



TRACTION

ANNUAL REPORT
2018

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SHAREHOLDER INFORMATION

May 9, 2019	Interim Report January – March
May 9, 2019	Annual General Meeting
July 15, 2019	Interim Report January – June
October 16, 2019	Interim Report January – September
February 14, 2020	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 or English translation, the Swedish version shall prevail.



President's Statement

Dear Shareholders,

After two relatively good years with an accumulated profit of just over MSEK 700, the development for Traction in 2018 was weak. The deficit of MSEK –71 was equivalent to a loss of net asset value of 2.7 percent. Up until and including the third quarter Traction generated stably positive earnings (MSEK 286), which changed abruptly during the fourth quarter when most of our active holdings lost in value, as did our financial investments. However, much like the rest of the market, this development was recovered in the beginning of 2019, and as of March the change in value of Traction's listed holdings was up by MSEK 114.

The volatile market towards the end of last year and the beginning of 2019 to a major extent reflects the current and longer-term uncertainty prevailing in the financial markets. Known uncertainties are discussed daily in the media and affects us all, entrepreneurs as well as individual consumers. This is true with respect to the extent of a slowdown in the economy, the effects and scope of trade wars, the terms and timing of Brexit, and even if it is going to occur, the Fed's, the ECB's and the Swedish central bank's monetary policy. Many pundits without investments of their own, in particular analysts and economists from major banks, as well as journalists, drive the debate, which often further increases uncertainty. And then there is a political class that more and more of us citizens despise since most of the problems and challenges in society actually are the result of political decisions, or the lack of such.

In a globalised world it is obvious that psychological factors have become increasingly important for the short-term development of the market, where since long known uncertainties from time to time have had monumental impact on the financial markets.

This is not so strange after all, following years of overall positive earnings performance, combined with historically low interest rates that have created asset-like bubbles in, for instance, certain real estate markets, certain technology companies that prioritise unprofitable capital-intensive expansion, and debt-financed, acquisition-minded conglomerates focusing on multiple arbitrage as the primary source of value creation. We avoid this and prefer to develop companies which with a clear focus on the creation of a strong corporate culture focusing on markets and customers have the prerequisites to expand under profitability. A little old-fashioned perhaps, but it is my sincere conviction that this model works in the long run.

Among Traction's holdings we are happy to be able to report that several of them show a positive development, even in comparison with their good performance during 2017. Nilörngruppen, OEM International, Softronic and Sigicom all showed record results. BE Group recorded its best result since 2008. The other holdings showed an overall mixed development, with some of the companies doing relatively well, while others are in a transitional phase, or in need of fresh initiatives.

New constructive initiatives more dedicated efforts focused on profitable growth, organically as well as by acquisition, are lacking in some of our holdings. This places high demands on us as a co-owners, other active owners as well as individual directors, and not least on executive management. Transformation and development work is demanding and not always popular, but it is important to ensure long-term viability. It is always our mission and duty to accelerate transformation and development work, both in the holdings where it is evident because of low profitability and a lack of adequate growth, as well as in our more successful holdings in order to ensure a positive continued development.

As always, the challenge is to find persons with these skills, in Traction itself as well as for our active holdings.

Traction's interest-bearing assets amount to approximately MSEK 1.2 billion. This amount has grown over the last several years due to several divestments of active holdings, at the same time as other listed equity holdings have not seen significant growth.

Over the longer term our ambition is for our capital to a greater extent to be invested in active holdings and other listed holdings, where also individual holdings may constitute a relatively large proportion of the asset base.

Stockholm, April 3, 2019

Petter Stillström

SUMMARY OF 2018

- The result after taxes amounted to MSEK –71 (304).
- The net asset value per share decreased by 3 (+12) percent, adjusted for dividend paid.
- Traction's net asset value amounted to MSEK 2,638 (2,751), equivalent to SEK 178 (186) per share.
- The return on active listed holdings was approximately –5 (+29) percent.
- Interest-bearing investments, cash and cash equivalents amounted to almost SEK 1.2 billion, equivalent to 44 percent of the net asset value.
- 15 percent of British technology consultancy WYG acquired for approximately MSEK 48.
- The previously contracted sale of the holding in Eitech resulted in net proceeds of approximately MSEK 50.
- Positive earnings and operational development for several of the active holdings, including BE Group, Nilörngruppen, OEM International, Sigicom and Softronic.

EVENTS IN THE BEGINNING OF 2019

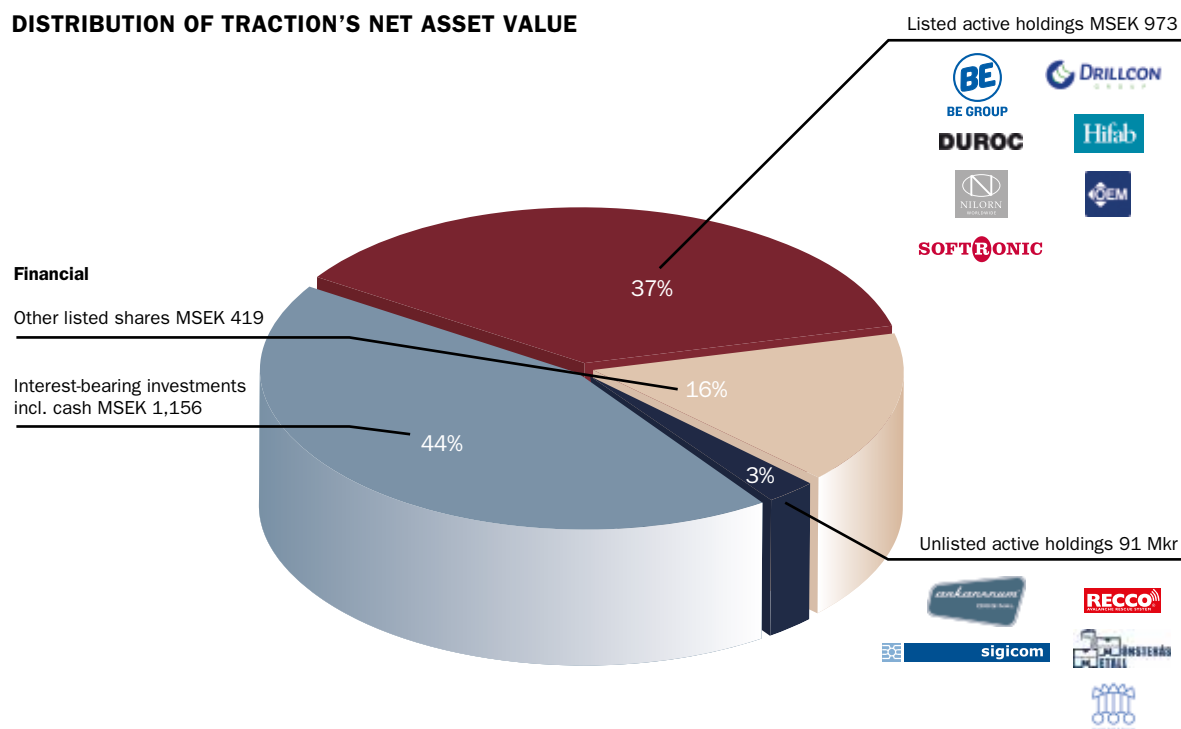
- The Board of Directors proposes a dividend of SEK 3.60 (2.75) per share, equivalent to MSEK 53.2 (40.7).
- The change in value of holdings of listed shares, including interest-bearing investments since December 31, 2018, amounts to approximately MSEK 114 as of March 31, 2019. MSEK 29 thereof is attributable to the active listed holdings. Other listed shares account for MSEK 68. MSEK 17 is attributable to interest-bearing investments in bonds and similar instruments.

KEY FINANCIAL INDICATORS	2018	2017	2016	2015	2014	2013
Result for the year, MSEK ¹	-71	304	401	174	122	268
Net asset value, MSEK ¹	2,638	2,751	2,478	2,115	1,979	1,901
Net asset value per share, SEK	178	186	168	143	133	127
Earnings per share, SEK ¹	-5	21	27	12	8	18
Market price at end of period, SEK	165	175	146	115	99	90
Change in net asset value per share, %	-3	12	19	9	7	17
Dividend per share, SEK ²	3.60	2.75	2.15	2.55	2.00	2.45
Dividend yield, % ²	2.2	1.6	1.5	2.2	2.0	2.7

¹ According to Investment Entity accounting. The 2013 period is reported pro forma. For more information, refer to page 20.

² Dividend for 2018 as proposed by the Board of Directors.

DISTRIBUTION OF TRACTION'S NET ASSET VALUE



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 office.
- Function as active part owners.
- 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 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.

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 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 at Traction since 1999, CEO since 2001. Previously active in corporate finance.



Johanna Lüpbert
CFO, M. Sc. (Business Administration). Active at Traction since 2018. Previously active at Twentieth Century Fox Home Entertainment.



Carl Östring
General Counsel and Venture Manager, jur. kand. Active in Traction since 2011. Previously Advokat and partner at 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 at fund company and bank.



Johan Nilsson Wall
Analyst, B. Sc. Finance & M. Sc. Accounting. Active in Traction since 2019. Previously equity research analyst at investment bank.

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, 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.

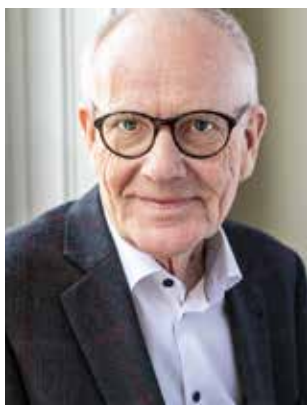
Maria Linde, born 1966, M. Sc. (Eng.) and Executive MBA. Management consultant and CEO of FlowMotion AB. Director since 2009. Shareholding: 1,250 class B shares.

Peter Malmqvist, born 1957, B. Sc. (Business Administration). Head of Analysguiden of The Swedish Shareholders Association, 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. Chairman of BE Group, Nilörngruppen, OEM International and Softronic. 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 Revisionsbyrå, Chief Auditor Anders Bergman, Authorised Public Accountant. Traction's auditor since 2015.



Bengt Stillström



Anders Eriksson



Maria Linde



Peter Malmqvist



Petter Stillström

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 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 it shall be incumbent upon the major shareholders to compensate for such lack by conferring about and designing a corporate governance program.
- 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.
- The Board of Directors should be composed of persons with 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.
- In its capacity of major owner, Traction always wants to participate in the work of the nomination committee.
- 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 be granted the opportunity to appoint at least one director in companies in which Traction has a major shareholding.
- Option programmes for 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 of the share and also get a better ownership structure.

Active listed holdings

Traction is an active major owner in a number of smaller and medium-sized listed companies. We invest in companies where we see a significant re-valuation 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.



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 650 employees and sales of MSEK 4.8 billion in 2018. The head office is located in Malmö.

During 2018 the underlying operating profit improved from MSEK 82 to MSEK 117. Traction has been involved on the company's board of directors since 2012. BE Group is listed on Nasdaq Stockholm, the Small Cap list since November 2008.

Further information is available at begroup.com

Investment year: 2011
Traction's share of capital and votes: 22%
2018 revenue: MSEK 4,803
Operating profit 2018: MSEK 132 (MSEK 117 underlying)
Other owners: Catella Fonder: 7%, 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 currently run via subsidiaries in Sweden, Portugal, Spain and Norway. In 2016 Drillcon started operations in South America by establishing subsidiary in Chile. These subsidiaries perform services for customers in several countries. In Sweden Drillcon delivers boring services to Boliden, LKAB, Lundin Mining and others. Core boring is used to take samples in rock formations and can also be used for concrete reinforcement, while raise boring is a method for drilling shafts in rock for ventilation purposes and for mining lifts and such. The entire offer is available in all markets. Drillcon has been in the business since 1963 and its head office is located in Nora. In recent years Drillcon has invested heavily to meet growing demand in both core boring and raise boring. Traction is a part owner of Drillcon since the autumn of 2008 and since 2013 ownership exceeds 50 percent. Drillcon is listed on NASDAQ Stockholm, First North.

Further information is available at drillcon.se

Investment year: 2008
Traction's share of capital and votes: 54%
2018 revenue: MSEK 387
Operating profit 2018: MSEK 32
CEO: Patrik Rylander



Duroc is an industrial group that owns industrial and industrial-trading businesses in a number of different market segments. The group's business is conducted by subsidiaries in business areas Fibre, Industrial Trading and Other Industry. Duroc has undergone substantial restructuring over the past several years as unprofitable subsidiaries have been sold terminate, followed by a merger with International Fibres Group AB, "IFG". IFG manufactures approximately 100,000 of fibre and yarn at its subsidiaries in USA, Great Britain, Austria and Belgium. The fibre is used in a number of applications by industrial buyers in, for instance, the automotive and textile industries. Universal Power Nordic was acquired during 2018. UPN is a distributor of diesel engines for industrial use. Peter Gyllenhammar AB is currently the largest owner with a holding of 80 percent of the share capital and votes in the expanded Duroc. Traction's ownership stake in Duroc is approximately 10% of the shares outstanding. The company is listed on Nasdaq Stockholm, the Small Cap list.

Further information is available at duroc.se

Investment year: 1993
Traction's share of capital and votes: 10%
Revenue 2018: MSEK 2,864 (R12 Dec 17/18)
Operating profit 2018: MSEK 99 (R12 Dec 17/18)
Other owner: Peter Gyllenhammar AB 80%
CEO: John Häger



Hifab Group is one of Sweden's leading groups in project management, with more than 65 years of experience in the real estate business and all its disciplines. Hifab provides project management and advisory services in housing and industry, transportation and infrastructure, environment & energy as well as process technology and in all of these areas there is focus on sustainability. There is considerable international involvement via subsidiaries Hifab International and Hifab OY, active in a number of development projects in some 20 countries. The company is listed on Nasdaq Stockholm First North.

Further information is available at hifab.se

Investment year: 2004
Traction's share of capital and votes: 54% and 55%, respectively
2018 revenue: MSEK 403
Operating profit 2018: MSEK 13
Other owners: Niras AB 9% and 8%, respectively, Niveau Holding AB 7% and 13%, respectively
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 with revenue of MSEK 729. Nilorn supplies more than 1.5 billion labels per year of different sizes and types. Nilorn is represented by subsidiaries in twelve 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, Italy and Spain. 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 Great Britain, Turkey, India and Hong Kong, and production of woven and printed labels in Portugal. Since Traction took Nilorn private in 2009, the company has showed a strong development and is currently operating with good profitability. In June 2015 Nilorn was listed on NASDAQ First North in Stockholm and since April 2018 the company is listed on NASDAQ Stockholm Small Cap list.

Further information is available at nilorn.com

Investment year: 2005

Traction's share of capital and votes: 22% and 56%, respectively

2018 revenue: MSEK 729

Operating profit 2018: MSEK 85

Other owners: Mawer Investment Management 12% and 7%, respectively

CEO: Claes af Wetterstedt



OEM International is one of Europe's leading technology trading groups in industrial components and systems. The group sells to 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, apparatus components and lighting.

Thanks to a well-developed marketing organization and effective logistics, OEM is a better alternative for many suppliers than to have their own sales companies. OEM contributes a high degree of expertise and service, and markets the products based on the specific requirements of each individual market. The product range offered is also adapted to each respective market and the local organisation is assigned the task of continuously searching for new products in an effort to further developing the competitive edge in OEM's offer to its customers.

OEM has developed strongly in recent years and recorded record earnings in 2018.

Traction has been a major owner of OEM since the end of 2009 and is represented on the Board of Directors since the spring of 2010. OEM International is listed on NASDAQ Stockholm.

Further information is available at oem.se

Investment year: 2009

Traction's share of capital and votes: 4% and 10%, respectively

2018 revenue: MSEK 3,112

Operating profit 2018: MSEK 323

Other owners: Orvaus AB 19% and 29%, respectively, Lannebo Fonder 14% and 5%, respectively, Siv Franzén 11% and 21%, respectively

CEO: Jörgen Zahlin



Softronic is a consultancy company in IT and management, the services of which span 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 antimoney-laundering service CM1, with which more than 100 customers are assisted in monitoring and identifying transactions that may be associated with criminal activities and terrorism. In CM1 more than 600 million transactions are examined on a daily basis. Softronic was founded in 1984 by Anders Eriksson, who vacated the presidency in January 2019. The new CEO is Per Adolfsson. Anders Eriksson is the company's largest owner in terms of votes and will also in the future be represented on the Board of Directors.

During 2018 revenue increased by 12 percent to MSEK 737 (657) and profit before taxes increased to MSEK 68 (67). Most of Softronic's employees are located in Stockholm. The company is also active in Göteborg, Malmö, Sundsvall, Arjeplog, Överkalix and in Denmark. Softronic is listed on Nasdaq Stockholm, the Small Cap list.

Further information is available at softronic.se

Investment year: 2001
Traction's share of capital and votes: 22% and 20%, respectively
2018 revenue: MSEK 737
Operating profit 2018: MSEK 68
Other owners: Anders Eriksson 20% and 33%, respectively, Stig Martin 8% and 15%, respectively
CEO: Per Adolfsson



WYG plc is a global management and technology consultancy based in Great Britain with operations in some 35 locations in Great Britain, Europe, Africa and Asia. WYG's revenue amounts to more than MBP 154, about 75 percent of from the consultancy business and 25 percent from international development projects. The company has a staff of approximately 1,600.

WYG's business is to create and manage strategic assets for clients, both at early project phases and in continuing operations.

WYG offers a broad range of services, such as project management in construction, infrastructure, urban planning, international development projects, environmental and climate investigations, etc.

WYG has developed weakly in recent years recording losses at the same time as the company's shares have fallen sharply. Traction acquired just below 15 percent of the shares outstanding in 2018 and in the beginning of 2019 additional shares were bought in the market. Ownership now stands at just over 19 percent of the shares outstanding. The purchase of shares in 2019 has been after a sharp drop in price (more than -60 percent) when the company reported that its operative development was significantly weaker than expected. WYG is in need of restructuring and streamlining and the company's management working to do so. The assessment is that WYG, after completed restructuring, has the potential to be revalued in the market. WYG is listed on the AIM list of the London Stock Exchange. Traction is not represented on the company's Board of Directors.

Further information is available at wyg.com

Investment year: 2018
Traction's share of capital and votes: 15% (19% as of 2/28/19)
2017/18 revenue: MBP 154
Adjusted operating profit 2017/18: MBP 3.5
Other owners: Artemis Investment Management 19%
Managing Director: Douglas McCormick

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.



Ankarsrum Industries is an industrial group based in Ankarsrum close to Västervik and is the modern form of a mill with a history that spans over more than 350 years. Today's business in Ankarsrum Industries is to manufacture electrical motors and sell the classic household appliance Assistent Original™. These are the businesses in subsidiaries Ankarsrum Motors and Ankarsrum Kitchen. Then there is the subsidiary Ankarsrum Fastighets AB that leases premises to the sister companies and external tenants.

Ankarsrum Motors develops and manufactures electric motors and associated components and products in which an electric motor is a part. Most of Ankarsrum Motor's customers are industrial companies in the United States and Europe. Operations are divided into DC motors, universal motors and kitchen appliances.

In the field of DC motors, and the welding wire segment, Ankarsrum Motors is today one of the leading independent producers in the world with a large number of customers. Production is characterised by customer-adapted solutions where the requirements for quality and reliability are high, and where often specific requirements for encoder and gearing are important prerequisites to being competitive. Other buyers of DC motors are found in the health care sector, agricultural machinery and other industry. In the field of universal motors Ankarsrum has customers who make household appliances with high demands on quality and longevity. The company often assumes integrated development responsibility for products in close co-operation with the customer. The company also makes the classic Swedish household appliance Assistent Original™, which has been in production since 1940 and is sold by sister company Ankarsrum Kitchen. Production at Ankarsrum Motors is highly automated and the company invests in cooperation with its customers in the process of in adapting to quieter, more reliable and vibration-free motors.

Further information is available at ankarsrummotors.com



Ankarsrum Kitchen is a company that markets and sells the classic household appliance Assistent Original™ from Ankarsrum. Assistent Original is a Swedish classic from 1940. It has been updated many times 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 is today exported via distributors. Aside from in the Nordic countries, Assistent Original is sold in 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.

Further information is available at assistent-original.se

Investment year: 2001

Traction's share of capital votes: 100%

2018 revenue: MSEK 125

CEO: Carl Sigfridsson





Mönsterås Metall delivers aluminium castings to customers with high technical requirements. In February 2018 Mönsterås Metall acquired Ankarsrum Die Casting from Traction. In connection herewith Traction became the largest owner of Mönsterås Metall. The company produces high volumes of die-castings and specialised products in the form of case-hardened and sand castings for customers in several industrial segments.

In the field of die casting the Mönsterås Metall Group manufactures and sells high quality die cast castings aluminium to, among other, the European vehicle industry. The company specialises on manufacturing requiring high precision, a high degree of purity and which is virtually nonporous. The components are often included in advanced systems. The Mönsterås Metall group has 15 casting machines with clamping power of between 160 and 970 tonnes at two facilities in Mönsterås and Ankarsrum. The Mönsterås Metall Group also manufactures aluminium castings in smaller series and with advanced geometry employing sand and chill casting. Post-processing takes place in efficient automated processing and washing cells. The Mönsterås Metall Group has obtained the following certifications: ISO9001, ISO/TS16949 and ISO14001.

Further information is available at monsterasmetall.se

Investment year: 2018
Traction's share of capital and votes: 49%
Revenue 2018: MSEK 162



Recco Holding is the owner of the RECCO rescue system which is used by more than 800 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.

Successful tests were conducted during 2018 of a new, helicopter-based search system, which in addition to avalanche rescues significantly widens the ability of RECCO to search for victims in the wilderness and at sea. RECCO is therefore expected to grow in coming years when RECCO reflectors can be installed in other outdoor products and equipment.

Further information is available at recco.com

Investment year: 1988
Traction's share of capital and votes: 49.9%
2018 revenue: MSEK 38
Financial net assets 2018: approximately MSEK 36
Other owners: Magnus Granhed 50.1%
CEO: Fredrik Steinwall



Sigicom is the leading Nordic supplier of field measuring systems for unmanned monitoring of vibrations, noise and other environmental disturbances (such as particles in air). 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. 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 will register detailed signal sequences and trigger alarms to selected users. The measuring instruments are ruggedly constructed and are 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 launched during 2017. Sigicom is in the midst of an intense phase of internationalization and during 2017 subsidiaries were established in Great Britain and USA and business relationships were established with a large number of customers all over Europe.

Further information is available at sigicom.se

Investment year: 1997

Traction's share of capital and votes: 22%

2018 revenue: MSEK 95

Other owners: Christer Svensson, incl. family 45% and staff

CEO: Torbjörn Rehnström

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 CDs. The composition of different classes of assets is largely dependent on prevailing market conditions. At year-end 2018 the financial investments, including cash and cash equivalents, amounted to just over MSEK 1.5 billion, equivalent to approximately 60 percent of Traction's net asset value. Just over MSEK 400 hereof was in the form of listed equities and interest-bearing investments with a maturity of less than 12 months, including cash and cash equivalents of a little more than MSEK 500. The remainder, approximately MSEK 600, was placed in a mix of interestbearing assets with varying returns, maturity and liquidity. The current monetary policy in Sweden, with negative market interest rates, means that Traction tries to invest most of its surplus liquidity in commercial paper and other short-term interestbearing assets so as to avoid negative interest income and to create some return on liquid funds.

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. The size of individual financial investments may vary as especially major equity investments may occur and from time to time constitute complements to the active holdings.

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.

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. An example hereof is the holding in WYG, which changed category during 2018.

During 2018 the sentiment in global financial markets continued to be positive up until the end of September. In the beginning of October, we saw a drastic change for the worse. Factors such as rising interest rates, the escalating trade conflict between the United States and China, and drawn-out negotiations between EU and Great Britain about Brexit contributed to growing concerns for a future economic slowdown. For the full year 2018 generated a negative return on most classes of assets. Traction's financial investments showed a development in line with the market after a difficult last quarter.

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 sees this as financial service but is also prepared to become a long-term owner.

Over the years Traction has participated in more than 30 underwriting consortia.

Traction from an investor perspective

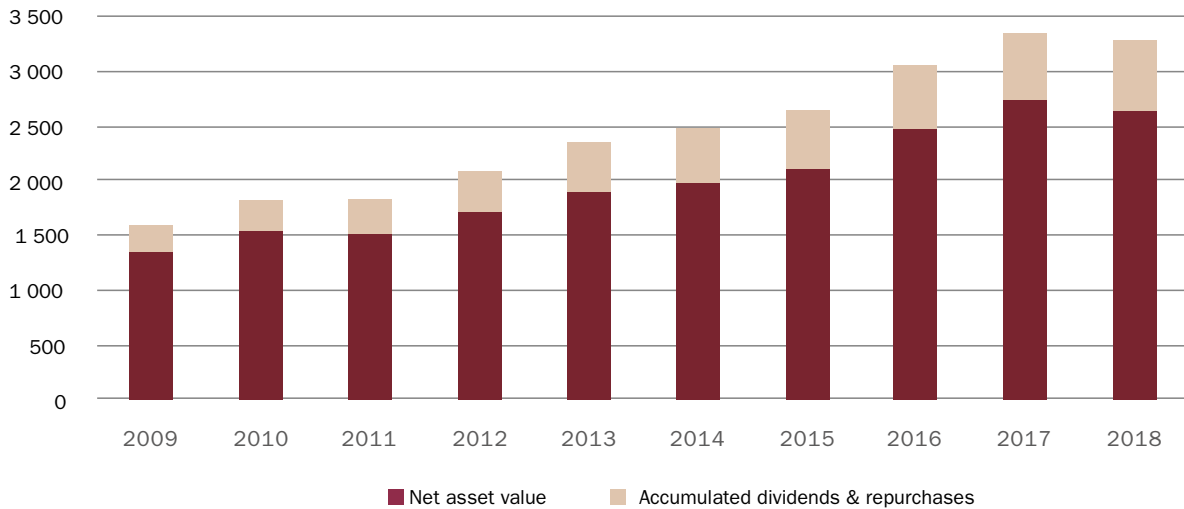
The table below shows Traction's net asset value divided into active listed holdings, active unlisted holdings, financial investments, cash and cash equivalents, and other assets as of 31 December 2018.

	Number of shares thousands	Price per share	Proportion of capital votes		Market value MSEK	% of total	SEK/share
Listed active holdings							
BE Group	2,903	35.95	22%	22%	104	4%	7
Drillcon	24,000	6.00	54%	54%	144	5%	10
Duroc	3,885	22.70	10%	10%	88	3%	6
Hifab Group	32,744	2.38	54%	55%	78	3%	5
Nilörngruppen	2,490	68.10	22%	56%	170	6%	11
OEM International	886	190.50	4%	10%	169	6%	11
Softronic	11,539	14.40	22%	20%	166	6%	11
WYG ¹	10,970	4.90	15%	15%	54	2%	4
Total					973	37%	66
Unlisted active holdings							
Unlisted holdings					70	3%	5
Due from active holdings					21	1%	1
Total					91	3%	6
Total active holdings					1,064	40%	72
Financial investments, cash and cash equivalents							
Other listed shares					419	16%	28
Interest-bearing investments ¹					1,028	39%	69
Cash and cash equivalents					128	5%	9
Total					1,575	60%	106
TOTAL					2,638	100%	178

¹ As of 31 December 2018, ownership is 19%.

¹Including interest-bearing investments with a maturity of less than 1 year in the amount of MSEK 397 and other net assets/liabilities of MSEK -0.5.

DEVELOPMENT OF NET ASSET VALUE MSEK



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. Accumulated dividends and repurchases refer to the time before the listing in 1997.

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.

Ten-year Survey

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Profit for the year ¹ , MSEK	273	246	12	255	277	122	174	401	304	-71
Net asset value ¹ , MSEK	1,350	1,548	1,522	1,719	1,901	1,979	2,115	2,478	2,751	2,638
Net asset value per share, SEK ¹	85	99	98	112	127	133	143	168	186	178
Increase in net asset value per share, including dividend, % ¹	25	18	1	17	17	7	9	19	12	-3
Earnings per share, SEK ¹	17	16	1	17	18	8	12	27	21	-5
Dividend per share, SEK ²	1.85	1.85	2.35	3.10	2.45	2.00	2.55	2.15	2.75	3.60
Dividend yield, % ²	2.7	2.5	3.5	3.7	2.7	2.0	2.2	1.5	1.6	2.2
Market price at year-end, SEK	68	73	68	84	90	99	115	146	175	165
NAV discount, %	20	26	30	25	29	25	20	13	6	7
Number of shares outstanding at year-end in thousands (not including repurchased shares)	15,830	15,689	15,609	15,364	14,940	14,865	14,790	14,790	14,790	14,790

¹Years 2008-2016 in accordance with Investment Entity Accounting, of which years 2008-2013 reported on a pro forma basis.

²Dividend for 2018 per proposal of the Board of Directors.

Traction's return

Return on net asset value per share (pro forma) including dividend income 2014-2018

	Annual return	Year
2018	-3%	2018
Best year	19%	2016
Worst year	-3%	2018
Five-year average	9%	2014-2018

DEFINITIONS AND ALTERNATIVE KEY FINANCIAL INDICATORS

The definitions below and alternative key financial indicators are significant for the understanding and assessment of Traction's business. Only earnings per share before and after dilution below are defined in accordance with IFRS. All alternative key financial indicators refer to the Group.

THE TRACTION GROUP

Aside from the Parent Company, the Traction Group consists of wholly owned subsidiaries that manage securities, conducts lending activities, engages in underwriting and provides consulting, primarily to Traction's project companies.

FINANCIAL INVESTMENTS

Refers to shares and interest-bearing investments where Traction's ownership is less than 10 percent of votes, or where Traction does not have active role by being represented on the board of directors. Financial investments are shown in the listing of Traction's net asset value. A previously active listed holding is recognised as a financial investment from the day when ownership is less than 10 percent of votes, or if ownership is less than 10 percent of votes, from the day when Traction's representative is no longer a member of the Board of Directors.

LISTED ACTIVE HOLDINGS

Holdings in listed companies where Traction's ownership exceeds 10 percent of votes, or where Traction has active role by being represented on the board of directors. Active holdings are shown in the listing of Traction's net asset value. A holding is shown as active from the day when Traction's ownership exceeds 10 percent of votes, or the day when Traction is represented on the Board of Directors.

UNLISTED ACTIVE HOLDINGS

Wholly or partially owned unlisted companies where any remaining shares are usually owned by one or more entrepreneurs or other active owners. Unlisted holdings are companies the shares of which are not subject to organised daily trading, although not necessarily on a regulated market. Upon listing or delisting of a listed company the holding changes category on the day when the change takes place.

DIVIDEND YIELD

Dividend in percent of market price at year-end.

EQUITY PER SHARE; ALSO, NET ASSET VALUE PER SHARE

Equity at the end of the period, divided by the number of shares outstanding on the same day.

NAV DISCOUNT

Traction's market value, with the unlisted class A shares valued at the same price as the listed class B shares at the end of the period, less the net asset value divided by the net asset value at the end of the period, in percent.

NET ASSET VALUE (NAV); ALSO, EQUITY

The net of assets and liabilities at market value, which in Traction's case equals Traction's consolidated equity.

CHANGE IN NET ASSET VALUE PER SHARE ADJUSTED FOR DIVIDEND PAID, IN PERCENT/RETURN ON NET ASSET VALUE PER SHARE

Earnings per share divided by opening equity per share after deduction of dividend paid per share during the period in percent.

EARNINGS PER SHARE BEFORE AND AFTER DILUTION

Result for the period after dilution, divided by the average number of shares outstanding during the period. The number of shares outstanding has not changed during 2018.



Ankarsrum



Niorn



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 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 expects 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-related risks.

Virtually every human activity and enterprise has some sort of impact on the environment. According to Traction, sustainable operations ensure that the environmental impact is minimized and that the environmental impact is offset by the utility provided.

Traction avoids getting engaged in companies that are not deemed to add value for its customers or society at large, instead contributing to tragedies occurring in the form of dependence, 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. Nor do certain credit-granting companies, whose existence depends on their customers' desperate need for liquidity, fit in with Traction's investment criteria.



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 2018 Traction's share price dropped by 5.7 (+20) percent, not taking dividend received in the amount of SEK 2.75 per share into account. At year-end 2018 the latest paid price was SEK 165 per share. The market price of the share peaked at SEK 190 during the year; the lowest price was SEK 153. There are no convertible debentures, options or other instruments that may cause a rise in the number of shares outstanding. As of December 31, 2018, the number of shareholders was 3,005 (3,100).

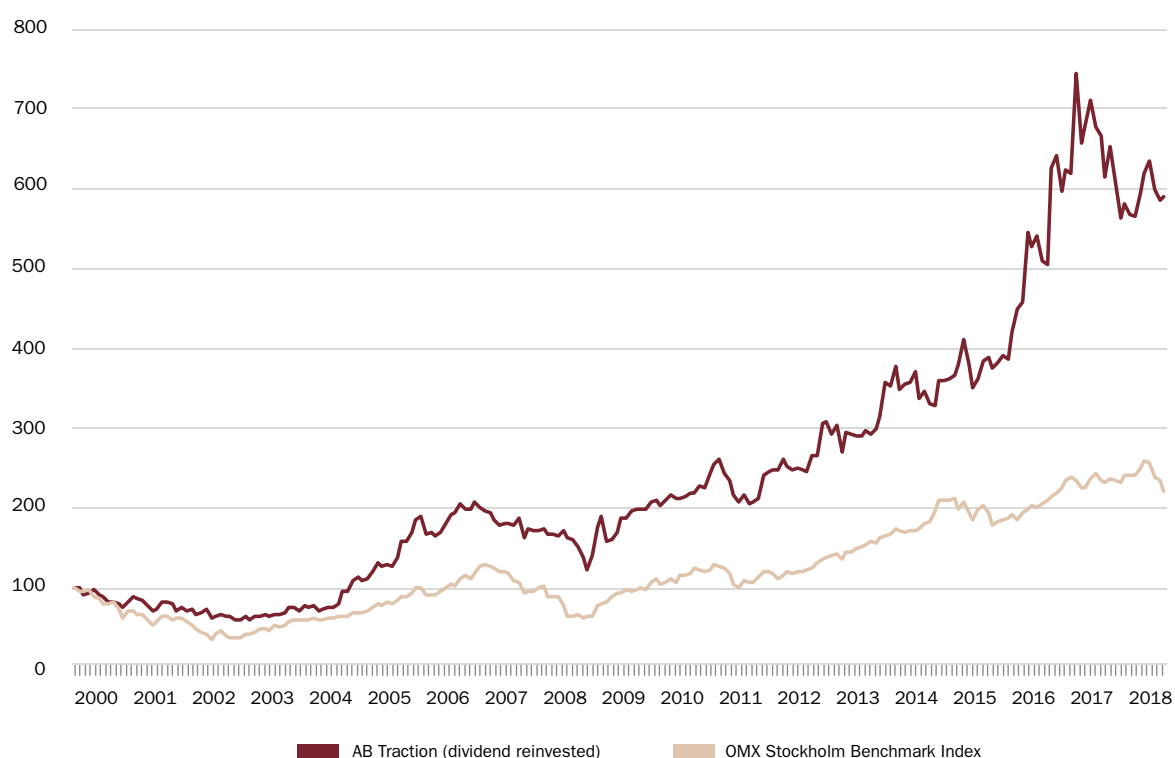
SHAREHOLDERS¹

	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 inkl. company	1,095,000	1,677,150	2,772,150	18.7%	40.7%
Niveau Holding AB inkl. 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%
Esilento AB		100,000	100,000	0.7%	0.3%
Handelsbanken Fonder AB		78,200	78,200	0.5%	0.3%
SEB Fonder		60,373	60,373	0.4%	0.2%
Holst, Gull May		59,600	59,600	0.4%	0.2%
Other		1,095,374	1,095,374	7.4%	3.5%
Total	1,800,000	12,989,847	14,789,847	100.0%	100.0%

¹ Shareholders as of December 31, 2018, 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	-	-
2017	-	-
2018	-	-
Total	2,220,153	144,543,750
Cancellation 2010	-610,000	
Cancellation 2014	-400,000	

Repurchased shares 1,210,153 Quota, 7.6%

SIZE CLASSES OF CLASS B SHARES

Holding	Number of owners	Number of class B shares	Stake
1-500	2,605	185,260	1.2%
501-1,000	202	147,360	0.9%
1,001-5,000	151	309,825	1.9%
5,001-10,000	15	109,380	0.7%
10,001-15,000	7	87,710	0.6%
15,001-20,000	6	106,514	0.7%
20,001-	19	13,253,951	94.1%
Total	3,005	14,200,000	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	Bonus issue	700,000	700,000	5,300,000	5,300,000	1
1997	Bonus 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

2018 The holding in Eitech Holding was formally sold in January after approval by the Swedish competition authority. Proceeds, including repayment of receivables, approximately MSEK 50 in all, was received during 2018. The transaction was negotiated at the end of 2017 and contributed to Traction's result for that year. In February, Traction became a major owner of Mönsterås Metall (49 percent), which simultaneously acquired Ankarsrum Diecasting from Traction. The British technology consultancy WYG became a new active holding when Traction in several transactions acquired 15 percent of the shares outstanding for a total of approximately MSEK 48. The development of Traction's active holdings (-5 percent) as well as overall for the Stockholm stock market. The earnings and operational development for several of the active holdings, among them BE Group, Nilörngruppen, OEM International, Sigicom and Softronic, with the latter four recording record results. BE Group came in with its best result since 2008. Ownership in BE Group increased slightly to 22 percent of capital through purchases in the amount of MSEK 15. Ownership in Nilörngruppen decreased slightly in connection with a sale of shares in the amount of MSEK 25. The financial position is strong with just shy of MSEK 1.2 billion in the form cash, cash equivalents and interest-bearing investments. Ankarsrum Industries, with operating companies Ankarsrum Motors and Ankarsrum Kitchen were revalued by MSEK -29 against a background of low capacity utilisation in the group's production lines for electric motors. The proprietary kitchen appliance Ankarsrum Original showed a stable development, however. There is also a positive development plan for coming years. A new CEO, Carl Sigfridsson, took office in February 2019.

2017 In the beginning of 2017 Duroc International acquired Fibres Group with payment on newly issued stock in Duroc. The holding in Waterman Group was sold after a public offer, which as far as Traction is concerned meant a bid value of just short of MSEK 85 and an earnings effect in 2017 of MSEK 40. Shares in Nilörngruppen were sold for MSEK 67, which reduced ownership to 24 percent of capital and 57 percent of votes. The holding in Banking Automation Ltd was sold towards the end of 2017. Traction has been a part owner of Banking Automation Ltd since 1986. Strong stock price performance in Drillcon (82 percent) and Softronic (71 percent) made a positive contribution to earnings. A weak development in the Ankarsrum companies burdened results with a total of MSEK 60 during 2017. The financial position remains strong with almost MSEK 1.2 billion in the form of cash, cash equivalents and interest-bearing investments. The return on listed active holdings was 29 percent and the return on other listed shares was 13 percent.

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 bringing our stake from 11 percent to about 16 percent. Shares in Nilörngruppen were sold for MSEK 79, reducing ownership to 31 percent of capital and 61 percent of the votes. Acquired 8 percent of the capital 4 percent of the votes in Poolia and became the company's second largest owner, also gaining representation on the company's election committee. Strong share price performance in Nilörngruppen (99 percent), BE Group (40 percent) and Hifab Group (36 percent) contributed positively to results. Nilörngruppen 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.

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



Nilorn



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 Ownership in BE Group was increased 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. 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. Nilörngruppen also recorded continued stable earnings, with particularly positive results in England and Germany. Zitiz and internet news site Sourze were phased out after several years of development without achieving commercial success. The holdings in Signtrace and Saguru were wound up. Acquired a just over 10 percent stake in the English consultancy Waterman Group plc. JRS Securities agreed to sell the business to Remium, who took possession in January 2014.

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 even though 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. Purchased a convertible in AlphaHelix. 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 Nilörngruppen and Ankarsrum Motors. Nilörngruppen declared a large dividend. Weak stock market overall as well as in some of Traction's larger holdings. The holding in Sigicom was revalued after a very positive development during 2011.

2010 Started mutual fund operations by acquiring Thenberg Fonder, which in the beginning of 2010 changed its name to Traction Fonder. Participated as the largest underwriter of a new issue in Rörvik Timber in an amount of MSEK 100 in connection with a reconstruction of the company. Traction's expectation was to become a major owner in Rörvik, but that did not happen since the issue was fully subscribed. Also participated in underwritings for Switchcore, PA Resources and Alm Brand. The issue in Switchcore was 88 percent subscribed, which meant that Traction's ownership increased to 28 percent of the capital and 22 percent of the votes. Increased ownership in OEM International and gained representation on the company's Board of Directors. Participated in the financing of a real estate development project in the Stockholm suburb of Djursholm. Successful implementation of change programs meant that Nilörngruppen and Ankarsrum Motors recorded strong earnings increases. Associated company Softronic expanded by acquiring industry colleague Modul 1. We 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).



BE Group

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 Nilörngruppen, which became a subsidiary during the year and was delisted from the Stockholm Stock Exchange. Ownership in Nilörngruppen stood at 65 percent of the capital and 57 percent of the votes at year-end 2009. Underwriting of issues in Eniro, Nordic Camping & Resort, SRAB Shipping and Endomines. Gnosjöplast filed for bankruptcy following a failed reconstruction attempt. Sold Gnosjöplast Fastighets AB, which owned Gnosjöplast's 15,000 square metre production facility. Became a major owner in SRAB Shipping (11.7 percent) and became represented on the company's Board of Directors. Increased the ownership stake in Nordic Camping & Resort to just short of 33 percent of the capital. Board of Directors representation in Drillcon. Increased ownership in PartnerTech (13.7 percent) and became represented on the company's Board of Directors. Acquired a large holding of Class A shares in technology trading company OEM International.



OEM

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

Excerpt from Traction's business philosophy.



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 2.6 billion, while almost SEK 0.7 billion has been distributed to the shareholders in the form of dividends and repurchase of shares 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 startup 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. 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 have 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 HISTORIC PROJECTS THAT HAVE BEEN LARGE, PROFITABLE, LONG-TERM AND/OR SIGNIFICANT:

- AcadeMedia, interactive education with later focus on charter schools.
- Allgon, antennae and system components for mobile telephones and base stations.
- Arvako, staffing and recruitment.
- Banking Automation Ltd, deposit machines, payment machines and exchange machines. (ATMs)
- Bricad, real estate development and management.
- Centrum Invest, consultancy and development company for shopping centres.
- CMA Computer Marketing, rental of mainframe computers and computer sales.
- Eitech and EIAB, electrical installations and contracting.
- EasyT, internet travel agency and software.
- Eska Komponenter, an attempt to structure the Swedish foundry and casting industry.
- Gnosjö Plast, injection-moulding of plastic articles.
- Haldex, automotive components.
- Inter Innovation, development and promotion of a mechanism for dispensing banknotes from automatic teller machines.
- Jarl 20, development, construction and sale of tenant owner's rights.
- JC, clothing chain.
- JP Bank, brokerage, banking.
- Kjessler & Mannerståle, engineering consultancy.
- Know IT, IT consultancy.
- Maxitech, thick-film hybrids.
- Mutter Media/Metronome, TV production company.
- Nordic Camping & Resort, chain of camping and cabin operations.
- PartnerTech, contract manufacturing.
- Standard Radio, communication radio equipment.
- Svecia, screen-printing machines.
- Svenska Järnvägsverkstäderna, ASJ, specialised foundry for casting brake shoes for railway vehicle.
- Sweden Table Tennis, Stiga table tennis equipment.
- Swedish Tool, dealer machinery with focus on machine tools. Acquired by Duroc in 2007. Established by Bricad.
- Thalamus Networks, control technology, broadband.
- Tolerans, rotational stapling machines for tabloid newspapers.
- Waterman, technology consultancy based in London.

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