

ANNUAL REPORT  
2011



TRACTION

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## 2011 SUMMARY

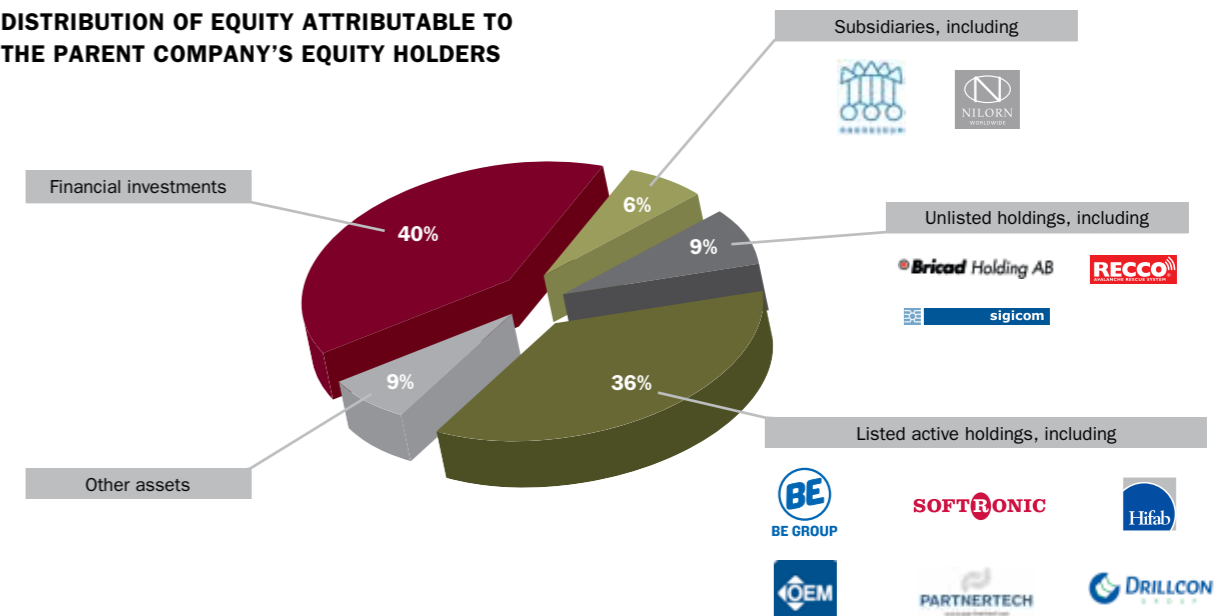
- The result after taxes attributable to the Parent Company's shareholders amounted to MSEK -41 (193).
- The change in value of securities was MSEK -155 (110).
- Operating profit in the operative subsidiaries amounted to MSEK 59 (67).
- The return on equity was -3 (15) percent.
- Equity per share amounted to SEK 91 (95).
- Net purchases of listed shares for MSEK 257 (129).
- Traction is now the largest owner of BE Group (13 percent) by acquiring shares for MSEK 164.
- Ownership in Drillcon increased from 13 to 30 percent.
- Major owner in Catella and G5 Entertainment.
- The change in value of securities during 2012 until 15 February amounts to MSEK 183.

KEY FINANCIAL INDICATORS	2011	2010	2009	2008	2007
Result for the year, MSEK <sup>1</sup>	-41	193	273	-171	81
Earnings per share, SEK	-3	12	17	-10	5
Shareholders' equity, MSEK	1 416	1 495	1 350	1 147	1 348
Equity per share, SEK	91	95	85	70	82
Market price at end of period, SEK	68	73	68	54	68
Market price/equity per share, %	75	77	80	76	83
Return on equity, %	-3	15	25	-13	6
Equity ratio, %	92	93	92	92	90
Dividend per share, SEK <sup>2</sup>	2,35	1,85	1,85	2,50	1,85
Dividend yield, % <sup>2</sup>	3,5	2,5	2,7	4,6	2,7

<sup>1</sup>) Attributable to the Parent Company's equity holders.

<sup>2</sup>) Dividend for 2011 as proposed by the Board of Directors.

### DISTRIBUTION OF EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S EQUITY HOLDERS



## SHAREHOLDER INFORMATION 2012

9 May	Interim Report for the period January – March
9 May	Annual General Meeting 2011
23 August	Interim Report for the period January – June
25 October	Interim Report for the period January – September

Subscription to financial information via e-mail may be made at [traction.se](http://traction.se), or by e-mail to [post@traction.se](mailto:post@traction.se). All reports during the year will be available at the Company's website. Traction's official annual accounts are available for downloading at the website at [traction.se](http://traction.se)



Dear Shareholders,

The earnings performance of Traction's project companies was good during 2011. It is particularly gratifying to note that the positive development of Traction's operating subsidiaries continued, especially in the case of Ankarsrum Motors and Nilörngruppen. The performance of several of our unlisted partially owned companies was good during 2011, in particular Sigicom, which generated a record result for the past year. In terms of their business, the development of our listed portfolio companies was also quite satisfactory.

But this development is not directly reflected in Traction's reported result, which to a much greater degree replicates the short-term performance in the stock market of our listed holdings. As we all know, the market goes up and it goes down. Last year the trend was markedly down and so far this year it has been sharply up. The valuation of the unlisted companies is done on an ongoing basis by the Board of Directors, which means substantially less volatility than for the corresponding listed holdings. But the changes in value of our subsidiary shares are not included in the reported result. Only their reported earnings for the period are included. Measured in this manner Traction reported a loss for the year of 3 percent of equity. Compared with the performance of the Stockholm stock market, which dropped by 13.5 percent, this may be regarded as a rather good result.

A new, major engagement is the BE Group, where Traction now is the largest shareholder with 12.7 percent of the votes, an investment of MSEK 164. BE Group is one of Europe's leading independent trading and service companies with a broad range of products in steel, stainless steel and aluminium. The company's earnings performance for the past few years has been unacceptably poor, which along with general risk of significantly weaker demand, has resulted in a sharp drop in the market price of the share compa-

red to prior levels. In a more extended perspective the conditions are good for a normalisation of BE Group's earnings, which should result in a re-evaluation. BE Group lacks a principal owner, which along with the possibility of a re-evaluation, also means that Traction sees exciting possibilities of having an effect on the company's future development. The investment in BE Group burdened Traction's result by MSEK 38 during 2011. But by 29 February 2012 a MSEK 51 recovery had been recorded.

The current debt crisis, mainly in some European countries and the United States, affects the mood of investors from time to time. In the short term the psychological mood determines how the stock market reacts, at the same time as fundamental factors play a lesser role. By March 2012 the prevailing fear of a euro meltdown during autumn 2011 has all but disappeared, despite the fact that the debt problems are far from resolved. My feeling is that it is very difficult, if not impossible, to know how to react under such circumstances. At Traction our principal aim is to act with a long-term outlook. We tend to ignore short-term volatility, but we also try to be opportunistic, buying on major downturns and selling after big surges.

Another inference is that the political atmosphere will fluctuate and will continue to constitute a major uncertainty factor, which contributes to rapid and forceful market reactions. The mood of the stock market also affects people's overall view of the economic situation and their willingness to consume, which has the effect that a weak stock market quickly contributes to weaker market demand. The actions of the public in stock market increases also appear to be the inverse, even if a stock market upswing not automatically results in more room for consumption.

My take on the situation is that we will continue to experience recurring crises in coming years. These will create opportunities for Traction, at the same as we will be affected by changed valuation levels when the crises culminate. The option of selling all assets is not particularly appealing. And in what should we invest instead to give us long-term appreciation? There are those who think gold, Swiss Francs or long-term government bonds are good alternatives – I have my doubts.

As before, we will therefore continue to develop our companies proactively, at the same time looking for new business opportunities. The most important thing is that we as owners always work towards making our companies well-managed and making sure that there are always appropriate action plans to handle situations when demand suddenly becomes weaker.

Stockholm, March 2012

Petter Stillström

## Development and enhancement of companies

Traction is a publicly traded investment company with ownership interests in listed and unlisted companies. Our operations are based on our own methodology for developing and refining the companies in which Traction is an owner. The primary focus of the methodology is customer relationships, capital flows and risk management. This methodology has evolved over Traction's more than 35-year history. Traction does not focus on specific industries, because our method is based on business acumen, which is applicable regardless of industry affiliation. Traction's role as owner is based on an active and long-term engagement, together with an entrepreneur or corporate management. In addition hereto, Traction conducts investment operations aimed at achieving a good return on the company's capital.

### BUSINESS CONCEPT

To apply Traction's business development method in wholly and partially owned companies, thereby generating high returns and capital appreciation.

### BUSINESS PHILOSOPHY

- We have a long-term approach.
- We are not seeking to build up a corporate group. We work instead with a number of independent companies – our clients – whose increase in value will be realised in the longer term.
- Our sphere of activity lies within the general transformation of companies. The requisite technical and industry expertise must be present in the company.
- Our primary objective is to sell management; financing is a secondary priority. It is the combination that is interesting.

### GOALS

- To achieve average annual growth of shareholders' equity of at least 15 percent.
- To create profitable growth in our wholly owned and partially owned companies.
- To minimise the risk and increase the return on our projects.

### STRATEGY

To achieve Traction's goals, the following is required:

- The ability to choose the right projects, in reality, the right partner – corporate managers.
- Project Managers who can provide corporate managers with the support and complementary expertise they require to carry out the business project.
- Project Managers with varying expertise and background to cover the varying needs of each company.
- Project Managers with the ability to step in as corporate managers during transitional periods, until a new manager has been appointed.
- Co-operation partners who can act as project manager, director, chief executive officer and/or joint owner.
- Sufficient financial resources to take on interesting projects.
- Consistent application of our methodology to minimise risk and raise the return on investment.

### EXIT STRATEGY

It is important to Traction that our companies display long-term growth and earning power. Our basic tenet is that we regard our ownership as "perpetual", but our shares are, in principle, always for sale at the right price and to a better owner. We define a better owner as an owner that is able to do more for the company than Traction can.



Ankarsrum Die Casting

## Traction's universe

### TRACTION WORKS WITH SEVERAL TARGET GROUPS

#### Entrepreneurs who:

- Possess the right characteristics, i.e. people who are extremely industrious and resilient, who can get things done, who are simultaneously thrifty and ensure that the customer pays, is satisfied and buys again.
- Are willing to abandon strategic plans in favour of what their external universe (the customer) is willing to pay for, and who are always willing to review their business concept and adapt it on an ongoing basis.
- Run or are planning to start companies with the right prerequisites for expansion.
- Believe in our methodology and are willing to work in accordance with its dictates.

#### Active partners who in co-operation with Traction:

- Are able to work operatively as project managers, directors or as chief executive officer.
- Act as an active partner.
- Want to finance a buy-out, a new issue or participate in refinancing a business.
- Believe in our methodology and are willing to work in accordance with its dictates.

#### Company managements, company presidents, owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out, spin-off or acquisition of businesses, or a change of generations.
- Otherwise need a financially strong owner in conjunction with a major transaction.
- Believe in our methodology and are willing to work in accordance with its tenets.

#### Financiers, owners, reconstruction specialists who:

- Need support in specific situations when urgent operational measures are needed in critical phases of reconstruction of operations.
- Are looking for a partner with the ability to provide a reconstruction loan to save a business from financial collapse.
- Need a partner with the financial resources needed to enter into a major project.
- Need a guarantor/underwriter in connection with raising capital.

## Traction's business

The common denominator for Traction's business is that we apply our own corporate development methodology to all companies in which we become involved. This means that customers, investors, partners and personnel must of necessity sympathise with our philosophy and our approach to business. Because what we sell is our methodology; that's what we make money on, and the commodity our clients buy. If you don't want it, you should obviously not buy it. The primary focus of Traction's methodology is on the following three main areas:

### CUSTOMER RELATIONSHIPS

It is the direct contact with the company's customers that tells the company what it needs to deliver and on what terms. Feedback from the customers enables the company to develop products that are unique and provide optimal solutions to the customer's problems. Identifying customers who could benefit greatly from the products or services provided by the company generates the prerequisites required for achieving high levels of sustained profitability.

The company's business model and strategy must always be subordinated to what the customers want and are willing to pay for. The business model should be seen as a hypothesis that is verified by paying customers. Close co-operation with the customers creates the potential for the company to shift focus quickly to what actually works in the marketplace. The possibility of success is at its greatest when the company ensures that it capitalises on every emerging business opportunity and only proceeds with the products and services that customers demand and pay for.

Most successful innovations are propelled by demanding customers as part of a commercial process. It is therefore important to nurture contacts with the customer and never to let the middlemen take command. The company's most important resource is therefore its qualified sales force, which is responsible for customer relationships and able to translate the requirements to the company's other functions.

### CAPITAL FLOWS

One additional cornerstone of Traction's methodology is based on a functioning capital flow, achieved by creating revenue before costs. By selling first and buying later, the company can let revenue control the level of costs acceptable to the company. The support of customers and the building of confidence in the company's ability to deliver the promised product/service is a prerequisite for success in this area. Capital tied up is substantially reduced and the need for financing can also be reduced, at the same time as risks are minimised.

Frequent contacts with the customers give the company hints of how demand changes. This information functions as an early warning system, affording the company the opportunity to adapt its business and body of costs in line with the new prerequisites.

### RISK MANAGEMENT

Taking risks is a natural part of all business activity. However, this doesn't mean that a company needs to bear all the risks by itself, and there are many ways in which the risks to which the business is exposed can be reduced. Customers, suppliers and other partners who participate in the company's success must naturally also share the risks, or they should be replaced.

The company's core business should comprise those products and services where the company excels and which can form a basis of support for the company's profitability and expansion. Products and services not part of the core business operations should be outsourced to specialists in these areas, with the aim of reducing operational complexity. If the company is focused on the products and services where it excels, the total business risk will diminish to reasonable levels.

In a forced development process, the risk of the company exposing itself to too many risks simultaneously increases. If different risks are combined, the overall probability for a successful outcome is reduced, and the company's survival is jeopardised thereby. The preferred option is to take one risk at a time, thereby increase control over the risk level to which the company should expose itself.

When reading these principles, they appear to be rather simple and self-evident, but in practice, they can be quite difficult to follow. Above this, some people are unwilling to follow the principles when they discover the practical difficulties involved. Many believe that it is impossible to follow the principles.

Every time capital is injected into a company, the level of risk rises and profits usually decline. The reason for this is that management's razor-sharp focus on the



OEM International

company's business disappears. It simply becomes less important to get money from paying customers. There is a tendency to go after new ventures, and costs tend to grow with a declining requirement for immediate return. The money burns a hole in the company's pocket, but it is called an investment. Companies are less good at listening to what the customers are willing to pay for when they have their own money to spend. And yet, companies need capital, but this must be injected in moderation and with care. Traction's job is to ensure that our clients nurture their capital usage and at the same time utilise every opportunity for raising external capital. The most significant aspect of our methodology is that we let the companies develop on the basis of what they have actually succeeded in selling, rather than investing in what they believe others will buy in the future. Our heroes are the sales representatives who achieve two key things: they bring money into the company, and they gather information on what is saleable – in principle, on how the products should be developed and designed. Other people's heroes are the people with product ideas who build a company with the aid of a large capital infusion. We are not denying that we need ideas and inventions, but we have learned that they have to be secondary to the things that the customer will actually pay for. When they are not, the experimentation tends to be very expensive. But as we said, to each their own. We feel that we must emphasise, however, that the entrepreneur ends up with a larger slice of the pie using our method.



Nilörngruppen

## TRACTION'S METHODOLOGY IN BRIEF

### TO CREATE INCOME BEFORE EXPENSES

- Sell first, buy later.
- Let revenue control costs.
- Cease activities when funds are low.
- Let customers and suppliers finance development.

### TO MINIMISE FIXED COSTS

- Cover fixed costs by getting orders.
- Convert fixed costs into variable ones.
- Do not invest without secure orders.
- Do not recruit without secure orders.
- Outsource and use consultants.

### TO CONTROL AND EXECUTE THE CRITICAL AND UNIQUE ASPECTS OF THE BUSINESS

- Every business has a unique core – guard it jealously.
- Product control.
- Market control.
- Do not allow suppliers and middlemen to take control.
- Stay in direct contact with end customers.
- Nurture the brand name and make sure you own it.

### TO AVOID INVOLVEMENT IN THOSE PARTS OF THE BUSINESS WHERE OTHERS HAVE MORE EXPERTISE

- All business contains numerous conventional services and skills – there are always other people who specialise in these areas. Use them. But use people who know their business and are strong.
- Reduce the scope of the business to a core operation and expand it later, if possible.

### TO CAPITALISE ON OPPORTUNITIES

- Sell to one customer, then two, then four – not to everyone at once.
- Find customers who will derive massive benefits from the new product and customers who want to try something new – known as “early adopters.”
- Try lots of different approaches, make more of what works and quickly stop whatever doesn't work.
- Let the customer's wishes and willingness to pay determine what the company does.

### TO AVOID RISKS

- Basic business – something to live on when things are sluggish.
- Take one risk at a time, rather than several simultaneously.
- Combine a unique aspect with the conventional ones.
- Let others share the risks – customers and suppliers. Or refrain.
- Only take the risks that the company can afford.
- Borrow for business, not losses.



Ankarsrum Motors

## TRACTION'S FORMULA

*The key to Traction's historically good returns is a combination of a number of different profitability factors. Each factor in itself increases the value of and/or minimises the risk exposure in Traction's holdings. If all of these factors are successfully combined, the return on capital infused can be very high. Traction's goal is to systematically ensure that the three most important factors, all of which are components of the model for return shown below, perform well individually, but above all, to create the sought-after combination of these factors.*

### Factor 1 Asymmetric risk profile

Traction's capital infusion in its portfolio companies is relatively low. In part, this is Traction's way of getting paid for its very active ownership; in part it is a function of the implementation of Traction's capital-extensive business methodology in the portfolio companies. This results in a relatively small capital infusion in each respective project, which in turn means a limited risk, at the same time as a small capital base gives rise to a higher return. All we stand to lose is our stake – but the gain can be many times that stake.

### Factor 2 Growth with profitability

With Traction as a partner, the goal is always to achieve growth while maintaining profitability. With Traction's participation, it is often possible to accelerate the rate of growth because the entrepreneur/company management has a strong and competent partner at their side – a partner who, in addition to management support, will bring to the company its experience of different types of change, corporate acquisitions, etc.

### Factor 3 Revaluation situations

Traction trains a sharp focus on realising changes in the basis for the valuation of its holdings. As examples can be mentioned:

- If a company becomes an attractive buy-out target for an industrial investor, its value can be multiplied many times over.
- If a company becomes listed in a marketplace, the value will increase, at the same time as additional capital can be raised, and this, coupled with Traction's methodology increases the chances for long-term growth.

- When a company suffers acute profitability and liquidity problems, its value falls drastically. The revaluation profits to be made by those with the courage to accept the challenge of successful reconstruction work are both very rapid and large.
- The value of under-capitalised companies with a competent management and interesting projects increases if they are given additional capital. If it is subsequently possible to steer the company to a higher level, the returns can be extreme.
- The drop in value of over-capitalised companies is less than the amount taken out of them.
- Valuable companies hidden within other larger companies can also be helped to emerge into the limelight and their value is thereby increased.

### Result: High profitability

Each of the above-mentioned factors leads to a growth in value. Traction's task is to ensure that all three factors are combined, which leads to high leverage on capital infused. Historically, Traction has demonstrated its ability to combine its work alongside the entrepreneurs with its methodology and its skilled project managers to achieve a consistently high return over an extended period of time.

## Underwriting

Traction has a long history as an underwriter of public issues. We get involved in underwriting in a number of different situations, for example in connection with widening ownership through private placements, initial public offerings, financing of acquisitions and expansion, refinancing of maturing debt, saving the company from insolvency, or simply strengthening of the balance sheet in general.

- Traction has issued guarantees for companies where we are already part owners, where we have intended to become part owners, or merely to safeguard the issue itself. On occasion we have been the sole underwriter and sometimes we are part of an underwriting consortium.
- Traction has also been engaged in ancillary services, for instance as a lender until the company has completed the issue. Traction has also been involved in preparing prospectuses.
- Closely related services include subscribing for securities in private placements, without pre-emptive rights, and to purchase a major shareholders lot of shares.
- Traction's guarantees may be for MSEK 1 to several hundred MSEK.
- Traction sees this as a financial service, but is always prepared to become a long-term owner.



Nordic Camping & Resort

#### Examples of companies in whose offerings Traction has participated as underwriter:

AcadeMedia  
Allgon  
Alm Brand  
Biophasia  
Duroc  
Endomines  
Eniro  
Hifab Group  
Impact Coatings  
Know IT  
Invisio Headsets  
Nordic Camping & Resort  
PA Resources  
Rörvik Timber  
Softronic  
SRAB Shipping  
Switchcore  
Thalamus Networks

## Business organisation

Traction's business consists of actively participating in the development of our portfolio companies and assisting them in every kind of situation. The focus is on developing and refining companies, using Traction's business philosophy and approach to entrepreneurship. In addition to active ownership in smaller and medium-sized companies, Traction is active in investment activities through investments in equities and interest-bearing assets with the aim of achieving a good return on the Company's capital.

Traction's venture managers are responsible for a number of engagements and are also charged with the task of finding new companies. Traction's corporate legal counsels also lend support to Traction's venture managers

as well as to the President and members of senior management in Traction's wholly and partly owned companies.

Traction's business organisation also includes a network of co-operation partners who participate actively, or have participated in the development of Traction's associated companies, such as entrepreneurs, owners, directors, members of senior management and financiers. When necessary, Traction's Venture Managers assume operational responsibility for running the portfolio companies in conjunction with the implementation of change projects. Traction's business organisation seen as a whole has a broad competence base, which means that Traction is able to offer expertise in the fields of sales, marketing, organisation, financial control and legal issues.



**Petter Stillström**, President and CEO, M.Sc. (Business Administration). Active in Traction since 1999, President and CEO since 2001. Previously worked in corporate finance.



**Krister Magnusson**, CFO, B.Sc. (Business Administration). Active in Traction since 2011. Previously CFO in other medium-size, listed and unlisted companies.



**Carl Östring**, General Counsel, Master of Laws. Active in Traction since 2011. Former attorney and law firm partner in Stockholm and Moscow.



**Joakim Skantze**, Venture Manager, M.Sc. (Eng.). Active in Traction since 2007. Previously worked in IT and graphic industry.



**Mattias Molin**, Venture Manager, B.Sc. (Business Administration). Active in Traction since 2011. Previously worked in leading positions in industry and auditing.



**Gunilla Håkansson**, Controller for Traction's central companies. Active in Traction since 2005.



**Paula Hokkanen**, Assistant Controller/reception. Active in Traction since 2008.



**Sigrid Wittbom**, Corporate Legal Counsel, Master of laws. Active in Traction since 2012.

## Board of Directors

**Bengt Stillström**, born 1943, M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO between 1974 and 2001. Member of the Board of Empire, Hifab Group, Nättidningen Sourze, SignTrace, Switchcore (Chairman), Ringvägen Venture, Saguru and Zitiz, and suggested for Profilgruppen. Director since 1974. Shareholding, including wife's holding: 330,000 class A shares, 5,451,450 class B shares.

**Anders Eriksson**, born 1956. Founder of Softronic, CEO and principal owner since 1984. Director of Softronic, Hifab Group (Chairman) and Nordic Ground Support. Director since 2011. Shareholding: 26,755 class B shares.

**Jan Kjellman**, born 1947, economist. Jan has had a long and varied career at IKEA, including CEO of IKEA Sweden, IKEA Nord-Amerika and IKEA FOOD. Jan is now active exploring future IKEA markets. Director of Traction since 2005 and also director of Nilörgruppen. Shareholding: 6,000 class B shares.

**Maria Linde**, born 1966, M. Sc. (Eng.) and Executive MBA. Management consultant and CEO of FlowMotion AB. Director since 2009. Shareholding: 1,250 class B shares.

**Petter Stillström**, born 1972, President and CEO since 2001. M.Sc. (Business Administration). Director of Nilörgruppen (Chairman), Softronic (Chairman), OEM International and PartnerTech, and a number of unlisted companies in Traction's sphere of interest. Director since 1997. Shareholding, including via wholly owned company and closely related parties: 1,095,000 class A shares, 1,677,150 class B shares and part owner of the Niveau Holding AB.

**Pär Sundberg**, born 1972, M. Sc. (Eng.). Entrepreneur and investor. Director of Buzzador AB, IPS Förändringskompetens AB and other. Director since 2005. Shareholding: 3,000 class B shares.

Auditor

**KPMG AB**, Chief Auditor: Carl Lindgren, born 1958, Authorised Public Accountant, auditor in charge. Traction's auditor since 2007.



Rear row, from left to right: Petter Stillström, Pär Sundberg, Jan Kjellman, Bengt Stillström. Front row: Anders Eriksson, Maria Linde.

## Ownership policy for listed companies

Below is a summary of Traction's ownership policy for listed companies. Traction's ownership policy for unlisted companies in which we have a partner is also governed by a partnership relationship.

- A company shall always be run on behalf of its owners and to afford the maximum possible return for those owners.
  - Major shareholders should be represented in the company's Board of Directors.
  - A principal owner has the ultimate responsibility and the authority to initiate changes to operations, business concepts, the company's management, the composition of the Board of Directors, major transactions and acquisitions.
  - A principal owner should consult with other major owners and explain the owners' intentions to the Board of Directors and corporate management, and ensure that suggestions for new board members are presented.
  - The Board of Directors and management shall also gather and embrace the intentions of the owner and work in line with the specified orientation.
  - Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
  - The Chairman of the Board of Directors, or the principal owner, must obtain support for major structural changes from the largest owners.
  - A principal owner may not grant favours to himself or herself at the expense of the company, but shall be entitled to reasonable compensation for his or her participation in the management of the company.
  - In the absence of a principal owner, the major owners should consult and formulate a form of corporate governance to compensate for the lack of a principal owner.
  - In the absence of a principal owner or group of major owners who assume responsibility, it shall be incumbent upon the Chairman, with the aid of the Board of Directors, to compensate for such lack to the best of his or her ability.
  - The Board of Directors should be composed of persons with large personal shareholdings and other persons who can contribute to the development of the company, and who have the time to be actively involved.
  - The composition of the Board of Directors should be such that it includes numerous different skills, fields of experience and contact interfaces.
  - Traction wants to see a business-like and active Board of Directors, that knows its company and its business environment well, and that can complement and support the chief executive officer.
  - The Board of Directors shall make critical decisions regarding the company's strategies, orientation, major transactions and other significant changes.
  - The Board of Directors shall exercise effective control over the company's finances, risks and opportunities.
  - The Board of Directors works on behalf of the owners.
  - As a major owner, Traction always wants to participate in nomination committee work.
  - The nomination committee should be composed solely of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the nomination committee.
  - Traction wishes at all times to appoint at least one director in companies in which Traction has a major shareholding.
  - Traction intends, at all times and in all companies, to implement Traction's business development methodology and expects other directors and corporate managers to work in the same spirit.
  - The company shall have zero tolerance for arbitrary conduct.
  - Option programs to employees should only be offered on terms adjusted to market conditions so that taxation is as income from capital rather than income from employment.
  - Private placement of new shares with major owners are welcome in smaller companies, which thereby can keep new issue costs low, avoid negative effects on the market price of the share and also get a better ownership structure.
- The chief executive officers' terms and conditions for employment should comply with the following principles:**
- A reasonable basic salary and a bonus for good performance.
  - Terms and conditions should be renegotiable, upwards as well as downwards, usually on an annual basis.
  - Notice periods should not exceed six months and golden parachutes should definitely not exist.
  - The period of notice should be the same for the chief executive officer and the company.
  - The chief executive officer should preferably be a major joint owner of the company.
  - Pension plans should be of the defined contribution variety and be at a reasonable level.

## Listed active holdings

Traction is an active major owner in a number of smaller and medium-sized listed companies. We invest in companies where we see a significant re-evaluation potential and where the risks are manageable. Other involvement in listed companies can be that we underwrite equity offerings in companies in need of new capital and where we see a potential for good returns. Traction has been an owner in some of the companies listed below before they became publicly listed and we participated actively in their respective processes of going public. Please also refer to Traction's ownership policy for additional information on our approach to ownership in listed companies and the distribution of roles between owners, Board of Directors and corporate management.

**BE Group AB** is one of Europe's leading trading and service companies in steel and other metals. BE Group offers a broad range of services for the use of steel, stainless steel and aluminium. The group has approximately 10,000 customers, primarily in the fields of construction and manufacturing. In 2011 the group had revenues of SEK 5.9 billion and earned an operating profit of MSEK 131 (adjusted for certain one-time items). More than 0.5 million tonnes of product was delivered. BE Group has just over 900 employees in ten countries, with Sweden and Finland accounting for the largest markets. The head office is located in Malmö. The BE Group share fell sharply during 2011 and Traction seized the opportunity and bought large quantities of shares in the company. By 31 December 2011 Traction was the company's largest owner with 12.7 percent of the shares outstanding, purchased at an average price of SEK 25.76 per share. Traction will become represented on the company's board of directors during spring 2012. Traction's ambition is to strengthen BE Group's profitability on a long-term basis after a period of sub-par earnings in recent years. BE Group is listed on Nasdaq OMX Stockholm since November 2006. Additional information is available at [begroup.com](http://begroup.com)

Investment year: 2011  
Proportion of capital and votes: 12.7%  
Revenue 2011: MSEK 5,941  
Profit before taxes: MSEK 48  
Other owners: Swedbank Robur Fonder: 9.2%  
CBLDN-IF Skadeförsäkring AB: 7.5%,  
Odin Fonder: 5.4%  
President: Roger Johansson



**Drillcon AB** is Europe's largest company in diamond core boring and a major raise boring contractor. Drillcon has been active in that industry since 1963 and has subsidiaries in Sweden, Norway (Drillcon Norge AS), Finland (Suomen Malmi Oy, Smoy) and Portugal (Drillcon Iberia SA Portugal). The company's head office is in Nora, but operations are on site by contractors where work needs to be done. Traction is a part owner of Drillcon since autumn 2008. During 2011 Traction increased its ownership from 12 percent to 30 percent of the shares outstanding, which means that Traction is the company's largest single owner. Drillcon is listed on First North, Stockholm Stock Exchange. Additional information is available at [drillcon.se](http://drillcon.se)

Investment year: 2008  
Proportion of capital and votes: 30%  
Revenue 2011: MSEK 361  
Profit before taxes: MSEK 31  
Other owners: Peter Zeidler, 10%,  
Mikael Berglund, 10%  
President: Mikael Berglund



**Duroc AB** is an industrial group that owns and develops industrial respectively industrial trading operations in a number of segments. Among Duroc's companies/businesses can be mentioned Duroc Machine Tool (dealer in machine tools), Duroc Special Steel (cold-rolling mill), Duroc Engineering (restoration of steel surfaces), Duroc Rail (rail wheel-set maintenance), Duroc Tooling (manufacture of tools) and Micor (manufacture of saw blades). The subsidiaries are divided into business areas industrial trading and technology/production. The group owns businesses in Sweden, Norway, Denmark, Estonia, Latvia, and UK. The rolling mill investment in Special Steel was completed during the year and the operations of Duroc Engineering was moved to Special Steel's premises in Luleå. The investment in a new wheel lathe was also completed and the move of train maintenance to new well-suited and adaptable premises in Luleå has begun. Duroc is listed on OMX Nordic Exchange Stockholm. Additional information is available at [duroc.com](http://duroc.com)

Investment year: 1993  
Proportion of capital and votes: 24% and 27%, respectively  
Revenue 2011: MSEK 585  
Profit before taxes: MSEK 19  
Other owners: Niveau Holding AB 9% and 26%, respectively, Sture Wikman 7% and 5%, respectively  
President: Erik Albinsson



**Hifab Group AB** is the Nordic Region's largest project management firm. The company is active in sectors including building, construction, installation, and environmental technology. Internationally, Hifab also offers its services to aid organisations and then with services in the fields of construction, education and training, social development, institutional and rural development, etc. Hifab is currently leading projects in some 20 countries. Hifab now has 15 offices in Sweden and two permanent offices outside Sweden. Hifab today has approximately 400 annually employed employees. Hifab captured several major projects during 2011, among which can be mentioned that Hifab is project manager for an interaction centre in Stockholm and conducts PCB testing in connection with improvement of million program areas at numerous locations nationwide. Hifab has also been appointed independent inspector at Nya Karolinska Solna, a completely new role in the largest OPS project conducted in Sweden. Hifab is listed on First North, Stockholm Stock Exchange. Additional information is available at [hifab.se](http://hifab.se)

Investment year: 2004  
Proportion of capital and votes: 48% and 41%, respectively  
Revenue 2011: MSEK 388  
Profit before taxes: MSEK 19  
Other owners: Niveau Holding, 7% and 11%, respectively, Hans Waldaeus, 5%, Jan Boija, 4%, Jan Skoglund, 3%  
President: Jan Skoglund



**Nordic Camping & Resort AB** has as its business concept to acquire or lease camping sites and to develop a chain with varying forms of accommodation under a single brand name. The company currently operates ten facilities from Helsingborg in the south to Östersund in the north. Nordic Camping continued to grow during 2011, with an increase in revenue of almost 40 percent. The company displays strong organic growth and during 2011 Edsviks Camping in the Bohuslän archipelago was added. In 2012 Bredsand in Enköping and Ekudden in Mariestad will be added as new facilities. The company continues to develop business for autumn, winter and spring by building and restoring cottages for hotel and long-term, self-catering accommodation and to offer conference operations and event packages. These investments were successful during 2011 and will continue in 2012. Nordic Camping has an attractive offer for municipalities wishing to develop their camping facilities and grow tourism. The company will continue to work on its ambition of rapid growth under good profitability. The company's shares are traded on Aktietorget. Additional information is available at [nordiccamping.se](http://nordiccamping.se)

Investment year: 2005  
Proportion of capital and votes: 32%  
Revenue: 2011 MSEK 37  
Profit before taxes: MSEK 0.7  
Other owners: Tom Sibirzeff, 20%, Kjell Jakobsson 6%  
President: Tom Sibirzeff



**OEM International AB** is one of Europe's leading technology trading groups in industrial components and systems on selected markets in northern, central and eastern Europe. The group consists of 20 operating entities conducting business in 13 countries. OEM offers a broad and deep range of industrial components and systems from leading suppliers. Thanks to a well developed local market organisation and effective logistics, OEM makes for a better alternative than the suppliers' own sales companies. OEM contributes a high level of knowledge and service and markets the products based on the market-specific requirements in each respective market. Traction has been a major owner of OEM since the end of 2009 and is engaged on the Board of Directors since the spring of 2010. In terms of earnings, 2011 was the company's best year ever. OEM International is listed on OMX Nordic Exchange Stockholm. Additional information is available at [oem.se](http://oem.se)

Investment year: 2009  
Proportion of capital and votes: 8% and 12%, respectively  
Revenue 2011: MSEK 1,590  
Profit before taxes: MSEK 172  
Other owners: Orvar Pantzar, 19% and 29%, respectively, Hans Franzén, 11% and 17%, respectively, Agne Svenberg, 7% and 19%, respectively  
President: Jörgen Zahlin



**PartnerTech AB** develops and manufactures products on a contract basis for leading companies, primarily in the fields of defence & marine, industry, information technology, medical technology and instruments, environmental technology and sale and payment solutions. In the customer relationship PartnerTech has the role of production partner with a holistic approach. This role assumes not only ability to handle the customer's product throughout its life cycle, but also deep competence in the fields of electronics, mechanics and systems integration. In this way the company can create solutions that strengthen the customer's competitive power. Proximity to the customers, high quality and delivery precision, short lead times and customer satisfaction are therefore important parameters for PartnerTech. PartnerTech has more than 1,200 employees at facilities in Sweden, Norway, Finland, Poland, the UK, USA and China. Traction is a part owner of PartnerTech since autumn of 2008 and engaged in the Board of Directors since the spring of 2009. The parent company is listed on OMX Nordic Exchange Stockholm. Additional information is available at [partnertech.se](http://partnertech.se)

Investment year: 2008  
Proportion of capital and votes: 15%  
Revenue 2011: MSEK 2,322  
Profit before taxes: MSEK 19  
Other owners: Bure Equity, 43%  
President: Leif Thorwaldsson



**Softronic AB** is a consultancy company in IT and management, the services of which spans the spectrum from consulting and new development to management and operation. Softronic has a holistic approach to change, which means that the company can support its customers in everything from strategy to structure, including organisation, processes and IT. Most customers are medium-sized and large companies, and organisations in Sweden. Softronic was founded in 1984 by Anders Eriksson, who still is the company's chief executive officer and largest owner. Softronic has about 500 employees in Stockholm, Gothenburg, Malmö, Sundsvall, Arjeplog, Överkalix, Denmark and Estonia. Traction is a part owner of Softronic since 2001. Softronic is listed on OMX Nordic Exchange Stockholm. Additional information about Softronic is available at [softronic.se](http://softronic.se)

Investment year: 2001  
Proportion of capital and votes: 22% and 20%, respectively  
Revenue 2011: MSEK 526  
Profit before taxes: MSEK 39  
Other owners: Anders Eriksson, 21% and 34%, respectively, Stig Martin, 8% and 15% respectively  
President: Anders Eriksson



**SwitchCore AB** strives to acquire one or several profitable businesses with a view to capitalising on a long-term basis on the company's deferred tax asset of MSEK 260, thereby enriching its shareholders. In concrete terms, SwitchCore is looking for well-managed companies with earnings at the MSEK 25 level or above. In parallel with the search for acquisitions, the company's capital (approximately MSEK 65) is managed in a portfolio of mainly listed equities and interest-bearing assets. SwitchCore is listed on Aktietorget.

Investment year: 2007  
Proportion of capital and votes: 28% and 22%, respectively  
Other owners: Nortal Investments AB, 10% and 4%, respectively, Banque Öhman S.A., 5% and 9%, respectively.  
President: Mattias Molin

## Other major holdings

**Catella AB** is a European financial group active in Corporate Finance and Wealth Management. Catella focuses on selected segments within these areas of operation where highly specialised knowledge and local representation combined with international reach are crucial to creating value added for the customers. Catella has about 400 employees spread over offices in 24 cities in 12 European countries. Traction owns just over 5 percent of the capital and just over 6 percent of the votes in Catella. Principal owner of Catella is Johan Claesson, who owns just over 47 percent of the shares and the votes in the company. Catella is listed on First North, the Stockholm Stock Exchange. Additional information is available at [catella.se](http://catella.se)

**G5 Entertainment** is a developer and publisher of downloadable games for iPhone, iPad, Mac, PC and portable consoles. G5 owns a number of successful game concepts, among them Supermarket Mania, Virtual City, Stand O'Food and Mahjongg Artifacts and publishes popular games from other developers. G5 has the largest selection of "casual games" at Apple's App Store. Traction invested in G5 in the summer of 2011 in connection with a private placement. Traction owns just over 7 percent of the shares outstanding in the company. President is Vlad Suglobod, who is one of the company's founders and largest owners. The company's shares are traded on Aktietorget. Additional information is available at [g5e.com](http://g5e.com)



## Unlisted active holdings (ownership <50%)

In Traction's unlisted companies we co-operate with entrepreneurs who are large owners in their companies. The business concept is – as partner with these entrepreneurs – to develop growth companies. With Traction as a business partner, the entrepreneur is able to generate the prerequisites for profitable growth. We contribute to the development of the company and then sell our stake – preferably together with the entrepreneur – and then – hopefully – realise a healthy profit. The entrepreneur consequently does not make a profit when we move in – but “buys” us in. In certain companies Traction works with other active owners, at the same time as operations are led by a president who is not a significant owner of the company. Traction's venture operations can be equated to those of an organised business angel.

**Banking Automation LTD** is a British company that designs, assembles and distributes self-service banking machines – a sort of reverse ATM – cash exchange machines, coin deposit systems and bill payment machines, primarily for banks, but also for transport companies, local government, shopping malls and the like. The machines are placed both as free-standing units within the bank's premises, inside extended hours vestibules and “through-the-wall” machines that open to the street, and in unmanned bank branch offices. Banking Automation was founded in 1984 and has an installed base of more than 9,500 units with clients that include several leading banks and financial institutions in some thirty countries in the world. Among Banking Automation's customers in the UK can be mentioned Barclays, HSBC, NatWest and a growing number of municipalities, Magistrates' Courts and public utilities. Sales are via a well built global distribution network. Additional information about Banking Automation is available at [www.bankingautomation.com](http://www.bankingautomation.com)

Investment year: 1986  
Proportion of capital and votes: 47%  
Revenue 2011: MGBP 6  
Other owners: Alan Jeffers, 32%,  
David Tew, 11%, Paul O'Neill 10%  
Managing Director: David Tew



**Bricad Holding AB's** business concept is to make investments in companies with good development potential and to take an active role in those companies' development. Bricad's principal asset is the partially owned company Vallentuna Centrum AB, which owns and manages a number of properties in Vallentuna Centrum. The rentable space is approximately 35,000 square metres, divided into office and retail space. The owners are Bricad (50 percent) and GE Real Estate (50 percent). Additional information is available at [bricad.se](http://bricad.se)

Investment year: 1997  
Proportion of capital and votes: 47%  
Other owner: Bo Richter 47%  
President: Bo Richter



**Creatum Holding AB** is a jointly owned parent company for development of the Jarl 20 property in the Municipality of Danderyd. The property extends over two detailed zoning plans, where one offers the opportunity of building multi-family homes with about 4,000 square metres of floor area and the other allows for two single-family homes. During 2011 a building permit was granted for 36 flats. The property is attractively located in Djursholm, close to the Djursholms Ösby train station, where availability of flats is very limited. Construction is expected to be ongoing during 2012 with occupancy planned for 2013. The company is owned equally by Traction and two property entrepreneurs. Additional information is available at [osbypark.se](http://osbypark.se)

Investment year: 2010  
Proportion of capital and votes: 50%  
Other owner: Tobin Partners AB 50%



**Modular Streams AB** has developed a system for creating investment strategies for automatic trading in securities. The business concept is to offer investors to build their own strategies for automatic trading over the internet, and allowing private individuals to invest in the strategies of others. This is a unique way to allow private investors to invest in automatic trading without any intermediary. During 2011 co-operation was initiated with Mangold Fondkommission, where private investors may invest in strategies developed by Modular Streams via Mangold's custody accounts. These strategies performed very well during 2011. The company intends to initiate co-operation with other established internet brokers during 2012. More information about the company and its services is available at [www.modularstreams.com](http://www.modularstreams.com)

Investment year: 2010  
Proportion of capital and votes: 15%\*  
Other owners: the founders, 14.5% each,  
Innovationsbron 12%  
President: Hans Möller  
\* Option to increase to 30%



**Recco Holding AB** provides a life-saving system used by more than 500 life-saving organisations world-wide as an effective aid in locating avalanche victims. RECCO is based on a radar technology, which allows for rapid and exact locating of victims. The system is comprised of two parts and consists of RECCO detectors used by organised rescue groups and RECCO reflectors attached to the ski boot or built into skiing equipment, such as clothing, helmets and ski boots. The reflectors require no knowledge to be used, nor are they dependent on a supply of electrical power. Even though there are similarities with active emergency transmitters, the RECCO system is not intended to be a self-rescue system, or an alternative to using an emergency transmitter. The system does not hinder other rescue methods, such as dogs or emergency transmitters for instance. Instead the system functions as a complement to other systems. The RECCO system allows much faster organised search for victims and provides skiers and snowboarders one more chance of rescue in time. The RECCO system is established at all skiing resorts of distinction in the world, about 350 locations. Traction is a part owner since 1988. Additional information about RECCO is available at [recco.com](http://recco.com)

Investment year: 1988  
Proportion of capital and votes: 49.9%  
Revenue 2011: MSEK 36  
Financial net assets 2011: MSEK 53  
Other owners: Magnus Granhed, 50.1%  
President: Magnus Granhed



**Sigicom AB** is the leading supplier in the Nordic countries of measuring systems for field measurements and surveillance of vibrations, noise, blast waves and other environmental disturbances. The company has strong product development in micro-electronics and computer communication and has the market's most sophisticated and innovative measuring solutions. For Sigicom's customers the measuring systems mean simplified installation, automated measurements and highly cost-effective remote surveillance. Sigicom's measuring instruments are extremely accurate and aside from web-based application programs the company also offers support, service and regular calibration. Sigicom increased its sales by more than 60 percent during 2011, with good and increasing profitability. Sales to customers in construction and infrastructure in the Nordic countries has had the biggest sales increase. Sigicom is active and sells its measuring systems and services on a global market. During 2012 Sigicom will further strengthen its export offensive. There is great potential for increased export sales. Traction is a part owner of Sigicom since 1997. Additional information about Sigicom is available at [sigicom.se](http://sigicom.se)

Investment year: 1997  
Proportion of capital and votes: 23%  
Revenue 2011: MSEK 53  
Other owners: Christer Svensson 45% and employees  
President: Christer Svensson



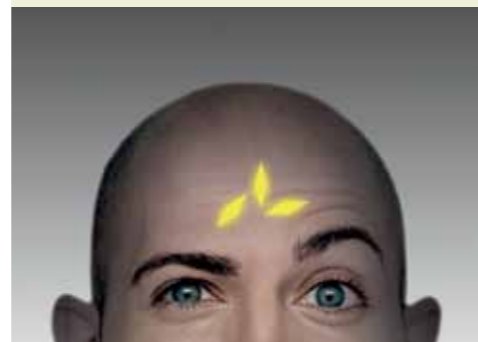
**SignTrace AB** is a young company that develops applications for mobile phones that combine physical and digital media by using so-called Near Field Communication (NFC) technology. NFC is a communications standard for mobile phones that, among other things, can read signal-carrying tags. A SignTrace application in a mobile phone with NFC can read a tag on a physical product and then, for example, get permission to play digital content (such as music, film and sound books). Another example is an application in the mobile phone that can read a tag on, for example, a consumer product and then interactively perform tasks, such as displaying demonstration film, or receive user information. Every signal-carrying tag is in itself identifiably unique. NFC is expected to be a standard feature on smartphones launched during 2012. Additional information is available at [signtrace.com](http://signtrace.com)

Investment year: 2010  
Proportion of capital and votes: 28%  
Other owners: Erik Ottosson 45%,  
Dominique Sjögren 17%,  
Ecoscandinavia 11%  
President: Erik Ottosson

SignTrace

**Thalamus IT Consulting AB** offers consultancy and recruitment services in IT and technology, as well as outsourcing and specialist knowledge in the field of IT solutions. The company has existed for 10 years and possesses a high degree of expertise and extensive experience in its field. Operations are divided into three main areas: recruitment, consultancy and service centre. The work of Thalamus' knowledge-driven associates is distinguished by quality, innovative thinking and personal engagement. Additional information is available at [thalamus.se](http://thalamus.se)

Investment year: 2010  
Proportion of capital and votes: 31%  
Revenue 2011: MSEK 30  
Other owners: President and employees  
President: Kaj Böving



**Saguru AB** in Malmö develops content for mobile units, educates on the subject at vocational schools and companies, and produces its own exciting app products. In a short period of time Saguru has built a broad circle of customers, consisting of, among others, E.on, Barista FTC and Malmö FF. Additional information is available at [saguru.se](http://saguru.se)

Investment year: 2011  
Proportion of capital and votes: 15%  
Other owners: Claes Magnusson 15%,  
Daniel Wigren 23%, Dennis Bärlund 23%  
and Bill Mårtensson 23%  
President: Daniel Wigren

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**JRS Securities AB** is a newly started company active as an equity broker and in research for international clients. In December 2011 JRS received its permit to conduct securities business and operations started in 2012. JRS is 70-percent owned by the company's active partners, all with extensive experience in the industry. Additional information is available at [jrssec.se](http://jrssec.se)

Investment year: 2011  
Proportion of capital and votes: 10%  
Other owners: Personnel 70%, JRS Group AB 20%  
President and founders: Stefan Liljestam and  
Pelle Helgesson



**EwaLie AB** is an innovator in fast-moving consumer goods retailing, building a strong brand name by offering high-quality food fulfilling market demands for ecological raw materials with low GI without additives and without lowering one's taste sensation. EwaLie is placing big bets on the growing categories of gluten-free, baking, müsli and ecological. The company was started in 2010 by Ewa Skiöldebrand, a pioneer in GI and the founder of the 3-step program in the GI method, and Natalie Westlund, star chef, pastry cook and nutritionist. Additional information is available at [ewalie.se](http://ewalie.se)

Investment year: 2012  
Proportion of capital and votes: 33%  
Other owners: Lust Inspiration Vilja AB 33.5%  
and Natalie Westlund 33.5%  
President: Ewa Skiöldebrand



## Subsidiaries (ownership >50%)

Our subsidiaries are usually turn-around projects, reconstructions, management buy-outs/buy-ins, or similar situations. Our principals can be banks, reconstruction specialists, major companies, "old" owners or management. The chief executive officer is usually an employee, but often participates in incentive programmes/bonus systems. Just like other projects, our work is based on Traction's business methodology and approach to entrepreneurship. Basically, Traction uses the same model for all investments, but the relationship with management differs significantly when the primary responsibility rests with us.

### THE ANKARSRUM COMPANIES

In 2001 Traction took over the then FHP Elmotor AB from Electrolux. The Ankarsrum companies today consist of several companies briefly described below. More information about the operations is available at [ankarsrum.com](http://ankarsrum.com). Ankarsrum Fastighets AB owns and manages the Group's property, consisting of approximately 25,000 square metres of premises.

**Ankarsrum Motors AB** develops and manufactures electric motors and related components as well as complete products that incorporate electric motors. In the welding feed motor segment Ankarsrum Motors is today the leading independent producer in the world. The production is characterised by solutions adapted to customer requirements with demand for high quality in the end products. The company makes the Ankarsrum Assistent among other things, as well as motors and products for other leading household appliance makers. A major portion of the production is exported.

Ankarsrum Motors had another successful year with good sales and profit. During 2011 a new module-designed DC motor was developed and sold to a number of customers as a prototype. The motor will be introduced and mass production will start during 2012. It is both cost-effective and adaptable to new application areas. The company has strengthened its sales department and has successfully began selling to new customer segments. Ankarsrum's production is highly automated and the company will continue to invest in developing quieter, more reliable and vibration-free electric motors. Successes with production of electric motors and household appliances, where Ankarsrum's reliable motors are world-leading, are expected to continue.

Investment year:	2001
Proportion of capital and votes:	100%
Revenue 2011:	MSEK 193
President:	Thomas Håkansson

**Ankarsrum Assistent AB** is a sales company that markets and sells the classic Assistent food processor/kitchen appliance, which was taken over from Electrolux during 2009. The Assistent appliance is manufactured and assembled by Ankarsrum Motors. The product has been given a new design and a stronger motor. The machine is sold via well-established sales channels in Sweden, Norway and Denmark, and via resellers and agents worldwide. Ankarsrum Assistent AB recorded very strong growth during 2011 with almost half of sales outside Sweden.

Investment year:	2009
Proportion of capital and votes:	100 %
Revenue 2011:	MSEK 48
President:	Thomas Håkansson

**Ankarsrum Die Casting AB** is a modern, high-tech casting company that casts and finishes products in aluminium. During the year the company increased its volumes to the automotive industry in particular, which is very demanding in terms of quality and efficient methods. The company's automatic casting machines operate with a clamping force of between 400 and 880 tonnes and robot-controlled deburring, deflashing and media-blasting. Finishing is handled in highly efficient processing cells for parts with stringent demands for cleanliness. The cast products are of high precision, extremely clean and virtually pore-free. The company is ISO 9001-certified and since 2011 also ISO/TS 16949-certified.

Investment year:	2001
Proportion of capital and votes:	100 %
Revenue 2011:	MSEK 76
President:	Håkan Sundell



Nilörngruppen

**Nilörngruppen AB** is an international group, founded in 1977, with expertise in adding value to brands in the form of labels, packaging, and accessories to customers, especially in the fashion, apparel and ready-made clothing industries. Nilörn is focused on increasing customers' competitiveness by offering services that cover all design resources, plus a logistic system that ensures reliable and prompt delivery.

Nilörngruppen is one of Europe's leading players with revenue of MSEK 321. In all, Nilörn manufactures around 10 million labels per day, of different sizes and types. Nilörngruppen is represented by subsidiaries in Sweden, Denmark, Germany, Belgium, the United Kingdom, Portugal, Hong Kong, India, Turkey, Bangladesh and China.

Nilörn lives by the motto "maximum customer satisfaction." The entire corporate structure is based on this central tenet, which constitutes the foundation for all business conducted in the Nilörn Group, from design to manufacturing, sales, logistics and service.

Revenue was marginally lower in 2011 than in the previous year as a result of a weaker economy and foreign exchange effects when sales abroad are converted to a Swedish krona that strengthened during the year. Approximately 80 percent of Nilörngruppen's sales are outside the Nordic countries.

The operative units continued to strengthen in terms of sales, customer support and purchasing in order to continue the positive development begun in the previous year. A structural transformation has also begun in Europe

aiming at making the company an even more efficient and powerful supplier of branding and design services.

Nilörn is the leading supplier in the Nordic Region, where the company is well known for its design and product development. Nilörn has established logistics centres at important locations, such as Hong Kong, Turkey, India, Bangladesh and China. The vision is to become Europe's leading label and branding company and to get there, additional structural action in other parts of Europe will be required – work which has now begun. Additional information is available at [nilorn.se](http://nilorn.se)

Investment year:	2005, subsidiary since 2009
Proportion of capital and votes:	70% and 60%, respectively
Revenue 2011:	MSEK 321
Other owners:	Investor 15% and 32%, respectively
President:	Claes af Wetterstedt

**Zitiz AB och Sourze** are web newspapers active in editing and publishing articles written by the readers themselves. The same entrepreneurs also run [poplight.se](http://poplight.se), an internet entertainment newspaper, in the same way. Refer to the companies' websites: [zitiz.com](http://zitiz.com) and [sourze.com](http://sourze.com)

Investment year:	2007/2008
Proportion of capital and votes:	96%/96%
Operative manager for Zitiz:	Anders Hansson
Editor-in-Chief of Sourze:	Carl-Olof Schlyter

## Traction from an investor perspective

Holding	Number of shares (thousands)	Stake % (votes)	Market price (SEK)	Market value (MSEK)	% of total	SEK per share
<i>Listed active holdings (stake &gt;10% of votes)</i>						
BE Group	6 370	13 (13)	20,0	127	9	8
OEM International (Class A and B shares)	1 883	8 (12)	55,0	104	7	7
Softronic (Class A and B shares)	11 529	22 (20)	5,5	63	5	4
Hifab Group (Class A and B shares)	14 465	48 (41)	4,2	61	4	4
PartnerTech	1 963	15 (15)	21,4	42	3	3
Drillcon	13 377	30 (30)	3,0	40	3	3
SwitchCore	1 037 549	28 (22)	0,03	31	2	2
Duroc	1 750	24 (27)	14,0	25	2	1
Nordic Camping & Resort	2 442	32 (32)	5,8	14	1	1
Other active holdings				2	0	0
<b>Total active listed holdings</b>				<b>509</b>	<b>36</b>	<b>33</b>
<b>Unlisted holdings</b>						
Bricad Holding		47 (47)		52	4	3
Recco Holding		50 (50)		43	3	3
Sigicom		23 (23)		14	1	1
Banking Automation	47 (47)			12	1	1
Other unlisted holdings				5	0	0
<b>Total unlisted holdings</b>				<b>126</b>	<b>9</b>	<b>8</b>
<b>Operative subsidiaries<sup>1</sup></b>						
Nilörngruppen		70/60		69	5	4
Ankarsrum Motors		100 (100)		17	1	1
Other subsidiaries				7	0	0
<b>Total subsidiaries</b>				<b>93</b>	<b>6</b>	<b>5</b>
<b>Total active holdings</b>						
				<b>728</b>	<b>51</b>	<b>46</b>
<b>Other assets</b>						
Loans to active holdings <sup>2</sup>				80	6	5
Other assets, including real estate				37	3	3
<b>Total other assets</b>				<b>117</b>	<b>9</b>	<b>8</b>
<b>Financial investments</b>						
SCA B	1 000		102,0	102	7	7
Swedbank (Class A and Preferred shares)	1 000		89,2	89	6	6
Catella (Class A and B shares)	4 434		7,0	31	2	2
Other listed holdings value				152	11	9
Interest-bearing investments				111	8	7
Cash and cash equivalents <sup>3</sup>				86	6	6
<b>Total financial investments</b>				<b>571</b>	<b>40</b>	<b>37</b>
<b>TOTAL</b>				<b>1 495</b>	<b>100</b>	<b>95</b>

<sup>1</sup>Valued at book value in the Group, not market value.

<sup>2</sup>Refers primarily to Creatum Holding, Ankarsrum Die Casting and Ankarsrum Motors.

<sup>3</sup>There is also an unutilised credit facility in the amount of MSEK 150.

The above compilation shows how the Group's equity, attributable to the Parent Company's equity holders, is allocated as of 31 December 2011. In the opinion of the Company, the above compilation provides a truer picture of Traction's financial position than the consolidated balance sheet, which includes the consolidated operating subsidiaries.

## Five-year Overview

MSEK	2007	2008	2009	2010	2011
<b>Income Statements</b>					
Operating income	309	380	526	642	625
Operating expense	-326	-384	-523	-549	-540
Change in value of securities	73	-189	267	110	-155
Operating result	56	-193	270	203	-70
Net finance items	26	22	14	15	22
Taxes	-1	0	-4	-11	18
<b>Net result for the year</b>	<b>81</b>	<b>-171</b>	<b>280</b>	<b>206</b>	<b>-30</b>
Of which attributable to:					
The Parent Company's equity holders	81	-171	273	193	-41
Minority interest	0	0	7	13	11
<b>Balance Sheets</b>					
Shares	557	584	690	495	636
Other financial instruments	29	25	160	2	1
Other non-current assets	112	96	74	66	87
Current assets	152	121	197	807	712
Cash and cash equivalents	653	421	385	281	137
<b>Total assets</b>	<b>1 503</b>	<b>1 247</b>	<b>1 506</b>	<b>1 651</b>	<b>1 573</b>
Equity attributable to the Parent Company's equity holders	1 348	1 147	1 350	1 495	1 416
Equity attributable to the minority	0	0	32	38	30
Interest-bearing liabilities	75	27	4	-	7
Non-interest-bearing liabilities and provisions	80	73	120	118	120
<b>Total shareholders' equity and liabilities</b>	<b>1 503</b>	<b>1 247</b>	<b>1 506</b>	<b>1 651</b>	<b>1 573</b>

## Ten-year Overview<sup>1</sup>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net result for the year <sup>2</sup> , MSEK	-127	58	193	310	175	81	-171	273	193	-41
Shareholders' equity <sup>2</sup> , MSEK	612	656	833	1 137	1 297	1 348	1 147	1 350	1 495	1 416
Equity ratio, %	77	77	82	88	90	90	92	92	93	92
Return on equity, %	-17	10	30	38	16	6	-13	25	15	-3
Equity per share, SEK	37	40	50	69	78	82	70	85	95	91
Earnings per share, SEK	-8	3	12	19	11	5	-10	17	12	
Dividend per share, SEK <sup>2</sup>	0,50	0,80	0,93	0,93	1,10	1,85	2,50	1,85	1,85	2,35
Dividend yield, % <sup>2</sup>	1,9	3,0	2,5	1,6	1,4	2,7	4,6	2,7	2,5	3,5
P/E ratio	-	8	3	3	7	14	-	4	6	-
Market price at year-end, SEK	26	27	37	60	76	68	54	68	73	68
Market price/Equity	0,71	0,68	0,74	0,87	0,97	0,83	0,77	0,80	0,77	75
Number of shares outstanding										
at year-end, thousands	5 515	5 515	5 515	5 515	16 545	16 367	16 367	15 830	15 689	15 609
Average number of shares										
outstanding at year-end, thousands	5 547	5 515	5 515	5 515	16 545	16 512	16 367	16 069	15 816	15 681

<sup>1</sup>In the above pro forma accounting relating to the period 2002-2005, the change in value on listed holdings is included in profit and negative goodwill has been recognised as it has arisen. There has been no retroactive revaluation of unlisted holdings. Adjusted for 3:1 split in 2006.

<sup>2</sup>Attributable to the Parent Company's equity holders.

<sup>3</sup>As proposed for 2011 by the Board of Directors.

# Traction's return

## RETURN ON REPORTED SHAREHOLDERS' EQUITY AFTER TAXES 2002-2011

	Annual return, %	Year
2011	-3	2011
Best year	38	2005
Worst year	-17	2002
Ten-year average	13	2001-2010
Five-year average	10	2006-2010
Traction's goal	15	all years

### Adjustment of Traction's target return to 15 percent

For quite some time Traction's goal has been to achieve an annual average return on equity of at least 25 percent, which means a doubling of equity in three years. The Board of Directors has decided to lower this goal to 15 percent, which is regarded as more reasonable given the current interest rate level and taking Traction's capital base into account, as a significant portion of the capital is invested in mature companies with stable balance sheets. A goal of 15 percent also requires that a major portion of Traction's capital is invested in active projects, or other investments with significant revaluation potential. In recent years Traction's capital has been invested in more secure interest-bearing assets, which has affected opportunities of a high rate of return negatively. On the other hand, Traction has gained from this state of affairs during periods of high financial turbulence, such as for example in 2008 and 2011.

## DEFINITIONS

### Equity/assets ratio

Shareholders' equity including minority interest as a percentage of balance sheet total.

### Earnings per share

Net profit divided by the average number of shares outstanding during the year.

### Equity per share

Shareholders' equity at year-end divided by the number of shares outstanding at the year-end.

### P/E ratio

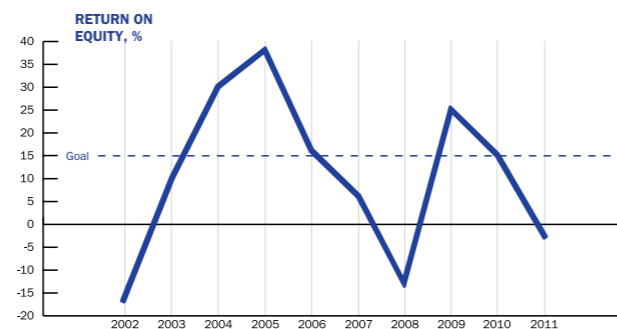
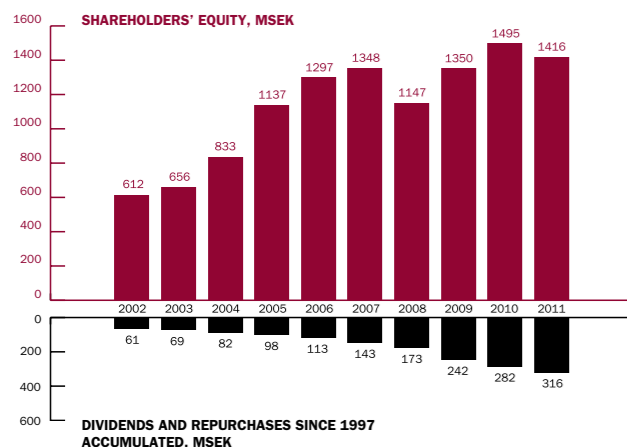
Market price divided by earnings per share.

### Return on equity

Net profit for the year after taxes as a percentage of shareholders' equity at the beginning of the year adjusted for repurchased shares and dividend paid.

### Dividend yield

Dividend as a percentage of market price of share at year-end.



The Company's business model and strategy must always be subordinated to what the customers want and are willing to pay for. The business model should be seen as a hypothesis that is verified by paying customers.

Source: Traction's Methodology

## A small selection of transactions over the past ten years

**2002** Participated in a new share issue in Biophausia. Svecia was reconstructed during the spring and Traction acquired the assets from the receiver in bankruptcy. The bankruptcy had a strongly negative effect on the result. It was decided to liquidate the subsidiary Maxitech. The result was also burdened by changes in the value of listed holdings, which meant that Traction reported a loss. The shares in Hjalmarsson & Thias were sold. The holdings in Azign Management, EDN Storage Technology and Promecta were wound up. Became the biggest shareholder in JC through purchases of shares over the stock exchange. Realised significant foreign exchange gains in USD. The stakes in AcadeMedia and Thalamus Networks were increased during the year. Associated company Thalamus Networks acquired Fiberdata from TurnIT. Thalamus also underwrote a new share issue in the company which made Thalamus the largest owner in the company. Bought a small holding in Ticket and became the company's third largest owner.

**2003** Acquired, together with other private partners in the Gnosjö plastics group, Silva Plastic Center from Silva Sweden AB. Sold the holding in FAB Valhalla, together with the wholly owned subsidiary, Sweden Table Tennis (STT), at a good profit. Associated company Thalamus Networks acquired a major shareholding in ProAct and sold the majority of its shares in TurnIT. The holding was subsequently sold at a good profit. Subsidiary Berganova AB sold a property in Åkersberga. Sold the shareholding in Ticket. Improved the terms of the convertible loan to Biophausia. Became a joint owner of Bombus. Substantial restructuring costs in the wholly and majority owned companies had a negative effect on the result.

**2004** Traction turned 30. Subsidiary Silva Plastic Center was sold. Became joint owner in SMA Maskin with a number of private individuals. Staffing company Arvako was sold to the global staffing company Randstad. Financed share purchases in Hifab for a number of private individuals. This led to a situation where a new board of directors could be appointed. AcadeMedia made three acquisitions during the year: Företagspoolen, Reagens and Inductus, turned around to profit and was the year's winner in the stock market with a rise of 448 percent. Underwrote an issue and became joint owner of Nextlink (today Invisio Communications) in connection with the company's listing on the NGM OTC-list.

Bombus was merged with Scoop Publishware. Duroc listed its associated company Impact Coating on Nya Marknaden, an issue that was underwritten, in part, by Traction. Increased the stake in Duroc. German associated company, Leipzig Rail Service GmbH, expanded through acquisitions. A strong stock market, with JC and KnowIT showing gains of 157 percent and 93 percent, respectively, contributed to the year's robust earnings.

**2005** Sold shares in project companies for MSEK 296, most of which refers to Traction's entire holding in KnowIT and JC, and most of the class B shares in AcadeMedia. The holdings in Nextlink (today Invisio Communications) and Biophausia were sold at a good profit. Most of our shares in Sigicom AB and Scoop Publishware were sold to the companies' respective principal owners. Became joint owner during the year in Edilen, which in turn is the majority owner in Hifab. Engaged ourselves in Nordic Camping & Resort AB. TBookHolding sold its business to



Nordic Camping & Resort



Sigicom

Softronic against payment in Softronic shares. Bricad sold its properties in Åkersberga at a good profit. Acquired a major holding in Nilörngruppen. The Haldex share performed well (+27 percent), as well as Duroc (+29 percent) and Softronic (+55 percent), contributing to the year's result.

**2006** The subsidiary Tolerans was sold, generating a capital gain of MSEK 100. Traction has been a part owner in Tolerans since the spring of 1995 and the company has performed well ever since, with revenue rising from approximately MSEK 30 to MSEK 96 during 2005, with sharply rising profitability. Close to half of the holding in Haldex was sold for about MSEK 230, which meant that the original investment was recouped. Increased the stake in AcadeMedia from 5 percent to 19 percent of capital. Became a major owner in Mandator and gained board representation. Acquired just over 12 percent of the shares outstanding in El & Industrimontage (EIAB) and became the company's second largest owner. Extensive restructuring work in Ankarsrum Industries, Gnosjöplast and Thalamus Networks in the quest for creating profitability. Bricad sold its property in Vallentuna Centrum, simultaneously becoming a fifty percent owner of Vallentuna Centrum AB, which acquired a number of central properties in Vallentuna Centrum. Swedish Tool was merged with Wikman & Malmkjell. Strong earnings performance in, among other, Banking Automation, Swedish Tool and Recco, resulting in appreciation of the unlisted holdings by MSEK 45.

**2007** The entire holding in AcadeMedia was sold. Traction had been a part owner of the company since the start in 1994. During January 2007 AcadeMedia acquired NTI independent schools and became a substantially larger company and was considerably revalued on the stock market. In that situation Traction chose to sell its holding. All shares outstanding in El & Industrimontage (EIAB) were sold after a bid from the company's founder

and principal owner. More Haldex shares were sold. The holding in Mandator was sold to Fujitsu Services in connection with a public tender offer. The unlisted Swedish Tool was sold to Duroc for cash and shares in Duroc. SMA Maskin was sold to the company's principal owner. ASJ was sold. Svecia East Ltd and Svecia Spares & Services were sold to the staff of the companies. A major block of shares in Switchcore (8 percent) was bought. Traction became the company's largest shareholder. A new investment was made in software company PSA Easy Interaction, now Easy Equity. A supplementary investment was made in Sigicom. Zitiz was started.

**2008** The return on equity was 13 percent in a year when the Stockholm market dropped by some 40 percent. The loss relates to negative changes in value on long-term listed holdings and other equity investments, where only a small number of losses was realised during the year. Re-evaluation of the unlisted holdings in Banking Automation, Bricad Holding and Recco by a total of MSEK -32. Net investments in listed companies amounted to MSEK 238. Purchase and sale of a large block of shares in Teleca (8.5 percent). Purchase of major blocks of shares in Bilia (3.6 percent), Drillcon (11.3 percent) and Partner-Tech (9.7 percent). Increased ownership in Switchcore to 17.9 percent. Increased the stake in Softronic from just over 10 percent to 20.9 percent of the votes. Thalamus Networks acquired Hifab with payment in own shares and cash. Zitiz acquired the internet newspaper Sourze. The active holding in Easy Equity was sold. The Group's subsidiaries repaid bank loans totalling MSEK 48 during the year.

**2009** Traction turned 35. After a weak 2008 there was a significant turnaround and Traction recorded a return on equity of 25 percent. Participated in the underwriting consortium for PA Resources and ended up subscribing for convertibles in an amount of MSEK 47. The change in



Ankarsrum Assistent



Nilörngruppen

value on securities was MSEK 267, of which the holding in Swedbank accounted for MSEK +54. Bilia for MSEK 38, PA Resources for MSEK +29 and SCA for MSEK +20. Realised successful investments in large companies as well as medium-sized companies, which rose sharply after they were purchased during 2008, including Bilia, Billerud and Duni. Sold the last shares in Haldex after the share had doubled in value during the year. Wholly owned subsidiary Ankarsrum Assistent took over the rights to the Assistent® kitchen appliance and launched a newly designed version on the market. Completed a cash offer to the shareholders of Nilörngruppen, which became a subsidiary during the year and was delisted from the Stockholm Stock Exchange. Ownership in Nilörngruppen stood at 65 percent of the capital and 57 percent of the votes at year-end 2009. Underwriting of issues in Eniro, Nordic Camping & Resort, SRAB Shipping and Endomines. Gnosjöplast filed for bankruptcy following a failed reconstruction attempt. Sold Gnosjöplast Fastighets AB, which owned Gnosjöplast's 15,000 square metre production facility. Became a major

owner in SRAB Shipping (11.7 percent) and became represented on the company's Board of Directors. Increased the ownership stake in Nordic Camping & Resort to just short of 33 percent of the capital. Board of Directors representation in Drillcon. Increased ownership in PartnerTech (13.7 percent) and became represented on the company's Board of Directors. Repurchased shares in Traction for just over MSEK 28 (SEK 53 each). Acquired a large holding of Class A shares in technology trading company OEM International.

**2010** Started mutual fund operations by acquiring Thenberg Fonder, which in the beginning of 2010 changed its name to Traction Fonder. Participated as the largest underwriter of a new issue in Rörvik Timber in an amount of MSEK 100 in connection with a reconstruction of the company. Traction's expectation was to become a major owner in Rörvik, but that did not happen since the issue was fully subscribed. Also participated in underwritings for Switchcore, PA Resources and Alm Brand. The issue in Switchcore was 88 percent subscribed,

which meant that Traction's ownership increased to 28 percent of the capital and 22 percent of the votes. Increased ownership in OEM International and gained representation on the company's Board of Directors. Participated in the financing of a real estate development project in the Stockholm suburb of Djursholm (presently Creatum Holding). Successful implementation of change programs meant that Nilörngruppen and Ankarsrum Motors displayed strong earnings increases. Associated company Softronic expanded by acquiring industry colleague Modul 1. We became engaged in two newly started entrepreneur-driven companies: Modular Streams and SignTrace. Acquired 36 percent of the shares in Thalamus IT Consulting, which is run by an entrepreneur, with whom Traction has previously co-operated with in the staffing company Arvako (sold to Randstad in 2004).

**2011** Became a major owner of game development company G5 Entertainment with 7 percent of the shares by participating in a private placement. Ownership in Drillcon was increased from 13 percent to 30 percent,

making Traction the company's largest shareholder. Gradually bought, especially during the third quarter, a large number of shares in BE Group and by the end of the year Traction was the company's largest shareholder with about 12.7 percent of the shares outstanding. The holding in Traction Fonder was liquidated. Participated in a startup, JRS Securities, a securities broker focusing on institutional customers. Became engaged in Saguru. Bought just over 5 percent of the shares in Catella, making Traction the company's second largest shareholder by year's end. Good profitability in the subsidiaries Nilörngruppen and Ankarsrum Motors. Nilörngruppen declared a large dividend. Weak stock market overall as well as in some of Traction's larger holdings meant that Traction reported a negative result. The holding in Sigicom was revalued after a very positive development during 2011.

## The Traction share

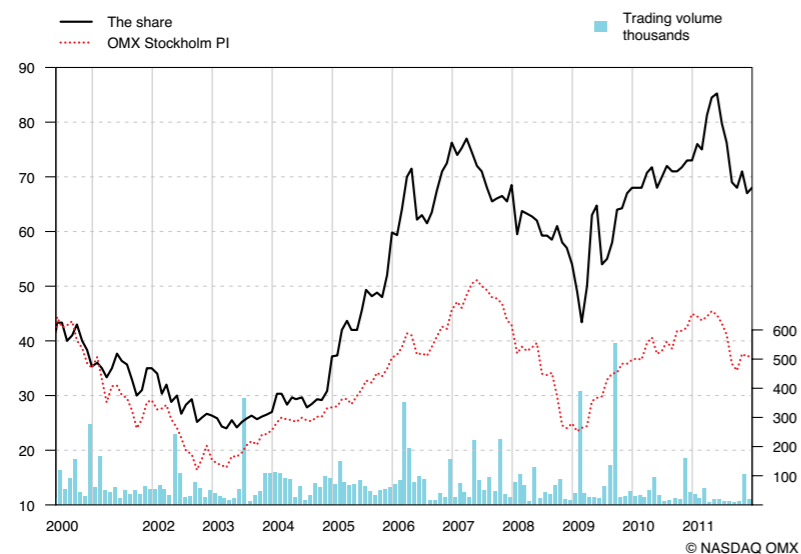
Traction's class B share is listed since 24 May 2000 on the NASDAQ OMX Nordic Stockholm Small Cap list: Ticker TRAC-B. Market maker is Remium FK. Previously, since July 1997, the share was traded on NGM's share list. During 2011 Traction's share price sank by 7 percent. At year-end 2011 the latest paid price was SEK 68 per share. The market price of the share peaked at SEK 85,75 during the year; the lowest price was SEK 64. There are no convertible debentures, options or other things that may cause a rise in the number of shares outstanding. The Board has been authorised, for the period up to the next Annual General Meeting, to acquire a maximum number of shares that would correspond to one tenth of all shares outstanding in the Company. The number of shareholders amount to 875.

### SHAREHOLDERS<sup>1</sup>

	Class A shares	Class B shares	Total	Capital stake, %	Number of votes, %
Ann Stillström	165 000	2 727 000	2 892 000	18,5	13,8
Bengt Stillström	165 000	2 724 450	2 889 450	18,5	13,8
Petter Stillström including companies	1 095 000	1 677 150	2 772 150	17,8	39,7
Hanna Kusterer		1 583 100	1 583 100	10,1	5,0
David Stillström		1 556 700	1 556 700	9,9	4,9
Niveau Holding AB <sup>2</sup>	375 000	1 145 460	1 520 460	9,7	15,4
Länsförsäkringar småbolagsfond		359 836	359 836	2,3	1,1
N.G.L Förvaltning AB		102 900	102 900	0,7	0,3
Esilento AB		100 000	100 000	0,6	0,3
Avanza Pension		92 688	92 688	0,6	0,3
Åke Svensson		80 200	80 200	0,5	0,2
Handelsbanken Folder		67 843	67 843	0,4	0,2
Ulla-Britt Månsson		65 732	65 732	0,4	0,2
Other shareholders		1 282 538	1 282 538	8,3	4,0
<b>Total number of shares outstanding</b>	<b>1 800 000</b>	<b>13 809 000</b>	<b>15 609 000</b>	<b>100,0</b>	<b>100,0</b>

<sup>1</sup>) Shareholders as of 31 December 2011, not including share held in treasury.

<sup>2</sup>) Owned by the Stillström family.



### Dividend and distribution policy

Traction's basic policy is that dividends and other transfers of assets to the shareholders shall be effected in a tax-efficient manner. For the purposes of Swedish tax legislation, Traction is an investment company, which means, inter alia, that dividends are deductible against interest income and the standard income, which comprises 1.5 percent of the Company's net asset value as of the beginning of the year. Under

current tax regulations, the dividend is adapted to the Parent Company's revenue in such a way that no tax expense arises in the Parent Company. Under current regulations, there is no standard income on unlisted holdings and listed holdings where the percentage of votes exceeds 10 percent. Buyback of the company's own shares occurs when it is deemed attractive for the shareholders.

### REPURCHASES OF OWN SHARES

Year	Number	Amount
2000	163 050	6 471 150
2001	80 400	2 921 200
2002	221 550	6 616 500
2003	-	-
2004	-	-
2005	-	-
2006	-	-
2007	177 600	11 810 400
2008	-	-
2009	537 400	28 462 000
2010	141 000	10 081 500
2011	80 000	5 420 000
<b>Total</b>	<b>1 401 000</b>	<b>71 782 750</b>
Cancellation		
2010	-610 000	-
<b>Remaining repurchased shares</b>	<b>791 000</b>	<b>-</b>
		<b>Andel, %</b>
		<b>4,8</b>

On 22 February 2012 an additional 165,000 class B shares were repurchased at SEK 75.50 each, total MSEK 12.5.

### SIZE CLASSES, CLASS B SHARES

Holding	Number of shareholders	Number of class B shares	Proportion of of capital, %	Proportion of votes, %
1-500	468	84 160	0,5	0,3
501-1 000	177	127 783	0,8	0,4
1 001-5 000	164	335 257	2,0	1,0
5 001-10 000	26	171 860	1,0	0,5
10 001-15 000	11	129 215	0,8	0,4
15 001-20 000	4	75 200	0,5	0,2
20 001-	26	13 676 525	94,4	97,2
<b>Total</b>	<b>876</b>	<b>14 600 000</b>	<b>100,0</b>	<b>100,0</b>

### EVOLUTION OF SHARE CAPITAL

Year	Transaction	Increase in number of shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares outstanding	Quotient value of share, SEK
1994	Bonus issue	20	10 000	460 000	920	500
1994	Split	459 080	0	460 000	460 000	1
1995	Bonus issue	0	4 140 000	4 600 000	460 000	10
1997	Split	4 140 000	0	4 600 000	4 600 000	1
1997	New issue	700 000	700 000	5 300 000	5 300 000	1
1997	New issue	370 000	370 000	5 670 000	5 670 000	1
2006	Split	11 340 000	0	5 670 000	17 010 000	0,33
2010	Cancellation	-610 000	-201 300	5 468 700	16 400 000	0,33

The share capital in Traction totals SEK 5,466,700, divided into 16,400,000 shares, 1,800,000 of which are class A shares and 14,600,000 of which are class B shares. All shares entitle their holder to equal rights to the Company's assets and profit. Class A shares entitle their holder to 10 votes and class B shares entitle their holder to one vote at

annual and extra general meetings. Every person entitled to vote at annual and extra general meetings may vote for the full number of shares owned and represented, without limitation.

In March 2011, 600,000 Class A shares were converted to Class B shares.



## Traction's history

Traction was started in 1974 by Bengt Stillström as a one-man consultancy with a capital of a few thousand kronor. Today Traction is a stock exchange-listed investment company with a capital of approximately 1.5 billion kronor.

Our history can be told in many dimensions. What have we been doing, who are we and how has the business developed? Traction's service has always been to participate in the development of companies. We have worked with the companies' unusual events. By that we mean everything but the day-to-day work in the companies, where the initiative and the competence of the entrepreneur or other part owners already exists.

It has often been a matter of how to exploit new ideas and how to give new direction to operations that are not functioning well. In support of such action we have devised a business philosophy which experience tells us really works. That philosophy is our instrument and serves as our guide. One could also say that the philosophy has become Traction's product.

In addition to adaptation, new sales, development and start-up of new products, these unusual events have often been a matter of purchases and sales of businesses, reconstructions, reorganisations, recruitment, financing, co-operation efforts and international expansion. We have assisted entrepreneurs and chief executive officers and complemented them in such a way as to make us strong together. At Traction we

have had personnel with varying backgrounds: in sales, technology, law, finance, etc. to manage this broad approach. In many cases we have been forced to help out as temporary chief executive officer and negotiator. We call this service Venture Management.

During the first ten years Traction was a one-man company; then we became four and that lasted for many years, only to grow gradually to a staff of about ten. Some associates have been with us for a long time; others had shorter tenures. Our aim is to stay in contact and to build our network. We also work with independent individuals in specific projects together with us and it is not unusual that the managers in our project companies are engaged as directors in other companies where Traction is a major owner. Bengt Stillström was CEO from the start in 1974 until 2001, but remains active in certain projects and today serves as Chairman of the Board of Directors of Traction. Petter Stillström became a director in 1997 and is Traction's CEO since 2001.

From the outset our customer base was business owners and entrepreneurs. Later major companies and banks came into the picture, primarily in connection with projects to save businesses that had faltered. In recent years we have also bought into publicly

traded companies, working with them in active board – of-director positions and in an owner role. Over the years some clients have become larger and of longer tenure than others. Some entities, such as Allgon, AcadeMedia, Haldex, JC, KnowIT, Recco and Softronic are better known to the general public. The economic outcome also varies widely. A few examples: Already before Traction was started, entrepreneur Leif Lundblad had engaged Bengt Stillström as temporary chief executive officer of a couple of his companies. This co-operation continued for about ten years and during that time Inter Innovation was built up. The company developed a paper currency feeder that was sold to banks, directly and via large computer companies. Much of Traction's business philosophy was developed and vetted during this time. Inter Innovation grew explosively; during one period by more than 100 percent for two consecutive years, only to grow by 200 percent per year for another two years. A large production company was also acquired during this expansive period. All this occurred under full financial control and without external risk capital – something regarded by many as impossible. The company became an internationally active group. Bengt Stillström was Chairman of the Board of Directors, but on several occasions also had operative roles.

Jan Nordlund was an entrepreneur with several companies in the computing area. Jan and his partner Bernt Ohlén's company, CMA Computer Marketing, grew to 1.5 billion kronor in revenue in computer leasing. Traction was involved for about 25 years, from the mid-1970s. The company was very profitable, but the industry collapsed. CMA bought the remains of several industry colleagues and was the only major company in the industry that survived. The two companions compensated the downturn in mainframe computer rental with other computer business in a very skilful manner. Bengt Stillström was Chairman of the Board of Directors and was responsible for many of the negotiations in connection with purchases and sales of businesses in the group.

Another Swedish entrepreneur, Jonas Kämpe, ran antenna company Allgon Antenn. In 1984 Traction came in as part owner. The company was reorganised and placed its bets on the future success of mobile telephony. The venture was successful and Allgon developed into becoming a large international company, which we took public. Growth and profitability was very good and Traction sold its holding in 1993 after about ten

years involvement. That deal was Traction's most profitable to date and lifted us to a new and financially powerful level. The need for capital infusions in the companies with which we work in Venture Management is seldom very large. With a larger capital base we were thus in a position to take larger positions in publicly traded companies. Here our participation in their evolution is less labour intensive.

Our first major investment was JP Bank. After a few years and some changes we sold our block of shares to a couple of independent savings banks. Then we became engaged in Kjessler & Mannerstråle, a medium-sized technology consultancy. K&M acquired other consultancies and sold a laboratory business. An industry colleague, J&W, made a tender offer for the company and we sold out.

Towards the end of the 1990s we launched some of our venture projects in the stock market: AcadeMedia, which we had founded ourselves, and Thalamus Networks, which initially was a subsidiary of AcadeMedia, and also Duroc. Traction itself also went public in 1997.

The year 2000 was a hectic one. The stock market revalued all companies to fantastic levels. We saw no other way than to sell as much as possible and then have the listed companies float new issues. For us the result was very good, but many companies were excessively capitalised and we too were not able to completely escape doing bad deals.

Underwriting became a new service, with projects such as KnowIT, Softronic and Biophasia, where we also became major owners. In recent years we have been involved in major underwriting deals for PA Resources and Rörvik Timber.

Towards the end of 2001 we acquired an electric motor factory from Electrolux, FHP Elmotor, name changed to Ankarsrum Industries. The company wasn't doing well and had been racking up losses for a long time. Attractive acquisition terms and a considerable



# Addresses

potential in the form of a new production line for electric motors whetted our appetite for a deal. The acquisition also included contract production of the traditional Electrolux household appliance Assistent, the rights for which we took over in 2009, at which time we also established Ankarsrum Assistent AB. A lot of resources were required during the first couple of years to put the business back on track, but profitability has returned in recent years.

Regarding our engagement in clothing chain JC during the 2002-2006 period it can be mentioned that we contributed to turning the chain around to recording good profitability and stability until RNB in connection with a public tender offer took the company private. Unfortunately the new owner made a number of decisions resulting in JC getting into trouble once again. But, as we said, that was after our time as active owner of the company.

In 2005 Traction bought a large block of shares in Nilörngruppen, which was listed on the Stockholm Stock Exchange at the time. The company showed weak profitability and was involved in a transformation process: from producer of labels to focusing instead on branding and design, letting others do the actual manufacturing. The transformation work was progressing at a snail's pace and we gained board representation in 2007. In 2009 we made a tender offer for the company and shortly thereafter it became a subsidiary and was subsequently delisted. Claes af Wetterstedt was appointed CEO in the beginning of 2009, a new Board of Directors was appointed shortly thereafter and since then the company has been doing very well.

Among the engagements we remain engaged in since the 1990s can be mentioned Duroc, Banking Automation, Bricad, Recco and Sigicom. The project list may appear unwieldy, but we focus on our service of participating in the development of the companies aided by our business philosophy, in support of resourceful entrepreneurs and CEOs.

Many of the projects have become very profitable for us and our partners. Inevitably, we have also failed on a number of occasions. It is particularly hard to save companies active in rapidly deteriorating markets and where it is difficult to be proactive.

On the whole, we have done extremely well. By 1994 we had made MSEK 140, MSEK 110 of which was distributed to the shareholders in 1994. In the initial public offering in 1997 we raised just short of MSEK 90 from new owners, but we have since distributed more than MSEK 300 to our shareholders in the form of dividends and buybacks of our own shares. Including the appreciation on listed holdings in the beginning of 2012, Traction has reported equity of just over MSEK 1,500.

The business model began as a consultancy, based on compensation for time spent, and developed

## Selection of historical projects that have been large, profitable, long-term and/or significant:

- AcadeMedia, interactive education and later focus on independent schools.
- Allgon, antennas and system components for mobile telephones and base stations.
- Centrum Invest, consultancy and development company for shopping centres.
- CMA Computer Marketing, rental of mainframe computers and sales of computers.
- EasyT, internet travel agency and software.
- Eska Komponenter, an attempt to structure the Swedish foundry market.
- Gnosjö Plast, injection moulding of plastic articles.
- Haldex, automotive components.
- Inter Innovation, development and exploitation of a mechanism for feeding paper currency in banking machines.
- JC, clothing chain.
- JP Bank, monetary broker, banking operations.
- Kjessler & Mannerstråle, technology consultancy.
- KnowIT, IT consultancy.
- Maxitech, thick film hybrids.
- Mutter Media/Metronome, TV production company.
- Standard Radio, communication radio.
- Svecia, silk-screen printing machines.
- Sweden Table Tennis, table tennis equipment under the brand name of Stiga.
- Swedish Tool, machine tools. Acquired by Duroc in 2007.
- Thalamus Networks, control technology, broadband networks.
- Tolerans, rotary stapling machines for tabloids.

into becoming a partnership with the entrepreneurs – becoming part owner, getting performance-related compensation for work done and eventually also investing equity, granting loans and issuing guarantees. Traction's capital has been built over a long period of time, without debt in the parent company, and with historically low leverage in the project companies. We have a business model that is of a long-term nature and which we believe is sustainable. Traction is helpful in creating sound companies.

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