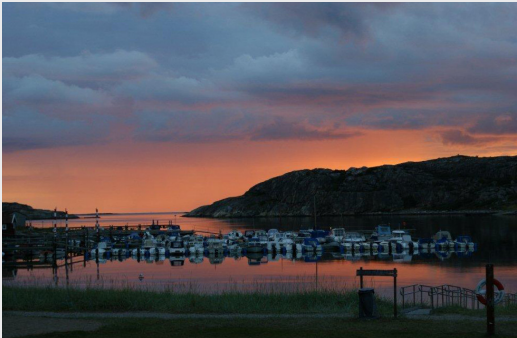
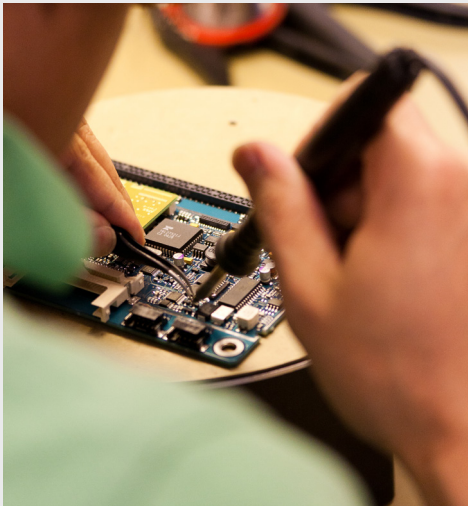


ANNUAL REPORT 2014



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## SHAREHOLDER INFORMATION

28 april 2015	Interim Report for the period January – March
28 april 2015	Regularly Scheduled Annual General Meeting
14 juli 2015	Interim Report for the period January – June
19 oktober 2015	Interim Report for the period January – September
17 februari 2015	Year-end report 2015

Subscription to financial information via e-mail may be made at [traction.se](http://traction.se), where also financial information is available, or by e-mail to [post@traction.se](mailto:post@traction.se).

The following annual report is a translation of the Swedish version. In case of any discrepancy between the Swedish and English translation, the Swedish version shall prevail.

## 2014 SUMMARY

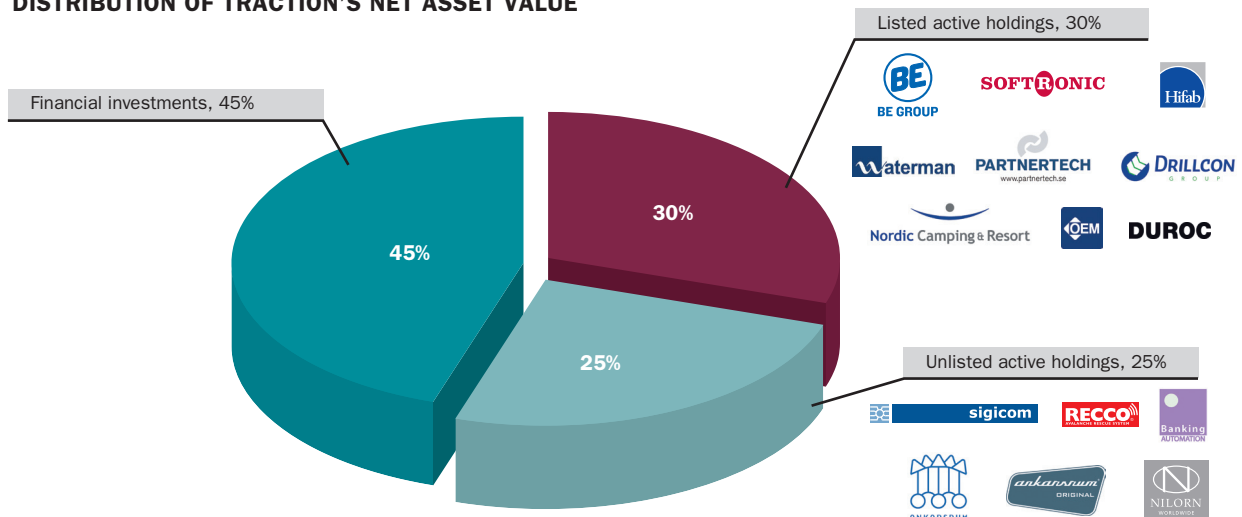
- Profit after taxes amounted to MSEK 122 (268).
- The net asset value per share increased by 7 (17) percent adjusted for dividend paid.
- Traction's net asset value amounted to MSEK 1,979, equivalent to SEK 133 per share.
- Listed shares were sold for a net amount of MSEK 245 (-34).
- Dividend income amounted to MSEK 118 (96).
- Shares in OEM International were sold for MSEK 109. The ownership stake thereafter is 4 percent of capital and 10 percent of votes.
- Ownership in Drillcon increased to 53 percent of capital and votes.
- Ownership in Hifab was raised to 53 percent of capital and 54 percent of votes.
- Ownership in PartnerTech increased to 23 percent of capital and votes.
- Ownership in BE Group was reduced to 17 percent of capital and votes.
- More than MSEK 800 of Traction's net asset value is held in the form of financial assets, cash and cash equivalents.

KEY FINANCIAL INDICATORS	2014	2013	2012	2011	2010
Net profit for the year, MSEK <sup>1</sup>	122	268	255	12	246
Net asset value, MSEK <sup>1</sup>	1 979	1 901	1 719	1 522	1 548
Net asset value per share, SEK	133	127	112	98	99
Earnings per share, SEK <sup>1</sup>	8	18	17	1	16
Market price at end of period, SEK	99	90	84	68	73
Change in net asset value per share, %	7	17	17	1	18
Dividend per share, SEK <sup>2</sup>	2,00	2,45	3,10	2,35	1,85
Dividend yield, % <sup>2</sup>	2,0	2,7	3,7	3,5	2,5

<sup>1)</sup> In accordance with Investment Entity Accounting. Also see information on page 23

<sup>2)</sup> Dividend for 2014 as proposed by the Board of Directors

### DISTRIBUTION OF TRACTION'S NET ASSET VALUE





Dear Shareholders,

Traction's profit for 2014 amounted to MSEK 122 (268). As usual, the result is a mix of several factors. In terms of profit, the unlisted holdings contributed strongly to the result, while the active listed holdings were a slight drag on earnings.

Nilörngruppen's revenue increased by 20 percent during the year and the company also recorded an all-time high profit. This strong development is to a large extent due to organic growth in England and Germany. Ankarsrum Motors had a slightly weaker year compared to the 2013 record year. However, conditions are favourable for continued positive development, particularly in view of the strong USD. It is also gratifying that the unlisted, partially owned companies, Banking Automation and Sigicom, delive-

red good profitability at the same time as their order backlog grew.

For the active listed holdings the development is mixed. Drillcon, Nordic Camping & Resort, OEM International, Softronic and Waterman Group all reported continued stable development or significant improvements compared to before. In Duroc new management was appointed after several years of weak development. In PartnerTech and Hifab profitability remains unsatisfactory. BE Group is a disappointment and robust measures are needed to lift profitability.

Even though I am obviously not satisfied with the development in certain of our holdings, it is important to understand that transformation of unprofitable and not so well managed companies is part of our business idea. Weak profitability or other deficiencies are therefore a natural element in Traction's business. When, for example, we took over ownership in Ankarsrum as well as Nilörngruppen, those companies also showed weak profitability and were to a certain extent generally in dispute. I am hopeful that, in time, we will see a similar change in the active holdings where our expectations have yet to be fulfilled.

For the profitable and stable engagements the ambition is to continue in the same spirit and also encourage somewhat more ambitious growth activities in order to further strengthen market positions and hence long-term profitability.

Aside from continuing to give priority to the development of the existing holdings and finding new opportunities, it is a challenge to generate a return on Traction's liquid capital in a world with extremely low interest rates, fluctuating foreign exchange rates and historically high asset prices. In the beginning of 2015 Traction's central organisation was expanded by recruiting an experienced asset manager to more effectively generate returns on our financial investments.

Stockholm, March 2015

Petter Stillström

# Traction develops and improves businesses

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. 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 the 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.

## GOALS

- To achieve average annual growth of net asset value per share 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.



Ankarsrum Motors

## 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 managers, directors, chief executive officers and/or joint owners.
- 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 earnings 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.



Nilörngruppen

## 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 officers.
- 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.

# Financial investments

Traction's investments that are not categorized as active holdings are classified as financial investments, for instance in the form of equities, corporate bonds or commercial papers. The allocation between different classes of assets is largely dependent on current market conditions.

The purpose of the financial investments, as opposed to the active holdings, is not to create value through active ownership. The goal is rather to generate a current return through more traditional asset management, also on the portion of Traction's capital not invested in active holdings. The magnitude of the financial investments thus depend on how large a portion of the net asset value is invested in active holdings from time to time. The financial investments are evaluated on an ongoing basis and on average have a shorter investment horizon than active holdings.

An equity investment that is initially classified as a financial investment can, over time, develop into an active listed holding. By following companies as a minor owner, we are given opportunities to evaluate business models as well as corporate managements.

A major portion of the financial investments consist of liquid holdings that can be sold on short notice. It is important to retain the flexibility to be able to support existing active holdings, to invest in new holdings, and to participate in underwriting consortia for new issues.

## 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.
- Closely related services include subscribing for securities in private placements, without pre-emptive rights, and to purchase a major shareholder's lot of shares.
- Traction sees this as a financial service, but is also prepared to become a long-term owner.

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

AcadeMedia	Hifab Group
Allgon	Impact Coatings
Alm Brand	Know IT
Amasten	Invisio Headsets
BE Group	Nordic Camping & Resort
Biophausia	Nordic Mines
Crown Energy	PA Resources
Cybercom	Rörvik Timber
Dannemora Mineral	Softronic
Duroc	SRAB Shipping
Endomines	Switchcore
Eniro	Thalamus Networks
Formpipe	

## Business organisation

Traction's business consists of actively participating in the development of our portfolio companies and being prepared to assist them in different kinds of situations. 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 capital.

Traction's venture managers are responsible for managing and developing existing companies and are also charged with the task of finding new business opportunities. 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 project companies and contributes to lowering companies' risks by participating in negotiations, by acting as business support, and by assisting companies' with compliance.

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. Active as CFO in portfolio company Nilörgruppen. Previously CFO in other medium-size, listed and unlisted companies.



**Carl Östring**

General Counsel and Venture Manager. 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 active in leading positions in IT and graphic industry.



**Joakim Skoglund**

Asset manager and analyst, B.Sc. (Business Administration). Active in Traction since 2015. Previously active as asset manager and equity strategist with mutual funds and banks.



**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 during the period 1974-2001. Member of the Board of Empire, Feelgood, Hifab Group, Profilgruppen, Ringvägen Venture and other. 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), Nordic Ground Support and other. Director since 2011. Shareholding: 26,755 class B shares.

**Jan Kjellman**, born 1947, economist. Long and varied career at IKEA, as President of IKEA of Sweden, IKEA North America and IKEA FOOD. 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.

**Peter Malmqvist**, born 1957, B.Sc. (Business Administration). Founder of Malmqvist Equity Research AB, Chairman of the valuation committee of The Swedish Society of Financial Analysts and Chairman of Capital Markets Advisory Committee of IASB. Also member of The Swedish Financial Reporting Board, Chairman of Norrmejeriers Pensionsstiftelse and teacher at the Stockholm School of Economics and the University of Stockholm. Prior assignments include Chief Analyst at Nordnet Bank, head of asset management at Aragon Fondkommission and equity columnist at Svenska Dagbladet. Director since 2014. Shareholding: 0 shares.

Auditor

**KPMG AB**, Chief Auditor: Helene Willberg, born 1967, Authorised Public Accountant. Traction's auditor since 2013.



**Bengt Stillström**



**Anders Eriksson**



**Jan Kjellman**



**Maria Linde**



**Petter Stillström**



**Peter Malmqvist**

# Ownership policy for listed holdings

Below is a summary of Traction's ownership policy for listed companies.

- 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, 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 the 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 if the employee pays a market based equity contribution.
- Private placements of new shares with new major owners may be suitable in the case of smaller companies, which thereby can avoid negative effects on the market price of the share and also get a better ownership structure.

## Active 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 revaluation potential and where the risks are manageable. Other involvement in listed companies can be in the form of underwriting 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 of the votes in all of the companies listed below. In Switchcore and Waterman Group Traction is not represented in the companies' Board of Directors, however.

**BE Group** 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. BE Group has just short of 800 employees, with Sweden and Finland as its largest markets. The head office is located in Malmö.

In order to strengthen its financial position, the company floated a rights issue in the amount of just over MSEK 160 during the first quarter of 2014. Traction was a member of the underwriting consortium and participated by subscribing for shares in proportion to its ownership. The issue was oversubscribed so no guarantees had to be utilized. Traction's ownership was reduced during the year from 22 percent to 17 percent, but Traction remains the company's largest single owner. Unfortunately the company's weak performance during the year forces BE Group to float another issue during 2015 in order to strengthen the company's balance sheet. The company's chief executive resigned during 2014 and a temporary chief executive was appointed. A new chief executive will be recruited during 2015 and Traction's President will assume the Chairman of the Board of Directors position.

BE Group's profitability has been unsatisfactory in recent years. Traction's ambition is to participate in strengthening the company's profitability on a long-term basis.

Since November 2006 BE Group is listed on NASDAQ Stockholm. Additional information is available at [begroup.com](http://begroup.com)

**Investment year:** 2011  
**Traction's proportion of capital and votes:** 17%  
**Revenue 2014:** MSEK 4,202  
**Operating profit:** MSEK 18 (underlying)  
**Other owners:** Swedbank Robur Fonder: 7%, IF Skadeförsäkring AB: 6%



**Drillcon** is Europe's largest company in diamond core drilling and a major raiseboring contractor. The company's market consists of customers in the European mining and construction industries. The main business is currently run via subsidiaries in Sweden, Portugal, Spain, Finland and Norway. These companies perform services for customers in several European countries. In Sweden Drillcon delivers drilling services to Boliden, LKAB, Zinkgruvan and others. Core drilling is used for exploring properties and content in rock formations and concrete structures while raiseboring is used for drilling shafts in rock for ventilation purposes or for transporting ores and such. As a complement to these business areas, Drillcon also offers geotechnical services, which include engineering services in the fields of measurement, analysis and the mapping of bedrock and its properties. Drillcon Iberia is the base for Drillcon's raiseboring operations. The main business for Drillcon in the Nordic Region is core drilling and geotechnical services. Drillcon has been in the business since 1963 and its head office is located in Nora.

Traction is a part owner of Drillcon since the autumn of 2008 and ownership increased substantially in connection with a mandatory offer during 2013. At year-end 2014 Traction's ownership stood at 53 percent.

Drillcon is listed on NASDAQ Stockholm, First North. Additional information is available at [drillcon.se](http://drillcon.se)

**Investment year:** 2008  
**Traction's proportion of capital and votes:** 53%  
**Revenue 2014:** MSEK 308  
**Operating profit:** MSEK 19  
**Other owners:** Mikael Berglund 5%  
**President:** Mikael Berglund



**Duroc** 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 Industry. Duroc Machine Tool AB is a part of Industrial Trading and sells machine tools and related products and services. Duroc Laser Coating AB, Duroc Special Steel AB, Micor-gruppen and Duroc Rail AB are parts of business area Industry. These subsidiaries are suppliers of, among other things, components based on laser surface treatment technology, ultra-high strength steel and saw blades and also perform maintenance on railroad wheels. The subsidiaries have operations in Sweden, Norway, Denmark, Estonia, Latvia and England.

Duroc is listed on NASDAQ Stockholm. Additional information is available at [duroc.com](http://duroc.com)

**Investment year:** 1993  
**Traction's proportion of capital and votes:** 27% and 30%, respectively  
**Revenue 2014:** MSEK 506  
**Operating profit:** MSEK -6  
**Other owners:** Niveau Holding AB 11% and 22%, respectively, Sture Wikman 9% and 11%, respectively  
**President:** Christer Tännander



**Hifab Group** is one of Sweden's leading groups in project management, with more than 65 years of experience in the real estate industry and all its disciplines. Hifab has 17 offices in Sweden and three subsidiaries abroad, and approximately 425 employees. Hifab offers project management services and consultancy services in the areas of housing & industry, transportation & infrastructure, environment & energy as well as process technology. In all projects there is emphasis on sustainability. Hifab is significantly engaged in international projects and is involved in a number of projects in some 20 countries. International projects account for 20 percent of the company's revenue.

Hifab is listed on NASDAQ Stockholm, First North. Additional information is available at [hifab.se](http://hifab.se)

**Investment year:** 2004  
**Traction's proportion of capital and votes:** 53% and 54%, respectively  
**Revenue 2014:** MSEK 479  
**Operating profit:** MSEK 13  
**Other owners:** Niveau Holding, 7% and 13%, respectively, Hans Waldaeus, 5%, Jan Boija, 4%, Jan Skoglund, 3%  
**President:** Jeanette Saveros



**Nordic Camping & Resort** is one of Sweden's largest chains in camping and resort operations. The company today operates thirteen facilities from Helsingborg in the south to Östersund in the north. Most of the facilities are in the proximity of major cities, where prerequisites for around-the year living and activities are the greatest. Among the features of the business concept are the high standard of the facilities in respect of living conditions and service facilities, high availability for booking, loyalty programs, local activities such as children's clubs and evening events, as well as social responsibility and a sustainable environment. Nordic Camping & Resort develops the local tourist industry with its chain and business concept in close co-operation with local players and the municipality.

Nordic Camping & Resort was founded in 2002 by entrepreneur Tom Sibirzeff who is a major owner and is also the company's chief executive. Traction has been a part owner since 2005 and is today the largest single owner with a stake of 30 percent of the shares outstanding.

The company's shares are traded on Aktietorget. Additional information is available at [nordiccamping.se](http://nordiccamping.se)

**Investment year:** 2005  
**Traction's proportion of capital and votes:** 30%  
**Revenue 2014:** MSEK 77  
**Operating profit:** 15,4 Mkr  
**Övriga ägare:** Tom Sibirzeff 22%  
**VD:** Tom Sibirzeff



**OEM International** 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. 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 organization 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.

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 Stockholm. Additional information is available at [oem.se](http://oem.se).

**Investment year:** 2009  
**Traction's proportion of capital and votes:** 4% and 10%, respectively  
**Revenue 2014:** MSEK 1,887  
**Operating profit:** MSEK 179  
**Other owners:** Orvaus AB, 19% and 29%, respectively, Hans Franzén, including family, 11% and 19%, respectively, Agne Svenberg including family, 7% and 19%, respectively  
**President:** Jörgen Zahlin



**PartnerTech** 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 strengthen 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.

PartnerTech has close to 1,400 employees at its facilities in Sweden, Norway, Finland, Poland, England, USA and China. In recent years major emphasis has been on to a greater extent focusing on adapting the Nordic units on technology and development in close proximity to the customers, and the facilities in Poland and China on low-cost production in large volumes. Traction is a part owner of PartnerTech since the autumn of 2008 and is engaged as a member of the company's board of directors since the spring of 2009.

The company is listed on NASDAQ Stockholm. Additional information is available at [partnertech.se](http://partnertech.se).

**Investment year:** 2008  
**Traction's proportion of capital and votes:** 23%  
**Revenue 2014:** MSEK 2,239  
**Operating profit:** MSEK -12 (not including items affecting comparability)  
**Other owners:** Bure Equity 43%  
**President:** Leif Thorvaldsson



**Softronic** 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, as well as 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 450 employees in Stockholm, Göteborg, Malmö, Sundsvall, Arjeplog, Överkalix, Denmark and Estonia.

Softronic is listed on NASDAQ Stockholm. Additional information is available at [softronic.se](http://softronic.se).

**Investment year:** 2001  
**Traction's proportion of capital and votes:** 22% and 20%, respectively  
**Revenue 2014:** MSEK 539  
**Operating profit:** MSEK 25  
**Övriga ägare:** Anders Eriksson, 22% and 33%, respectively, Stig Martin, 8% and 15%, respectively  
**President:** Anders Eriksson



One example of Softronic's offer is the CM1 anti-money-laundering service, with more than 100 customers, such as The Swedish Financial Supervisory Authority, Swedbank and Skandiabanken who get help in monitoring and identifying transactions that may be associated with criminal activity and terrorism. More than 600 million transactions are examined daily with CM1.

**SwitchCore** 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. SwitchCore has tax loss carry-forwards of approximately SEK 1 billion in Sweden. In concrete terms, SwitchCore is looking for well-managed companies with yearly earnings at the MSEK 25 level or above. SwitchCore has approximately MSEK 59 in liquid funds and short-term investments.

**Investment year:** 2007  
**Traction's proportion of capital and votes:** 30% resp. 24% <sup>1</sup>  
**Other owners:** Nortal Investments AB 11% resp. 5%, Capital Cube AB 10%

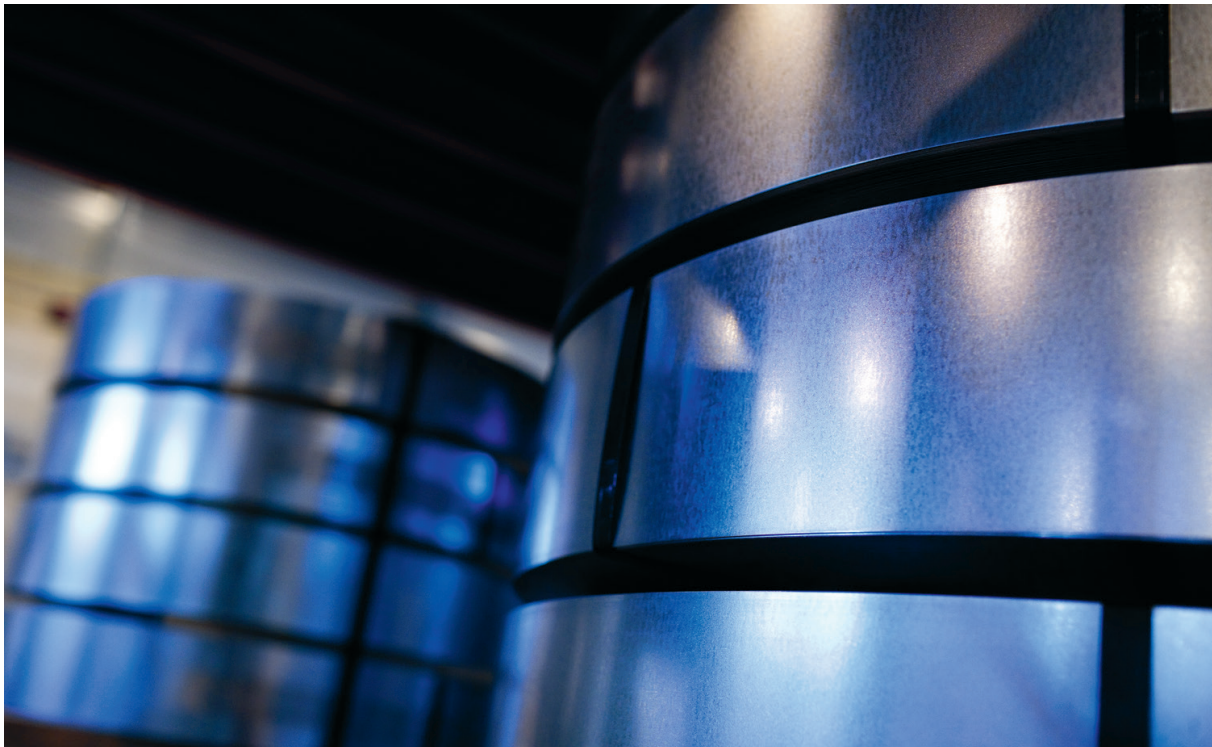
SwitchCore is listed on Aktietorget.

<sup>1</sup>As of March 2015

**Waterman Group** is an engineering consultancy headquartered in Great Britain. The company was founded in 1952 and today has operations in Australia, China, India and The United Arab Emirates. Waterman performs services mostly in the real estate, infrastructure, environmental and energy sectors. Traction has been a part owner of Waterman since 2013.

**Investment year:** 2013  
**Traction's proportion of capital and votes:** 11%  
**Revenue 2013/2014:** MGBP 62  
**Other owners:** Ruffer LLP 25%  
**President:** Nick Taylor

Waterman is listed on the London Stock Exchange. Additional information is available at [watermangroup.com](http://watermangroup.com)



BE Group

## Active unlisted holdings

Traction's active unlisted holdings consist of wholly- and majority-owned companies as well as minority-owned companies. In the minority-owned companies we co-operate with entrepreneurs and other active part owners. The business concept is to develop successful companies as an active partner. The majority-owned companies are usually turn-around projects, reconstructions, management buy-outs or similar situations. Over the years Traction has participated in bringing several unlisted companies public.

### THE ANKARSRUM COMPANIES

The Ankarsrum mill was founded in 1655 and was acquired by Electrolux in 1968, when production was concentrated to electric motors. In 2001 Traction acquired the business and the company was given the name Ankarsrum Industries.

Current operations consist of manufacturing electrical motors, aluminium foundry production, and production and sales of the classic Swedish food processor Assistent Original, organized in three companies: Ankarsrum Motors AB, Ankarsrum Die Casting AB and Ankarsrum Kitchen AB. Ankarsrum Fastighets AB own and manages the group's real estate consisting of approximately 25,000 square metres of premises.

**Ankarsrum Motors** develops and manufactures electric motors, and related components and products where electric motors are used. Most of Ankarsrum Motors' customers are found among manufacturing industries in the USA and Europe. Operations are divided into DC motors, universal motors and kitchen products.

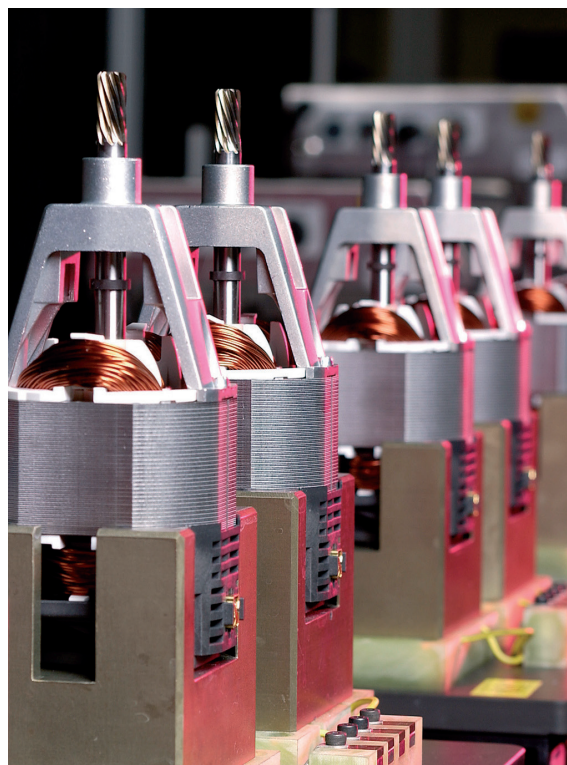
In the DC motors category and the welding wire feed business Ankarsrum Motors is the leading producer in the world to a large number of customers. Production is characterized by customized solutions with high demands for quality and durability. Other DC motor customers are found in health care, agricultural machinery and industry in general. The company has developed a new and cost-effective motor that is gaining market share in new segments and applications.

In the universal motor segment Ankarsrum has a strong position with customers that produce kitchen appliances with high demands for quality and service life. The company often assumes integrated development responsibility for products in close co-operation with the customer. In line with the health trend and a growing number of kitchen appliances Ankarsrum Motors is growing with its customers. The company manufactures the classic Swedish food processor Assistent Original™, which has been produced since 1940, and also motors for other international leading kitchen appliance producers.

Conditions are good for Ankarsrum Motors' continued growth. Ankarsrum Motors operates with a high degree of automation in production and the company invests in co-operation with its customers in applications for quieter, more durable and vibration-free motors.

Further information is available at [ankarsrum.com/motors](http://ankarsrum.com/motors)

<i>Investment year:</i>	<i>2001</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2014:</i>	<i>MSEK 208</i>
<i>President:</i>	<i>Thomas Håkansson</i>



Ankarsrum Motors



Ankarsrum Assistant Original™

**Ankarsrum Die Casting** manufactures and sells high quality die cast products in aluminium, primarily to contract suppliers to the auto industry in Europe. The company is strongly niched in the production of complex castings that require high precision, a high degree of purity and are virtually pore free, in long series. The components are often part of advanced systems, such as for controlling transmissions, electronic cooling of automotive engines and airbags, etc. The casting machines operate with clamping forces between 400 and 880 tonnes with deburring and media-blasting in an automated product flow. After-treatment is handled by efficient automated processing and washing cells. The vehicle industry places high demands on quality, efficient processes and delivery security. Products are sold to European as well as Swedish customers.

Additional information is available at [ankarsrum.com/diecasting](http://ankarsrum.com/diecasting)

<i>Investment year:</i>	<i>2001</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2014:</i>	<i>MSEK 64</i>
<i>President:</i>	<i>Håkan Sundell</i>

**Ankarsrum Kitchen** is a company that markets and sells the classic household appliance Assistant Original™ from Ankarsrum. Assistant Original is a Swedish classic from 1940 and has been used from generation to generation in Swedish homes since then. The rights to the machine were taken over by Ankarsrum Kitchen from Electrolux in 2009 and the machine is manufactured and assembled by Ankarsrum Motors. Since 2014 the company owns the trade mark Assistant Original™. The company has strongly established sales on the Swedish home market, but most of the production is today exported via distributors and established sales channels. Aside from in the Nordic countries, Assistant Original is sold to Germany, England, USA and several countries in Asia. The number of distributors increases year by year. The Swedish sales organization also sells Turmix kitchen products. In Sweden almost half of the kitchen appliances are sold online.

Additional information is available at [assistent-original.se](http://assistent-original.se)

<i>Investment year:</i>	<i>2009</i>
<i>Traction's proportion of capital and votes:</i>	<i>100%</i>
<i>Revenue 2014:</i>	<i>MSEK 51</i>
<i>President:</i>	<i>Thomas Håkansson</i>

**Nilörngruppen** is an international group, founded in 1977, that adds value to trademarks through branding and design in the form of labels, packaging and accessories for customers, primarily in the fashion and garment industries. Slightly simplified, the customers can be categorized as trademark owners and retail chain companies. Nilörn strives to enhance its customers' competitive edge by offering services covering all design resources, plus a logistics system that ensures reliable and short delivery times.

Nilörngruppen is one of Europe's leading players with revenue of almost MSEK 460. Nilörn supplies one billion labels per year of different sizes and types. Nilörngruppen is represented by subsidiaries in 11 countries: Sweden, Denmark, Germany, Belgium, Great Britain, Portugal, Hong Kong, India, Turkey, Bangladesh and China. Approximately 80 percent of sales are outside the Nordic countries. Nilörn is also active in Switzerland/Austria and during 2014 Nilörn entered the Italian market.

Nilörn has established logistics centres at important locations such as Hong Kong, Turkey, India, Bangladesh, China and Pakistan. The group has its own production of printed labels in England, Turkey, India, Hong Kong and Shanghai, and production of woven and printed labels in Portugal.

Nilörn applies the motto "maximum customer satisfaction". The entire corporate structure is based on this central theme, which is the foundation for all activities in Nilörngruppen, from design to manufacturing, sales, logistics and service. During 2014 operations showed a positive development and revenue increased by 20 percent with stable profitability.

Additional information is available at [nilorn.se](http://nilorn.se).

<i>Investment year:</i>	<i>2005</i>
<i>Traction's proportion of capital and votes:</i>	<i>69% and 60%, respectively</i>
<i>Revenue 2014:</i>	<i>MSEK 457</i>
<i>Other owners:</i>	<i>Investor 14% and 30%, respectively</i>
<i>President:</i>	<i>Claes af Wetterstedt</i>



Nilörngruppen



**Banking Automation** is a British company that develops, designs and distributes self-service banking machines, cash exchange machines, coin deposit systems and bill payment machines, primarily for banks, but also for transport companies, shopping centres and the like. The machines are placed both as freestanding units within the bank's premises, inside extended-hours vestibules and as "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 is available at [bankingautomation.com](http://bankingautomation.com)

**Investment year:** 1986  
**Traction's proportion of capital and votes:** 47%  
**Revenue 2014:** MGBP 6  
**Other owners:** Alan Jeffers, 32%, David Tew, 11%, Paul O'Neill 10%  
**President:** David Tew



**Recco Holding** is the owner of wholly owned subsidiary RECCO, which 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. 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. RECCO is based on a radar technology, which allows for rapid and precise locating of avalanche victims carrying a RECCO reflector. 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](http://recco.com).

**Investment year:** 1988  
**Traction's proportion of capital and votes:** 49,9%  
**Revenue 2014:** MSEK 23  
**Financial net assets 2014:** MSEK >40  
**Other owners:** Magnus Granhed 50,1%  
**President:** Magnus Granhed



**Sigicom** is the leading Nordic supplier of field measuring systems for unmanned monitoring of vibrations, noise and other environmental disturbances, as well as machine surveillance of vibration from things such as fans, pumps, motors, and compressors. Field measuring systems monitor construction sites, mines, quarries, and road and rail traffic. Sigicom sells its measuring systems and services on a global market. Exports account for most of the company's revenue and the export share of sales keeps rising. USA, England and the Nordic countries are large markets for Sigicom.

The company has developed the market's most innovative field measuring system, from sensor to web presentation and report. For Sigicom's customers this means simple installation, automated measurements and cost-effective surveillance. The sensors constantly measure what is going on and can be triggered by a certain disturbance and register detailed signal sequences, can trigger alarms at selected measurement receivers and they can be controlled remotely. A number of different parameters affecting the environment can be measured, such as vibration, sound, noise, air shock waves, movements, fracturing, gradient, etc. The measuring instruments stand up to harsh environments and are highly accurate. In addition to web-based application programs, Sigicom also offers support, service and regular calibration.

**Investment year:** 1997  
**Traction's proportion of capital and votes:** 23%  
**Revenue 2014 :** MSEK 55  
**Other owners:** Christer Svensson 45% and employees  
**President:** Christer Svensson

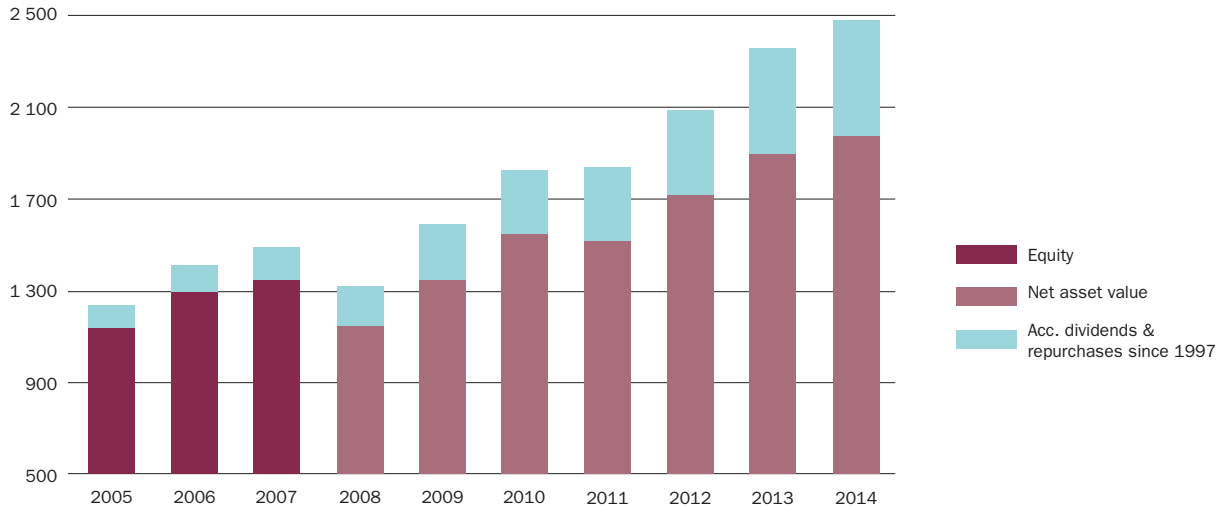


## Traction from an investor perspective

The table below shows Traction's net asset value divided into active listed holdings, active unlisted holdings, financial investments, cash and cash equivalents, and other assets as of 31 December 2014.

Holding	Number of shares (thousands)	Share % Capital	Votes	Total return % Jan - dec	Market value (MSEK)	% of total	SEK/ share
<b>Listed active holdings</b>							
BE Group	12 882	17	17	-45	71	3%	5
Drillcon	23 689	53	53	6	73	4%	5
Duroc	2 000	27	30	-6	21	1%	1
Hifab Group	16 060	53	54	-20	98	5%	7
Nordic Camping & Resort	2 531	30	30	59	46	2%	3
OEM International	913	4	10	44	100	5%	7
PartnerTech	2 937	23	23	-1	74	4%	5
Softronic	11 529	22	20	1	74	4%	5
Switchcore	10 371	28	22	8	23	1%	1
Waterman Group	3 300	11	11	6	21	1%	1
<b>Total listed holdings</b>				<b>-4</b>	<b>601</b>	<b>30%</b>	<b>40</b>
<b>Unlisted active holdings</b>							
Ankarsrum Motors		100	100	31	113	6%	8
Ankarsrum Kitchen		100	100	56	24	1%	1
Banking Automation		47	47	59	26	1%	2
Nilörngruppen		69	60	38	270	14%	18
Recco Holding		50	50	3	35	2%	2
Other unlisted holdings				16	27	1%	2
<b>Total</b>				<b>31</b>	<b>495</b>	<b>25%</b>	<b>33</b>
<b>Total active holdings</b>				<b>10</b>	<b>1 096</b>	<b>55%</b>	<b>73</b>
<b>Financial investments, cash and cash equivalents and other assets</b>							
		Number of shares in thousands					
SCA		500		-12	84	4%	6
Due from active holdings				-3	141	7%	9
Other listed holdings				-	60	3%	4
Interest-bearing investments				-	100	5%	7
Cash and equivalents				-	489	25%	33
Other assets				-	9	1%	1
<b>Total</b>					<b>883</b>	<b>45%</b>	<b>60</b>
<b>TOTAL</b>				<b>7</b>	<b>1 979</b>	<b>100%</b>	<b>133</b>

#### DEVELOPMENT OF EQUITY & NET ASSET VALUE MSEK (PRO FORMA)



Starting in 2014 Traction applies Investment Entity Accounting, which means that all holdings are valued at fair value rather than being consolidated in the Traction Group. On the other hand, Central Traction companies are consolidated. Market valuations are based on assumptions of future cash flow, comparable key financial indicators, etc. Before switching to Investment Entity Accounting, listed and unlisted minority-owned holdings were valued at fair value, while subsidiaries with >50 percent ownership were valued at equity.

The ten-year summary below contains a pro forma compilation of Traction's historical profit recalculated in accordance with the new accounting method, where the previously estimated surplus values in the have been distributed over the 2008-2013 period. Data for the 2005-2007 period have not been recalculated.

## Ten-year Overview

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Profit for the year, MSEK <sup>1</sup>	310	175	81	-171	273	246	12	255	277	122
Net asset value, MSEK <sup>1</sup>	1 137	1 297	1 348	1 147	1 350	1 548	1 522	1 719	1 901	1 979
Net asset value per share, SEK <sup>1</sup>	69	78	82	70	85	99	98	112	127	133
Increase in net asset value per share, including dividend, % <sup>1</sup>	38	16	6	-13	25	18	1	17	17	7
Earnings per share, SEK <sup>1</sup>	19	11	5	-10	17	16	1	17	18	8
Dividend per share, SEK <sup>2</sup>	0,93	1,10	1,85	2,50	1,85	1,85	2,35	3,10	2,45	2,00
Dividend yield, % <sup>2</sup>	1,6	1,4	2,7	4,6	2,7	2,5	3,5	3,7	2,7	2,0
Market price at year-end, SEK	60	76	68	54	68	73	68	84	90	99
Market price/Net asset value, %	13	3	17	23	20	26	30	25	29	25
Number of shares (thousands)	5 515	16 545	16 367	16 367	15 830	15 689	15 609	15 364	14 940	14 865

<sup>1</sup>Years 2008-2014 in accordance with Investment Entity Accounting, of which the period 2018-2013 reported on a pro forma basis. Years 2005-2007 reported in accordance with earlier accounting principles. (See above for more information.)

<sup>2</sup>Dividend for 2014 as proposed by the Board of Directors.

# Traction's return

**Return on net asset value per share (pro forma)  
 including dividend 2010-2014**

	Annual yield, %	Year
2014	7	2014
Best year	18	2010
Worst year	1	2011
Five-year average	12	-
Traction's goal	15	all years

## DEFINITIONS

### Net asset value

The net of assets and liabilities at market values. After switching to Investment Entity Accounting from 1 January 2014 this is equivalent to Traction's equity.

### Earnings per share

Profit for the year divided by the number of shares outstanding at year-end.

### Net asset value per share

The net asset value at year-end divided by the number of shares outstanding at year-end.

### Return on net asset value per share

Change in net asset value per share, adjusted for dividend paid.

### Dividend yield

Dividend in percent of share price at year-end.



Ankarstrum Motors

*“Our heroes are salesmen who do two significant things: They bring home money to the company and bring home information on what is sellable. In principle, they develop information on how the products should be designed.”*

*From Traction's business philosophy*

# The Traction share

The Traction class B share is listed since 24 May 2000 on NASDAQ Stockholm, Ticker:TRAC-B. Market maker is Remium Nordic AB. Previously, since July 1997, the share was traded on NGM's share list. Traction's share price rose by 11 percent during 2014. At year-end 2014 the latest paid price was SEK 99.25 per share. The market price of the share peaked at SEK 116.00 during the year; the lowest price was SEK 88.00. There are no convertible debentures, options or other instruments that may cause a rise in the number of shares outstanding. At the 2014 Annual General Meeting the Board of Directors was authorized, 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. As of 31 December 2014, the number of shareholders was 917.

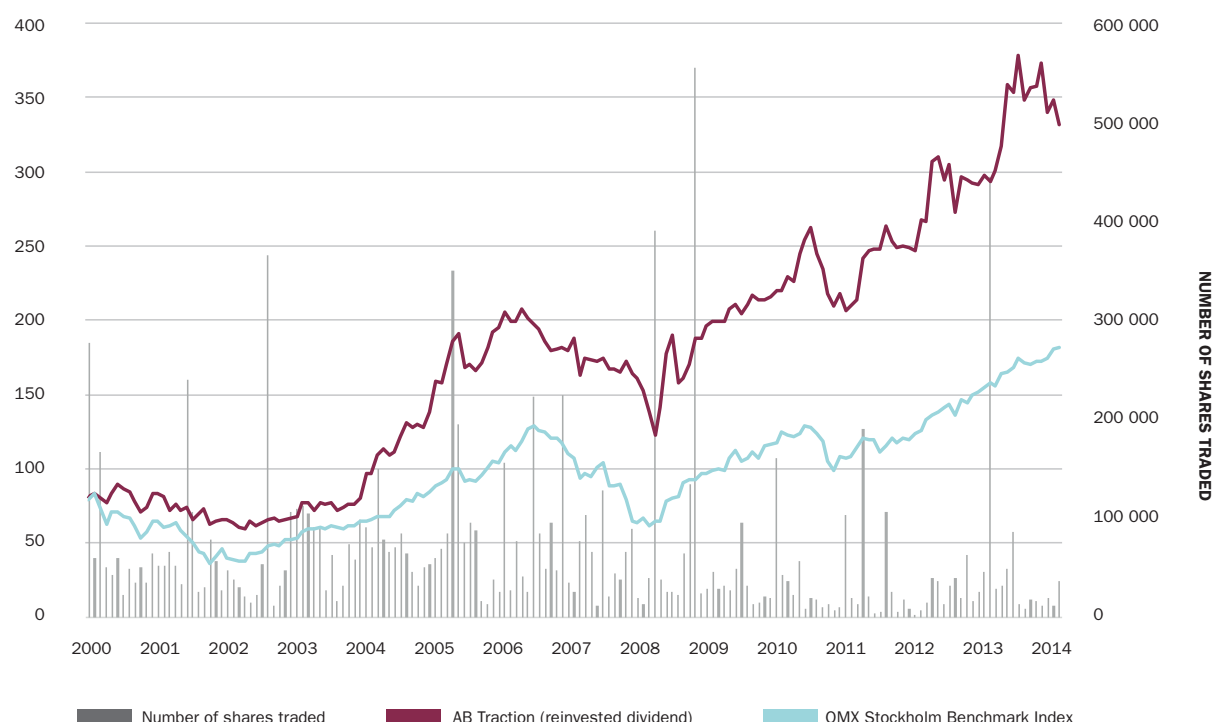
## SHAREHOLDERS<sup>1</sup>

	Class A shares	Class B shares	Total	Share of capital, %	Share of votes, %
Ann Stillström	165 000	2 727 000	2 892 000	19.5	14.1
Bengt Stillström	165 000	2 724 450	2 889 450	19.4	14.1
Petter Stillström	1 095 000	1 677 150	2 772 150	18.6	40.6
Hanna Kusterer		1 583 100	1 583 100	10.6	5.1
Niveau Holding AB <sup>2</sup>	375 000	1 192 760	1 567 760	10.5	15.9
David Stillström		1 556 700	1 556 700	10.5	5.0
N.G.L Förvaltning AB		102 900	102 900	0.7	0.3
Esilento AB		100 000	100 000	0.7	0.3
Håkan Blomdahl		80 553	80 553	0.5	0.3
Avanza Pension		79 056	79 056	0.5	0.3
Other shareholders		1 241 331	1 241 331	8.5	4.0
<b>Total number of shares outstanding (not including repurchased shared)</b>	<b>1 800 000</b>	<b>13 065 000</b>	<b>14 865 000</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>) Shareholders as of 31 December 2014, not including share held in treasury.

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

## Total return on Traction's Class B share



### 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 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
2013	424 305	38 188 000
2014	74 695	7 731 000
Total	2 145 000	136 201 750
Cancellation 2010	-610 000	
Cancellation 2014	-400 000	
<b>Remaining repurchased shares</b>	<b>1 135 000</b>	<b>Stake, %</b>
		<b>7,1</b>

#### SIZE CLASSES, CLASS B SHARES

Holding	Number of owners	Number of class B shares	Proportion of capital, %
1-500	536	84 919	0.7
501-1 000	165	118 833	0.9
1 001-5 000	162	316 243	2.4
5 001-10 000	16	104 631	0.8
10 001-15 000	10	122 232	0.9
15 001-20 000	7	123 577	1.0
20 001-	21	12 194 565	93.3
<b>Total</b>	<b>917</b>	<b>13 065 000</b>	<b>100.0</b>

#### 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	-203 333	5 466 667	16 400 000	0.33
2014	Cancellation	-400 000	-133 333	5 333 334	16 000 000	0.33

The share capital in Traction totals SEK 5,333,334, divided into 16,000,000 shares, 1,800,000 of which are class A shares and 14,200,000 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 is entitled to vote at annual and extra general meetings for the full number of shares owned and represented, without limitation.

## Traction's business philosophy

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 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



Drillcon



*Ankarsrum Die Casting*

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 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 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.

### 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 MINIMISE OVERHEADS

- 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.



PartnerTech



## A selection of transactions over the past ten years

**2005** Sold shares in project companies for MSEK 296, most of which related to the sale of Traction's entire holdings in KnowIT and JC, and most of the class B shares in AcadeMedia. The holdings in Nextlink (now Invisio Communications) and Biophausia were sold at a good profit. Sold most of our shares in Sigicom and Scoop Publishware to the companies' principal owners. Became part owner during the year of Edilen, which in turn was the majority owner of Hifab. Became involved in Nordic Camping & Resort. TBookHolding sold its business to Softronic with payment in the form of Softronic shares. Bricad sold its properties in Åkersberga at a good profit. Acquired a large block of shares in Nilörngruppen. Big share price gains in Haldex (+27%), Duroc (+29%) and Softronic (+55%) contributed to the year's result.

**2006** The subsidiary Tolerans was sold, generating a capital gain of MSEK 100. Traction had been a part owner in Tolerans since the spring of 1995 and the company had performed well ever since, with revenue rising from approximately MSEK 30 to MSEK 96 during 2005, with sharply rising profitability. Close to half of the holding in Haldex was sold for about MSEK 230, which meant that the original investment was recouped. Increased the stake in AcadeMedia from 5 percent to 19 percent of capital. Became a major owner in Mandator and gained board representation. Acquired just over 12 percent of the shares outstanding in El & Industrimontage (EIAB) and became the company's second largest owner. Extensive restructuring work in Ankarsrum Industries, Gnosjöplast and Thalamus

Networks in the quest for creating profitability. Bricad sold its property in Vallentuna Centrum, simultaneously becoming a fifty percent owner of Vallentuna Centrum AB, which acquired a number of central properties in Vallentuna Centrum. Swedish Tool was merged with Wikman & Malmkjell. Strong earnings performance in, among other, Banking Automation, Swedish Tool and Recco, resulting in appreciation of the unlisted holdings by MSEK 45.

**2007** The entire holding in AcadeMedia was sold. Traction had been a part owner of the company since the start in 1994. During January 2007 AcadeMedia acquired NTI charter schools and became a substantially larger company and was considerably revalued on the stock market. In that situation Traction chose to sell its holding. All shares outstanding in El & Industrimontage (EIAB) were sold after a bid from the company's founder and principal owner. More Haldex shares were sold. The holding in Mandator was sold to Fujitsu Services in connection with a public tender offer. The unlisted Swedish Tool was sold to Duroc for cash and shares in Duroc. SMA Maskin was sold to the company's principal owner. ASJ was sold. Svecia East Ltd and Svecia Spares & Services were sold to the staff of the companies. A major block of shares in Switchcore (8 percent) was bought. Traction became the company's largest shareholder. A new investment was made in software company PSA Easy Interaction, now Easy Equity. A supplementary investment was made in Sigicom. Zitiz was started.

**2008** The return on equity was -13 percent in a year when the Stockholm market dropped by some 40 percent. The loss relates to negative changes in the value of long-term listed holdings and other equity investments, where only a small number of losses were realised during the year. Re-valuation 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.



Recco

**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 Assistant (now Ankarsrum Kitchen) took over the rights to the Assistent Original 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. Successful implementation of change programs meant that Nilörngruppen and Ankarsrum Motors recorded strong earnings increases. Associated company Softronic expanded by acquiring industry colleague Modul 1. We



*Nilörngruppen*

became engaged in two newly started entrepreneur-driven companies: Modular Streams and SignTrace. Acquired 36 percent of the shares in Thalamus IT Consulting, which is run by an entrepreneur, with whom Traction has previously co-operated with in the staffing company Arvako (sold to Randstad in 2004).

**2011** Became a major owner of game development company G5 Entertainment with 7 percent of the shares by participating in a private placement. Ownership in Drillcon was increased from 13 percent to 30 percent, making Traction the company's largest shareholder. Gradually bought, especially during the third quarter, a large number of shares in BE Group and by the end of the year Traction was the company's largest shareholder with about 12.7 percent of the shares outstanding. The holding in Traction Fonder was liquidated. Participated in a 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. 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.

**2013** Increased ownership in BE Group to 21.7 percent and in Catella to 11.6 percent by acquiring major blocks of shares in the beginning of the year. Fastpartner acquired Bricad's holding in Vallentuna Centrum after several years of active refinement of its real estate holdings. We became represented on the Board of Directors of Catella, which also

appointed a new chief executive who took office in January 2014. Made a mandatory offer for Drillcon, thereby increasing our stake to just short of 50 percent. The real estate project in Djursholms Ösby was virtually completed and all units were sold during the year. The share price of PA Resources fell. This burdened our earnings performance when the company made another rights issue without Traction's participation. Generally strong market performance, where the holdings in OEM, Hifab, SCA and Swedbank made the greatest contributions to our earnings, at the same time as the holding in BE Group weighed on our result with a significant amount. The holdings in G5 Entertainment and Alphahelix were sold with good results. Ankarsrum Die Casting began a reconstruction of its business, but the action was suspended once the company had entered into new contracts with its largest customers and an erupting dispute was settled. Ankarsrum Motors posted all-time high earnings thanks to greater capacity utilisation on its universal motor line. Nilörngruppen also recorded continued stable earnings, with particularly positive results in England and Germany. Zitiz and internet news site Sourze were phased out after several years of development without achieving commercial success. The holdings in Signtrace and Saguru were wound up. Acquired a just over 10 percent stake in the English consultancy Waterman Group plc. JRS Securities agreed to sell the business to Remium, who took possession in January 2014. Approximately 2.6 percent of Traction's shares outstanding were repurchased for just over MSEK 38.

**2014** Traction turned 40. Traction switched to Investment Entity Accounting, which means that the subsidiaries in Ankarsrum and Nilörngruppen are valued at market rather than being consolidated in the Traction Group. Sold 50 percent of the holding in OEM International after a rising price trend for a long period. As a company, OEM has shown a very positive development since Traction became a part owner in 2009, as has its share price. BE Group floated a new issue, largely underwritten by Traction. The issue was oversubscribed and Traction sold parts of its holding during the year, reducing the stake to 17 percent. BE Group's development was very weak, which weighed on Traction's profit. The holding in Catella was sold. Participated in the underwriting of real estate company Amasten in connection with a preferred share issue. A new chief executive was appointed in Duroc. An action program was initiated immediately. Ownership in Drillcon and Hifab passed the 50-percent-mark for capital and votes. Ownership in PartnerTech increased to just over 23 percent. Nordic Camping & Resort grew and the share price advanced by 59 percent. Nilörngruppen recorded a revenue increase of 20 percent and delivered all-time-high earnings. In addition to net sales of active holdings and other listed shares, dividends from unlisted holdings contributed an increase in Traction's cash and cash equivalents, and interest-bearing investments to approximately MSEK 600. 0.5 percent of the shares outstanding were repurchased for MSEK 7.7.



Sigicom

# Traction's history

Traction was started in 1974 by entrepreneur 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 equity of approximately SEK 2 billion, while more than MSEK 500 has been distributed to the shareholders over the years.

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 step in as temporary chief executive and negotiator. We call this service Venture Management.

During the first ten years Traction was a one-man company; then in the beginning of the 1980s a central organisation was created and it grew to about ten persons. Some associates have been with us for a long time; others had shorter tenures. 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, 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. As a positive effect of profitable business ventures, our capital has grown allowing investment in larger and more mature companies and since the beginning of the 1990s Traction has functioned as an active owner in several listed companies, where we work based on an active board-of-directors/owner role. In parallel with active corporate development, portions of the capital has also been invested in other listed shares, which over time has contributed to Traction's capital growth.



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 500 to our shareholders in the form of dividends and buybacks of our own shares. As of December 2014 Traction's net asset value amounted to approximately SEK 2 billion.

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 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 charter schools.
- Allgon, antennas and system components for mobile telephones and base stations.
- Arvako, staffing and recruitment.
- Bricad, real estate development and management.
- 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.
- Jarl 20, development, construction and selling of tenant owner's rights.
- 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 pads for rail vehicles.
- Sweden Table Tennis, table tennis equipment under the brand name of Stiga.
- Swedish Tool, machinery trade with focus on machine tools, acquired by Duroc 2007, was founded by Bricad.
- Thalamus Networks, control technology, broadband networks.
- Tolerans, rotary stapling machines for tabloids.

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