

TRACTION



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SHAREHOLDER INFORMATION

4 May 2017	Interim Report for the period January – March
4 May 2017	Annual General Meeting
14 July 2017	Interim Report for the period January – June
18 October 2017	Interim Report for the period January – September
14 February 2018	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.

Dear shareholders,

Traction records a full-year profit for 2016 of MSEK 401, equivalent to an increase in net asset value of more than 19 percent. 2016 will thereby go down in history as Traction's best year ever in absolute numbers, and in terms of return on equity as one of the best, despite the fact that a significant portion of the capital was invested in low-yielding assets, cash and cash equivalents.

The active listed holdings contributed MSEK 306, equivalent to a yield of 40 percent. Traction's financial investments contributed MSEK 140, primarily explained by a return on other listed holdings of 45 percent (MSEK 112), but also by the fact that other interest-bearing investments performed well. Unfortunately some of the other unlisted holdings showed a weaker development, resulting in a total revaluation of MSEK -34, equivalent to 16 percent.

After more than ten years of active engagement the holding in Nordic Camping & Resort was sold when a tender offer for the company was received. Over these years Nordic Camping has evolved from an idea with a few camping locations to becoming one of Sweden's largest chains in camping cottage rental. The development in Nordic Camping is a good example of successful and long-term co-operation between Traction and a dedicated entrepreneur.

Several of Traction's listed active holdings showed a good development both in terms of their business and in terms of valuation. Even so, there is good potential for further improvement. New chief executives were installed during the year in Duroc, Drillcon and Hifab. This has increased the pace of change and resulted in a more tangible business focus.

Several activities were also initiated and completed in BE Group by the company's new chief executive, who began to serve during the autumn of 2015. This has enhanced the prospects of building a long-term competitive enterprise after a legacy of strategically and commercially less wise activities in a highly challenging steel market.

On the other hand, the positive development in Nilorn is therefore highly gratifying, with a show of strong and profitable growth despite a competitive market niche. Nilorn's sales increased during 2016 by 16 percent to MSEK 610, at the same time as the operative result rose by 48 percent to MSEK 75. After a strong stock price performance during 2016 and in the interest of broadening the shareholder base and to improve the long-term liquidity in the share, we decided in December to reduce our shareholding to 31 percent of capital and 61 percent of the votes. Nilorn continues to be Traction's largest single holding, at year-end being the largest single holding and at the turn of the year accounting for 11 percent of assets; in an otherwise well diversified portfolio of holdings.



Net sales of active holdings, dividend income, interest income, and not least solid returns on Traction's financial investments resulted in a further strengthening of Traction's financial muscle from an already high level. In the current interest rate environment it is difficult to find attractive investment opportunities that in a normal situation would provide a reasonable return. The current interesting, but highly uncertain economic and geopolitical market climate will in all likelihood create interesting investment opportunities in the future.

Stockholm in March 2017

Petter Stillström

2016 IN BRIEF

- Profit after taxes amounted to MSEK 401 (174).
- The net asset value per share increased by 19 (9) percent adjusted for dividend paid.
- Traction's net asset value amounted to MSEK 2,478 (2,115) equivalent to SEK 168 (143) per share.
- The return on active listed holdings was 40 percent.
- The holding in Nilorn contributed MSEK 19, equivalent to 99 percent.
- The return on other listed shares was 45 percent.
- Interest-bearing investments, cash and cash equivalents amount to well over one billion SEK.
- MSEK 30 was invested in Eitech Holding AB in shares and debt, equivalent to MSEK 10 percent of equity and 4 percent of votes.
- The holding in Nordic Camping & Resort was sold for MSEK 70 in connection with a tender offer.
- The holding in Nilorn was reduced to 31 percent of equity and 61 percent of votes in connection with a sale of shares for MSEK 79.

EVENTS IN THE BEGINNING OF 2017

- Duroc acquired International Fibres Group with payment in newly issued shares in Duroc.
- Traction acquired 1,825,000 additional shares in Duroc, after which Traction's ownership falls just short of 10 percent of all shares.
- The Board of Directors proposes a dividend of SEK 2.15 (2.55) per share, equivalent to MSEK 31.8 (37.7).
- The change in value of listed shares, including dividend income, since December 31 amounts to MSEK 156 as of March 17.

KEY FINANCIAL INDICATORS	2016	2015	2014	2013	2012
Profit for the year, MSEK ¹	401	174	122	268	255
Net asset value, MSEK ¹	2 478	2 115	1 979	1 901	1 719
Net asset value per share, SEK	168	143	133	127	112
Earnings per share, SEK ¹	27	12	8	18	17
Market price at end of period, SEK per share	146	115	99	90	84
Change in net asset value per share, %	19	9	7	17	17
Dividend per share, SEK ²	2.15	2.55	2.00	2.45	3.10
Dividend yield, % ²	1.5	2.2	2.0	2.7	3.7

¹) In accordance with Investment Entity Accounting. The period 2012-2013 is reported pro forma. For additional information, refer to page 23.

²) Dividend for 2016 refers to the proposal of the Board of Directors.

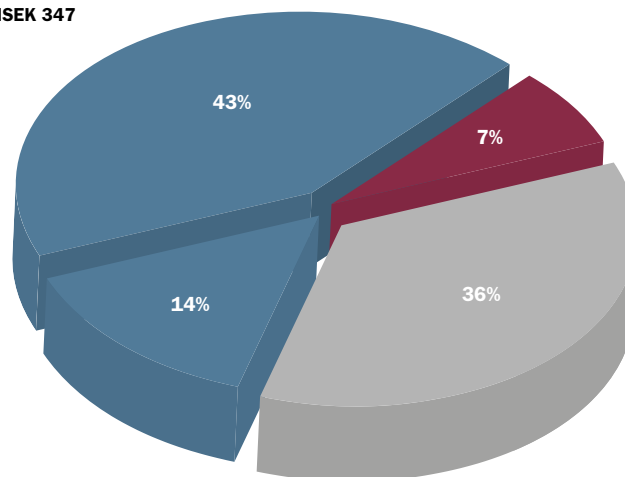
DISTRIBUTION OF TRACTION'S NET ASSET VALUE

Financial investments, MSEK 1,414

Interest-bearing investments including cash and cash equivalents¹, MSEK 1,067

Other listed holdings, MSEK 347

¹) Including other net assets/liabilities of MSEK 7.



Unlisted active holdings, MSEK 182



Listed active holdings, MSEK 882



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 STRATEGY

It is important to Traction that our companies display long-term growth and earning power. Traction has no strategic holdings or other motives for its ownership than 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.

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.
- Function as active part owners.
- Want to finance a buy-out, a new issue or participate in refinancing a business.

Company managements, company CEOs, owners who:

- Lack an active co-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 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.



Nilorn

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.

Traction's central business organisation also includes a network of 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.



Carl Östring

General Counsel and Venture Manager, LL.M. Active in Traction since 2011. Previously attorney-at-law and law firm partner in Stockholm and Moscow.



Fredric Herlitz

CFO, M. Sc. (Business Administration). Active in Traction since 2016. Previously active as auditor.



David Tunberger

Venture Manager, B. Sc. (Business Administration). Active in Traction since 2016. Previously active in different positions in Swedish and international business.



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 Nilorn, 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.

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 2014. Shareholding: 0 shares.

Petter Stillström, M. Sc. (Business Administration, born 1972, CEO since 2001 and director since 1997. Director of BE Group (Chairman), Nilorn (Chairman), Softronic (Chairman) and OEM International. Director since 1997. Shareholding, via wholly owned company and closely related parties: 1,095,000 class A shares, 1,677,150 class B shares and part owner of Niveau Holding AB.

Auditor

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



Bengt Stillström



Anders Eriksson



Jan Kjellman



Maria Linde



Peter Malmqvist



Petter Stillström

Sustainability

Traction is an investment company with ownership interest in several companies in different industries, in varying phases of development and geographic focus. Traction's ability to influence the development of the holdings varies depending on its' ownership stake and the willingness of other shareholders to adhere to Traction's approach. However, Traction's employees, as well as the boards of directors of the project companies, are always expected to ensure that project company management groups attach great importance to the ongoing sustainability efforts that must be adapted to each respective company's situation and local conditions.

Traction's development model is based on the assumption that each respective management group and board of directors follow prevailing laws and regulations and always act ethically and in a commercially sound manner. This means that Traction has zero tolerance of human rights violations, extortion, corruption, child labour, forced labour, discrimination, etc. Traction also expects risks to be analysed and goals to be formulated and that each company has appropriate processes in place to manage and monitor sustainability risks.

Virtually every human activity and enterprise has some sort of impact on the environment. For Traction, sustainable operations ensure that the environmental impact is minimized and that the environmental impact is balanced against the benefits supplied.

Traction avoids getting engaged in companies that are not deemed to add value for its customers or society at large, instead contributing to tragedies such as addiction, poverty, deaths and other unnecessary suffering.

Examples hereof are companies involved with drugs, tobacco, armaments, casino operations and gaming companies, whose purpose is to entice their customer to become addicted to gambling, thereby squandering their savings potential. Nor do certain credit-granting companies, whose existence depends on their customers' desperate need for liquidity, fit in with Traction's investment criteria.



Ankarsrum

In 2014 Ankarsrum initiated an energy conservation project involving analysis of all energy consumption. Inefficiencies could then be rectified one by one. By replacing old compressors, improving insulation of heating ducts and repairing leaking compressed air lines, at the same time as systems were rerouted within the premises for better utilisation of surplus heat and harmonization with today's production needs, heat production has gone from 3.7 million kWh per year earlier, to 1.7 million kWh per year in 2016. Now that more than more than half of the energy consumption for heating has been eliminated, Ankarsrum has achieved great savings and reduced its environmental impact substantially. The energy savings project continues in 2017 with an aim to discover how modern technology can be used to find more intelligent solutions.



Ankarsrum Kitchen

Ownership policy for listed holdings

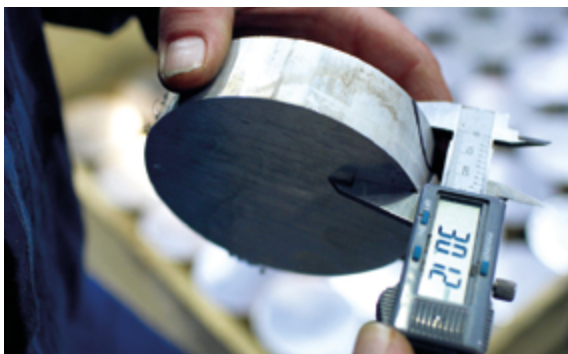
Below is a summary of Traction's ownership policy for listed holdings.

- 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 for to initiate changes to operations through 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 of 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 effects on the market price on 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 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 below¹. In Waterman Group Traction is however not represented on the company's Board of Directors.

¹ The ownership stake in Duroc has been reduced to 9.81 percent after the end of the financial year.



BE Group is a trading and service company in the steel and metals industry. The company's approximately 10,000 customers are primarily found in the engineering and construction industries in Sweden, Finland and the Baltic States, where BE Group is one of the market's leading suppliers. With solid competence and effective processes in purchasing, logistics and simple production, BE Group offers sales from inventory, production services and direct delivery based on their specific needs for steel and metals products. BE Group has just over 700 employees and sales of MSEK 3.9 billion in 2016. The head office is located in Malmö, Sweden.

A new chief executive was appointed in 2015 and 2016 was marked by extensive activities to improve the company's profitability, which has been unsatisfactory in recent years. The reason for the low profitability is partly due to an overall weak steel market with falling prices and limited demand. But the principal reason for the insufficient development was a historical legacy of misguided ventures combined with lack of professionalism. With several new managerial appointments and a sharper business focus, and in particular a much improved market, prerequisites exist for a stable development going forward. During 2016 the underlying operating result improved from MSEK 22 to 33 and BE Groups stock price rose by 40 percent. Traction has been engaged in the company's board of directors since 2012 and since 2015 Traction's CEO is also Chairman of the Board since November, BE Group is listed on NASDAQ Stockholm.

Additional information is available at begroup.com

Investment year: 2011
Traction's proportion of capital and votes: 20%
Revenue 2016: MSEK 3,870
Operating profit 2016: MSEK 33 (underlying)
Other owners: Swedbank Robur Fonder: 7%
CEO: 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 run via subsidiaries in Sweden, Portugal, Spain and Norway. In 2016 Drillcon started operations in South America by also establishing a subsidiary in Chile. These subsidiaries perform services for customers in several countries. In Sweden Drillcon delivers drilling services to Boliden, LKAB, Lundin Mining and others. Core drilling is used to take samples in rock formations and can also be used for concrete reinforcement, while raise boring is a method to drill shafts in rock for ventilation purposes and for mining lifts. The full range of services are being offered on all markets. Drillcon has been in the business since 1963 and its head office is located in Nora. Patrik Rylander took over as CEO at the 2016 Annual General Meeting.

Traction is a part owner of Drillcon since the autumn of 2008 and increased ownership substantially in 2013 to exceed 50 percent of the shares outstanding. 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 2016: MSEK 260
Operating profit 2016: MSEK 20
CEO: Patrik Rylander





Duroc is an industrial group that owns industrial and industrial-trading businesses in a number of different segments. The Group operates through subsidiaries in business areas industrial trading and industry. Duroc has undergone major restructuring in recent years. Unprofitable subsidiaries have been sold or phased out. Two business areas remains, Industry (Duroc Rail and Duroc Laser Coating) and Industrial Trading (Duroc Machine Tool). Duroc Rail accounts for a major portion of revenues, historically having generated stable sales and good profitability. Within Duroc Machine Tool there is good potential for both margin improvement as well as organic and acquisition-driven growth. Duroc is active in Sweden, Norway, Denmark, Estonia and Latvia. John Häger took over as new CEO of Duroc in 2016. The company is listed on NASDAQ Stockholm.

After the end of 2016, Duroc acquired International Fibres Group AB ("IFG"). This was approved by the Annual General Meeting held on 15 February 2017. IFG produces about 110,000 tonnes of fibre and yarn per year at its subsidiaries in the United States, Great Britain, Austria and Belgium. The fibre is used in a multitude of applications by industrial buyers, industrial buyers in e.g. the auto and textile industries. Seller of IFG was Peter Gyllenhammar AB ("PGAB"). The acquisition was paid for in its entirety with 31,671,100 newly issued shares in Duroc. Before this transaction PGAB owned 18 percent of the shares in Duroc. After the transaction PGAB was initially owner of 85 percent of the share capital and the votes in the expanded Duroc. As a part of the deal Traction acquired 1,825,000 shares in Duroc from PGAB, after which Traction's ownership in Duroc is 9.81 percent and PGAB owns 79.5 percent.

Additional information is available at duroc.se

Investment year: 1993
Traction's proportion of capital and votes: 9.81%¹
Revenue 2016: MSEK 410
Operating profit 2016: MSEK 15
Other owners: Peter Gyllenhammar AB 79.5%
CEO: John Häger

¹ Ownership data are based on information as of 24 February 2017, i.e. after the aforementioned transaction.



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 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. Hifab has approximately 320 employees, which is a significant reduction compared to a year ago. This is a consequence of a slow-down in international operations in late 2016 amid delayed project starts and procurement in certain assignments. Going forward, the international market is however expected to continue to be strong and stable.

In recent years operations have been adapted to the market through increased efficiency and targeted marketing efforts and this has contributed to significantly improved earnings. Revenue increased to MSEK 475 over last year's MSEK 444 and operating profit amounted to MSEK 8.8 (-4.4). Hifab is listed on NASDAQ Stockholm, First North. Patrik Schelin took office as the CEO on 1 March 2016.

Additional information is available at hifab.se

Investment year: 2004
Traction's proportion of capital and votes: 54% & 55%
Revenue 2016: MSEK 475
Operating profit 2016: MSEK 9
Other owners: Niras AB 9% & 7%, Niveau Holding AB 7% & 13%
CEO: Patrik Schelin



Nilorn 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. Nilorn 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.

Nilorn is one of Europe's leading players in this market with revenue of approx. MSEK 610. Nilorn supplies one billion labels per year of different sizes and types. Nilorn has subsidiaries in 12 countries: Sweden, Denmark, Germany, Belgium, Great Britain, Portugal, Hong Kong, India, Turkey, Bangladesh, Pakistan and China. Approximately 80 percent of sales are outside the Nordic countries. Nilorn is also active in Switzerland, Austria and Italy. Nilorn 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 and Hong Kong, and production of woven and printed labels in Portugal.

Since Traction took Nilorn off the stock exchange in 2009, the company has shown a strong development and is currently operating profitably. In June 2015 Nilorn was listed on NASDAQ First North in Stockholm. Following a strong share price performance in 2016 and for the purpose of broadening the ownership base and improving the liquidity in the share on a long-term basis Traction reduced its ownership to 31 percent of the capital and 61 percent of the votes in conjunction with a sale of shares for a total of MSEK 79. Nilorn continues to be Traction's largest single holding, which as of year-end accounted for 11 percent of Traction's total assets.

Additional information is available at nilorn.com

Investment year: 2005
Traction's proportion of capital and votes: 31% resp. 61%
Revenue 2016: MSEK 610
Operating profit 2016: MSEK 75
Other owners: Nordea Fonder 7% & 4%
CEO: Claes af Wetterstedt



OEM International is one of Europe's leading technology trading groups within industrial components and systems. The group has more than 25,000 customers in selected markets in northern, central and eastern Europe. OEM offers a broad and deep range of goods, entailing more than 50,000 different products, from some 300 leading and specialized suppliers of electrical components, flow technology products, motors and transmissions, ball bearings and seals, appliance 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 another strong year of development in 2016 with an increase in profit by 13 percent to MSEK 259 despite challenging figures for 2015.

Traction has been a major owner of OEM since the end of 2009 and has board of directors' representation since 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: 44% & 10%
Revenue 2016: MSEK 2,382
Operating profit 2016: MSEK 259
Other owners: Orvaus AB 19% & 29%, Hans Franzén & family 11% & 21%, Agne Svenberg & family 7% & 19%, Lannebo Fonder 16% & 5%
CEO: Jörgen Zahlin





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. One example of Softronic's offer is the anti-money-laundering service CM1, with which more than 100 customers such as The Swedish Financial Supervisory Authority, Swedbank and Skandiabanken are assisted in monitoring and identifying transactions that may be transactions that may be associated with criminal activities and terrorism. CM1 is used to monitor more than 600 million transactions on a daily basis. Softronic was founded in 1984 by Anders Eriksson, who still is the company's CEO and largest owner in terms of votes. During 2016 the number of employees was reduced to approximately 450 (500), while revenue grew by 2 percent. This as a result of Softronic's revenue no longer being a direct function of the number of employees, but is rather more linked to customer assignments with components other than billable man-hours. Operating profit increased to MSEK 42 (38). Most of Softronic's employees are located in Stockholm. The company is also represented in Göteborg, Malmö, Sundsvall, Arjeplog, Överkalix, and in Denmark. Softronic is listed on NASDAQ Stockholm.

Additional information is available at softronic.se

Investment year: 2001
Traction's proportion of capital and votes: 22% & 20%
Revenue 2016: MSEK 615
Operating profit 2016: MSEK 42
Other owners: Anders Eriksson 20% & 33%,
 Stig Martin 8% & 15%
CEO: Anders Eriksson



Waterman Group is an engineering consultancy headquartered in Great Britain. The company was founded in 1952. A majority of Waterman's 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 and since 2015 the company's largest owner. During 2016 Traction's stake in Waterman was increased from 11 percent to almost 16 percent.

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. However, during 2016 the unexpected Brexit-referendum clouded future prospects for the commercial real estate sector in particular. At the same time the British government has announced increased emphasis on infrastructure, which may benefit Waterman going forward. 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: 15%
Revenue 2015/2016: MGBP 91
Operating profit 2015/16: MGBP 4
Other owners: Investec PLC 9%, Marlborough Fund Managers 7%
CEO: 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 owners. The business concept is to develop successful companies as an active partner. The majority-owned companies are usually turn-around projects, reorganisations, management buy-outs or similar situations. Over the years Traction has participated in bringing several unlisted companies public.

THE ANKARSRUM GROUP OF COMPANIES

Ankarsrums 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 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. Production operations at Ankarsrum Motors are highly automated and in co-operation with its customers the company invests in the development of more quiet, more reliable and vibration-free electrical motors.

Additional information is available at ankarsrum.com/motors

Investment year: 2001
Traction's proportion of capital and votes: 100%
Revenue 2016: MSEK 180
CEO: Thomas Håkansson



Ankarsrum Kitchen is a company that markets and sells the household appliance Assistent Original™ from Ankarsrum. Assistent Original is a Swedish classic from 1940 and has fundamentally but gently been further developed since then. The machine is manufactured and assembled by Ankarsrum Motors. Since 2014 the company owns the trade mark Assistent Original™. The company has strongly established sales on the Swedish home market, but most of the production today is exported via distributors. Aside from in the Nordic countries, Assistent Original is sold in greatest numbers 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 assistent-original.se

Investment year: 2009
Traction's proportion of capital and votes: 100%
Revenue 2016: MSEK 53
CEO: 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. Ankarsrum Die Casting also has equipment to X-ray scan its finished goods to ascertain the compliance with even the most complex quality demands. The vehicle industry places high demands on quality, efficient processes and delivery security. Products are sold to European as well as Swedish customers.

Ankarsrum Die Casting phased out several terminated articles during the year. This has 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 2017 and 2018. This has created prospects for profitability in a longer perspective.

Additional information is available at ankarsrum.com/diecasting

Investment year: 2001
Traction's proportion of capital and votes: 100%
Revenue 2016: MSEK 31
CEO: 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 free-standing 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 made 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 2016: MGBP 9
Other owners: Allan Jeffers, 32%, David Tew 11%, Paul O'Neill 10%
CEO: David Tew



Eitech Holding was created in the beginning of 2016 in connection with the buyout of Goodtech Intressenter, name-changed to Eitech, out of Goodtech ASA. Eitech has sales of about 2 billion SEK with 1,200 associates spread out over some 30 locations from Kiruna in the north to Malmö in the south. The company offers a broad range of products and services in the fields of technical installations, where electric power, infrastructure and industrial are the major segments.

Eitech traces its origins to 1994 when Rolf Tannergård started technical installations company EI & Industri-montage Svenska AB (EIAB) by acquiring the northern Sweden operations of Siemens Montage. 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 out the company in 2007. In 2010 EIAB was merged with Goodtech ASA, where operations were assembled in the Goodtech Intressenter group.

During 2016 great focus was placed on creating organisational structures, defining new financial goals and to handle/wind up a small number of historic problem projects. Structural demand is strong in most of Eitech's end markets and the prospects for coming years are favourable.

Additional information is available at eitech.se

Investment year: 2016
Traction's proportion of capital and votes: 10.0% & 4%
Revenue 2016: MSEK 1,998
Other owners: Rolf Tannergård & family 56.7%, 84.5%
CEO: Olle Backman

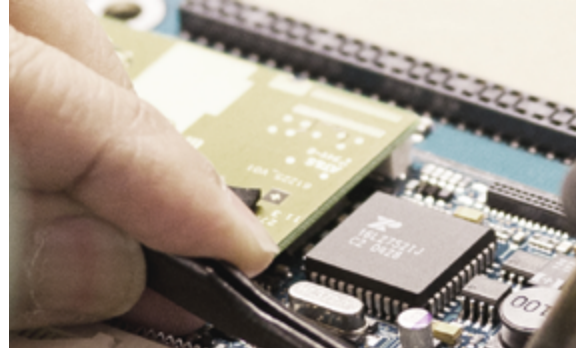


Recco Holding is the owner of RECCO, which is a rescue system used by more than 700 rescue organisations, mountain rescue services and helicopter companies all over the world to locate avalanche victims. The system is comprised of two parts and consists of RECCO detectors used by organized rescue missions 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 2016: MSEK 26
Financial assets 2016: MSEK 40
Other owners: Magnus Granhed 50.1%
CEO: 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 makes measurements constantly and will when triggered by a certain disturbance register detailed signal sequences and set off alarms to selected users. The measuring instruments are ruggedly construed highly accurate and reliable.

Aside from web-based application programs, Sigicom also offers support service and regularly scheduled calibration.

Sigicom has an ambitious growth agenda based on product leadership and internationalization. Sigicom has invested heavily in development of a new instrument platform. It will be launched in 2017 and expectations are high. During 2016 the part of the business focused on remote surveillance of machines (such as pumps, fans, motors and compressors) has been transferred to a separate subsidiary, Sigicom Mcon AB, to better exploit the potential of the market.

Additional information is available at sigicom.se

Investment year: 1997
Traction's proportion of capital and votes: 23%
Revenue 2016: MSEK 70
Other owners: Christer Svensson 45%, and employees
CEO: Torbjörn Rehnström

Financial investments

Traction's investments that are not categorized as active holdings are classified as financial investments, such as equities, corporate bonds or CDs. 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 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 can, over time, develop into an active listed holding. Through 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 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.

After a shaky start of 2016, when financial markets were negatively affected by concern over economic activity primarily linked to the Chinese economy, the mood in the market improved gradually during the year. Traction's financial investments benefitted during 2016 from the strong markets as well as from a beneficial choice of investments.

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.
- 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, Anoto, BE Group, Hifab Group, Vardia Insurance Group and Venue Retail Group.



BE Group

Traction from an investor perspective

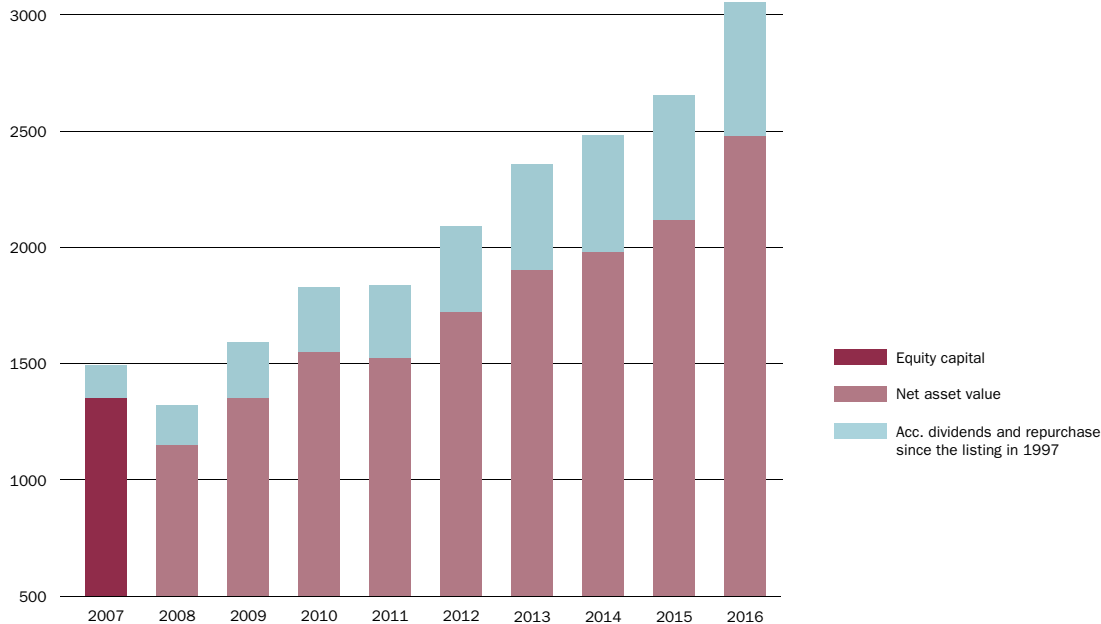
The table below shows Traction's net asset value divided into active listed holdings, active unlisted holdings, financial investments, cash and cash equivalents, and other assets as of 31 December 2016.

	Number of shares, thousands	Price per share	Proportion of		Market value, MSEK	Proportion of total	SEK/share
			Capital	Votes			
Listed active holdings							
BE Group	2,586	41.70	20%	20%	108	4%	7
Drillcon	24,000	3.98	54%	54%	96	4%	7
Duroc ¹	2,000	15.50	27%	30%	31	1%	2
Hifab Group	32,744	3.13	54%	55%	102	4%	7
Nilörngruppen	3,590	77.75	31%	61%	279	11%	19
OEM International	886	151.00	4%	10%	134	5%	9
Softronic	11,539	7.75	22%	20%	89	4%	6
Waterman Group	4,760	9.02	15%	15%	43	2%	3
Total					882	35%	60
Unlisted active holdings							
Ankarsrum Motors			100%	100%	65	3%	5
Other unlisted holdings					117	4%	7
Due from active holdings					38	2%	3
Total					220	9%	15
Total active holdings					1,102	44%	75
Financial investment, cash and cash equivalents							
Other listed shares					347	14%	23
Interest-bearing investments ²					836	34%	57
Cash and cash equivalents					193	8%	13
Total					1,376	56%	93
TOTAL					2,478	100%	168

¹ After Duroc' acquisition of IFG in January 2017, Traction's holding in Duroc is 3,825,300 shares, equivalent to 10 percent votes and capital.

² Including interest-bearing investments with a maturity of less than one year in the amount of MSEK 468 and other net assets/liabilities in the amount of MSEK 7.

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 2007 have not been recalculated.

Ten-year Survey

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net profit for the year ¹ , MSEK	81	-171	273	246	12	255	277	122	174	401
Net asset value ¹ , MSEK	1,348	1,147	1,350	1,548	1,522	1,719	1,901	1,979	2,115	2,478
Net asset value per share, SEK ¹	82	70	85	99	98	112	127	133	143	168
Increase in net asset value per share, including dividends, % ¹	6	-13	25	18	1	17	17	7	9	19
Earnings per share, SEK ¹	5	-10	17	16	1	17	18	8	12	27
Dividend per share, SEK ²	1.85	2.50	1.85	1.85	2.35	3.10	2.45	2.00	2.55	2.15
Dividend yield, % ²	2.7	4.6	2.7	2.5	3.5	3.7	2.7	2.0	2.2	1.5
Market price at year-end, SEK	68	54	68	73	68	84	90	99	115	146
NAV discount, %	17	23	20	26	30	25	29	25	20	13
Number of shares outstanding at year-end in thousands (not including repurchased shares)	16,367	16,367	15,830	15,689	15,609	15,364	14,940	14,865	14,790	14,790

¹ Years 2008-2016 in accordance with Investment Entity Accounting, of which years 2008-2013 reported on a pro forma basis. 2007 reported in accordance with prior accounting policy (see above for more information).

² Dividend for 2016 per proposal of the Board of Directors.

Traction's return

Return on net asset value per share (pro forma) including dividend income 2012-2016

	Annual rerun %	Year
2016	19	2016
Best year	19	2016
Worst year	6	2014
Five-year average	13	2012-2016

DEFINITIONS

Net asset value

The net of assets and liabilities at market values. After the transition to Investment Entity Accounting starting 1/1 2014 this is equivalent to the Traction Group's equity.

Earnings per share

Profit for the year divided by the number of shares outstanding.

Net asset value per share

Net asset value at the beginning of the year 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.



”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.”

From Traction's business philosophy

The Traction share

Traction's class B share is listed since May 24, 2000 on the NASDAQ Stockholm Ticker TRAC-B. Previously, since July 1997, the share was traded on NGM's share list. During 2016 Traction's share price rose by 27 percent. At year-end 2016 the latest paid price was SEK 146.50 per share. The market price of the share peaked at SEK 162.50 during the year; the lowest price was SEK 106.00. There are no convertible debentures, options or other instruments that may cause a rise in the number of shares outstanding. As of December 31, 2016, the number of shareholders was 1,724 (976).

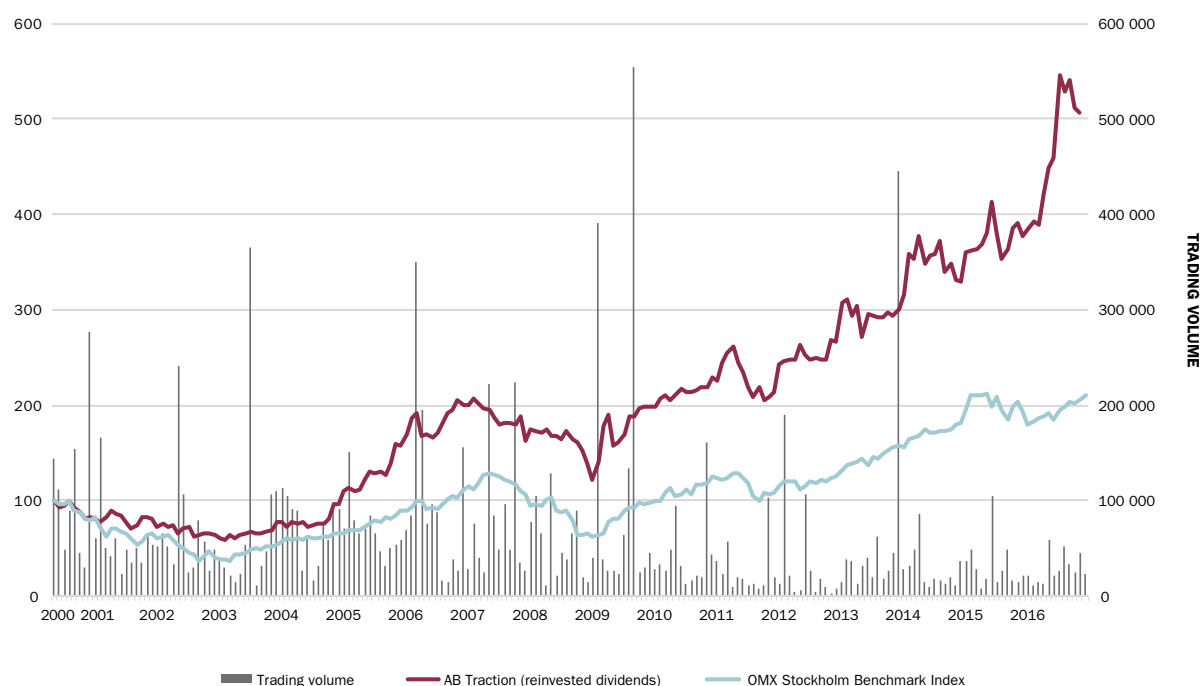
SHAREHOLDERS¹

	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, including company	1,095,000	1,677,150	2,772,150	18.7	40.7
Niveau Holding AB, including subsidiary ²	375,000	1,225,000	1,600,000	10.8	16.1
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		78,720	78,720	0.5	0.3
Bengt-Arne Vedin		59,800	59,800	0.4	0.2
Other		1,155,027	1,155,027	7.8	3.7
Total	1,800,000	12,989,847	14,789,847	100.0	100.0

¹) Shareholders as of December 31, 2016, 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.

REPURCHASE 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
2016	-	-
Total	2,220,153	144,543,750
Cancellation 2010	-610,000	
Cancellation 2014	-400,000	
		Proportion, %
Repurchased shares	1,210,153	7.6

SIZE CLASSES OF CLASS B SHARES

Holding	Number owners	Number of shares	Proportion capital, %
1-500	1,336	131,373	0.8
501-1 000	181	132,205	0.8
1 001-5 000	157	316,426	2.0
5 001-10 000	14	96,989	0.6
10 001-15 000	8	93,958	0.6
15 001-20 000	9	159,047	1.0
20 001-	19	12 059,849	94.2
Total	1,724	12,989,847	100.0

EVOLUTION OF SHARE CAPITAL

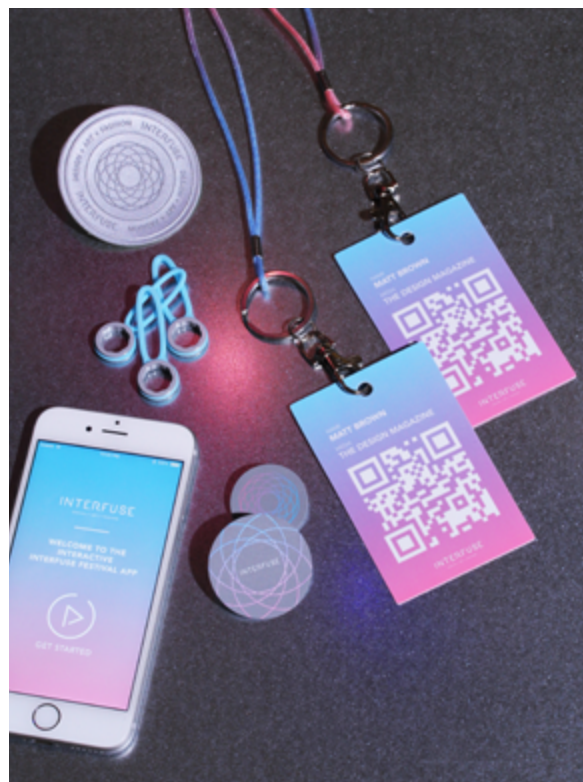
Year	Transaction	Increase in number shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares	Quotient value, SEK
1994	Bonus issue	20	10,000	460,000	920	500
1994	Split	459,080	0	460,000	460,000	1
1995	Bonus issue	0	4,140,000	4,600,000	460,000	10
1997	Split	4,140,000	0	4,600,000	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

2016 Traction reported its best result ever in the amount of MSEK 401, equivalent to a return of 19 percent. MSEK 30 was invested in Eitech Holding AB in the form of shares and loans, equivalent to 10 percent of the capital and 4 percent of the votes. New chief executives were appointed in Duroc and in Drillcon. All shares in Nordic Camping & Resort were sold after a tender offer from Norwegian venture capital firm Norvestor Equity AS. Gradually increased ownership in Waterman Group during the year brought our stake from 11 percent to about 16 percent. Shares in Nilorn were sold for MSEK 79, reducing ownership to 31 percent of capital and 61 percent of the votes. Acquired 8 percent of the capital and 4 percent of the votes in Poolia thus becoming the company's second largest owner, also gaining representation on the company's election committee. Strong share price performance in Nilorn (99%), BE Group (40%) and Hifab Group (36%) contributed positively to results. Nilorn and OEM International recorded record results. Ankarsrum Motors was revalued by MSEK -25 due to weaker performance. The return on other shareholdings amounted to 45 percent. Negative deposit interest rates prompted us to invest most of Traction's liquid funds in short-term interest-bearing investments with a marginally positive return. Strong financial position with more than SEK one billion in the form of cash and cash equivalents and interest-bearing investments. Just after the end of the year 2016, Duroc acquired International Fibres Group with payment in newly issued stock in Duroc.

2015 The holding in PartnerTech was sold for just over MSEK 100 in connection with a bid from industry colleague Scania. 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 CEO was appointed in the BE Group and Traction's CEO assumed the role of Chairman of the Board. Nilorn 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 Nilorn, whereby Traction's ownership increased to 66 percent of the votes. Nilorn'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. 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



Nilorn

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 Nilorn 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. Nilorn 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 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. Nilorn 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 Nilorn and Ankarsrum Motors. Nilorn 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.



OEM International AB



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 Nilorn 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 Nilorn, which became a subsidiary during the year and was delisted from the Stockholm Stock Exchange. Ownership in Nilorn 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.

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.



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 2.5 billion, while approximately MSEK 600 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, construction and sale of freehold apartments.
- 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.
- Nordic Camping, a national camping chain.
- 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, 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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