

ANNUAL REPORT 2012



TRACTION

CONTENTS

- 4** PRESIDENT'S STATEMENT
- 6** TRACTION IN BRIEF
- 8** TRACTION'S BUSINESS
- 12** BUSINESS ORGANISATION
- 13** BOARD OF DIRECTORS
- 14** OWNERSHIP POLICY
- 15** LISTED HOLDINGS
- 20** SUBSIDIARIES
- 22** UNLISTED HOLDINGS
- 26** TRACTION FROM AN INVESTOR PERSPECTIVE
- 30** TRANSACTIONS OVER THE PAST TEN YEARS
- 34** THE TRACTION SHARE
- 36** TRACTION'S HISTORY
- 39** ADDRESSES

SHAREHOLDER INFORMATION 2013

7 May	Interim Report for the period January – March
7 May	Annual General Meeting 2013
15 August	Interim Report for the period January – June
18 October	Interim Report for the period January – September

Subscription to financial information via e-mail may be made at traction.se, or by e-mail to 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

2012 SUMMARY

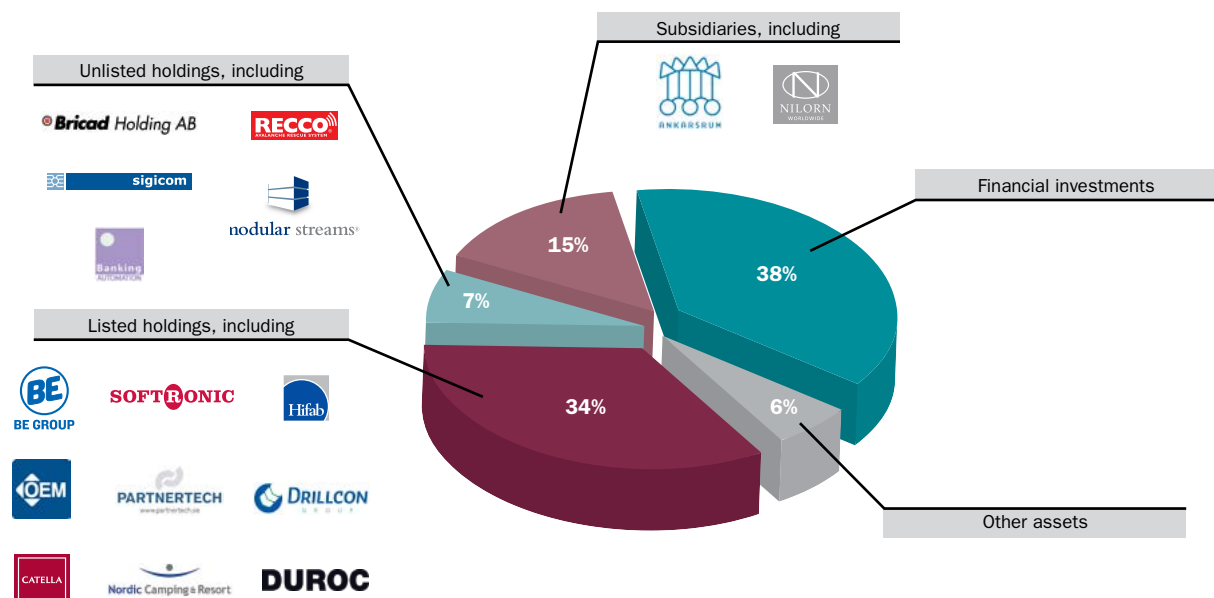
- The result after taxes attributable to the Parent Company's shareholders amounted to MSEK 201 (-41).
- The change in value of securities, plus dividend income, was MSEK 149 (-122).
- Operating profit in the operative subsidiaries amounted to MSEK 54 (59).
- The return on equity was 15 (-3) percent.
- Equity per share amounted to SEK 101 (91).
- Traction's net asset value amounted to MSEK 1,719, SEK 112 per share.
- Increased ownership in BE Group, Catella and PartnerTech.
- The change in value of listed securities during 2013 until 19 February amounts to MSEK 95.

KEY FINANCIAL INDICATORS	2012	2011	2010	2009	2008
Result for the year, MSEK ¹	201	-41	193	273	-171
Earnings per share, SEK	13	-3	12	17	-10
Shareholders' equity, MSEK	1,559	1,416	1,495	1,350	1,147
Equity per share, SEK	101	91	95	85	70
Share price at end of period, SEK	84	68	73	68	54
Return on equity, %	15	-3	15	25	-13
Equity ratio, %	92	92	93	92	92
Dividend per share, SEK ²	3,10	2,35	1,85	1,85	2,50
Dividend yield, %	3,7	3,5	2,5	2,7	4,6

¹) Attributable to the Parent Company's equity holders.

²) Dividend for 2012 as proposed by the Board of Directors.

DISTRIBUTION OF TRACTION'S NET ASSET VALUE





Dear Shareholders,

In terms of profit, the year of 2012 was an acceptable year for Traction, despite a generally weak economy and great uncertainty in the world around us. Profit amounted to MSEK 201, equivalent of a return on equity of 15 percent, which is in line with the Company's long-term goal.

Traction's performance can be explained in brief by the following factors:

- Strong performance by several of Traction's listed holdings, especially SCA, Swedbank, Hifab and OEM International, totalling MSEK 130.
- Stable result in the operating subsidiaries, primarily Ankarsrum Motors and Nilörngruppen, with MSEK 54 (59).
- Dividend income and net interest income contributed to profit in an amount of MSEK 65 (55).

During the year Nilörngruppen's dividend payments to its shareholders had the effect that Traction has now recovered its entire initial investment in the company.

Ankarsrum Motors also repaid its loans from central Traction thanks to good earnings and some bank refinancing. The cash flow from these subsidiaries amounted to a total of MSEK 46 during the year, which means that room was created for new investments.

Unfortunately, some of our holdings have not developed as expected. This is particularly true of BE Group, Catella and PA Resources, all of which constituted a drag on the Group's earnings during the past year. Lower share prices in BE Group and Catella created new buying opportunities for those of us with a long-term vision. In PA Resources the conversion of bonded debt to equity and a cash rights issue has meant that the company was rescued from insolvency. In the choice between several unattractive alternatives we elected to participate as an underwriter of the rights issue. This contributed to a successful refinancing against all odds.

During 2012 and the beginning of 2013 Traction raised its stake in BE Group to just below 22 percent of shares outstanding and votes. We seized on an opportunity and acquired a major lot of just over 5 percent, an opportunity that does not occur often. Even if BE in the short-term perspective is affected by an overall weak economy and economic uncertainty, it is my hope that the company's new chief executive, Kimmo Väkiparta, will succeed in doing what needs to be done for BE Group to return to good profitability even if demand is normalized at a lower level than before.

During 2012 Traction began market valuation of its operating subsidiaries in an effort to make clear the surplus values that exist, especially in Ankarsrum Motors and Nilörngruppen. Strong earnings performance in recent years has raised the value of these subsidiaries significantly. By marking the subsidiaries to market in the same way as the unlisted holdings, a net asset value can be established that provides a truer picture of Traction's value than indicated by the value of equity capital. What Traction's unlisted companies are ultimately worth is established only when it materializes in a sale, so our own estimates will obviously differ from these values, hopefully on the upside. On the other hand, this is also true of our listed holdings, where the current share price is merely an indication of pricing on the margin. Lacking good valuation methods I do believe, however, that the current market share price best reflects the value of a large lot of shares as well.

The table of net asset values illustrates the breadth of holdings in Traction's total portfolio. The holding in BE Group is the largest at about 11 percent of the total after additional purchases during 2013. Nilörngruppen represents 9 percent of the total, as does our large investment in SCA. The proportion of financial invest-

ments where we are not active represents just short of 40 percent, which over time will shrink, to be replaced by new active engagements where we participate and affect operations.

A major challenge for owners of listed companies is finding suitable candidates to serve as directors. People with industry expertise, sufficient time to devote to the job, experience and good judgment are hard to find, but are needed to provide active support for the chief executive and not only wastes his or her time by asking a lot of more or less irrelevant questions. Directors must also be able to say no when the chief executive fields less than promising proposals. It is a delicate balance indeed between inspiring confidence, being proactive, encouraging, demanding, calling into question and making decisions that is the difficult part of being a director. Unfortunately such persons are scarce. Preferably they should also be able create contacts, business proposals and share their experience with others. My ambition is to further develop the process of identifying and nominating suitable candidates to serve on company boards so as to allow Traction better opportunities of giving our chief executives the support they need. The current one-sided gender debate has prompted an unfortunate focus on female board representation rather than discussing the role and mission of corporate boards of directors and the difficulty in forming well-functioning boards that actually add value. After all, it is crucial for a company's development to have a chief executive and a board of directors able to form a competitive offer that achieves success in the marketplace.

Stockholm, March 2013

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, corporate management and other major shareholders. 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 identify interesting business projects and situations.
- The ability to choose the right partners; especially executives/entrepreneurs, but also other active partners.
- Project Managers who can provide corporate managers with the support and complementary expertise they require to carry out the business project.
- 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. Traction has no strategic holdings or other motives for its ownership than those dictated by the business itself. In principle, our holdings are thus always for sale at the right price and to a better owner. By better owner we mean an owner that in the company's current development phase is able to contribute more to the company than Traction.



BE Group

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 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 of necessity must 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



BE Group

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 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



Nilömgruppen

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.

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

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 also 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
- Crown Energy
- Cybercom
- Dannemora Mineral
- Duroc
- Endomines
- Eniro
- Formpipe
- Hifab Group
- Impact Coatings
- Know IT
- Invisio Headsets
- Nordic Camping & Resort
- Nordic Mines
- 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 counsel also lends 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.



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.



Anders Bremmer
Venture Manager, M.Sc. (Eng.). Active in Traction since 2012. Previously worked as project manager and business developer in technology companies.



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

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, Feelgood, Hifab Group, Profilgruppen, Nättidningen Sourze, SignTrace, Switchcore (Chairman), Ringvägen Venture, Saguru and Zitiz. 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 Nilörngruppen. 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 Nilörngruppen (Chairman), Softronic (Chairman), BE Group, 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, G5 Entertainment AB and IPS Förändringskompetens AB. 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.



Bengt Stillström



Anders Eriksson



Jan Kjellman



Maria Linde



Petter Stillström



Pär Sundberg

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 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.
- 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 officer's 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 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. Traction has an ownership stake exceeding 10 percent in the companies listed below. 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. Thanks to large purchases from the market's steel producers BE Group becomes an attractive co-operation partner for the group's approximately 10,000 customers, primarily active in the construction and engineering industries. As of year-end 2012 BE Group had just over 900 employees in ten countries, with Sweden and Finland as the largest markets. BE Group is headquartered in Malmö. During 2012 BE Group was affected by overall weaker demand, which resulted in negative sales growth and lower profitability. Several measures were taken during the year aimed at strengthening the company's competitiveness. Focus was placed on cost containment, more efficient inventory control and pricing initiatives. Kimmo Väkiparta assumed the position as new chief executive in late autumn of 2012. After the turn of the year the company has initiated negotiations to reduce staffing, which is expected to lead to annual cost savings of about MSEK 65. Traction increased its stake in BE Group gradually during year from 12.7 percent to 21.7 percent, thereby establishing its position as the company's largest owner. Traction's ambition is to strengthen BE Group's profitability on a long-term basis. BE Group's profitability has been unsatisfactory in recent years. Since November 2006 BE Group is listed on NASDAQ OMX Nordic, Small Cap. Additional information is available at begroup.com.

Investment year: 2011
Traction's proportion of capital and votes: 22%
(since February 2013)
Revenue 2012: MSEK 4,634
Operating profit: MSEK 49 (not including items affecting comparability)
Other owners: Swedbank Robur Fonder: 8%
CBLDN-IF Skadeförsäkring AB: 8%
President: Kimmo Väkiparta



Catella AB is an independent financial adviser and wealth manager. The group has 430 employees in 12 countries in Europe in two operational areas, Corporate Finance and Asset Management. Catella has a strong offer in financial services thanks to its operational breadth, geographical spread and leading position in the real estate sector. Traction has been a part owner of Catella since 2010 and after further purchases of shares the ownership stake had risen to 12 percent by the beginning of 2013. Catella is listed on NASDAQ OMX, First North Premier in Stockholm. Additional information is available at catella.se.

Investment year: 2010
Traction's proportion of capital and votes: 12%
(since March 2013)
Revenue 2012: MSEK 971
Profit before taxes: MSEK 30 (not including items affecting comparability)
Other owners: Claesson & Anderzén Group: 48% and 48%, respectively
President: Johan Ericsson



Drillcon AB is Europe's largest company in diamond core boring and a major raise boring contractor. The company's market is made up of customers in the European mining and construction industries. Drillcon has been active in that industry since 1963, is headquartered in Nora and the main operations are today conducted by four subsidiaries in Sweden, Norway, Finland, and Portugal. These four subsidiaries offer services to customers in seven countries. Diamond core boring is used for determining the properties and composition of rock and concrete structures. Raise boring is used for drilling shafts in rock for, among other things, ventilation and rock transport. Geoservices in the form of measurement, analysis and surveying of the bedrock are also offered as complements to these business areas. Overall, 2012 was a good year with rising revenue as well as profit. Expansion investments were made to increase the company's capacity and this meant that results did not improve as much as revenue. Drillcon is well positioned for 2013, in part through full-year contracts with Boliden as well as LKAB, which constitutes a stable basis for the business. Traction is a part owner of Drillcon since the autumn of 2008. Drillcon is listed on NASDAQ OMX, First North Premier, Stockholm Stock Exchange. Additional information is available at drillcon.se.

Investment year: 2008
Traction's proportion of capital and votes: 30%
Revenue 2012: MSEK 385
Operating profit: MSEK 54
Other owners: Peter Zeidler, 10%,
Mikael Berglund, 10%
President: Mikael Berglund



Duroc AB is an industrial group that owns and develops industrial trading operations in a number of segments. The group's business is conducted in subsidiaries in business areas Industrial Trading and Technology/Production. The Duroc Machine Tool AB subsidiary in Industrial Trading sells machine tools and related products and services. Duroc Engineering AB, Duroc Rail AB, Duroc Special Steel AB and the Micor Group are subsidiaries in Technology/Production. Through these subsidiaries the group provides, among other things, components based on laser surface treatment, rail wheel-set maintenance, high tensile steel and saw blades. The subsidiaries conduct business in Sweden, Norway, Denmark, Estonia, Latvia, and England.

The group has made two major investments in the past two years, primarily in the areas of Technology/Production. For instance, a rolling mill was modernized and upgraded, a new wheel lathe has been installed and Duroc Rail has moved its operations to even more appropriate and effective premises in Luleå. Capital investments of MSEK 50 have been made during the past two years. A business for cutting fluid purification has been started with potential for customers on a world-wide basis. Duroc is listed on NASDAQ OMX, Small Cap. Additional information is available at duroc.com

Investment year: 1993
Traction's proportion of capital and votes: 27% and 30%, respectively
Revenue 2012: MSEK 502
Operating profit: MSEK -7
Other owners: Niveau Holding AB 8% and 20%, respectively, Sture Wikman 9% and 11%, respectively
President: Erik Albinsson



Hifab Group AB is Sweden's leading project management company with 65 years of experience in all disciplines of the real estate industry. Hifab provides project management and consultancy services throughout the country in the areas of housing and industry, transportation and infrastructure, as well as environment and energy. – Always a focus on sustainability. Hifab's engagement in development projects extends over some 20 countries. The group has some 400 full-time employees distributed over 17 offices in Sweden, and three subsidiaries outside Sweden. The year of 2012 was a successful one for Hifab and the company received attention for several major assignments in Sweden and abroad. Among these were Hifab International's new assignments in Bangladesh where one project is a forerunner of a major municipal infrastructure and institutional development programme for 15 municipalities and two regions. In Sweden Hifab was in the limelight for its involvement in Norra Djurgårdsstaden where Hifab heads project management and competence development in the environment, and the national Solna arena, where Hifab's Fire & Risk unit is performing fire protection technical advice and project management for the construction of a more than 40,000 square meter building. In addition hereto Hifab captured a major contract for operational optimisation for Micasa Fastigheter in Stockholm. Hifab is listed on NASDAQ OMX Nordic, First North. Additional information is available at hifab.se.

Investment year: 2004
Traction's proportion of capital and votes: 48% and 41%, respectively
Revenue 2012: MSEK 418
Operating profit: MSEK 27
Other owners: Niveau Holding, 7% and 13%, respectively, Hans Waldaeus, 5%, Jan Boija, 4%, Jan Skoglund, 3%
President: Jeanette Saveros



Nordic Camping & Resort AB has as its business concept to acquire or lease camping sites and to develop them in accordance with a chain concept under a single brand name. The company currently operates eleven facilities from Helsingborg in the south to Östersund in the north. Nordic Camping continued to grow during 2012, with an increase in revenue of just over 30 percent. The company displays strong organic growth and during 2012 Bredsand in Enköping and Ekudden in Mariestad were added. A new facility was established in the form of Hökensås Camping & Semesterby in Tidaholm. 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 2012 and will continue in 2013. 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 growth under good profitability. The company's shares are traded on Aktietorget. Additional information is available at nordiccamping.se

Investment year: 2005
Traction's proportion of capital and votes: 32%
Revenue: 2012 MSEK 47
Operating profit: MSEK 3,7
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. The group sells to more than 20,000 customers in selected markets in northern, central and eastern Europe. The group consists of 28 operating units with operations in 14 countries. OEM offers a broad and deep range of goods, entailing more than 25,000 different products, from some 300 leading and specialized suppliers of electrical components, flow technology products, motors and transmissions, ball bearings and seals, apparatus components and lighting. Thanks to a well-developed marketing organization and effective logistics OEM is a better alternative for many suppliers than to have their own sales companies. OEM contributes a high degree of expertise and service and markets the products based on the specific requirements of each individual market. The product range offered is also adapted to each respective market and the local organisation is assigned the task of continuously searching for new products in an effort to further developing the competitive edge in OEM's offer to its customers.

During 2012 four companies were added by acquisition, one of which in the United Kingdom, one in Finland and two in Sweden. The businesses in several countries also showed strong performance and reported a record year. Investments were made during the year in logistics centres, digital market communication and a new enterprise system. Traction has been a major owner of OEM since the end of 2009 and has board of directors representation since the spring of 2010. OEM International is listed on NASDAQ OMX Nordic, Small Cap. Additional information is available at oem.se.

Investment year: 2009
Traction's proportion of capital and votes: 8% and 12%, respectively
Revenue 2012: MSEK 1,631
Operating profit: MSEK 162
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 manufactures and develops products under contract from leading companies. The group's offer is aimed at product-owning companies in six selected market areas: Information Technology, Industry, Environmental Technology, Medical Technology and Instruments, Defence and Marine, and Sales and Payment Solutions. In its customer relationships PartnerTech has the role of a production partner with a holistic approach. This role assumes both ability to handle the customers' products over their entire life cycle, and also high-end competence in electronics, mechanics and systems integration. In this way the company can create solutions that strengthens the customers' competitive edge. Proximity to the customers, high quality and delivery precision, short lead times and customer satisfaction are thus important parameters for PartnerTech.

During 2012 PartnerTech concluded several important co-operation agreements and received significant orders from existing customers. Aerodyn AB was also acquired. This company's business is aimed at contract manufacture of heavy components for marine propulsion. Major focus was placed on an action programme aimed at adapting the Nordic units to a higher degree to operations focusing on technology and development in close proximity to the customers. For 2013 the inflow of quote requests is high and the offer entailing low-cost production in Poland and China continues to attract both new and existing customers.

At year-end PartnerTech had just short of 1,400 employees at installations in Sweden, Norway, Finland, Poland, the United Kingdom, the United States and China. Traction is a part owner of PartnerTech since the autumn of 2008 and is represented on the company's board of directors since the spring of 2009. Traction increased its ownership stake in PartnerTech during the year from 15 percent to 18.6 percent. The parent company is listed on NASDAQ OMX Nordic, Small Cap. Additional information is available at partnertech.se.

Investment year: 2008
Traction's proportion of capital and votes: 19%
Revenue 2012: MSEK 2,242
Operating profit: MSEK 24
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. Customer relationships are distinguished by a long-term approach and the company's co-operation agreements often go back 10-20 years. Softronic was founded in 1984 by Anders Eriksson, who still is the company's chief executive officer and largest owner, in terms of votes. Softronic has about 500 employees in Stockholm, Gothenburg, Malmö, Sundsvall, Arjeplog, Överkalix, Denmark and Estonia. Softronic is listed on NASDAQ OMX Stockholm, Small Cap. Additional information about Softronic is available at softronic.se.

Investment year: 2001
Traction's proportion of capital and votes: 22% and 20%, respectively
Revenue 2012: MSEK 517
Operating profit: MSEK 34
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 220, thereby enriching its shareholders. In concrete terms, SwitchCore is looking for well-managed companies with yearly earnings at the MSEK 25 level or above. In parallel with the search for acquisitions, the company's capital (approximately MSEK 70) is managed in a portfolio of mainly listed equities and interest-bearing assets. SwitchCore is listed on Aktietorget.

Investment year: 2007
Traction's proportion of capital and votes: 28% and 22%, respectively
Other owners: Nortal Investments AB, 11% and 5%, respectively,
Nordnet Pensionsförsäkring, 6% and 5% respectively.
President: Mattias Molin

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. 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. In the household appliance segment Ankarsrum Motors also has a strong position with its quality products. The company produces the Ankarsrum Original food processor, that has been in production since 1940 and in addition motors and products for other leading household appliance makers. Most of the sales are exported.

Ankarsrum Motors racked up another strong year with good sales and profits. A new module-based DC motor was completed during 2012. This motor will continue to be introduced to customers during 2013. It is both cost-effective and adaptable to new application areas. The company has strengthened its sales department and has begun successfully to sell to new customer segments, such as the healthcare industry. Ankarsrum's production is highly automated and in 2013 the company will continue to invest in developing more quiet, more reliable and vibration-free electric motors. Successes with increased sales and production of electric motors and household appliances, where Ankarsrum's reliable motors are world-leaders, are expected to continue.

<i>Investment year:</i>	<i>2001</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2012:</i>	<i>MSEK 209</i>
<i>President:</i>	<i>Thomas Håkansson</i>

Ankarsrum Assistent AB is a company that markets and sells the classic Ankarsrum Assistent food processor. The rights to the machine were acquired from Electrolux in 2009 and the machine is manufactured and assembled by Ankarsrum Motors AB. The product has been developed with new design and a more powerful motor. Sales are via established selling channels all over the world and during 2012 Ankarsrum Assistent AB scored its strongest growth in export markets. New colours were introduced during the year. The company also recruited new personnel during the year to strengthen sales further. In 2013 Ankarsrum Assistent AB will continue to aim for higher export sales. The company will, for instance, participate in the trade shows Springfair i Birmingham, Ambiente in Frankfurt and Housewares in Chicago. For 2013 export sales are expected to account for as much as two thirds of the company's total revenue.

<i>Investment year:</i>	<i>2009</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2012:</i>	<i>MSEK 48</i>
<i>President:</i>	<i>Thomas Håkansson</i>

Ankarsrum Die Casting AB is a modern, high-tech foundry that casts and surface-treats products in aluminium. The company has its largest customers in the vehicle industry, which is highly demanding when it comes to quality, effective processes and delivery reliability. The casting machines operate with a clamping force of between 400 and 880 tonnes and deburring and media blasting is handled by robots. Finishing is handled by efficient finishing and washing cells with parts with high cleanliness requirements handled by robots. The company is specialized in producing castings requiring high precision, a high degree of cleanliness and castings that virtually pore-free. The company is certified according to ISO-9001 and since 2011 it also certified according to ISO/TS 16949.

<i>Investment year:</i>	<i>2001</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2012:</i>	<i>MSEK 73</i>
<i>President:</i>	<i>Håkan Sundell</i>



Nilörngruppen

Nilörngruppen AB is an international group of companies founded in 1977 with expertise in branding and design in the form of labels, packaging, and accessories to customers, especially in the fashion, apparel and ready-made clothing industries. Nilörn strives to strengthen its customers' competitive edge by offering services covering all design resources, plus a logistics system that ensures reliable and prompt delivery. Nilörngruppen is one of Europe's leading players with revenue of MSEK 330. Nilörngruppen delivers 1 billion labels per year, of different sizes and types. Nilörngruppen is represented with subsidiaries in: Sweden, Denmark, Germany, Belgium, United Kingdom, Portugal, Hong Kong, India, Turkey, Bangladesh and China.

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

Sales were higher by 3 percent over the preceding year and despite a weak beginning, 2012 was the first year during which all subsidiaries generated positive results. Production of printed labels was started in Hong Kong during the year, thereby ensuring even better delivery performance and quality to the company's customers. The operating units continued to be strengthened in terms of sales, customer support and purchasing in order to be able to sustain a positive development under way. A structural change was also initiated in Europe to make Nilörngruppen an even more efficient and strong supplier

of branding and design services. During 2012 most of the Swedish inventory was moved to the European central warehouse in Germany.

Nilörn is the leading supplier in the Nordic countries and is well known there for its design and product development. Nilörn has established logistics centres at the important locations Hong Kong, Turkey, India, Bangladesh and China. The group has its own production of printed labels in the United Kingdom, Turkey, India and Hong Kong, and its own production of woven and printed labels in Portugal. Additional information is available at nilorn.se.

Investment year: 2005, subsidiary since 2009

*Traction's proportion of capital 65% and 58%,
and votes: respectively*

Revenue 2012: MSEK 330

*Other owners: Investor 14% and 30%
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 rocksverige.se and poplight.se, in the same way. Refer to the companies' websites: zitiz.com and sourze.com

Investment year: 2007/2008

*Traction's proportion of capital 95% and 95%,
and votes: respectively*

Editor-in-Chief of Sourze: Anders Hansson

Unlisted holdings (ownership <50%)

In Traction's unlisted companies we co-operate with entrepreneurs and other active owners. The business concept is – as partner with these entrepreneurs – to develop profitable and stable 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.

Banking Automation Ltd. is a British company that designs, assembles and distributes self-service banking machines – a 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 bankingautomation.com

Investment year: 1986
Traction's proportion of capital and votes: 47%
Revenue 2012: MGBP 5,2
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 assume 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 centrally located properties in Vallentuna Centrum. Vallentuna is an expansive part of the Greater Stockholm Metropolitan Area and the municipality has as its goal to increase its population by 45 percent by 2020. With its current holdings the property company is the largest owner of commercial properties in Vallentuna Centrum. Total rentable space is 35,000 square metres of office and retail space. There is also a plan for the construction of additional 4,300 square metres of offices, retail space and housing, and 1,000 square metres of garage space. The vacancy rate among the properties is low and approximately 60 percent of rental revenue comes from stable tenants, such as the Municipality of Vallentuna and ICA. Owner is Bricad (50 percent) and GE Real Estate (50 percent). Additional information is available at bricad.se.

Investment year: 1997
Traction's proportion of capital and votes: 47%
Other owner: Bo Richter 47%
President: Bo Richter



Creatum Holding AB is a parent company jointly owned with a real estate entrepreneur, for development of the Jarl 20 property in the Municipality of Danderyd. The detailed zoning plan allows multi-family dwellings on part of the property and during 2012 planning for and construction of 36 units was started. The residences are built with tenant-owner's rights and a housing cooperative has been formed for the purpose. On the other part of the property two single-family homes can be built and one of these lots was parcelled off to private individuals. The property is located in an attractive area in Djursholm close to the Djursholms Ösby railway station where the supply of flats is very low. Construction continues in 2013 and occupancy is planned to begin during the third quarter. Additional information is available at osbypark.se.

Investment year: 2010
 Traction's proportion of capital and votes: 50%
 Other owner: Tobin Partners AB 50%



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

Investment year: 2011
 Traction's proportion of capital and votes: 10%
 Other owners: Personnel 70%, JRS Group AB 20%
 President: Stefan Liljestam



Modular Streams AB develops and sells data systems used for text analysis, machine learning and signal processing for applications in social media and finance. The company has developed a unique method of sentiment analysis based on effective sifting through large volumes of unsorted data on the internet and make a filtered and validated text analysis. The computer system reads texts from social media and news flows, does the analysis and delivers an index, which in this case reflects the market's sentiment in real time. The system for sentiment analysis is aimed partially at financial trading and partially at analysis of companies or subject areas for trend analysis, business intelligence, risk management, branding, advocacy and campaigns. The company has also developed a system for design of investment strategies and automated trading of securities. Additional information is available at modularstreams.com.

Investment year: 2010
 Traction's proportion of capital and votes: 15%
 Other owners: The founders, 14.5% each,
 Innovationsbron 12%
 President: Hans Möller



modular streams®

Recco Holding AB is a rescue system used by more than 700 rescue organisations, mountain rescue services and helicopter companies all over the world to locate avalanche victims. RECCO is based on a radar technology, which allows for rapid and precise locating of avalanche victims. The system is comprised of two parts and consists of RECCO detectors used by organized rescue missions and RECCO reflectors built in to skiing equipment, such as clothing, helmets and boots. The reflectors are entirely passive and require neither battery nor knowledge about how to use them. The RECCO system is intended for organized rescue missions and is not an alternative to but a complement to the use of transceivers allowing companion rescue. Since the RECCO system enables much faster organized searching, skiers and snow-boarders who have been overcome by an avalanche have one more chance of being saved in time. The RECCO system is established at all skiing resorts of distinction in the world. Additional information is available at recco.com.

Investment year: 1988
 Traction's proportion of capital and votes: 49.9%
 Revenue 2012: MSEK 31
 Financial net assets 2012: MSEK >50
 Other owners: Magnus Granhed, 50.1%
 President: Magnus Granhed



Saguru AB 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, Eon, Barista FTC and Malmö FF. Additional information is available at saguru.se

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

SA • GU • RU

Sigicom AB is the leading supplier in the Nordic countries of unmanned measuring systems for surveillance of vibrations, noise and other environmental disturbances. 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 is active and sells its measuring systems and services on a global market. During 2012 Sigicom further strengthened its efforts to increase exports by opening its first office on the important U.S. market. There continues to be a great potential for increased export sales. The company is strong in microelectronics and data communication and has developed the market's most innovative measuring solutions. Additional information about Sigicom is available at sigicom.se

Investment year: 1997
Traction's proportion of capital and votes: 23%
Revenue 2012: MSEK 48
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 an instruction to play a 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. Additional information is available at signtrace.com

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

SignTrace

“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

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 holdings (stake >10% of votes)</i>						
BE Group ¹	8,145	16 (16)	16.6	135	8%	9
Drillcon	13,377	30 (30)	4.1	55	3%	4
Duroc (A and B shares)	2,000	27 (30)	11.4	23	1%	2
Hifab Group (A and B shares)	14 547	48 (41)	6.7	97	6%	6
Nordic Camping & Resort	2,442	32 (32)	7.8	19	1%	1
OEM International (A and B shares)	1,888	8 (12)	67.0	126	7%	8
PartnerTech	2,361	19 (19)	20.8	49	3%	3
Softronic (A and B shares)	11,529	22 (20)	5.9	68	4%	4
SwitchCore	10,372	28 (22)	2.0	21	1%	1
Total listed holdings				593	34%	38
Unlisted holdings						
Bricad Holding		47 (47)		51	3%	3
Recco Holding		50 (50)		40	2%	3
Other unlisted holdings				32	2%	2
Total unlisted holdings				123	7%	8
Operative subsidiaries						
		Book value in the Group				
Ankarsrum Motors		29		79	5%	5
Nilörngruppen ²		60		160	9%	11
Other subsidiaries		9		19	1%	1
Total subsidiaries		98		258	15%	17
Total active holdings				974	56%	63
Other assets						
Loans to active holdings				62	4%	4
Other assets, including real estate				28	2%	2
Total other assets				90	6%	6
Financial investments						
SCA	1,070		141,0	151	9%	10
Swedbank	500		126,8	63	4%	4
Catella ³	6,480		5,6	36	2%	2
Other listed holdings				135	8%	9
Interest-bearing investments				61	3%	4
Cash and equivalents				209	12%	14
Total financial investments				655	38%	43
TOTAL				1,719	100%	112

¹Traction's ownership amounts since February 2013 to 22% of capital and votes.

²Traction's stake is 65 percent.

³Traction's ownership amounts since March 2013 to 12% of capital and votes.

The above compilation shows how the Group's equity, attributable to the Parent Company's equity holders, is allocated as of 31 December 2012. 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. Subsidiaries in the table above have been marked to market in the same way as the unlisted holdings.

Five-year Overview

Income Statements (MSEK)	2008	2009	2010	2011	2012
Operating income	358	510	625	592	612
Operating expense	-384	-523	-550	-540	-563
Change in value of securities	-167	283	127	-122	149
Operating result	-193	270	202	-70	198
Net finance items	22	14	15	22	21
Taxes	0	-4	-11	18	-11
Net result for the year	-171	280	206	-30	208
Of which attributable to:					
The Parent Company's equity holders	-171	273	193	-41	201
Minority interest	0	7	13	11	7
Balance Sheets					
Shares	584	690	495	636	716
Other financial instruments	25	160	2	1	1
Other non-current assets	96	74	66	87	86
Current assets	121	197	807	712	668
Cash and cash equivalents	421	385	281	137	254
Total assets	1,247	1,506	1,651	1,573	1,725
Equity attributable to the Parent Company's equity holders	1,147	1,350	1,495	1,416	1,559
Equity attributable to the minority	0	32	38	30	26
Interest-bearing liabilities	27	4	-	7	18
Non-interest-bearing liabilities and provisions	73	120	118	120	122
Total shareholders' equity and liabilities	1,247	1,506	1,651	1,573	1,725

Ten-year Overview¹

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net result for the year ² , MSEK	58	193	310	175	81	-171	273	193	-41	201
Shareholders' equity ² , MSEK	656	833	1,137	1,297	1,348	1,147	1,350	1,495	1,416	1,559
Equity ratio, %	77	82	88	90	90	92	92	93	92	92
Return on equity, %	10	30	38	16	6	-13	25	15	-3	15
Equity per share, SEK	40	50	69	78	82	70	85	95	91	101
Earnings per share, SEK	3	12	19	11	5	-10	17	12	-3	13
Dividend per share, SEK ³	0,80	0,93	0,93	1,10	1,85	2,50	1,85	1,85	2,35	3,10
Dividend yield, % ³	3,0	2,5	1,6	1,4	2,7	4,6	2,7	2,5	3,5	3,7
P/E ratio	8	3	3	7	14	-	4	6	-	7
Market price at year-end, SEK	27	37	60	76	68	54	68	73	68	84
Market price/Equity	68	74	87	97	83	77	80	77	75	84
Number of shares outstanding at year-end, thousands	5,515	5,515	5,515	16,545	16,367	16,367	15,830	15,689	15,609	15,364
Average number of shares outstanding at year-end, thousands	5,515	5,515	5,515	16,545	16,512	16,367	16,069	15,816	15,681	15,423

¹In the above pro forma accounting relating to the period 2003-2005, the change in value on listed holdings is included in profit and negative goodwill has been recognised as it has arisen. The unlisted holdings are valued at book value, and have not been revalued to market value. Adjusted for 3:1 split in 2006.

²Attributable to the Parent Company's equity holders.

³As proposed for 2012 by the Board of Directors.

Traction's return

RETURN ON REPORTED SHAREHOLDER'S EQUITY AFTER TAXES 2003-2012

	Annual return, %	Year
This year's return	15	2012
Best year	38	2005
Worst year	-13	2008
Ten-year average	14	
Five-year average	8	
Traction's goal	15	all years

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.

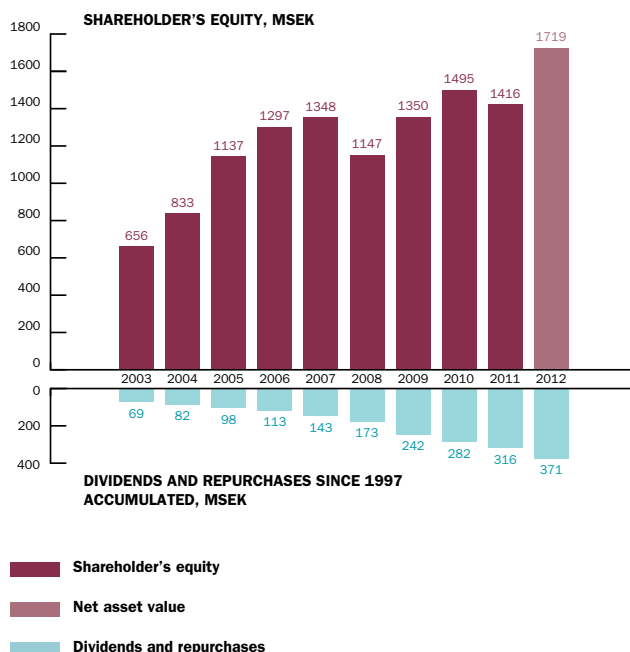
Return on equity

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.

SHAREHOLDER'S EQUITY AND NET ASSET VALUE



For purposes of calculating equity, listed holdings and unlisted minority-owned holdings are marked to market at the same time as the subsidiaries are valued at reported equity. From Traction's financial reporting, it is clearly evident that Ankarsrum Motors and Nilörgruppen in particular have shown good profitability in recent years, which means that it has not been unreasonable to assume that the market value of these subsidiaries is higher than reported equity. During 2012 Traction began to communicate a net asset value where the operative subsidiaries were marked to market in the same way as the unlisted holdings. Such valuation indicates a surplus value of MSEK 160, which in the opinion of the Company has arisen over the past three years. Valuation is not an exact science and is based on a number of variables that constantly change. The value of Traction's assets is made visible only when such assets are sold to an outside party and may then deviate from what has been stated above depending on the circumstances prevailing at the time of the transaction.

“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.”

Source: Traction's business

A small selection of transactions over the past ten years

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 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 EI & Industrimontage (EIAB) and became the company's second largest owner.



Ankarstrum Assistent



Nordic Camping & Resort

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 EI & 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 PartnerTech (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 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



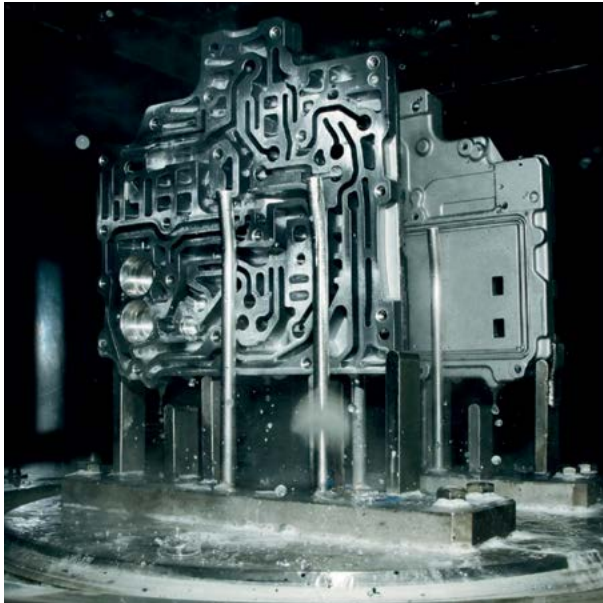
votes at year-end 2009. Underwriting of issues in Eniro, Nordic Camping & Resort, SRAB Shipping and Endomines. Gnosjöplast filed for bankruptcy following a failed reconstruction attempt. Sold Gnosjöplast Fastighets AB, which owned Gnosjöplast's 15,000 square metre production facility. Became a major 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

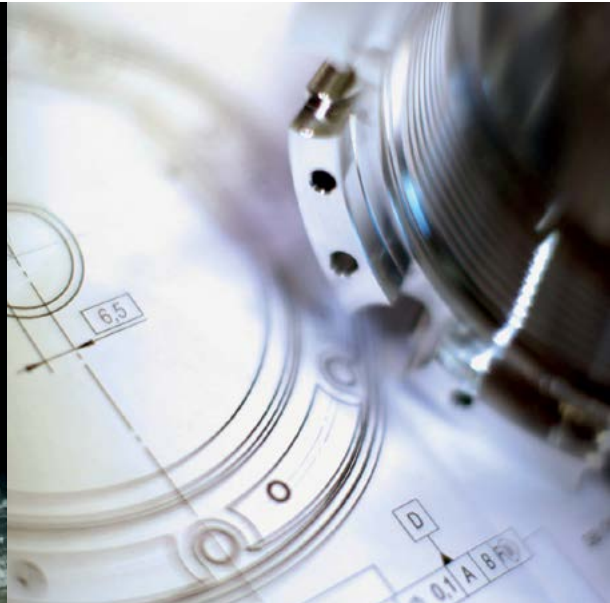
name to Traction Fonder. Participated as the largest underwriter of a new issue in Rörvik Timber in an amount of MSEK 100 in connection with a reconstruction of the company. Traction's expectation was to become a major owner in Rörvik, but that did not happen since the issue was fully subscribed. Also 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



Nilörngruppen



Ankarsrum Die Casting



PartnerTech

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 start-up, 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.

2012 Increased our holding in BE Group (to 16.3 percent), Catella (to 7.9 percent) and PartnerTech (to 18.6 percent). We became represented on the board of directors of BE Group and a new chief executive was also appointed. Hifab recorded a strong improvement in earnings and the market price of its shares increased by 63 percent. Strong stock market performance by SCA (+37 percent) and Swedbank (+39 percent) contributed to Traction's stable result of MSEK 201, equivalent to a return on equity of 15 percent, despite the fact that parts of the capital was invested in low-yield assets. Ankarsrum Motors, which again in 2012 recorded stable earnings, began the development of a new DC motor. Construction began on Traction's partially-owned real estate project at Djursholms Ösby, with planned occupancy in the autumn of 2013. Sold the holding in Traction Fonder, which was originally planned for 2011. The holding in EwaLie was sold. Participated in the underwriting consortia for Formpipe, Nordic Mines, Cybercom and Crown Energy. PA Resources was reconstructed when the holders of convertible debentures (among them Traction) converted their debentures to shares and the company floated a large rights issue, for which Traction was an underwriter. The issue was completed in the beginning of 2013. Repurchased approximately 1.6 percent of our own shares for MSEK 18.5 for the purpose of enriching the shareholders.

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 Nordic AB. Previously, since July 1997, the share was traded on NGM's share list. During 2012 Traction's share price grew by 24 percent. At year-end 2012 the latest paid price was SEK 84,5 per share. The market price of the share peaked at SEK 87 during the year; the lowest price was SEK 68,5. 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 891.

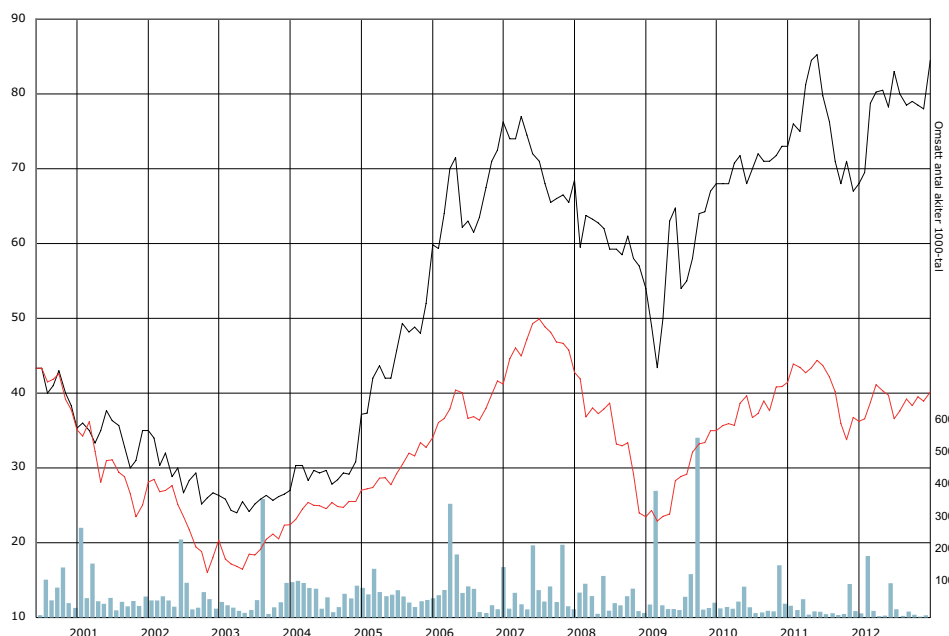
SHAREHOLDERS¹

	Class A	Class B shares	Total shares	Capital stake, %	votes, %
Ann Stillström	165,000	2,727,000	2,892,000	18,8	13,9
Bengt Stillström	165,000	2,724,450	2,889,450	18,8	13,9
Petter Stillström incl. company	1,095,000	1,677,150	2,772,150	18,0	40,0
Hanna Kusterer		1,583,100	1,583,100	10,3	5,0
David Stillström		1,556,700	1,556,700	10,1	4,9
Niveau Holding AB ²	375,000	1,145,460	1,520,460	9,9	15,5
Länsförsäkringar småbolagsfond		359,836	359,836	2,3	1,1
Esilento AB		104,614	104,614	0,7	0,3
N.G.L Förvaltning AB		102,900	102,900	0,7	0,3
Skandinaviska Enskilda Banken S.A.		97,752	97,752	0,6	0,3
Avanza Pension		80,628	80,628	0,5	0,3
Handelsbanken Fonder		69,779	69,779	0,5	0,2
Ulla-Britt Månsson		62,028	62,028	0,4	0,2
Bengt-Arne Vedin		60,000	60,000	0,4	0,2
Other shareholders		1,212,603	1,212,603	7,9	3,8
Total number of shares outstanding (not including repurchased shared)	1,800,000	13,564,000	15,364,000	100,0	100,0

¹) Shareholders as of 31 December 2012, not including share held in treasury.

²) Owned by the Stillström family.

The Share | OMX Stockholm_PI



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 exceeded 10 percent at the end of the financial year. 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
2012	245,000	18,500,000
Total	1,646,000	90,282,750
Cancellation		
2010	-610,000	–
Remaining repurchased shares	1,036,000	–
		Stake, %
		6,3

SIZE CLASSES, CLASS B SHARES

Holding	Number of shareholders	Number of class B shares	Proportion of capital, %	Proportion of votes, %
1-500	496	83,637	0,5	0,3
501-1,000	175	125,477	0,8	0,4
1,001-5,000	159	327,973	2,1	1,0
5,001-10,000	22	143,532	0,9	0,5
10,001-15,000	10	120,291	0,8	0,4
15,001-20,000	6	109,833	0,7	0,3
20,001-	23	12,653,257	94,1	97,1
Total	891	13,564,000	100,0	100,0

EVOLUTION OF SHARE CAPITAL

År	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.



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 an estimated net asset value of SEK 1.7 billion.

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 escape completely doing bad deals.

Underwriting became a new service, with projects such as KnowIT, Softronic and Biophausia, 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 Motors. The company wasn't doing well and had been racking up losses for a long time. Attractive acquisition terms and a considerable 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 370 to our shareholders in the form of dividends and buybacks of our own shares. As of December 2012 Traction's reported equity amounted to MSEK 1,559 and the estimated net asset value was MSEK 1,719.

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

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.
 - Arvako, staffing and recruitment.
 - 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.
 - Svenska Järnvägsverkstäderna, ASJ, a foundry specialized in the production of brake blocks for rail vehicles.
 - 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.
-

Addresses

AB Traction

Birger Jarlsgatan 33
Box 3314
SE-103 66 Stockholm
President: Petter Stillström
Telephone: +46-8-506 289 00
Fax: +46-8-506 289 30
E-mail: post@traction.se
www.traction.se



Ankarsrum Assistent AB

Bruksvägen 1
SE-590 90 Ankarsrum
President: Thomas Håkansson
Telephone: +46-490 533 00
Fax: +46-490-509 90
www.ankarsrum.com



Ankarsrum Die Casting AB

Bruksvägen 1
SE-590 90 Ankarsrum
President: Håkan Sundell
Telephone: +46-490 533 00
Fax: +46-490-509 90
www.ankarsrum.com



Ankarsrum Motors AB

Bruksvägen 1
SE-590 90 Ankarsrum
President: Thomas Håkansson
Telephone: +46-490 533 00
Fax: +46-490-509 90
www.ankarsrum.com



Banking Automation Ltd

510 Eskdale Road
Winnersh Triangle
Wokingham
RG41 5TU
UK
Managing Director: David Tew
Telephone: +44-118 969 2224
Fax: +44-118 944 1191
www.banking-automation.com



BE Group AB

Spadegatan 1
Box 225
SE-211 24 Malmö
President: Kimmo Väkiparta
Telephone: +46-40 38 40 00
Fax: +46-40-38 42 62
www.begroup.com



Bricad Holding AB

Tellusvägen 43
SE-186 36 Vallentuna
President: Bo Richter
Telephone: +46-8-540 865 50
Fax: +46-8-540 865 51
www.bricad.se



Catella AB

Birger Jarlsgatan 6
Box 5894
SE-102 40 Stockholm
President: Johan Ericsson
Telephone: +46-8-463 33 10
www.catella.se



Drillcon AB

Industrivägen 2
SE-713 91 Nora
President: Mikael Berglund
Telephone: +46-587-82820
Fax: +46-587-311895
www.drillcon.se



Duroc AB

Berga Backe 4
SE-182 16 Danderyd
President: Erik Albinsson
Telephone: +46-8-789 11 30
Fax: +46-8-789 11 31
www.duroc.com



Hifab Group AB

Hifab Group AB
Sveavägen 167
Box 190 90
SE-104 32 Stockholm
President: Jeanette Saveros
Telephone: +46-8-546 666 00
Fax +46-8-546 667 80
www.hifab.se



JRS Securities AB

Birger Jarlsgatan 14
Box 586
SE-114 11 Stockholm
President: Stefan Lijestam
Telephone: +46-8-5450 7200
www.jrssec.se



Modular Streams AB

Vallongatan 1, 5th floor
SE-752 28 Uppsala
President: Hans Möller
Telephone: +46-18-13 42 50
www.modularstreams.com



Nilörgruppen AB

Alingsåsvägen 6
Box 499
SE-501 13 Borås
President: Claes af Wetterstedt
Telephone: +46-33-700 88 88
Fax: +46-33-700 88 19
www.nilorn.se



Nordic Camping & Resort AB

Artillerigatan 10
Box 55582
SE-114 51 Stockholm
President: Tom Sibirzeff
Telephone: +46-8-782 90 05
Fax: +46-8-665 39 06
www.nordiccamping.se



OEM International AB

Box 1009
SE-573 28 Tranås
President: Jörgen Zahlén
Telephone: +46-75-242 40 00
Fax: +46-75-242 40 29
www.oem.se



PartnerTech AB

Industrigatan 2
Box 103
SE-235 22 Vellinge
President: Leif Thorwaldsson
Telephone: +46-40-10 26 40
Fax: +46-40-10 26 49
www.partnertech.se



Recco AB

Box 4028
SE-181 04 LIDINGÖ
President: Magnus Granhed
Telephone: +46-8-731 59 50
Fax: +46-8-731 05 60
www.recco.com



Saguru

Anckargripsgatan 3
SE-211 19 Malmö
President: Daniel Wigren
Telephone: +46-723-054 055
www.saguru.se



Sigicom AB

Alfred Nobels Allé 214
SE-146 48 TULLINGE
President: Christer Svensson
Telephone: +46-8-449 97 51
Fax: +46-8-449 97 69
www.sigicom.se



SignTrace AB

Skeppsbron 30
SE-111 30 Stockholm
President: Erik Ottosson
Telephone: +46-70-260 36 82
www.signtrace.com



Softronic AB

Ringvägen 100
SE-118 60 Stockholm
President: Anders Eriksson
Telephone: +46-8-51 90 90 00
Fax: +46-8-51 91 91 00
www.softronic.se



SwitchCore AB

Box 3314
SE-103 66 Stockholm
President: Mattias Molin
Telephone: +46-8-506 289 00



Zitiz AB / Nättidningen

Sourze AB
Sveavägen 63, 4 tr
SE-113 59 Stockholm
Chief Operating Officer, Zitiz:
Anders Hansson
Editor-in-Chief, Nättidningen Sourze:
Carl Olof Schlyter
www.zitiz.com / www.sourze.se



TRACTION ANNUAL REPORT 2012

TRACTION

traction.se