive income for the year		-88,757	-33,173
<i>Attributable to:</i>			
Equity holders of the parent		-89,719	-35,556
Non-controlling interest		962	2,383

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET			
SEK 000	Note	2010	2009
Assets			
Non-current assets			
Intangible assets	15		
Capitalized expenditure for software		15,206	19,438
Other intangible assets		383	632
Goodwill		516,365	558,411
Total intangible assets		531,954	578,481
Property, plant and equipment	16		
Buildings and land		97,648	108,783
Machinery and other technical plant		84,211	96,660
Equipment, tools, fixtures and fittings		24,087	31,667
Construction in progress and advance payments for property, plant and equipment		2,438	8,403
Total property, plant and equipment		208,384	245,513
Financial non-current assets			
Participations in associated companies	18	1,715	0
Financial assets held for sale	19	214	245
Deferred tax asset	21	17,861	25,916
Other long-term receivables	22	22,165	27,706
Total financial non-current assets		41,955	53,867
Total non-current assets		782,293	877,861
Current assets			
Inventories, etc.	23		
Raw materials and consumables		52,949	50,751
Products in progress		37,843	51,211
Finished goods and goods for resale		324,378	357,030
Work in progress		26,031	27,455
Total inventories, etc.		441,201	486,447
Current receivables			
Accounts receivable—trade	20	446,221	418,897
Other receivables		6,293	9,028
Prepaid expenses and accrued income	25	17,074	23,007
Current tax receivables		17,451	5,508
Total current receivables		487,039	456,440
Cash and cash equivalents	26	147,185	206,614
Total current assets		1,075,425	1,149,501
Total assets		1,857,718	2,027,362

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET			
SEK 000	Note	2010	2009
Equity and liabilities			
Equity			
Share capital		179	100
Other paid-in capital		77,737	2,872
Reserves		-14,277	71,894
Net profit/loss brought forward		-511,739	-508,191
Total equity attributable to equity holders of the parent		-448,100	-433,325
Non-controlling interest		6,557	6,286
Total equity		-441,543	-427,039
Liabilities			
Non-current liabilities			
Borrowings	30, 31	1,609,620	1,717,127
Derivative instruments	27	20,837	74,954
Pension obligations	28	17,084	8,396
Other provisions	29	25,209	22,390
Deferred tax liability	21	2,716	0
Total non-current liabilities		1,675,466	1,822,867
Current liabilities			
Borrowings	30, 31	85,460	54,917
Advance payments from customers		8,856	18,184
Accounts payable—trade		304,457	274,214
Current tax liabilities		20,663	30,093
Other liabilities		58,996	73,802
Short-term provisions		3,948	7,901
Accrued expenses and deferred income	25	141,415	172,423
Total current liabilities		623,795	631,534
Total equity and liabilities		1,857,718	2,027,362

Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY							
	Attributable to Equity Holders of the Parent					Non-controlling Interest	Total Equity
	Share Capital	Other Paid in Capital	Reserves	Profit/Loss Brought Forward	Total		
Opening balance, 2009	100	2,872	73,391	-474,132	-397,769	3,903	-393,866
Exchange rate differences	0	0	-1,497	0	-1,497	331	-1,166
Total other comprehensive income	0	0	-1,497	0	-1,497	331	-1,166
Net profit/loss for the period	0	0	0	-34,059	-34,059	2,052	-32,007
Total comprehensive income	0	0	0	-34,059	-34,059	2,052	-32,007
Total transactions with equity holders	0	0	0	0	0	0	0
Closing balance, 2009	100	2,872	71,894	-508,191	-433,325	6,286	-427,039
Opening balance, 2010	100	2,872	71,894	-508,191	-433,325	6,286	-427,039
Exchange rate differences	0	0	-86,171	0	-86,171	-599	-86,770
Total other comprehensive income	0	0	-86,171	0	-86,171	-599	-86,770
Net profit/loss for the period	0	0	0	-3,548	-3,548	1,561	-1,987
Total comprehensive income	0	0	0	-3,548	-3,548	1,561	-1,987
Transactions with equity holders							
Dividend	0	0	0	0	0	-691	-691
New share issue	79	74,927	0	0	75,006	0	75,006
Expenses relating to new share issue	0	-62	0	0	-62	0	-62
Total transactions with equity holders	79	74,865	0	0	74,944	-691	74,253
Closing balance, 2010	179	77,737	-14,277	-511,739	-448,100	6,557	-441,543

Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS			
SEK 000	Note	2010	2009
Cash flow from operations			
Net profit/loss for the year		-1,987	-32,007
<i>Adjustment for non-cash items:</i>			
Tax on profit/loss for the year		36,675	50,440
Depreciation of property, plant and equipment		39,633	42,549
Amortization of intangible assets		7,099	6,272
Value change, derivative instruments		-54,117	-9,356
Capital gain/loss property, plant and equipment		263	-249
Interest income		-2,405	-2,813
Dividend income		-48	-42
Interest expenses		141,264	126,412
Net change in other provisions		13,118	3,374
Cash flow before working capital changes		179,495	184,580
Working capital changes			
Increase (-)/decrease (+) in inventories		8,437	138,069
Increase (-)/decrease (+) in trade receivables		-53,240	165,351
Increase (+)/decrease (-) in trade liabilities		8,997	-187,617
Working capital changes		-35,806	115,803
Cash flow from operations		143,689	300,383
Interest paid		-133,210	-120,957
Interest received		2,453	2,858
Income tax paid in the year		-48,201	-44,717
Cash flow from operating activities		-35,269	137,567
Investing activities			
Investments in intangible assets		-3,819	-11,766
Investments in property, plant and equipment		-12,327	-30,596
Sales of property, plant and equipment		743	765
Investments in associated companies		-1,715	0
Cash flow from investing activities		-17,118	-41,597
Financing activities			
Repayment of interest-bearing loans		-54,640	-73,164
Raising interest-bearing loans		0	1,332
New share issue including overheads		74,944	0
Dividend to non-controlling interest		-691	0
Cash flow from financing activities		19,613	-71,832
Cash flow for the year			
Cash and cash equivalents at beginning of year		206,614	179,503
Exchange rate difference in cash and cash equivalents		-26,655	2,973
Change in cash and cash equivalents		-32,774	24,138
Cash and cash equivalents at end of year	26	147,185	206,614

Parent Company Income Statement

PARENT COMPANY INCOME STATEMENT			
SEK 000	Note	2010	2009
Net sales	5	4,941	4,421
Gross profit/loss		4,941	4,421
Administrative expenses	6, 7, 9, 17	-9,392	-10,793
Other operating income	10	0	11
Other operating expenses	11	-2	-118
Operating profit/loss		-4,453	-6,479
Financial income	13	134,511	152,954
Financial expenses	13	-113,028	-118,571
Profit/loss before tax		17,030	27,904
Tax on profit/loss for the year	14	0	-12,150
Net profit/loss for the year		17,030	15,754

Parent Company Balance Sheet

PARENT COMPANY BALANCE SHEET			
SEK 000	Note	2010	2009
Assets			
Non-current assets			
Financial non-current assets			
Participations in Group companies	24	1,026,750	1,026,750
Receivables from Group companies		75,000	0
Other long-term receivables	22	10,965	14,309
Total financial non-current assets		1,112,715	1,041,059
Total non-current assets		1,112,715	1,041,059
Current assets			
Current receivables			
Receivables from Group companies		60,581	55,262
Other receivables		0	157
Prepaid expenses and accrued income	25	763	139
Total current receivables		61,344	55,558
Cash and bank balances	26	1	0
Total current assets		61,345	55,558
Total assets		1,174,060	1,096,617

EQUITY AND LIABILITIES			
SEK 000	Note	2010	2009
Equity			
Restricted equity			
Share capital		179	100
Non-restricted equity			
Share premium reserve		77,737	2,872
Accumulated profit or loss		82,082	66,328
Net profit/loss for the year		17,030	15,754
Total equity		177,028	85,054
Liabilities			
Non-current liabilities			
Borrowings	30, 31	992,929	989,750
Total non-current liabilities		992,929	989,750
Current liabilities			
Accounts payable–trade		164	721
Liabilities to Group companies		0	2
Current tax liabilities		7	0
Other liabilities		779	247
Accrued expenses and deferred income	25	3,153	20,843
Total current liabilities		4,103	21,813
Total equity and liabilities		1,174,060	1,096,617
Pledged assets	31	1,026,750	1,026,750
Contingent liabilities		none	none

Parent Company Statement of Changes in Equity

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY				
	Restricted Equity		Non-restricted Equity	
	Share Capital	Share Premium Reserve	Accumulated Profit or Loss	Net Profit/loss for the Year
Opening balance, 2009	100	2,872	98,790	-32,462
Transfer of previous year's profit/loss	0	0	-32,462	32,462
Net profit/loss for the year	0	0	0	15,754
Closing balance, 2009	100	2,872	66,328	15,754
Opening balance, 2010	100	2,872	66,328	15,754
New share issue	79	74,927	0	0
Expenses relating to new share issue	0	-62	0	0
Transfer of previous year's profit/loss	0	0	15,754	-15,754
Net profit/loss for the year	0	0	0	17,030
Closing balance, 2010	179	77,737	82,082	17,030

Share capital comprises 1,787,582 shares with a quotient value of SEK 0.10.

Parent Company Statement of Cash Flows

PARENT COMPANY STATEMENT OF CASH FLOWS			
SEK 000	Note	2010	2009
Cash flow from operating activities			
Net profit/loss for the year		17,030	15,754
<i>Adjustment for non-cash items:</i>			
Tax on profit/loss for the year		0	12,150
Interest income		-1,580	0
Group contributions		-132,931	-152,954
Interest expenses		107,499	94,097
Dissolution of capitalized costs		1,193	1,197
Cash flow before working capital changes		-8,789	-29,756
Working capital changes			
Increase (-)/decrease (+) in trade receivables		-5,786	-337
Increase (+)/decrease (-) in trade liabilities		-17,415	-31,406
Working capital changes		-23,201	-31,743
Cash flow from operating activities		-31,990	-61,499
Interest paid		-102,471	-91,455
Tax paid		7	0
Cash flow from operating activities		-134,454	-152,954
Investing activities			
Payment of loan		-75,000	0
Interest received		1,580	0
Cash flow from investing activities		-73,420	0
Financing activities			
New share issue including overheads		74,944	0
Group contribution		132,931	152,954
Cash flow from financing activities		207,875	152,954
Cash flow for the year			
Cash and cash equivalents at beginning of year		0	0
Change in cash and cash equivalents		1	0
Cash and cash equivalents at end of year	26	1	0

Note 1 GENERAL INFORMATION

The company is a limited company with its registered office in the Municipality of Helsingborg, Sweden. The company's mail address is Drottninggatan 7, SE-252 21 Helsingborg, Sweden. The corporate identity number is 556709-7539.

The Board of Directors approved these Consolidated Accounts for publication on 15 April 2011.

Note 2 SUMMARY OF CRITICAL ACCOUNTING POLICIES

The critical accounting policies applied in the preparation of these Consolidated Accounts are stated below.

Basis of Preparation of the Financial Statements

PMC Group's Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission for application in the EU. RFR's (Rådet för finansiell rapportering, the Swedish Financial Reporting Board) statement RFR 1, Supplementary Accounting Rules for Groups and the Swedish Annual Accounts Act, have been applied.

The Consolidated Accounts have been prepared in accordance with the cost method, apart from certain financial assets and liabilities including derivative instruments, which have been measured at fair value.

Parent company PMC Group's Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and by applying RFR's recommendation RFR 2, Accounting for Legal Entities. The parent company applies the same accounting policies as the Group apart from what is stated under 'Parent Company' below.

Preparing financial statements requires management and the Board of Directors to make judgments and assumptions that affect recognized income and expense items and asset and liability items, and other disclosures. Actual outcomes may differ from these judgments. Those areas that involve a high degree of judgment where estimates and assumptions are of material significance to the Consolidated Accounts are dealt with under "Critical Accounting Estimates and Judgments", see Note 4.

After analysis and comparison with comparable groups, PMC Group concluded that used expense allocation does not harmonize with how other groups report their accounts. Accordingly, PMC Group has chosen to change its method of classifying expenses in the income statement classified by function. Therefore, a correction of comparative periods has been conducted in the Consolidated Income Statement. The effects of this amendment are that the cost of goods sold increased by SEK 63,180,000, selling expenses increased by SEK 82,000 and administrative expenses reduced by SEK 63,262,000. This correction did not affect the recognized operating profit/loss.

Introduction of New and Revised IAS/IFRS

The following new and amended standards became mandatory for the first time for financial years that started 1 January 2010.

IFRS 3 (revised), "Business Combinations," and the resulting amendments of IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates," and IAS 31 "Interests in Joint Ventures," should be applied prospectively for business combinations where the acquisition date is in the first financial year starting 1 July 2009 or later.

This revised standard continues to prescribe the application of acquisition accounting for business combinations but with some significant amendments. For example, all payments for purchasing an operation are recognized at fair value on the acquisition date, including conditional purchase prices classified as liabilities, which are then re-stated via the statement of comprehensive income. There is freedom of choice over the recognition of non-controlling interests in the acquired operation either at fair value or at the proportional share of the acquired operation's net assets. All acquisition-related costs are expensed.

In accordance with the revised IFRS 3, the Group expensed costs relating to future acquisitions at a value of SEK 444,000 in 2010.

Standards, amendments and interpretation statements regarding existing standards that have not yet come into effect and have not been applied prospectively by the Group

IFRS 9, "Financial Instruments" (published in November 2009). This standard is the first phase of the process of replacing IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 introduces two new requirements for the recognition and measurement of financial assets, and will probably affect the Group's recognition of financial assets. For financial liabilities, essentially, parts of the IAS 39 are being transferred, except for the fair value option. This standard is not applicable before financial years starting 1 January 2013 but is available for prospective adoption. However, this standard has not been endorsed by the EU yet.

The Group has yet to evaluate the full effect of IFRS 9 on the financial statements. However, the initial indications are that it will not have any material effect on consolidated profit or loss.

IAS 24, "Related Party Disclosures," issued in November 2009. This replaces IAS 24, "Related Party Disclosures," issued in 2003. IAS 24 (revised) should be applied for financial years starting 1 January 2011 or later. Prospective adoption is permitted for all or certain parts of this standard. The standard has been endorsed by the EU.

This revised standard clarifies and simplifies the definition of a related party and removes the requirement for government corporations to disclose details of all transactions with government and other government-affiliated corporations. The Group will be applying the revised standard from 1 January 2011. The initial indication is that it will not have any material effect.

IAS 1, "Presentation of Financial Statements" clarifies that a company should present an analysis of each item in other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the annual accounts. To be applied retroactively from 1 January 2011. This standard has been endorsed by the EU. The initial indication is that it will not have any material effect.

IAS 27, "Consolidated and Separate Financial Statements" clarifies that the amendments of IAS 21, "Changes in Foreign Exchange Rates," IAS 28, "Investments in Associates," and IAS 31, "Participations in Joint Ventures" as a consequence of the amendments to IAS 27, should be applied for financial years starting on 1 July 2010 or later. Some stipulations are applied prospectively, and some, retroactively. Applies to financial years starting 1 July 2010 or later. The standard has been endorsed by the EU. The initial indication is that it will not have any material effect.

Other standards, amendments and interpretations that have not yet come into effect are not expected to have any material effect on the consolidated financial statements.

Consolidated Accounts

Subsidiaries

The Consolidated Accounts include subsidiaries where the parent company holds more than 50% of the votes directly or indirectly, or a controlling influence in some other way.

The Consolidated Accounts have been prepared according to the purchase method. The purchase method means the fair value of acquired identifiable assets and liabilities taken over and contingent liabilities regardless of the scope of potential non-controlling interests is determined at the acquisition date.

The surplus consisting of the difference between the cost and the fair value of the Group's share of identifiable acquired net assets and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired net assets and contingent liabilities, the difference is recognized directly in the Income Statement. Companies acquired in the year are included in the Consolidated Accounts from the day the Group gains control through a controlling influence over the company and at an amount relating to the period after the acquisition.

Divested subsidiaries are included in the consolidated financial statements up to and including the day the Group's control over the company ceases.

Intragroup transactions and balance sheet items and unrealized gains on transactions between Group companies are entirely eliminated.

In accordance with the revised IFRS 3, the Group expensed costs relating to future acquisitions at a value of SEK 444,000. These expenses have been recognized as administrative expenses.

Associated Companies

Associated companies are all companies where the Group has a significant but non-controlling interest, which as a rule, applies for shareholdings carrying between 20 and 50% of the votes.

Holdings in associated companies are recognized according to the equity method and initially measured at cost.

The Group's share of profit or loss arising in the associated company after the acquisition is recognized in the Income Statement and its share of changes in other comprehensive income. Accumulated changes after the acquisition are recognized as changes in the carrying amount of the holding. When the Group's participation in an associated company's losses amount to, or exceed, its holding in the associated company, including potential unsecured receivables, the Group does not recognize additional losses, unless the Group has assumed obligations or made payments on the associated company's behalf.

Non-controlling Interests

Non-controlling interests are that part of profit or loss and of net assets in non-wholly owned subsidiaries that are due to owners other than equity holders of the parent. Non-controlling interests' share of profit or loss is recognized in reported profit or loss in the Consolidated Income Statement and the share of net assets is included in equity in the Consolidated Balance Sheet.

The Group treats transactions with non-controlling interests as transactions with the Group's equity holders. In purchases from non-controlling interests, the difference between the purchase price paid and the actual purchased share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on disposals to non-controlling interests are also recognized in equity.

Cash Flow

Statements of cash flow are prepared according to the indirect method.

Translation of Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of the various units of the Group are measured in the currency used in the country where the relevant company is operational (functional currency). The parent company's functional currency is the Swedish krona (SEK), which is also the presentation currency of the parent company and the Group.

Group Companies

The results of operations and financial position of all Group companies that have a functional currency that is different from the presentation currency are translated to the Group's presentation currency as follows:

- Assets and liabilities for each of the subsidiaries' balance sheets are translated at the closing day rate
- Income and expenses for each of the income statements are translated at average rates of exchange and
- All exchange rate differences that arise are recognized as a separate component of equity.

Goodwill and restatements of fair value arising on acquisition of a foreign operation are treated as assets and liabilities of this operation and translated at closing day rates.

Transactions and Balance Sheet Items

Transactions in foreign currency are translated to the functional currency at the rates of exchange ruling on the transaction date. Exchange rate gains and losses arising on payments for such transactions and upon translation of monetary assets and liabilities in foreign currency at the closing day rate are recognized in the Income Statement.

Exchange rate differences arising on payment of trade assets/liabilities are recognized as other income/expense, while exchange rate differences arising on payment of financial asset/liabilities are recognized as financial income/expense.

Property, Plant and Equipment

Property, plant and equipment are recognized at cost less deductions for accumulated depreciation and potential impairment losses. The cost includes expenditure that can be directly attributable to acquisition of the asset. Additional expenditure increases the carrying amount of the asset if it is likely that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Expenditure for repairs and maintenance are recognized as expenses. In the Income Statement, operating profit/loss is charged with depreciation, measured on the depreciable amount of assets and based on assets' estimated useful lives. In cases where an asset's reported value is greater than its estimated recoverable amount, the asset is impaired to its recoverable amount.

Property, plant and equipment is depreciated on a straight-line bases over its estimated useful life. Land is not depreciated. Depreciation of other assets, to allocate their cost or restated amount down to the estimated residual value over the estimated useful life, is on a straight-line basis as follows:

- Buildings 25–33 years
- Land improvements 5–20 years
- Machinery 3–10 years
- Equipment 3–10 years

The residual values and useful lives of assets are tested on indications of impairment and restated where necessary.

Gains or losses on disposal are measured by a comparison between sales revenue and carrying amount and recognized in other income/expenses in the Income Statement.

Intangible Assets

Goodwill

Goodwill is the amount the cost of shares in an acquired subsidiary exceeds the fair value of the company's net assets and contingent liabilities at the acquisition date. Goodwill has an indeterminate useful life, and accordingly, is not amortized but instead subject to impairment tests at least yearly or upon evidence of impairment. Goodwill is allocated to cash flow-generating units, which basically corresponds to corporate entities, for impairment tests. For a review of the methods and assumptions for impairment tests, see Note 15.

Other Intangible Assets/Software

Other intangible assets and capitalized expenditure for software are amortized on the basis of the estimated useful life of the asset. The capitalized expenditure for software is for non-time finite external expenses arising coincident with the change of software. Only software judged to have a significant value for the company in the future, and when estimated useful life exceeds three years is capitalized. Capitalized expenditure for software is amortized on a straight-line basis over four years and other intangible assets over 5–10 years.

Inventories

Inventories are measured using the first in first out principle at the lower of cost or net realizable value on the reporting date. Finished and semi-finished goods and work in progress are measured at production expenses including raw materials, direct salaries, other direct expenses and attributable indirect production expenses. Measurements consider normal capacity utilization. Interest expenses are not included in the measurement of inventories. Deductions are made for internal gains on delivery between companies included in the Group.

Financial Instruments

The Group's main financial instruments are accounts receivable—trade, cash and cash equivalents, accounts payable—trade and borrowings.

A financial asset or financial liability is recognized in the Balance Sheet when the Group becomes party to the instrument's contracted terms. Liabilities are recognized when the counterparty has delivered and there is a contracted obligation to pay, even if no invoice has been received. A financial asset is derecognized from the Balance Sheet when the contracted rights are realized, become due or the company loses control over them. A financial liability is derecognized from the Balance Sheet when the contracted obligation is satisfied or concluded in some other way.

Initially, financial instruments are recognized at cost corresponding to the fair value of the instrument with a supplement for transaction expenses, for all financial instruments apart from those in the category of financial assets recognized at fair value in the Income Statement, which are recognized at fair value excluding transaction expenses. On initial recognition, the financial instruments are classified on the basis of the purpose of acquisition of the instrument, which affects the subsequent reporting.

Accounts Receivable—Trade, Other Loan Receivables and Other Receivables

Receivables that are not derivatives, with payments that can be determined and that are not quoted on an active marketplace are recognized at amortized cost according to the effective interest method. Loss risk is judged on a case-by-case basis and impairment is recognized in the Income Statement.

Cash and Cash Equivalents

Cash and cash equivalents include cash funds and funds available within three months at banks and corresponding institutions. Cash and bank balances are recognized at nominal value.

Accounts Payable – Trade and Other Trade Liabilities

Liabilities are recognized at amortized cost, measured on the basis of the effective interest calculated at the time of acquisition.

Borrowings

Borrowings are recognized on an ongoing basis at amortized cost, which means that their value is restated through potential discounts or premiums relating to arranging the loan being reported and expenses relating to borrowings are allocated over the expected term of the loan. Allocation is measured on the basis of the loan's initial effective interest. Gains and losses arising when the loan is redeemed are recognized in the Income Statement.

Impairment of Financial Assets

The Group evaluates whether there is any objective evidence of impairment of a financial asset or group of financial assets at the end of each reporting period. A financial asset or group of financial assets are impaired only if there is objective evidence of impairment due to one or several events occurring after the asset was recognized for the first time (a "loss event") and this event (or events) only affects the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The impairment is calculated as the difference between the reported value of the asset and the present value of estimated future cash flows (excluding future credit losses that have not occurred), discounted at the original effective interest of the financial asset. The asset's reported carrying amount is impaired and the impairment loss is recognized in the Consolidated Income Statement. As a practical expedient, the Group can determine the impairment on the basis of the fair value of the instrument with the aid of an observed market price.

Derivative Instruments and Hedge Accounting

Derivative instruments are recognized when agreements are entered.

The Group uses derivative instruments to cover the risks of exchange rate fluctuations and to hedge its exposure to interest risks. There are no outstanding derivative instruments related to exchange rates in the financial statements.

Amounts to be paid or received through interest derivatives are recognized continuously as interest income or interest expense. Changes in the fair value of hedging instruments are recognized in other comprehensive income until their hedged item reaches the Income Statement. Potential ineffective portions are recognized immediately in the Income Statement. If borrowings and the associated future interest payments no longer apply, the accumulated gain or loss recognized in equity is immediately transferred to the Income Statement.

When the transaction is entered, the relationship between the

hedging instrument and the hedged item is documented, as is the objective of risk management and the strategy for taking various hedging measures. The Group also documents its judgment, both at the start of the hedge and continuously, of whether the derivative instruments used in the hedging transaction are effective in terms of countering changes in fair value or cash flow for hedged items.

Hedges are structured so they can be expected to be effective. Changes in fair value for such derivative instruments that do not satisfy the conditions of hedge accounting are recognized immediately in the Income Statement.

The Group has entered interest swap contracts which mean that interest is fixed. However, the instruments contain an option element for the issuer to cancel them, and therefore, they are not considered to satisfy the requirements for hedge accounting, but instead, changes have been recognized in the Income Statement. Derivative instruments are reported at fair value on the reporting date. Derivative instruments are not traded actively on a quoted marketplace, but valuation has been conducted by a third party. This valuation is on the basis of relevant parameters in the agreement and available market information (tier 2).

Financial Assets Held for Sale

Financial assets held for sale are non-derivative assets and where the assets are identified as saleable or not classified into any other category. They are included in non-current assets if management does not intend to divest the asset within 12 months of the reporting date. The Group only has insignificant holdings, which are measured at cost. This valuation method has been chosen because there is no available reliable information to measure them at market value. Because these are only insignificant holdings of lesser value, their carrying amount is not considered to differ significantly from fair value.

Equity

Shareholders' contributions are recognized in profit/loss brought forward.

PMC Group AB's acquisition of all the shares of Dacke PMC Holding AB in 2007 was a part of restructuring and refinancing the operations of Dacke PMC Holding AB. Because ownership of PMC Group AB was the same as in the acquired group, the stipulations of IFRS 3 were applied, that there should be no restatement of fair values at the acquisition date in the Consolidated Accounts, but the difference arising between the acquisition price and reported equity in the acquired group is recognized directly against equity. This resulted in a reduction of consolidated equity of SEK 661 m.

Earnings per Share

The Group is unlisted, and accordingly, does not apply IAS 33.

Tax

In the Income Statement, tax includes current tax and deferred tax. Tax is recognized in the Income Statement apart from where underlying transactions are recognized in other comprehensive income or direct to equity, whereupon associated tax is also

recognized in other comprehensive income or equity. Current tax is tax to be paid or received for the current year. Deferred tax is measured according to the balance sheet method on all temporary differences arising between taxable values and carrying amounts in the Consolidated Accounts. Deferred tax is measured by applying the tax rates and tax legislation enacted or substantively enacted as of the reporting date.

In business combinations, temporary differences arise on the difference between the consolidated value of assets and liabilities and their taxable values. Temporary differences are not considered in goodwill on consolidation or in the difference attributable to participations in subsidiaries because the Group can control the time of their reversal, and it is likely that they will not be reversed in the foreseeable future. Deferred tax assets relating to deductible temporary differences and unutilized loss carry forwards are recognized to the extent it is judged likely that they will result in lower tax payments in the future.

Segment Reporting

The Group's operations are governed and reported according to the geographical location of subsidiaries. Segment reporting is consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and judging the results of operating segments. In the Group, this function has been identified as the President. Reporting is submitted to the Board of Directors and Group management. Segments are consolidated according to the same principles as the Group as a whole. Intra-group sales are on an arm's length basis.

The Group's operating segments consist of assets and operations according to geographical domicile. Segment reporting includes profit/loss up to operating profit/loss. Assets and liabilities are not recognized by segment because they are not part of internal reporting to senior management. Operating segments are charged with Group-wide expenses in relation to utilization.

Employee Benefits

Pension Obligations

The Group has both defined contribution and defined benefit pension plans. A defined benefit pension plan is a plan that states an amount of the pension benefits an employee receives after retirement. A defined contribution pension plan is a plan where the Group pays fixed charges to a separate legal entity, usually an insurance company. Pension plans are vested through deposits from the relevant Group companies and the employees.

The liability recognized in the Income Statement for defined benefit pension plans is the present value of the defined benefit obligation on the reporting date less the fair value of plan assets and adjusted for unrecognized actuarial gains and losses for service in previous periods.

Defined benefit pension obligations are measured yearly by independent actuaries by applying the projected unit credit method. The present value of the defined benefit obligation is measured by discounting the estimated future cash flow by using the yield on investment-grade corporate bonds issued in the

same currency as the benefits will be paid with maturities comparable with the relevant pension liability's. In those countries where investment-grade corporate bonds with long maturities are not issued (such as Sweden) government bond yields should be used. When accumulated actuarial gains and losses exceed a corridor corresponding to 10% of the pension obligations', the excess amount above the employees' average remaining length of service is expensed. Calculations are separate for each plan.

A portion of the ITP (Supplementary Pensions for Salaried Employees) plan in Sweden is financed through insurance premiums to Alecta. This is a defined benefit, multi-employer plan. Because the Group does not have access to information enabling this plan to be recognized as defined benefit, accordingly, it is recognized as a defined contribution plan.

The Group's payments for defined contribution pension plans are recognized as an expense in the period the employee renders the services the expenses relate to. The expenses are allocated to the functions the services relate to.

Remuneration on Notice of Termination

Remuneration on notice of termination is payable when employees are made redundant before the normal pensionable age or an employee accepts voluntary redundancy in exchange for such remuneration. The Group reports severance pay when it is demonstrably obliged to issue employees with redundancy notices according to an irrevocable formal plan, or to pay remuneration upon termination as a result of an offering made to encourage voluntary redundancy.

Profit-share and Bonus Plans

The parent company and most subsidiaries have bonus or profit-share systems based on profit performance in the relevant entity. Provisions relating to the economic substance of the various contracts are expensed on an ongoing basis.

Borrowing Costs

Borrowing costs are charged to profit/loss in the period to which they relate, apart from where they are directly attributable to the purchase, design or production of an asset that takes significant time to complete. In these cases, borrowing costs are capitalized as a portion of cost.

Provisions

Provisions are recognized in the Balance Sheet when the Group has a legal or informal obligation that is the result of an event that has occurred and it is likely that an outflow of resources will be necessary to satisfy the commitment and the amount can be measured reliably. Future obligations for guarantee commitments are based on expenditure for similar expenses during the financial year or estimated expenses for the best estimate of what will need to be paid.

Lease Arrangements

Lease contracts regarding non-current assets were the Group essentially bears the same risks and enjoys the same benefits as

through direct ownership are classified as finance leases. Finance leases are recognized at the beginning of the lease term at the lower of the leased item's fair value and the present value of minimum lease charges. Finance lease arrangements are recognized in the Balance Sheet as fixed assets and financial liabilities respectively. Future lease payments are allocated between amortization of the liability and financial expenses so that each accounting period is charged with an interest amount corresponding to a fixed interest rate for the recognized liability during the relevant period. Leased assets are depreciated according to the same principles applied to other assets of the same class. The Income Statement allocates the expenses for lease arrangements between depreciation and interest.

Leased assets where the lessor essentially retains the risks and rewards are classified as operating leases. Operating lease arrangements are expensed on a straight-line basis over the lease term.

Revenue Recognition

Consolidated revenue is the fair value of goods and services sold excluding value added tax and discounts on the sale of goods. Intragroup sales are eliminated in the Consolidated Accounts.

Sale of Goods

Revenue from the sale of goods is recognized in the period the product is delivered and accepted by the customer. Thereby, all significant risks and rewards associated with ownership are transferred to the buyer.

Sale of Services

Revenue from services rendered, such as installation or repair and maintenance of products is recognized when services are rendered.

Contracting Assignments

Revenue recognition is according to the percentage of completion method. Revenues are based on the degree of completion, measured on the basis of expenses incurred in relation to the estimated total expenses. Non-performing credits are expensed immediately.

Interest

Interest income is recognized, allocated over the term. Interest is recognized in accordance with the effective interest method.

Dividends

The revenue from dividends received is recognized when the right to receive payment is determined.

Impairment of Non-financial Assets

Assets with indefinite useful lives are not depreciated or amortized but instead subject to yearly impairment tests. Assets depreciated or amortized are judged in terms of the value impairment when there are events or changed circumstances indicating that carrying amounts may not be recoverable. Impairment is

conducted at an amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the fair value of the asset less selling expenses and value in use. When judging impairment, assets are grouped at the lowest level where there are separate identifiable cash flows (cash-generating units).

Parent Company

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. RFR 2 means that in the Annual Accounts of the legal entity, the parent company will apply all the IFRS and statements endorsed by the EU as far as this is possible within the auspices of the Swedish Annual Accounts Act and considering the relationship between accounting and taxation. The recommendation states the exemptions and supplements to be made from and to IFRS. In the parent company, participations in Group companies are recognized according to the cost method. Dividends and Group contributions received are recognized as revenues. Untaxed reserves are recognized in the parent company including deferred tax liability, and not as in the Group, divided between deferred tax liability and equity. In the parent company, lease arrangements are recognized as operating leases.

Note 3 FINANCIAL RISK MANAGEMENT

Financial Risk Factors

In its operations, PMC Group is exposed to various financial risks: market risk (including currency risk, interest risk in fair value, interest risk in cash flow and price risk), credit risk, financing risk and liquidity risk, as well as capital risk. Group-wide risk policies, adopted by the Board, focus on the unpredictability of the financial markets and endeavor to minimize unfavorable effects on the financial results of the Group's operations.

PMC Group's Board decides on the Group's finance policy yearly. The policy formalizes the Group's financial strategy and internal division of responsibility. The policy also formalizes items including how financing, liquidity management and currency risk is managed in the Group, and the limits to be observed regarding counterparties.

Market Risk

Currency Risk

Group companies have income and expenses in different currencies, primarily EUR, DKK and NOK, and accordingly, the Group is exposed to risks relating to exchange rate fluctuations. This risk affects the Group's results of operations and is termed transaction exposure. There are also receivables and liabilities in foreign currencies subject to exposure in terms of fair value. Transaction risks are managed centrally. The hedging instruments used are normally forward contracts. In 2010, trading in currency forwards was very limited. Primarily, gross flows in foreign currency matched internally. The Group's net between sales and expenses in currencies other than Swedish krona amounts to just under

SEK 136 m. Accordingly, given a 10 percentage point appreciation of the Swedish krona against all other currencies, reported operating profit/loss would be negatively affected by SEK 14 m.

PMC Group presents its Income Statements and Balance Sheets in SEK. Several Group companies present their accounts in other currencies. This means that the Group's profit/loss and equity is exposed during the consolidation process when foreign currencies are translated to SEK. This exposure primarily affects consolidated equity and is termed transaction exposure. Normally, this exposure is not hedged.

Interest Risk

Borrowings consist of four credit facilities in different currencies (Note 30). Interest levels vary between 5.0% and 8.7%. Interest derivatives have been entered, and allowing for them, average interest is 8.0%.

PMC Group utilizes derivative instruments to cover the risk of interest rate fluctuations. PMC Group applies hedge accounting on all contracts that satisfy the relevant criteria pursuant to IAS 39. At year-end, the interest rate derivatives held do not satisfy the stipulations of IAS 39 for hedge accounting, and accordingly, their restatement at fair value has been transferred to the Income Statement. An increase of 1 percentage point in the STIBOR and EURIBOR would result in an increase of SEK 8 m in interest expenses.

Price Risk

The Group is exposed to price risk on shares due to investments held by the Group and classified as financial instruments held for sale in the Consolidated Balance Sheet. None of the shares are listed. Additionally, the Group is exposed to price risk on input goods. To manage the price risk arising on input goods, the Group attempts to match the maturities of its purchasing contracts with sales contracts, and by having price clauses in ongoing sales contracts.

Credit Risk

Credit risk in financial management arises partly when investing cash and cash equivalents, partly as counterparty risks relating to the exercise of forward contracts and on accounts receivable trade.

These risks are limited by using counterparties that are approved by the guidelines set in the finance policy. In its commercial business, PMC Group's creditworthiness checks are conducted within each subsidiary. PMC Group's exposure to individual customers is low and it regards its risk diversification as good. The biggest single customer represents less than 10% of sales, and then, there are no individual customers representing more than 5% of sales. PMC Group conducts operations in several countries, implying that credit risk exposure is spread across several geographical areas. For sales by geographical area, see Note 5. Age analysis, provisioning for doubtful debt and bad debt is stated in Note 20.

Financing and Liquidity Risk

Liquidity risk is managed by the Group holding sufficient cash and cash equivalents and short-term investments in liquid markets and available financing through agreed credit facilities to settle the interest and repayments due at the prescribed time, and the group satisfies the covenants of its bank agreement.

PMC Group has loans that mature at different times. Its financing agreements include a number of covenants to be satisfied, otherwise loans can be cancelled. Refinancing risk is the risk that PMC Group does not fulfill its obligations due to loans being cancelled and encounters difficulties arranging new loans. PMC Group manages this risk by closely following and estimating the Group's progress in terms of its bank covenants. The renegotiated financing agreement conducted includes a condition that if certain covenants are not satisfied, shareholders guarantee to contribute capital to a maximum amount.

At year-end, the Group had SEK 147.2 m in cash and cash equivalents and external interest-bearing loans of an amount corresponding to SEK 1,695.1 m. 5% of the total amount of the Group's interest-bearing loans are due within one year.

Capital Risk

The Group defines capital as equity including non-controlling interests in accordance with what is recognized in the Balance Sheet. This means that capital as of 31 December 2010 was SEK -442 (-427) m.

MATURITY OF THE GROUP'S LIABILITIES				
2010	< 1 year	1–2 years	2–5 years	> 5 years
Borrowing (including interest)	180,735	176,511	1,439,701	348,847
Finance lease liabilities	609	417	0	0
Interest swaps	21,949	0	0	0
Accounts payable–trade and other liabilities	538,335	0	0	0
Total	741,628	176,928	1,439,701	348,847
2009	< 1 year	1–2 years	2–5 years	> 5 years
Borrowing (including interest)	126,959	157,115	982,498	923,524
Finance lease liabilities	615	609	417	0
Interest swaps	56,777	35,133	0	0
Accounts payable–trade and other liabilities	576,617	0	0	0
Total	760,968	192,857	982,915	923,524

Note 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions about the future. In all probability, these will not correspond to actual outcomes. The estimates and assumptions that are most significant to valuations over the coming financial year are reviewed below.

Goodwill Impairment Test

The yearly impairment test of goodwill was conducted in January 2011. The model applied makes assumptions regarding sales growth, gross margin, working capital changes and investments. The growth rate has been judged at 5% (5) and a discount rate of 10% (10) before tax has been applied. The forecast period is 5 (5) years. The lowest cash-generating unit judged to be measurable is the company level, where the impairment test was conducted.

A 1 percentage point decrease in the growth rate and a 1 percentage point increase in the discount rate would not cause this judgment to change.

Measurement of Inventories

When judging the net realizable value of inventories, the operational subsidiaries conduct individual impairment tests. This test uses age analysis of the inventories and an impairment scale from the Group as guidance, but the final test is conducted from assumptions regarding product usage.

Deferred Tax Assets

On the incidence of loss carry-forwards in any operational country, a test is conducted on the basis of assumptions of future profit/loss and the country's tax rules on the likelihood of being able to use a loss carry-forward. A maximum of five years is used as a judgment period. In 2010, the Group generated losses in Sweden, attributable to the Group's financing. The Group judges that this situation is not expected to change within the time-frame applied. This has resulted in some loss carry-forwards not being capitalized as of 31 December 2010, which relate to the Swedish units.

Guarantee Provisions

Provisions for guarantee commitments are recognized on the basis of the Group's policy of meeting the cost of repairing faulty products. Guarantees are normally issued for one to two years after sale. In addition, the Group is involved in a small number of disputes relating to guarantee cases and complaints. There is uncertainty regarding the amounts and timing of potential settlements of the guarantee cases and disputes. Provisioning for disputes and complaints have been restated for the assumed outcome of these cases.

Note 5 REPORTING SEGMENTS

SEGMENTS 2010—GEOGRAPHICAL LOCATION OF OPERATIONAL COMPANY							
SEK 000	Sweden	Finland/ Russia/ Baltics	Norway	Denmark/ China/US	Holding and Group Functions	Eliminations	Group
Net sales	930,686	725,047	650,948	544,576	24,189	-57,375	2,818,071
External net sales	919,254	707,882	649,506	541,429	0	0	2,818,071
EBITDA	65,942	37,724	70,162	4,766	-6,437	0	172,157
Depreciation, amortization and impairment	-21,007	-7,415	-8,025	-9,781	-504	0	-46,732
Operating profit/loss	44,935	30,309	62,137	-5,015	-6,941	0	125,425
Financial items, net							-90,737
Income tax							-36,675
Net profit/loss							-1,987
Investments	5,474	2,538	156	8,914	779		17,861
Number of employees	487	335	258	276	7		1,363
Average number of employees	450	330	264	267	7		1,318

Note 5 REPORTING SEGMENTS, CONT.

SEGMENTS 2009—GEOGRAPHICAL LOCATION OF OPERATIONAL COMPANY							
SEK 000	Sweden	Finland/ Russia/ Baltics	Norway	Denmark/ China/US	Holding and Group Functions	Eliminations	Group
Net sales	880,949	692,672	836,559	748,047	28,569	-60,696	3,126,100
External net sales	867,535	677,470	834,423	746,672	0	0	3,126,100
EBITDA	29,509	10,555	108,759	61,021	-5,502	0	204,342
Depreciation, amortization and impairment	-20,073	-9,304	-7,868	-8,940	-2,636	0	-48,821
Operating profit/loss	9,436	1,251	100,891	52,081	-8,138	0	155,521
Financial items, net							-137,088
Income tax							-50,440
Net profit/loss							-32,007
Investments	10,143	4,249	15,555	12,153	262		42,362
Number of employees	461	362	276	270	8		1,377
Average number of employees	502	344	282	268	8		1,404

The Group is geographically organized according to where operational companies are located. Its range of products in different countries is fairly similar. However, the applications products are used in differ significantly, because customers' operations vary. Thus, operational companies have become specialists in different types of customer application, and a significant sales share is directly or indirectly outside the borders of the country where the company is located. The income, expenses and profit/loss of different operating segments have been affected by internal deliveries. Internal prices are on an arm's length basis. Internal deliveries are eliminated when preparing the Consolidated Accounts.

EXTERNAL NET SALES BASED ON CUSTOMER'S DOMICILE		
	GROUP	
SEK 000	2010	2009
Sweden	733,762	707,790
Norway	636,893	831,748
Finland	626,739	581,381
Denmark	310,209	500,112
Rest of Europe	267,187	300,399
Asia	148,903	149,155
Other countries	94,378	55,515
Total	2,818,071	3,126,100

IN THE PARENT COMPANY, THE DIVISION IS AS FOLLOWS:		
	NET SALES	
SEK 000	2010	2009
Sweden	4,941	4,421
Total	4,941	4,421

Note 6 AVERAGE NUMBER OF EMPLOYEES

	2010		2009	
	Employees	Of Which Women	Employees	Of Which Women
Parent company				
Sweden	1	0	1	0
Total parent company	1	0	1	0
Subsidiaries				
Sweden	456	54	509	61
Norway	264	42	282	44
Finland	310	37	322	50
Denmark	186	34	206	35
Estonia	15	1	18	1
Latvia	2	0	1	0
Russia	3	0	3	0
China	68	13	61	13
US	13	0	1	0
Total in subsidiaries	1,317	181	1,403	204
Group total	1,318	181	1,404	204

The number of employees of the Group at the end of the financial year was 1,363 (1,377).

The parent company's Board of Directors has five men and one woman, which is unchanged since the previous year.

Note 7 PERSONNEL EXPENSES, PENSIONS, ETC.

Salaries and other benefits and social security expenses amounted to a total of:

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Salaries and other benefits	575,341	655,833	4,389	3,581
Social security expenses				
Pension expenses	61,863	64,009	1,061	1,012
Other social security expenses	97,018	107,470	1,457	1,216
Total social security expenses	158,881	171,479	2,518	2,228

In 2010, senior management includes Board members, Presidents of the parent company and subsidiaries and the Group's management. Remuneration to a previous employee is included in senior management for 2009. Performance-related pay is recognized as an expense in the relevant year, while payments are made in the following year. Salaries and other benefits are divided between senior management and other employees as follows:

SEK 000	2010		2009	
	Senior Management	Other	Senior Management	Other
Salaries and other benefits	17,178	556,440	17,225	633,170
Bonus and profit share	826	897	1,173	4,265
Total	18,004	557,337	18,398	637,435
<i>Outstanding pension obligations, Board and President</i>	<i>0</i>		<i>0</i>	

Note 7 PERSONNEL EXPENSES, PENSIONS, ETC., CONT.

SEK 000	2010			2009		
	Salaries and Other Benefits	Bonus and Profit Share	Pension Expense	Salaries and Other Benefits	Bonus and Profit Share	Pension Expense
Salaries and other benefits to senior management						
President	3,027	237	1,061	2,878	78	1,012
Jörgen Centerman, Chairman of the Board	500	0	0	500	0	0
Carl-Gustaf Bergström, Board member	125	0	0	125	0	0
Sebastian Ehmrooth, Board member	125	0	0	0	0	0
Sven Ohlsson, Board member	125	0	0	125	0	0
Cecilia Vieweg, Board member	125	0	0	125	0	0
Gabriel Urwitz, Board member	125	0	0	0	0	0
Other senior managers 8 (8)	13,026	589	2,014	13,472	1,095	2,476
Total	17,178	826	3,075	17,225	1,173	3,488

For employees of the Group, no fees are payable for work on the Boards of subsidiaries.

An agreement has been reached with the President of the parent company regarding a notice period of 24 months from the company's side and 6 months for resignation. Remuneration to the President consists of basic salary and company car benefit, bonus and pension expenses. The maximum bonus for the President is six months' salary. The bonus is based on outcomes in relation to individual goals.

Note 8 DEPRECIATION AND AMORTIZATION

Depreciation of property, plant and equipment is included in Income Statement sub-items as follows:

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Cost of goods sold	28,952	30,013	0	0
Selling expenses	1,580	4,230	0	0
Administrative expenses	9,070	8,275	0	0
Research and development costs	31	31	0	0
Total	39,633	42,549	0	0

Amortization of intangible assets is included in Income Statement sub-items as follows:

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Cost of goods sold	1,536	980	0	0
Selling expenses	1,526	1,078	0	0
Administrative expenses	4,037	4,214	0	0
Total	7,099	6,272	0	0
Total depreciation and amortization	46,732	48,821	0	0

Note 9 REMUNERATION TO AUDITORS

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Auditing				
Öhrlings PricewaterhouseCoopers	2,868	2,933	450	504
Other	40	57	0	0
Total	2,908	2,990	450	504
Auditing in addition to audit assignment				
Öhrlings PricewaterhouseCoopers	383	1,755	133	105
Other	0	0	0	0
Total	383	1,755	133	105
Tax consultancy				
Öhrlings PricewaterhouseCoopers	779	358	63	0
Other	0	0	0	0
Total	779	358	63	0
Other services				
Öhrlings PricewaterhouseCoopers	378	0	0	0
Other	0	0	0	0
Total	378	0	0	0

Note 10 OTHER OPERATING INCOME

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Capital gain on sale of non-current assets	398	331	0	0
Commissions	1,776	740	0	0
Exchange rate differences	3,480	9,128	0	11
Other	5,026	4,988	0	0
Total other operating income	10,680	15,187	0	11

Note 11 OTHER OPERATING EXPENSES

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Capital loss on sale of non-current assets	-661	-82	0	0
Exchange rate differences	-2,053	-5,707	-2	-118
Other	-2,648	-1,604	0	0
Total other operating expenses	-5,362	-7,393	-2	-118

Note 12 EXPENSES ALLOCATED BY TYPE

SEK 000	GROUP	
	2010	2009
Direct materials	-1,561,240	-1,740,363
Variable production expenses	-86,161	-88,527
Cost of premises	-84,011	-64,634
Rent (excl. premises)	-14,357	-26,062
Guarantees	-13,884	-12,955
Travel	-40,458	-50,321
Marketing	-10,421	-12,009
IT	-28,717	-28,850
Administration	-35,103	-36,596
Consulting fees	-22,488	-23,081
Expenses and reimbursement of employees	-754,392	-846,154
Depreciation and amortization	-46,732	-48,821
Total expenses by type	-2,697,964	-2,978,373

Note 13 FINANCIAL INCOME/EXPENSES

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Financial income				
Intragroup interest income	0	0	1,580	0
Other interest income	2,405	2,813	0	0
Exchange rate gains	0	1,094	0	0
Group contributions	0	0	132,931	152,954
Dividend income	48	42	0	0
Total financial income	2,453	3,949	134,511	152,954
Financial expenses				
Interest expenses	-141,264	-126,412	-107,499	-94,097
Exchange rate losses	-1,490	-347	0	0
Expenses relating to renegotiating bank covenants	-3,904	-22,470	-3,904	-22,470
Other financial expenses	-649	-1,164	-1,625	-2,004
Total financial expenses	-147,307	-150,393	-113,028	-118,571

Interest expenses include dissolution of capitalized expenditure on arranging loans in the Group of SEK -4,792 (-5,061) k and for the parent company, SEK -2,151 (-2,151) k.

Note 14 TAX

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Current tax:				
Current tax on profit/loss for the year	-27,667	-41,426	0	0
Restatement of tax attributable to previous year	-147	-228	0	0
Total	-27,814	-41,654	0	0
Deferred tax:				
Changes in temporary differences	15,879	36,599	0	-7,484
Non-capitalized loss carry-forwards	-24,595	-44,931	0	-4,666
Restatements attributable to previous year	-145	-454	0	0
Total	-8,861	-8,786	0	-12,150
Total tax expense/revenue	-36,675	-50,440	0	-12,150
Relationship between the tax expense for the year and profit/loss before tax				
Profit/loss before tax	34,688	18,433	17,030	27,904
Income tax stated according to national tax rates in each country	-8,071	-5,104	-4,479	-7,339
Tax attributable to previous year	-292	-682	0	0
Non-capitalized loss carry-forwards	-24,595	-44,931	0	-4,666
Non-deductible other expenses/non-taxable income	-3,717	277	4,479	-145
Total	-36,675	-50,440	0	-12,150

Weighted average tax based on national tax rates, for the Group 23.3% (27.7), for the parent company 26.3% (26.3).

In 2010, the Group generated losses in Sweden, attributable to the Group's financing. The Group judges that this situation is not expected to change within the time-frame applied. This has resulted in some loss carry-forwards not being capitalized as of 31 December 2010, which relate to the Swedish units. Non-capitalized loss carry-forwards in Sweden were SEK 259,286 k (170,306 k) as of 31 December 2010. Total loss carry-forwards amount to SEK 265,410 k (176,960 k).

Note 15 INTANGIBLE ASSETS

SEK 000	GROUP	
	2010	2009
Capitalized expenditure for software		
Opening cost	81,999	73,929
Exchange rate differences	-7,685	-862
Purchases	3,771	11,480
Sales/retirements	-502	-5,788
Reclassification	903	3,240
Closing accumulated cost	78,486	81,999
Opening amortization	-62,561	-62,385
Exchange rate differences	5,669	592
Sales/retirements	502	5,788
Reclassification	0	-284
Amortization for the year	-6,890	-6,272
Closing accumulated amortization	-63,280	-62,561
Book value	15,206	19,438
Other intangible assets		
Opening cost	1,096	2,041
Exchange rate differences	-128	-430
Purchases	48	170
Sales/retirements	-15	0
Reclassification	0	-685
Closing accumulated cost	1,001	1,096
Opening amortization	-464	-759
Exchange rate differences	55	100
Reclassification	0	195
Amortization for the year	-209	0
Closing accumulated amortization	-618	-464
Book value	383	632
Goodwill		
Opening cost	559,261	566,304
Exchange rate differences	-42,046	-7,158
Purchases	0	115
Closing accumulated cost	517,215	559,261
Opening impairment losses	-850	-850
Closing accumulated impairment losses	-850	-850
Book value	516,365	558,411

In the annual impairment test of goodwill conducted most recently in January 2011, PMC Group applies a model that makes assumptions regarding revenue growth, gross margin, investments, cost of capital, etc. Material assumptions used for calculating value in use: for all subsidiaries, year-2011 budgets were used and the strategic plan for other years. The discount rate before tax was assumed at 10% (10) and an average growth rate of 5% (5). The growth rate applied was prepared with the aid of external analysts estimates of future expectations of different sectors. The forecast period is 5 (5) years. The impairment test was conducted at company level, which is the lowest cash-generating unit. The test demonstrated that no impairment was necessary.

Goodwill is allocated by the lowest cash-generating unit, grouped according to segment reporting.

Note 15 INTANGIBLE ASSETS, CONT.

SEK 000	GROUP	
	2010	2009
Goodwill by segment		
Sweden	204,206	204,206
Finland/Russia/Baltics	167,040	192,122
Norway	69,645	75,147
Denmark/China/US	75,474	86,936
Total	516,365	558,411

Note 16 PROPERTY, PLANT AND EQUIPMENT

SEK 000	GROUP	
	2010	2009
Buildings and land		
Opening cost	182,024	162,620
Exchange rate differences	-7,016	1,054
Purchases	710	4,702
Reclassification	0	13,648
Closing accumulated cost	175,718	182,024
Opening depreciation	-73,241	-66,172
Exchange rate differences	3,046	457
Depreciation for the year	-7,875	-7,356
Reclassification	0	-170
Closing accumulated depreciation	-78,070	-73,241
Book value	97,648	108,783
Planned residual value of real estate in Sweden	53,670	58,102
Taxable value of real estate in Sweden	36,430	36,430
Machinery and other technical plant		
Opening cost	292,381	285,107
Exchange rate differences	-10,447	-4,202
Purchases	4,879	9,835
Sales/retirements	-4,240	-2,081
Reclassification	6,089	3,722
Closing accumulated cost	288,662	292,381
Opening depreciation	-195,721	-176,978
Exchange rate differences	7,776	2,915
Sales/retirements	3,642	2,078
Depreciation for the year	-20,148	-21,674
Reclassification	0	-2,062
Closing accumulated depreciation	-204,451	-195,721
Book value	84,211	96,660

Note 16 PROPERTY, PLANT AND EQUIPMENT, CONT.

SEK 000	GROUP	
	2010	2009
Equipment, tools, fixtures and fittings		
Opening cost	215,299	215,694
Exchange rate differences	-15,930	1,910
Purchases	5,198	6,932
Sales/retirements	-8,595	-5,005
Reclassification	227	-4,232
Closing accumulated cost	196,199	215,299
Opening depreciation	-183,632	-175,728
Exchange rate differences	14,929	-1,201
Sales/retirements	8,201	4,493
Depreciation for the year	-11,610	-13,519
Reclassification	0	2,323
Closing accumulated depreciation	-172,112	-183,632
Book value	24,087	31,667
Construction in progress		
Opening balance	8,403	15,386
Exchange rate differences	-286	-415
Purchases	1,540	9,127
Reclassification	-7,219	-15,695
Book value	2,438	8,403
The machinery and other technical plant item includes leased items the Group holds through finance lease arrangements at the following amounts:		
Cost	1,948	1,948
Accumulated depreciation	-1,026	-472
Book value	922	1,476
Future minimum lease payments are allocated as follows:		
Within 1 year	609	615
Between 2 and 5 years	417	1,026

None of the finance lease arrangements entered are considered as significant to the Group.

Note 17 LEASE EXPENSES INCLUDING RENT FOR PREMISES

Future payment commitments for irrevocable operating lease arrangements are allocated as follows:

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Within 1 year	58,464	65,142	77	0
Between 2 and 5 years	78,670	98,776	141	0
Later than 5 years	6,638	11,653	0	0

Operating lease arrangements are mainly premises rent, although also include lease charges for vehicles and other equipment. Future items are minimum payments for irrevocable lease arrangements.

The year's expense for operating leases of assets amounted to SEK 70,129 k (70,199 k), the expense for the parent company was SEK 17 k (0).

Note 18 PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK 000	GROUP	
	2010	2009
Opening cost	0	0
Incorporation	1,715	0
Book value	1,715	0

PMC Hydropower A/S incorporated Power Motion Control Qatar LLC, a company with its registered office in Qatar, jointly with a company outside PMC Group. PMC Hydropower A/S holds 49% of the capital and votes. As of 31 December 2010, this company was undergoing registration, which was completed on 26 January 2011. The company's financial year is the calendar year.

Note 19 FINANCIAL ASSETS HELD FOR SALE

SEK 000	GROUP	
	2010	2009
Other long-term securities holdings		
Opening cost	245	259
Currency differences	-31	-14
Book value	214	245

Note 20 ACCOUNTS RECEIVABLE—TRADE

SEK 000	GROUP	
	2010	2009
Accounts receivable—trade, gross	451,290	426,120
Provision for non-performing debt	-5,069	-7,223
Carrying amount of accounts receivable—trade	446,221	418,897
Analysis of credit exposure in accounts receivable—trade		
Accounts receivable—trade that are neither overdue nor impaired	369,546	327,751
Accounts receivable—trade that are overdue but not impaired		
<30 days	47,529	58,921
30–90 days	21,057	22,154
>90 days	8,089	10,071
Total exposure to credit risk	446,221	418,897
Accounts receivable—trade that are impaired	5,069	7,223
Accounts receivable—trade, gross	451,290	426,120
Provision for doubtful debt		
Value at beginning of year	-7,223	-8,039
Provision for doubtful debt	-1,164	-3,273
Realized bad debt	2,105	1,358
Decrease due to reversal of provisioning for doubtful debt	726	2,775
Currency differences	487	-44
Value at end of year	-5,069	-7,223

In its commercial business, PMC Group's credit checks are conducted within each subsidiary. PMC Group's exposure to individual customers is low and it regards its risk diversification as good. The biggest single customer represents less than 10% of sales, and then, there are no individual customers representing more than 5% of sales. PMC Group conducts operations in several countries, implying that credit risk exposure is spread across several geographical markets. In individual cases, where management judges that there is uncertainty regarding receiving payment, a provision of the amount regarded as doubtful is made.

Note 21 DEFERRED TAX ASSET/LIABILITY

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Opening cost	25,916	34,396	0	12,150
Currency differences	-1,910	306	0	0
Recognized in Income Statement	-8,861	-8,786	0	-12,150
Total deferred tax	15,145	25,916	0	0
Deferred tax asset per temporary difference, gross				
Buildings, machinery and equipment	3,796	6,141	0	0
Inventories	5,737	5,878	0	0
Current receivables	862	892	0	0
Current liabilities	7,039	2,042	0	0
Pension provisions	1,694	3,013	0	0
Interest derivatives	5,480	20,027	0	0
Other provisions	3,307	0	0	0
Loss carry-forwards	0	1,921	0	0
Total	27,915	39,914	0	0
Set-off of deferred tax liabilities/assets	-10,054	-13,998	0	0
Total deferred income tax assets	17,861	25,916	0	0
Deferred tax liabilities per temporary difference, gross				
Buildings, machinery and equipment	12,770	13,418	0	0
Inventories	0	580	0	0
Total	12,770	13,998	0	0
Set-off of deferred tax assets/liabilities	-10,054	-13,998	0	0
Total deferred tax liabilities	2,716	0	0	0

Note 22 OTHER LONG-TERM RECEIVABLES

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Opening cost	27,706	32,610	14,309	17,657
Currency differences	-876	-390	0	0
Additional receivables	177	547	0	0
Dissolution of borrowing costs	-4,792	-5,061	-2,151	-2,151
Deductible other receivables	-50	0	-1,193	-1,197
Book value	22,165	27,706	10,965	14,309

Note 23 INVENTORIES

The value of inventories expensed in the year is SEK 2,121 (2,343) m.

GROUP		
SEK 000	2010	2009
Obsolescence reserve		
Opening balance	-59,193	-53,025
Currency difference	4,273	708
Change in the year	-7,533	-6,876
Closing balance	-62,453	-59,193

Note 24 PARTICIPATIONS IN SUBSIDIARIES

PARENT COMPANY		
SEK 000	2010	2009
Opening cost	1,026,750	1,026,750
Book value	1,026,750	1,026,750

SEK 000	Proportion of Equity, %	Book Value	No. of Participations	Share of Votes, %	Corp. ID No.	Reg. Office
The parent company's direct and indirect holdings of shares and participations in subsidiaries:						
Dacke PMC Holding AB	100	1,026,750	1,000,000	100	556664-7227	Helsingborg
Dacke PMC AB	100			100	556207-5357	Helsingborg
CA-Verken AB	100			100	556136-4141	Sävsjö
PMC Hydraulics AB	100			100	556036-8168	Gothenburg
PMC Hytech AB	100			100	556144-2418	Ystad
PMC Cylinders AB	100			100	556041-2735	Vaggeryd
Hydronic AS	100			100	822910742	Norway
PMC Lubrication AB	100			100	556193-0685	Stockholm
PMC Verkstadsbolaget AB	100			100	556034-3575	Sävsjö
Ingeniörsfirman Haapala & Ekberg AB	100			100	556346-0517	Örnsköldsvik
INAB Automation AB	100			100	556157-5381	Örnsköldsvik
PMC Servi Group AS	100			100	810324562	Norway
PMC Servi AS	100			100	936370446	Norway
PMC Servi Technics AS	70			70	979185901	Norway
PMC Servi Cylinderservice AS	100			100	984846436	Norway
Motion Control Senteret AS	100			100	975995615	Norway
PMC Hydrapower AS	70			70	985811652	Norway
Polarteknik PMC Oy Ab	100			100	202894	Finland
SIA Polarteknik	75			75	40003529394	Latvia
Polarteknik AS	78			78	10112958	Estonia
PMC Technology A/S	100			100	25299086	Denmark
PMC Group Denmark A/S	100			100	17896105	Denmark
PMC Hydropower A/S	100			100	46288815	Denmark
PMC Swedrive AB	100			100	556145-6319	Ljungby
PMC Qingdao Co. Ltd.	100			100	766717291	China
PMC Hydraulics Inc	100			100	27,0900016	US

Note 25 ACCRUALS AND DEFERRALS

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Prepaid expenses and accrued income				
Prepaid rent	3,305	3,567	6	0
Accrued invoicing	3,354	1,983	0	0
Prepaid IT charges	3,881	1,598	0	0
Prepaid suppliers/customs duties	1,765	10,879	757	139
Other items	4,769	4,980	0	0
Total prepaid expenses and accrued income	17,074	23,007	763	139
Accrued expenses and deferred income				
Accrued payroll-related expenses	104,517	117,732	1,800	1,279
Accrued fees	2,255	3,358	360	230
Materials and servicing, non-overdue invoices	22,488	21,694	110	300
Accrued interest	1,311	1,228	883	1,184
Accrued bank charges	0	17,719	0	17,719
Other items	10,844	10,692	0	131
Total accrued expenses and deferred income	141,415	172,423	3,153	20,843

Note 26 CASH AND CASH EQUIVALENTS

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
The following items are included in cash and cash equivalents in the Balance Sheet:				
Cash and bank balances	147,185	206,614	1	0
Short-term bank investments	0	0	0	0
Total	147,185	206,614	1	0

Group company Dacke PMC AB manages the cash and cash equivalents of the Group, which includes the parent company. The parent company's group account balance was SEK -76 (-74) m, and is recognized net in the Balance Sheet under receivables from Group companies.

Of the Group's cash and cash equivalents, SEK 5,815 k (5,081 k) are blocked funds intended for payments to the Norwegian tax agency, in accordance with applicable payment procedures.

Note 27 DERIVATIVE INSTRUMENTS

SEK 000	GROUP	
	2010	2009
Cancelable and interest rate swaps	20,837	74,954
Book value	20,837	74,954

Derivative instruments have been used to hedge future cash flows in terms of interest rates. The Group has entered interest swap contracts, which fix interest. However, these instruments include an option component for the issuer to cancel them, and accordingly, they are not considered to satisfy the requirements for hedge accounting, but rather, changes have been recognized in the Income Statement. To compensate for the option component of swaps, interest caps have been entered, which become effective if three-month STI-BOR exceeds 5%. The derivative instruments have been recognized that fair value on the reporting date. Derivative instruments are not traded actively on a quoted market, but valuation has been conducted by a third party. This valuation has been conducted from applicable parameters of the agreement and available market information (tier 2).

Note 28 PENSION OBLIGATIONS

Defined Benefit Plans

Pension plans cover old age pension, disability pension and survivors' pension. Apart from the PRI plan in Sweden, the Group has defined benefit plans in Norway. The liability is allocated as follows:

SEK 000	GROUP	
	2010	2009
Division of liability		
PRI plan, Sweden	12,394	9,951
Defined benefit plans, Norway	4,690	-1,555
Total defined benefit plans	17,084	8,396

SEK 000	2010		2009	
	Sweden	Norway	Sweden	Norway
Assumptions when measuring pension obligations				
Discount rate, %	3.7	4.0	3.7	4.4
Expected return on plan assets, %		5.4		5.6
Future salary increases, %	3.0	4.0	3.0	4.3
Expected inflation, %	3.0	3.8	3.0	4.0
Future pension increases, %	2.0	1.3	2.0	1.3
Staff turnover, %	0.5	2.0	0.5	2.0

SEK 000	GROUP	
	2010	2009
Specification of expenses		
<i>Expense for defined benefit plans</i>		
Expenses for service during current year	10,305	8,906
Interest on obligation	5,137	4,842
Expected return on plan assets	-4,341	-4,659
Actuarial income and expenses recognized in the year	-4,263	-1,315
Total expenses for defined benefit plans	6,838	7,774
Expenses for defined contribution plans	55,025	56,235
Total pension expenses	61,863	64,009
Fair value of pension obligations		
Opening balance	129,000	108,390
Benefits vested in the year	10,305	8,906
Interest expenses	5,137	4,842
Paid benefits	-3,454	-2,628
Changes in components/administrative expenses	5,195	-3,344
Actuarial gains (-)/losses (+)	20	637
Translation differences for the year	-9,004	12,197
Closing balance	137,199	129,000

Note 28 PENSION OBLIGATIONS, CONT.

SEK 000	GROUP	
	2010	2009
Fair value of plan assets		
Opening balance	78,940	69,858
Expected return on plan assets	4,341	4,659
Payments to/from pension fund, net	3,686	6,678
Actuarial gains (+)/losses (-)	-445	-11,091
Translation differences for the year	-6,032	8,836
Closing balance	80,490	78,940
Return on plan assets		
Expected return on plan assets	4,341	4,659
Actuarial gains (-)/losses (+)	-445	-11,091
Actual returns	3,896	-6,432
Provision for pension obligations and similar obligations, net		
Opening balance	8,396	7,532
Pension expenses, defined benefit plans	12,240	3,771
Paid benefits	-3,454	-2,628
Translation differences for the year	-98	-279
Closing balance	17,084	8,396
Actuarial net gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-41,664	-31,000
Actuarial gains/losses recognized in Income Statement	4,263	1,315
Actuarial gains (+)/losses (-), pension obligations	-4,652	2,752
Actuarial gains (+)/losses (-), plan assets	-445	-11,091
Translation differences for the year	2,873	-3,640
Closing balance	-39,625	-41,664
Provisions for pensions and similar obligations in the Balance Sheet		
Fair value of pension obligations	137,199	129,000
Fair value of plan assets	-80,490	-78,940
Pension obligations minus plan assets	56,709	50,060
Capitalized actuarial gains(+)/losses (-)	-39,625	-41,664
Closing balance	17,084	8,396

Defined Contribution Plans

Pension plans cover retirement pension, disability pension and survivors' pension. Premiums are paid continuously through the year to independent legal entities. The size of pension premiums is based on salary levels for the employee and the expense of the premium is recognized continuously in the Income Statement. A part of the pension payments in the Swedish companies are made to Alecta. According to statement UFR 3 from RFR, this is a multi-employer defined benefit plan. For the financial year 2010, the Group did not have access to such information enabling this plan to be recognized as a defined benefit plan. Accordingly, the ITP pension plan insured through Alecta is recognized as a defined contribution plan. The year's expenditure for pension policies with Alecta is SEK 4.6 (5.7) m. Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2010, Alecta's surplus in the form of the collective consolidation ratio was 146% (141). The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of the insurance commitments measured according to Alecta's actuarial calculation assumptions, which are not consistent with IAS 19.

Note 29 OTHER PROVISIONS

	GROUP	
SEK 000	2010	2009
Guarantee provisions	25,209	22,390
Total	25,209	22,390
Guarantee provisions		
Opening balance	22,390	15,994
Currency difference	-1,792	126
New provisions	9,197	6,270
Amounts utilized in the period	- 1,513	0
Reversal of reserve	- 3,073	0
Closing balance	25,209	22,390

Provisions for guarantee commitments are recognized due to the Group's policy of meeting the costs of repairing faulty products. Guarantees are normally issued for one or two years after sale. The Group is also involved in a small number of disputes in the form of guarantee cases and complaints. Provisions for disputes and complaints have been restated for the expected outcome of these cases.

Note 30 **BORROWINGS**

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Liabilities to credit institutions	1,609,241	1,716,205	992,929	989,750
Lease commitments for finance leases	379	922	0	0
Total long-term	1,609,620	1,717,127	992,929	989,750
Liabilities to credit institutions	84,917	54,363	0	0
Lease commitments for finance leases	543	554	0	0
Total short-term	85,460	54,917	0	0
Total borrowings	1,695,080	1,772,044	992,929	989,750
Maturity for borrowings:				
< 6 months	30,023	6,844	0	0
6–12 months	55,437	48,073	0	0
1–5 years	1,305,917	876,405	689,750	149,750
> 5 years	303,703	840,722	303,179	840,000
Total borrowings	1,695,080	1,772,044	992,929	989,750

PMC Group has a loan agreement with a syndicate of banks of SEK 1,770 m. As of 31 December 2010, SEK (1,690) 1,770 m had been drawn down. The various components of the facility have terms that conclude from December 2013 to December 2016. The average fixed interest period including derivatives amounted to 6.9 (16.7) months at year-end 2010. Interest is based on the applicable STIBOR or EURIBOR plus a supplement based on the relationship between net debt and EBITDA.

SEK 1,480 m of interest derivatives have been entered to counter fluctuations in STIBOR. The average interest rate, including derivatives, was 8.02% (6.59) at year-end.

Four covenants that must be satisfied during the term of the year are associated with the syndicated loan. These covenants relate to the relationship between net debt and EBITDA, operating cash flow in relation to financial cash flow, EBITDA in relation to net interest income/expense, the level of cash and cash equivalents and investments. If the covenants are not satisfied, the bank syndicate is entitled to cancel the loans. The covenants were satisfied in 2010.

The shareholders have made a limited guarantee on contributing capital if certain covenants of the financing agreement are not satisfied.

Transaction expenses on arranging the loans in December 2007 were capitalized and allocated over the term of the loans. At the end of the year, the principal was SEK 17 (22) m and the allocated expense for the year was SEK 5 (5) m.

The carrying amount of interest-bearing liabilities is a good approximation of their fair value.

BORROWINGS ALLOCATED BY CURRENCY				
SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
SEK	1,525,266	1,576,628	992,929	989,750
EUR	169,049	194,461	0	0
DKK	765	955	0	0
Total borrowings by currency	1,695,080	1,772,044	992,929	989,750

Note 31 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK 000	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Pledged assets for borrowings:				
Chattel mortgages	2,051,570	2,350,146	0	0
Real estate mortgages	675,467	771,953	0	0
Property, plant and equipment	33,542	42,161	0	0
Inventories	71,976	97,098	0	0
Current receivables	121,121	148,659	0	0
Net assets in Group companies/subsidiary shares	933,430	1,121,924	1,026,750	1,026,750
Total pledged assets	3,887,106	4,531,941	1,026,750	1,026,750
Contingent liabilities				
Guarantee	6,426	17,058	0	0
FPG/PRI	230	227	0	0
Total contingent liabilities	6,656	17,285	0	0

The recognized amount includes the parent company's and subsidiaries' pledged assets for bank borrowings of PMC Group AB. These assets cannot be utilized if this breaches the laws and restrictions applicable in each country.

Note 32 BUSINESS COMBINATIONS

Acquisitions after the End of the Reporting Period

On 3 February 2011, a PMC Group AB company entered an agreement to purchase 100% of Winstar Hydraulics Private Limited (Winstar). This agreement includes clauses enabling the purchaser to withdraw from the purchase if certain conditions are not satisfied. Winstar is a hydraulics company with its registered office in Bangalore, India. The take-over of this company is scheduled for completion in the second quarter 2011. This acquisition is an important component of the Group's strategy of following its customers into the world, judged to be a necessity for the development of PMC KAC.

The purchase price is dependent on a number of factors and will first be determined on take-over. The full payment for the acquisition will be in cash and will be conducted on take-over. There is no additional purchase price in the purchase agreement. Because the purchase price has not been determined and the values of the acquired company's assets and liabilities cannot be determined before take-over, no acquisition analysis can be presented here.

The Group's profit/loss for 2010 has been charged with acquisition-related consulting expenses to attorneys and auditors of SEK 444,000. Otherwise, the acquisition did not affect the Group's reported results of operations or financial position for 2010. Potential goodwill arising from the acquisition depends on synergies occurring through PMC Group being able to benefit from existing customers' business on the Indian market, where historically, it has not been established.

The company will be part of the Denmark/China/US segment.

Acquisitions in 2010

PMC Hydropower A/S incorporated Power Motion Control Qatar LLC, a company with its registered office in Qatar, jointly with a company outside PMC Group. PMC Hydropower A/S holds 49% of the capital and votes. As of 31 December 2010, this company was undergoing registration, which was completed on 26 January 2011. The company's financial year is the calendar year. This company will primarily be active in the Offshore & Marine customer area. This company addresses the after-market market with its focus on servicing vessels and oil platforms.

Acquisitions in 2009

No acquisitions were conducted in 2009.

Note 33 DISCONTINUED OPERATIONS

Discontinued Operations in 2010

No operations were disposed of in 2010.

Discontinued Operations in 2009

No operations were disposed of in 2009.

Note 34 TRANSACTIONS WITH RELATED PARTIES

PMC Group AB is owned by private equity fund Segulah III, L.P., the President, certain other executives and certain Board members. The company has a close relation with these parties.

PMC Group AB has a close relation with its subsidiaries, see Note 24.

PMC Group AB's sales of services to subsidiaries amount to SEK 4.9 (4.4) m and purchases of services amount to SEK 0.0 (0.1) m.

In 2007–2008, the owners made an unconditional shareholders' contribution of SEK 100.4 m.

Regarding other transactions with the Board of Directors, President and other senior managers, see Note 7.

Note 35 POST BALANCE SHEET EVENTS

On 3 February 2011, Dacke PMC AB reached an agreement to purchase 100% of Winstar Hydraulics Private Limited (Winstar). This take-over is scheduled for the second quarter of 2011. This acquisition is an important component of the Group's strategy of following its customers into the world, which it judges to be a necessity for the development of PMC-KAC.

Proposed Appropriation of Profits

The following funds are at the disposal of the Annual General Meeting:

SEK 000	
Share premium reserve	77,737
Profit/loss brought forward	82,082
Net profit/loss for the year	17,030
Total	176,849

The Board of Directors proposes that these funds are appropriated as follows: carried forward, SEK 176,849 k.

Board of Directors' Certification

The Board of Directors and President offer their assurances that the Consolidated Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and give a true and fair view of the Group's financial position and results of operations. The Annual Accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations.

The Statutory Administration Report for the Group and parent company gives a true and fair overview of the progress of the Group's and parent company's operations, financial position and results of operations and reviews the significant risks and uncertainty factors facing the parent company and Group companies.

Helsingborg, Sweden, 15 April 2011

Jörgen Centerman
Chairman of the Board

Carl-Gustaf Bergström

Sebastian Ehrnrooth

Sven Ohlsson

Cecilia Vieweg

Gabriel Urwitz

Mikael Andersson
President

Our Audit Report was submitted on 15 April 2011

Öhrlings PricewaterhouseCoopers AB

Åke Christiansson
Authorized Public Accountant
Auditor-in-charge

Christer Kilefors
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of PMC Group AB Corporate identity number 556709-7539

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of PMC Group AB for the year 2010. The company's annual accounts and consolidated accounts are included in the printed version on pages 22-62. The Board of Directors and the President 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 President and significant estimates made by the Board of Directors and the President 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 President. We also examined whether any board member or the President 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 and in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS 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 statements and balance sheets 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 administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Helsingborg, Sweden, 15 April 2011

Öhrlings PricewaterhouseCoopers AB

Åke Christiansson
Authorized Public Accountant
Auditor-in-charge

Christer Kilefors
Authorized Public Accountant

PMC Group History

PMC is the Nordic region's leading supplier of hydraulic solutions, with worldwide sales. The Group's origins lie in long-standing Swedish engineering companies, and it has evolved through organic growth and acquisitions.

Its foundation was laid in 1957 with the formation of CA-Verken in Sävsjö, southeastern Sweden, which produced hydraulic cylinders. CA-Verken was acquired by engineering group Persöner in 1976, which became part of AB Wilhelm Sonesson three years later, in 1979.

Wilhelm Sonesson was hived off in 1981 and one of its divisions was quoted on the stock market, named Dacke Invest. A new business area, Dacke Hydraulik, was created around CA-Verken with the intention of creating a total supplier of hydraulic systems, cylinders, components and servicing through complementary acquisitions. Some 10 acquisitions, mainly of smaller Swedish hydraulic enterprises, were conducted in the 1980s and 1990s. Dacke Invest was acquired by holding company

Industrivärden in 1991, which divested the Dacke Invest business area to global technology group Hexagon in 1993.

The acquisition of Berendsen PMC Nordic, with operations in Denmark, Norway, Finland and Sweden in 2000, made the company the largest hydraulic Group in the Nordic region.

In 2005, private equity fund Segulah III, L.P. acquired the operations, which were then a business area of the listed Hexagon group. Concurrently, the corporate name was changed from Hexagon Automation to Dacke PMC AB.

In Segulah III, L.P.'s ownership, PMC Group has undergone a change process, and concentration on the Group's core competences of hydraulics, pneumatics, lubrication and electromechanics. Closer links have been established between Group companies. Work is in progress to coordinate purchasing and logistics.

The Group changed its corporate name to PMC Group AB on 1 January 2009.



This image, from the early 1940s, shows the original workshop in Vaggeryd, Sweden. The current state-of-the-art operation at Vaggeryd is part of PMC Cylinders.



The embryo of PMC Group dates back to 1957 when Ingvar Carlegren started up CA-Verken, which remains a vigorous business in PMC Group.



The production of hydraulic cylinders and valves has origins dating back to the 1950s. Kalmartruck (now Cargotec) was one of the first customers.

Definitions of Key Financial Ratios

Capital employed

Total assets less financial assets, cash and cash equivalents and non-interest-bearing liabilities, and excluding tax assets and tax liabilities.

EBIT

(Earnings before interest and taxes)
Operating profit/loss recognized in the Income Statement.

EBIT margin

Operating profit/loss in relation to net sales.

EBITDA

(Earnings before interest, taxes, depreciation and amortization)
Operating profit/loss excluding depreciation on property, plant and equipment and amortization of intangible fixed assets.

EBITDA margin

EBITDA in relation to net sales.

Return on capital employed

EBIT in relation to average capital employed.

Contact Information

PMC GROUP AB

Drottninggatan 7, 252 21 Helsingborg, Sweden, Tel: +46 (0) 42-38 15 50, Fax +46 (0) 42-38 15 55, www.pmcgroup.se

PMC Cylinders AB

Box 20
567 21 Vaggeryd
Sweden

Visiting address:
Frideborgsvägen 21
Tel: +46 (0) 393-365 00
Fax: +46 (0) 393-365 19
www.pmc-cylinders.se

PMC Technology A/S

Klausdalsbrovej 11
2860 Søborg
Denmark

Visiting address:
Klausdalsbrovej 11
Tel: +45 70 21 21 21
Fax: +45 70 21 21 22
www.pmc-technology.dk

PMC Hydraulics AB

Box 1013
436 21 Askim
Sweden

Visiting address:
Askims Verkstadsväg 15
Tel: +46 (0) 31-28 98 40
Fax: +46 (0) 31-28 64 01
www.pmc-hydraulics.se

PMC Polarteknik Oy Ab

Mestarintie 6
01730 Vantaa
Finland

Visiting address:
Mästarvägen 6
Tel: +358 (0) 20 770 9700
Fax: +358 (0) 20 770 9701
www.pmc-polarteknik.com

PMC Hytech AB

Box 1506
271 51 Ystad
Sweden

Visiting address:
Kommendörsgatan 1
Tel: +46 (0) 411-690 00
Fax: +46 (0) 411-690 49
www.pmc-hytech.com

PMC Servi Group AS

Haugenveien 10
Postboks 3230
1402 Ski
Norway

Visiting address:
Haugenveien 10
Tel: +47 64 97 97 97
Fax: +47 64 97 98 99
www.pmc-servi.no

PMC Lubrication AB

Box 3443
165 23 Hässelby
Sweden

Visiting address:
Maltesholmsvägen 88
Tel: +46 (0) 8-509 393 00
Fax: +46 (0) 8-509 393 30
www.pmc-lubrication.se

PMC Qingdao Co. Ltd.

320-17 East Jiushui Road,
Licang District
Qingdao 266100
China

Visiting address:
320-17 East Jiushui Road
Tel: +86 532 8766 7711
Fax: +86 532 8766 7722
www.pmc-group.se

PMC Swedrive AB

Box 4
340 14 Lagan
Sweden

Visiting address:
Prästtorpsvägen 14
Tel: +46 (0) 372-265 00
Fax: +46 (0) 372-265 49
www.pmc-swedrive.se

PMC Hydraulics Inc.

16133 West 45th Dr
Golden Co 80403
US

Visiting address:
16133 West 45th Dr
Tel: +1 (303) 278 1945
Fax: +1 (303) 278 1968
www.pmc-group.se

PMC Hydropower A/S

Lammefjordsvej 2
6715 Esbjerg
Denmark

Visiting address:
Lammefjordsvej 2
Tel: +45 75 14 44 44
Fax: +45 75 14 44 45
www.pmc-hydropower.dk

PMC GROUP AB
Drottninggatan 7
252 21 HELSINGBORG
Sweden

Tel: +46 (0)42-38 15 50
Fax: +46 (0)42-38 15 55

www.pmcgroup.se