



ANNUAL REPORT 2015
TRACTION

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SHAREHOLDER INFORMATION

10 May 2016	Interim Report for the period January – March
10 May 2016	Annual General Meeting
15 July 2016	Interim Report for the period January – June
18 October 2016	Interim Report for the period January – September
15 February 2017	Year-end Report January – December

Subscription to financial information via e-mail can be requested at traction.se, where also financial information is available, or by sending an e-mail to 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. The formal audited financial accounts have not been translated and are only available in Swedish.

2015 SUMMARY

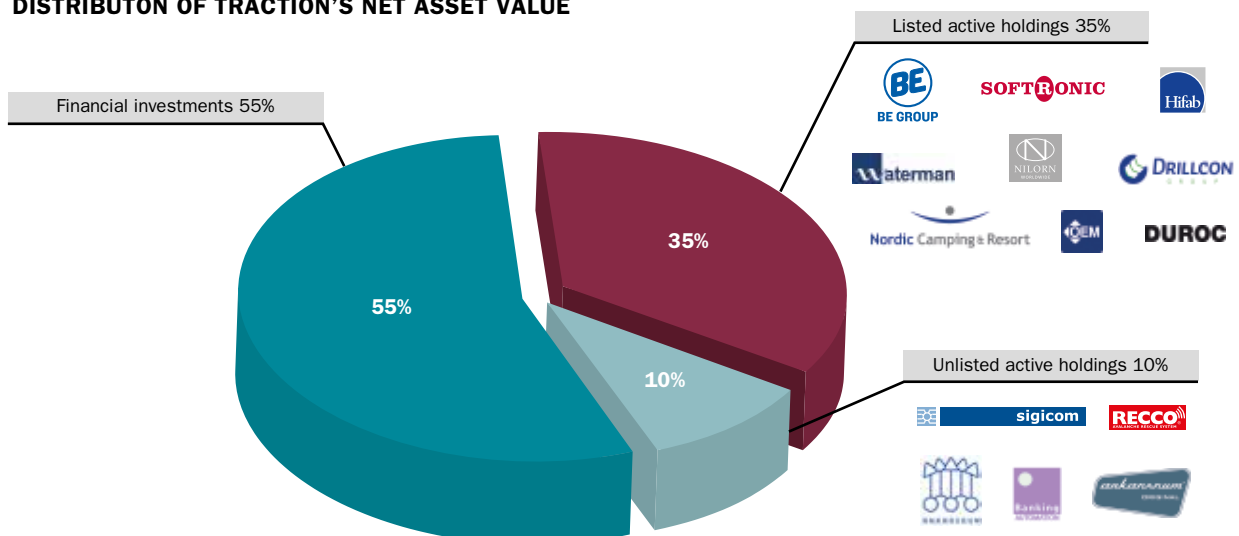
- Profit after taxes amounted to MSEK 174 (122).
- The net asset value per share increased by 9 (7) percent, adjusted for dividend paid.
- Traction's net asset value amounted to MSEK 2,115, equivalent to SEK 143 per share.
- Nilörngruppen was listed on First North, at the same time as parts of the holding were sold.
- PartnerTech was sold in conjunction with a public offer.
- Shares in Nilörngruppen and PartnerTech were sold for MSEK 286.
- BE Group and Hifab Group floated new issues, both of which were underwritten by Traction.
- Continued high liquidity, which increased during the year to more than MSEK 700.

KEY FINANCIAL INDICATORS	2015	2014	2013	2012	2011
Profit for the year, MSEK ¹	174	122	268	255	12
Net asset value, MSEK ¹	2 115	1 979	1 901	1 719	1 522
Net asset value per share, SEK	143	133	127	112	98
Earnings per share, SEK ¹	12	8	18	17	1
Market price at end of period, SEK	115	99	90	84	68
Change in net asset value per share, %	9	7	17	17	1
Dividend per share, SEK ²	2.55	2.00	2.45	3.10	2.35
Dividend yield, % ²	2.2	2.0	2.7	3.7	3.5

¹⁾ In accordance with Investment Entity Accounting. The period 2011-2013 is reported pro forma. For additional information, refer to page 23.

²⁾ Dividend for 2015 refers to the proposal of the Board of Directors.

DISTRIBUTION OF TRACTION'S NET ASSET VALUE





Dear Shareholders,

Traction's profit for 2015 amounted to MSEK 174, equivalent to an increase in net asset value of 9 percent, adjusted for repurchased shares and dividend paid. Given that we have decided to maintain a high level of liquidity, which also has risen due to net sales of, primarily, active holdings, the return on net invested capital is somewhat higher.

Traction's result is a blend of positive as well as negative factors, where the holding in Nilörngruppen by itself contributes approximately MSEK 100 to the net result. It should also be mentioned that the holdings in Banking Automation, OEM International, PartnerTech, Softronic and Waterman together generated a sizeable contribution to the total result. On the negative side the holdings in BE Group and Hifab were a drag on earnings to the tune of MSEK 90. Revaluation of the holdings in Ankarsrum Motors and Ankarsrum Diecasting also had a negative impact on profit.

Nilörngruppen was listed on First North in June 2015, at the same time as Traction sold half of its holding, thereby realizing a significant portion of gain created when the company was taken private, which was preceded by Traction having made a bid for the company in the beginning of 2009. Since more than 90 shareholders chose not to accept the bid, I am convinced that the relisting of Nilörngruppen also was appreciated by the company's owners as the listing has resulted in pricing clarity and liquidity in the company's shares. Unfortunately, the price trend in the company's shares was negative during the year, despite stronger earnings than in prior years. Traction is taking a long-term view of the holding, and during autumn all outstanding class A shares were acquired, again increasing Traction's stake in the company.

After several years of engagement in PartnerTech, the holding was sold following a bid by the Finnish industry colleague Scanfil. Traction has been the second largest owner of PartnerTech since autumn 2008 and has been represented on the company's board of directors since 2009. The holding in Switchcore was also sold to another major owner of the company. Nordic Camping & Resort, which continued to show a positive development, floated a new issue to strengthen the balance sheet and to broaden the ownership base.

The undersigned assumed the role of chairman in BE Group, and a new CEO took over in August. In my judgment, BE Group now has a chief executive who is dynamic and methodical, which is necessary to carry out the necessary changes, but which unfortunately failed to materialize under the previous management. A new issue was also floated during the year, to a significant degree underwritten by Traction. This has improved the company's financial position significantly.

Hifab Group suffered a highly unexpected legal setback, the result of which was that the company was forced to float a new issue, also underwritten by Traction. The legal loss does not pertain to the business as such, but rather to an acquisition made by Hifab's parent company long before Hifab was added to Traction's portfolio. Hifab's business showed a weak development during the year and I am hopeful that the new CEO, who took office on 1 March 2016, will contribute to increasing the company's competitiveness and efficiency in an otherwise strong construction market.

In addition to the aforementioned recruitments in BE Group and Hifab Group, a new CEO will be taking over at Drillcon in May 2016, and it can also be mentioned that a new CEO is being recruited for Duroc. Traction's central organisation will also be strengthened during 2016. Aside from new recruitment of CEOs, and assisting as needed in the recruitment of other senior management as needed, Traction is always looking for industry experts with business experience for the boards of project companies.

New goals

For this Annual Report we have chosen to eliminate Traction's previous goal "to generate an average annual increase of the net asset value per share of at least 15 percent." This goal has been replaced by the following: "To generate, on a sustainable basis, average annual net asset value growth per share, including dividends that substantially exceeds the overall performance of the Stockholm Stock Exchange."

Behind this change is the currently ongoing risky and daring experiment with negative key interest rates in Sweden and a few other western economies for the purpose of helping to boost credit demand, inflation, economic growth and, in certain cases, the exchange rate advantages that result from exchange rate weakness for export-dependent nations. This as an alternative to handling the root of the problems. Necessary structural reforms require political decisiveness, acumen and courage, however, which seems to be sorely lacking in several democracies when minorities and other special interests get disproportionately large influence, or contribute to a decisions vacuum. The interest policy conducted so far has primarily contributed to increased systematic risk and a general asset inflation.

For Traction to be able to generate annual net asset value growth of 15 percent is therefore not particularly realistic, given the prevailing conditions in a competitive world with weak growth in a medium-term perspective. Today's challenges are obviously not unique to Traction, nor is it an argument for staying passive and refraining from interesting investment opportunities.

Going forward, priority will be given to Traction's existing investments, and also investments in new holdings where Traction can assume an active ownership role via the board of directors, or in close co-operation with the company's management, the entrepreneur, or other active owners. Traction's role in its active holdings varies depending on the ownership structure, the degree of operational stability, the needs of the CEO/entrepreneur, or other active owners, the composition of the board of directors and other factors that may mean that Traction's support and experience is in demand or necessary.

In parallel with the above, the ambition is that portions of the capital to a greater extent than before should be invested in financial assets for the purpose of creating a return on the Company's capital.

Stockholm, March 2016

Petter Stillström

Traction develops and improves businesses

Traction is a listed investment company with active ownership interests in listed and unlisted smaller and medium-sized companies. Traction also conducts investment activities for the purpose of obtaining a good return on the Company's capital by making financial investments mainly in other listed companies and interest-bearing assets.

Traction's role as owner is based on active and long-term engagement in close co-operation with other active owners, entrepreneurs and corporate managements. Traction has no particular focus on specific industries. Traction instead conducts development and transformation work which is applicable to all companies intending to give priority to professionalism, sustainability and in sound business principles.

BUSINESS CONCEPT

To conduct development and transformation work for the purpose of achieving a high return and appreciation through active ownership. In addition, the Company conducts investment operations for the purpose of a good return on the Company's capital.

BUSINESS PHILOSOPHY

- We have a long-term approach.
- We are not seeking to build a corporate group. We work instead with a number of independent companies, the appreciation of which will be realized in the longer term.
- Our sphere of activity lies within the transformation and development of companies in general. The requisite technical and industry expertise must be present in the company.

GOALS

- To sustainably generate an increase in Traction's net asset value per share, including dividends, that substantially exceeds the overall performance of the Stockholm Stock Exchange.
- To create profitable growth in our wholly and partially owned companies.

STRATEGY

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

- The ability to identify interesting business projects and situations.
- The ability to choose the right partners; especially executives/entrepreneurs, but also other active owners.
- Project managers who can provide corporate executives the complementary expertise they need.
- Co-operation partners who can act as project manager, director, CEO and/or part owner.
- Sufficient financial resources to take on interesting projects and to support the development of existing holdings.

EXIT STRATEGIES

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 the strictly commercial ones. As a matter of principle, our holdings are always for sale at the right price and to a suitable owner. In companies where we have owner companions, the exit strategy varies depending on which development phase the companies are in, and specific prerequisites, especially the intentions of other owners.



Ankarsrum Motors

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 ensures 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 are always willing to review their business concept and adapt it on an ongoing basis.
- Run companies with the right prerequisites for expansion.
- Have a long-term objective for their engagement.

Active partners who in co-operation with Traction:

- Are able to work operatively as project managers, directors or as chief executive officer.
- Acts as an active partner.
- Want to finance a buy-out, a new issue or participate in refinancing a business.

Company managements, company presidents, owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out spin-off or sale, acquisition of a business or a change of generations.
- Otherwise need a financially strong owner and engaged owner in conjunction with a major transaction.

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 financing 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 composition of different classes of assets is largely dependent on prevailing 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 engaged in active holdings. The magnitude of the financial investments thus depends 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 have better 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. This is important in order to retain the flexibility to be able to support on short notice 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. This has occurred in a number of different situations, such as in connection with widening ownership through private placements, initial public offerings, financing acquisitions and expansion, refinancing maturing debt, saving the company from insolvency, or simply strengthening the balance sheet in general.

- Traction has issued guarantees for companies where we already are 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, such as being 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 views this as a financial service, but is also prepared to become a long-term owner.

Over the years Traction has participated in some 30 underwriting consortia. Examples during the past few years include Amasten Holding, BE Group, Hifab Group and Vardia Insurance Group.



BE Group

Business organisation

Traction's venture managers are responsible for developing the existing portfolio companies and are also charged with responsibility for identifying new business opportunities. Traction's corporate legal counsel also lends support to Traction's venture managers as well as chief executives and members of senior management. A process is underway to strengthen Traction's central organisation.

Traction's central business organisation also includes a network of co-operation partners who participate actively, or have participated in the development of Traction's portfolio companies such as external directors, entrepreneurs, owners, members of senior management and financiers.



Petter Stillström

CEO and Venture Manager, M. Sc. (Business Administration). Active in Traction since 1999, CEO since 2001. Previously active in corporate finance.



Krister Magnusson

CFO, B. Sc. (Business Administration), active in Traction since 2011. Active as CFO in portfolio company Nilömgruppen. Previously CFO in other medium-sized listed and unlisted companies.



Carl Östring

General Counsel and Venture Manager, Master of Laws. Active in Traction since 2011. Previously attorney and part owner of law firm in Stockholm and Moscow.



Joakim Skoglund

Asset manager and analyst, B. Sc. (Business Administration). Active in Traction since 2015. Previously portfolio manager and equity strategist with fund company and bank.



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. Director of, among other, Feelgood, Hifab Group (Chairman), Profilgruppen and Ringvägen Venture. 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, among other, Softronic and Nordic Ground Support. Director since 2011. Shareholding: 26,755 class B shares.

Jan Kjellman, born 1947, economist. Long and varied career with, among other, IKEA as CEO of IKEA of Sweden, IKEA North America and IKEA FOOD. Director of Traction since 2005 and also director of Nilörngruppen, Kobia, Abdon Mills and Verteiseit. 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, CEO since 2001, M. Sc. (Business Administration). Director of BE Group (Chairman), Nilörngruppen (Chairman) OEM International and Softronic (Chairman) and a number of unlisted companies in Traction's sphere of interest. Director since 1997. Shareholding, via wholly owned company and closely related parties: 1,095,000 class A shares, 1,687,150 class B shares and part owner of Niveau Holding AB.

Peter Malmqvist, born 1957, B. Sc. (Business Administration). Chief Analyst at Remium, Chairman of The Swedish Society of Financial Analysts, writer for several finance magazines and teacher at the Stockholm School of Economics. Director since 2015. Shareholding: 0 shares.

Auditor

Mazars SET Revisionsbyrå, Chief Auditor Anders Bergman, Authorised Public Accountant. Traction's auditor since 2015.



Bengt Stillström



Anders Eriksson



Jan Kjellman



Maria Linde



Petter Stillström



Peter Malmqvist

Ownership policy for listed companies

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 to those owners.
- Major shareholders should be represented on the company's Board of Directors.
- A principal owner has the ultimate responsibility to initiate changes to operations, the company's management the composition of its 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 shareholders 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 a 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, and who have 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 who can complement and support the CEO.
- The Board of Directors shall make 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.
- Option programmes to employees should only be offered if the employee invests a market equity contribution.
- Private placements with new, major owners may be suitable in the case of smaller companies, which thereby can avoid negative share price effects and also get a better ownership structure.

Active listed holdings

Traction is an active large 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 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 in all of the companies listed below. In 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.

A European steel market distinguished by excess supply and falling steel prices continued to have a negative effect on BE Group's profitability. The company therefore was forced, for the second time in as many years, to float a rights issue in order to strengthen the financial position. Traction participated by underwriting the issue and also subscribed in the issue in accordance with its ownership stake. The issue in the amount of MSEK 260 was oversubscribed so no guarantees had to be utilised.

Anders Martinsson was recruited as new CEO and Traction's CEO took over as Chairman of the company's Board of Directors. Traction's ambition is to help strengthen BE Group's profitability, which for the past several years has been unsatisfactory. Since November 2006 BE Group is listed on NASDAQ Stockholm.

Additional information is available at begroup.com

Investment year: 2011
Traction's proportion of capital and votes: 19%
Revenue 2015: MSEK 4,155
Operating profit 2015: MSEK 22 (underlying)
Other owners: Swedbank Robur Fonder 7%
President: Anders Martinsson



Drillcon is Europe's largest company in diamond core boring and a major raise boring 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 and Norway. These companies perform services for customers in several European countries. In Sweden Drillcon delivers boring services to Boliden, LKAB, and Lundin Mining. Core boring is used for exploring properties and content in rock formations and concrete structures, while raise boring is used for drilling shafts in rock for ventilation purposes and for mining lifts and such. As a complement to these business areas, Drillcon also offers geotechnical service, which includes engineering services in the fields of measurement, analysis and the mapping of bedrock and its properties. Drillcon Iberia is the base for Drillcon's raise boring operations. The main business for Drillcon in the Nordic Region is core boring and geotechnical services. Drillcon has been in the business since 1963 and its head office is located in Nora. The subsidiary in Finland was closed during 2015. Patrik Nylander will take over as new CEO in conjunction with the 2016 Annual General Meeting.

Traction is a part owner of Drillcon since the autumn of 2008 and ownership increased substantially in connection with a mandatory offer during 2013. Drillcon is listed on NASDAQ Stockholm, First North.

Additional information is available at drillcon.se

Investment year: 2008
Traction's proportion of capital and votes: 54%
Revenue 2015: MSEK 279
EBITDA 2015: MSEK 25
Operating profit 2015: MSEK 3
Other owners: Mikael Berglund 5%
President: Mikael Berglund (Patrik Rylander takes over as new President in the spring of 2016)



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 Rail AB, Duroc Laser Coating AB and Duroc Special Steel AB are parts of business area Industry. These subsidiaries are suppliers of, among other things, components based on laser surface treatment technology and ultra-high strength steel and also perform maintenance on railroad wheels. The subsidiaries have operations in Sweden, Norway, Denmark, Estonia and Latvia. Duroc is listed on NASDAQ OMX Stockholm. The subsidiaries in the Micor Group were sold during 2015 as a part of streamlining Duroc. These companies produce saw blades for the wood industry. A new President will take over during 2016.

Additional information is available at duroc.se

Investment year: 1993
Traction's proportion of capital and votes: 27% resp. 30%
Revenue 2015: MSEK 432
Operating profit 2015: MSEK 10
Other owners: Peter Gyllenhammar AB 15% and 11%, respectively, Niveau Holding AB 11% and 22%, respectively, Sture Wikman 9% and 11%, respectively.



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 Group AB has 10 offices in Sweden and three subsidiaries abroad, and approximately 400 employees. Hifab offers project management 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.

The Parent Company, Hifab Group, unexpectedly lost a legal case in Svea Hovrätt related to an earlier subsidiary and was ordered to pay MSEK 68. Hifab has appealed the ruling and sought leave to appeal in the Supreme Court. In spite of the appeal to the Supreme Court, Hifab was forced to pay the amount awarded already during the fourth quarter. For that reason the company was compelled to float a rights issue in the amount of approximately MSEK 53, in which Traction subscribed and paid for its proportion and guaranteed the remaining amount. In the beginning of 2016 it became evident that the issue was oversubscribed and Traction's guarantee expired unutilised.

On March 1 2016 Patrik Schelin took over as new President.

Additional information is available at hifab.se

Investment year: 2004
Traction's proportion of capital and votes: 53% resp. 54%
Revenue 2015: MSEK 444
Operating profit 2015: MSEK 4 (underlying)
Other owners: Niras AB 9% resp. 7%, Niveau Holding AB 7% resp. 13%
President: Patrik Schelin (from 1 March 2016)



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 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 540. 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 has been active in the Italian market for a shorter period. 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. The company is also planning to establish its own production in Bangladesh.

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.

Since Traction took Nilörn private in 2009, the company has showed a strong development and is currently operating profitably. On 15 June 2015 Nilörn was listed on NASDAQ First North in Stockholm in a process where Traction sold approximately half of its holding. Liquidity in the share improved as a consequence of the listing to the benefit of the about one hundred shareholders remaining since the company was publicly traded the last time. It is Traction's intention to remain as a long-term active owner. This was further emphasized when Traction during the autumn acquired all outstanding class A shares, bringing ownership to 66 percent in terms of votes.

Additional information is available at nilorn.se

Investment year: 2005

Traction's proportion of capital and votes: 41% and 66%, respectively

Revenue 2015: MSEK 540

Operating profit 2015: MSEK 51

President: Claes af Wetterstedt



Nordic Camping & Resort is one of Sweden's largest chains in camping and resort operations. Following the agreement with the Municipality of Kalmar during the spring of 2015 to take over Stensö Camping, the company operates fourteen facilities, from Helsingborg in the south to Östersund in the north. Most of the facilities are in proximity to major cities, where prerequisites for around-the year living are the greatest. The company has high growth ambitions and is growing organically as well as through acquisitions. The business concept is based on a high standard for the facilities with respect to living quarter and service facilities, high availability for booking, loyalty programmes, local activities such as clubs for children and evening events, as well as social responsibility and a sustainable environment. With its chain and business concept Nordic Camping & Resort is developing the local tourist industry in close co-operation with local players and municipalities.

Nordic Camping & Resort was formed in 2002 by entrepreneur Tom Sibirzeff, who is a major owner and also the company's president. The company is listed on Aktietorget. A share issue to broaden ownership was floated during 2015 with proceeds of MSEK 22 to the company and which increased the number of shareholders by more than 800. The purpose of the issue was to add capital for future growth, to create improved liquidity in the share and to lay a foundation for a future listing on NASDAQ First North.

Additional information is available at nordiccamping.se

Investment year: 2005
Traction's proportion of capital and votes: 26%
Revenue 2015: MSEK 89
Operating profit 2015: MSEK 18
Other owners: Tom Sibirzeff 19%
President: 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. OEM recorded very strong development during 2015 with sales growth of 18 percent and 27 percent earnings growth.

Traction has been a large 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 Stockholm.

Additional information is available at oem.se

Investment year: 2009
Traction's proportion of capital and votes: 4% and 10%, respectively.
Revenue 2015: MSEK 2,226
Operating profit 2015: MSEK 225
Other owners: Orvaus AB 19% and 29%, respectively, Hans Franzén, including family 11% and 21%, respectively, Agne Svenberg, including family, 7% and 19%, respectively.
President: Jörgen Zahlin



An example of Softronic's offer is the anti-money-laundering service CM1, which provides assistance to 100 customers, including the Swedish Financial Supervisory Authority, Swedbank and Skandiabanken, all of whom get assistance in monitoring and identifying transactions that may be associated with criminal activity and terrorism. Aided by CM1, more than 600 million transactions are examined daily.

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, 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, most of whom in Stockholm. The company is also represented in Göteborg, Malmö, Sundsvall, Arjeplog, Överkalix, and in Denmark. Softronic is listed on NASDAQ Stockholm.

Softronic recorded strong development during 2015 and operating profit increased to MSEK 38 compared to MSEK 25 during 2014. Revenue increased by 12 percent.

Additional information is available at softronic.se

Investment year: 2001
Traction's proportion of capital and votes: 22% and 20%, respectively.
Revenue 2015: MSEK 602
Operating profit 2015: MSEK 38
Other owners: Anders Eriksson 20% resp. 33%, Stig Martin 8% and 15%, respectively.
President: Anders Eriksson



Waterman Group is an engineering consultancy headquartered in Great Britain. The company was founded in 1952. 90 percent of sales are in the London area, but the company also has subsidiaries in Australia, China, Ireland and Poland. Waterman performs services mostly in the real estate, infrastructure, environmental and energy sectors. Traction has been a part owner of Waterman since 2013.

During the last few years the company has focused on streamlining operations geographically and has closed/sold loss-making operations. The geographical streamlining, together with strong demand in Great Britain, has enabled Waterman to report good earnings growth.

Waterman is listed on the London Stock Exchange.

Additional information is available at watermangroup.com

Investment year: 2013
Traction's proportion of capital and votes: 11%
Revenue 2014/2015: MGBP 84
Operating profit 2014/15: MGBP 2.4
Other owners: Barclays 8%, Hargreave Hale 7%, Ruffer LLP 6%
Managing Director: Nick Taylor

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 GROUP OF COMPANIES

Ankarsrums bruk was founded in 1655 and was bought in 1968 by Electrolux and the production was concentrated to electrical motors. Traction acquired the business in 2001, and the company was given the name Ankarsrum Industries.

Today's business consists of electric motor production, aluminium casting and production and sales of the classic household appliance Assistent Original organised in three companies; Ankarsrum Motors AB, Ankarsrum Die Casting AB and Ankarsrum Kitchen AB. In addition, Ankarsrum Fastighets AB manages the group's real property with a total area of 23,000 square metres.



Ankarsrum Motors

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 segment, Ankarsrum Motors is the leading independent producer in the world to a large number of customers. Production is characterized by customized solutions with high demands for quality and durability. Other buyers of DC motors are found in health care, agricultural machinery and industry in general. The company has developed a modular 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.

Ankarsrum Motors has excellent prospects for future growth. Production at Ankarsrum Motors is highly automated and the company invests in co-operation with its customers to develop less noisy, more reliable and vibration-free electric motors.

Additional information is available at ankarsrum.com/motors

Investment year: 2001
Traction's proportion of capital and votes: 100%
Revenue: 2015: MSEK 194
President: Thomas Håkansson



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. The product 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 and export sales via distributors. 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. In Sweden almost half of the kitchen appliances are sold online.

Additional information is available at assistant-original.se

Investment year: 2009
Traction's proportion of capital and votes: 100%
Revenue: 2015: MSEK 48
President: Thomas Håkansson





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 and robots handle deburring and media-blasting. 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.

Ankarsrum Diecasting phased out several terminated articles during the year and this lowered capacity utilisation and resulted in restructuring costs at the same time as management worked actively on attracting new customers. Several new products were added during the year to be put into production during 2016 and 2017. This has created prospects for profitability in a slightly longer perspective.

Additional information is available at ankarsrum.com/diecasting

Investment year: 2001
Traction's proportion of capital and votes: 100%
Revenue 2015: MSEK 35
President: Håkan Sundell



Banking Automation is a British company that develops, designs and distributes deposit machines, bill payment machines and cash exchange 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 10,000 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

Investment year: 1986
Traction's proportion of capital and votes: 47%
Revenue 2015: MSEK 144
Other owners: Allan Jeffers, 32%, David Tew 11%, Paul O'Neill 10%
Managing Director: David Tew



Eitech Holding AB is a newly established company created in connection with the buyout of Goodtech Intressenter, which changed its name to Eitech, from Goodtech ASA. Eitech has revenues of about 2 billion SEK and 1,200 employees at some 30 locations from Kiruna in the north to Malmö in the south. The company offers a broad spectrum of services and products in technical installations where electricity, infrastructure and industry are the big segments.

The origin of Eitech goes back to 1994 when Rolf Tannergård started the technical installation company EI & Industrimontage Svenska AB (EIAB) following acquisition of Siemens Montage's north Swedish operations. EIAB was listed on Aktietorget in 2001, and Traction became a part owner of EIAB, before Rolf Tannergård together with the company's employees bought the company in 2007. In 2010 EIAB was merged with Goodtech ASA where operations were gathered in the Goodtech Intressenter Group.

Investment year: 2016

Traction's proportion of capital and votes: 10.0% and 3.6%, respectively

Other owners: Rolf Tannergård family 51.0%, and 82.5%, respectively

President: Olle Backman



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

Investment year: 1988

Traction's proportion of capital and votes: 49.9%

Revenue 2015: MSEK 22

Financial net assets 2015: approximately MSEK 35

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 2015: MSEK 65

Other owners: Christer Svensson 45% and personnel

President: Torbjörn Rehnström



Sigicom



Traction from an investor perspective

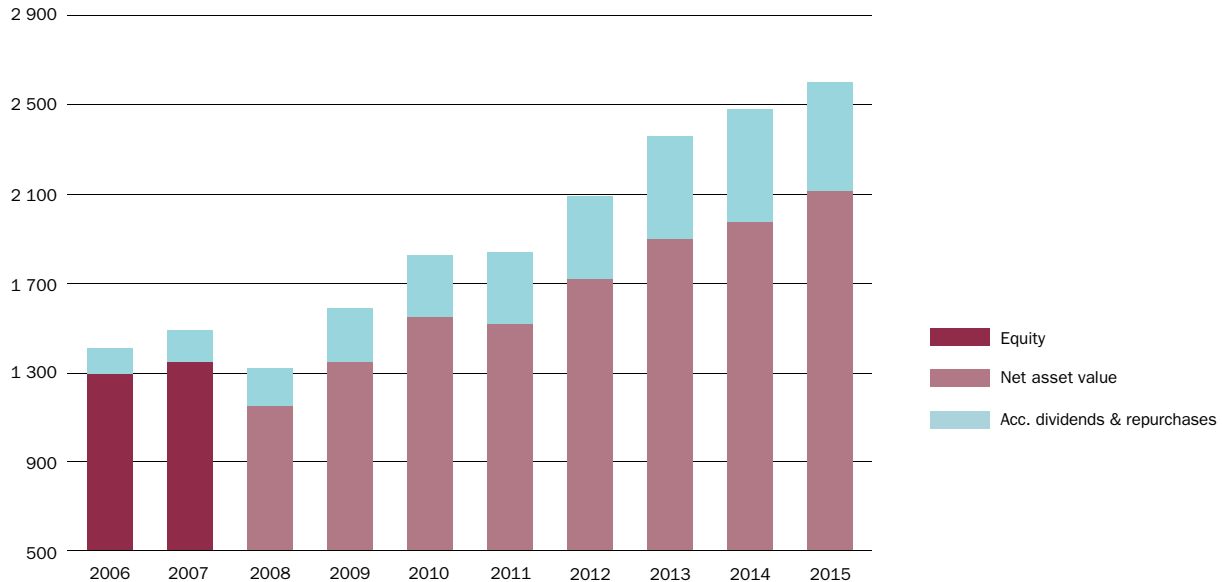
The table below shows Traction's net asset value divided into active listed holdings, active unlisted holdings, financial investments, cash and cash equivalents, and other assets as of 31 December 2015.

	Number of shares (thousands)	Market value SEK per share 31-12-15	Share %		Market value (MSEK)	% of total	SEK/ share
			capital	Votes			
Listed active holdings							
Nilörngruppen	4 685	39.00	41	66	183	9%	12
OEM International	886	141.00	4	10	125	6%	8
Softronic	11 529	8.10	22	20	93	4%	6
Hifab Group	32 129	2.30	53	54	74	4%	5
BE Group	48 768	1.49	19	19	73	3%	5
Drillcon	24 000	3.00	54	54	72	3%	5
Nordic Camping & Resort	2 458	21.00	26	26	52	2%	4
Waterman Group	3 300	12.01	11	11	39	2%	3
Duroc	2 000	16.00	27	30	32	2%	2
Total					743	35%	50
Unlisted active holdings							
Ankarsrum Motors			100	100	90	4%	6
Other unlisted holdings					113	6%	8
Total					203	10%	14
Total active holdings					946	45%	64
Financial investments, cash and cash equivalents							
Other listed holdings					225	10%	15
Due from active holdings ¹					33	2%	2
Interest-bearing investments					205	10%	14
Cash and cash equivalents ²					706	33%	48
Total					1 169	55%	79
TOTAL					2 115	100%	143

¹) Including other net assets/liabilities in the amount of MSEK 1.

²) Including short-term interest-bearing investments in the amount of MSEK 164.

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. For more detailed explanations reference is made to Traction's formal Annual Report. 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 survey below contains a pro forma version of Traction's historical results recalculated in accordance with the new accounting method, where previously estimated economic surplus values in the subsidiaries have been distributed over the 2008-2013 period. Data for the 2006-2007 period have not been recalculated.

Ten-year Overview

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Profit for the year ¹ , MSEK	175	81	-171	273	246	12	255	277	122	174
Net asset value ¹ , MSEK	1 297	1 348	1 147	1 350	1 548	1 522	1 719	1 901	1 979	2 115
Net asset value per share ¹ , SEK	78	82	70	85	99	98	112	127	133	143
Increase in net asset value per share, including dividend ¹ , %	16	6	-13	25	18	1	17	17	7	9
Earnings per share ¹ , SEK	11	5	-10	17	16	1	17	18	8	12
Dividend per share ² , SEK	1.10	1.85	2.50	1.85	1.85	2.35	3.10	2.45	2.00	2.55
Dividend yield ² , %	1.4	2.7	4.6	2.7	2.5	3.5	3.7	2.7	2.0	2.2
Market price at year-end, SEK	76	68	54	68	73	68	84	90	99	115
Market price/Net asset value, %	3	17	23	20	26	30	25	29	25	20
Number of shares outstanding, at year-end, thousands, not including repurchased shares	16 545	16 367	16 367	15 830	15 689	15 609	15 364	14 940	14 865	14 790

¹Years 2008-2015 in accordance with Investment Entity Accounting, of which the period 2008-2013 reported on a pro forma basis. Years 2006-2007 reported in accordance with earlier accounting principles. (See above for more information.)

²Dividend for 2015 as proposed by the Board of Directors.

Traction's return

**Return on net asset value per share (pro forma)
 including dividend 2011-2015**

	Annual yield, %	Year
2015	9	2015
Best year	17	2012
Worst year	1	2011
Five-year average	10	-

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

Net asset value per share 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.

Dividend yield

Dividend in percent of market price per share at year-end.



Ankarsum Motors

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

The Traction share

Traction's class B share is listed since 24 May 2000 on the NASDAQ Stockholm Ticker TRAC-B. Market maker is Remium Nordic AB. Previously, since July 1997, the share was traded on NGM's share list. During 2015 Traction's share price rose by 15 percent. At year-end 2015 the latest paid price was SEK 114.50 per share. The market price of the share peaked at SEK 123.50 during the year; the lowest price was SEK 93.00. There are no convertible debentures, options or other instruments 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. As of 31 December 2015, the number of shareholders was 976.

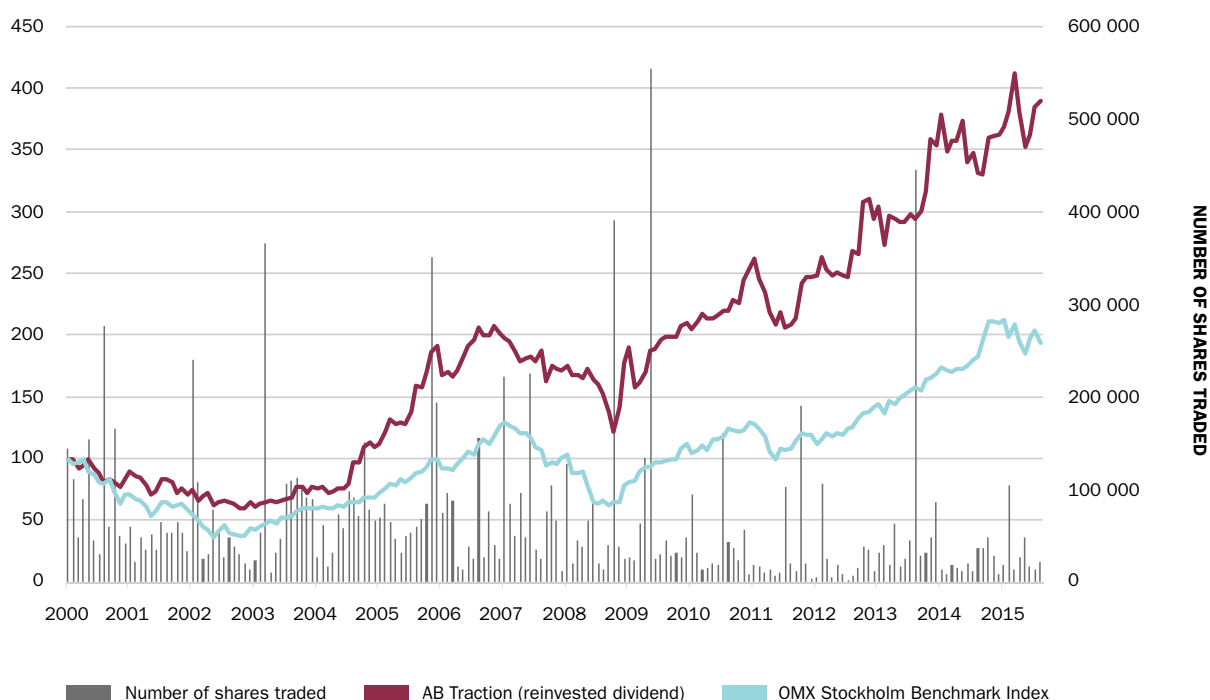
SHAREHOLDERS¹

	Class A shares	Class B shares	Total	Proportion of capital, %	Proportion of votes, %
Ann Stillström	165 000	2 727 000	2 892 000	19.6	14.1
Bengt Stillström	165 000	2 724 450	2 889 450	19.5	14.1
Petter Stillström and companies	1 095 000	1 687 150	2 782 150	18.8	40.8
Niveau Holding AB ²	375 000	1 212 000	1 587 000	10.7	16.0
Hanna Kusterer		1 583 100	1 583 100	10.7	5.1
David Stillström		1 556 700	1 556 700	10.5	5.0
N.G.L Förvaltnings AB		102 900	102 900	0.7	0.3
Esilentio AB		100 000	100 000	0.7	0.3
Handelsbanken Fonder AB		75 348	75 348	0.5	0.2
Ulla-Britt Månsson		62 028	62 028	0.4	0.2
Other shareholders		1 159 171	1 159 171	7.8	3.7
Number of shares outstanding	1 800 000	12 989 847	14 789 847	100.0	100.0

¹) Shareholders as of 31 December 2015, not including repurchased shares.

²) Owned by members of 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 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, SEK
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
2015	75 153	8 342 000
Total	2 145 000	136 201 750
Cancellation 2010	-610 000	
Cancellation 2014	-400 000	
Remaining repurchased shares	1 210 153	Stake, % 7.6

SIZE CLASSES, CLASS B SHARES

Holding	Number of owners	Number of class B shares	Proportion of capital, %
1-500	610	92 616	0.6
501-1 000	160	116 530	0.8
1 001-5 000	154	318 087	2.2
5 001-10 000	16	113 808	0.8
10 001-15 000	9	113 191	0.8
15 001-20 000	7	124 817	0.8
20 001-	20	12 110 798	94.1
Total	976	12 989 847	100.0

EVOLUTION OF SHARE CAPITAL

Year	Transaction	Increase in number of shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares	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.

A small selection of transactions over the past ten years

2015 The holding in PartnerTech was sold for just over MSEK 100 in connection with a bid from industry colleague Scanfil. Nordic Camping & Resort, which continued its positive development, floated a new issue to strengthen the balance sheet and broaden the shareholder base. BE Group floated a rights issue, which to a considerable extent was underwritten by Traction. A new President was appointed in the BE Group and Traction assumed the role of Chairman of the Board. Nilörngruppen was listed in June on First North at the same time as Traction sold shares for just over MSEK 180, equivalent to half of the holding. This constituted a major contribution to the year's profit. In late autumn Traction acquired all outstanding class A shares in Nilörngruppen, whereby Traction's ownership increased to 66 percent of the votes. Nilörngruppen's share price showed a weak development, whereas the company's operations again delivered record earnings. Hifab Group suffered an unexpected legal loss which compelled the company to float a new issue, which also was underwritten by Traction. New CEOs were recruited for Drillcon and Hifab Group. Both take office in 2016. Banking Automation had a record year. Shares in OEM International, Softronic and Waterman showed a strong development, while

BE Group and Hifab Group were a drag on earnings. A major holding in staffing company Proffice was revalued following a public offer from an international player. The holding in Modular Streams was sold. Significant sales of active holdings and a sceptical view of the stock market's valuation levels had the effect that Traction's cash and cash equivalents rose to more than MSEK 900.

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.

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



Waterman Group

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 Motors posted all-time high earnings thanks to greater capacity utilisation on its universal motor line. Nilörgruppen 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.

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 advanced by 63 percent. Strong stock market performance by SCA (+37 percent) and Swedbank (+39 percent) contributed to Traction's stable result 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.

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. 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 subsidiaries Nilörgruppen and Ankarsrum Motors. Nilörgruppen 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.



Nilörgruppen

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 Nilörgruppen and Ankarsrum Motors recorded strong earnings increases. Associated company Softronic expanded by acquiring industry colleague Modul 1. We became engaged in two newly started entrepreneur-driven companies: Modular Streams and SignTrace. Acquired 36 percent of the shares in Thalamus IT Consulting, which is run by an entrepreneur, with whom Traction has previously co-operated with in the staffing company Arvako (sold to Randstad in 2004).

2009 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 (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 Nilörgruppen, which became a subsidiary during the year and was delisted from the Stockholm Stock Exchange. Ownership in Nilörgruppen 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. Acquired a large holding of Class A shares in technology trading company OEM International.



Sigicom

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, with only a small number of losses 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 Group's subsidiaries repaid bank loans totalling MSEK 48 during the year.

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 in 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. 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 employees of the companies. A major block of shares in Switchcore (8 percent) was bought. Traction became the company's largest shareholder. A supplementary investment was made in Sigicom. Zitiz was started.

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. Extensive restructuring work in Ankarsrum Industries, Gnosjöplast and Thalamus Networks in the quest to create 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.



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 SEK 2.1 billion, while approximately MSEK 550 has been distributed to the shareholders since the listing in 1997.

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 organization was created and it grew to about ten persons. 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.

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. In recent years the main thrust of our business has become active and long-term ownership of small and medium-sized companies at the same time as capital has been invested in other listed equities and bonds in the interest of creating a return on the capital.

Traction's capital has been built over a long period of time, without debt in the parent company, and with low or no 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 retail chain.
- JP Bank, monetary broker, banking operations.
- Kjessler & Mannerstråle, technology consultancy.
- KnowIT, IT consultancy.
- Maxitech, thick film hybrids.
- Mutter Media/Metronome, TV production company.
- PartnerTech, contract manufacturing.
- 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, maskinhandel med fokus på verktygsmaskiner, förvärvades av Duroc 2007, grundades av Bricad.
- 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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