



TRACTION

ANNUAL REPORT
2019

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SHAREHOLDER INFORMATION

9 April 2020	Interim Report for the period January - March
6 May 2020	Regularly scheduled Annual General Meeting
17 July 2020	Interim Report for the period January - June
23 October 2020	Interim Report for the period January - September
16 February 2021	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.



CEO Statement

Dear Shareholders,

After several years of economic boom, fuelled by extremely low interest rates of central banks, it was evident that something would eventually cause many valuation bubbles to burst. The only question was when. Even the undersigned had begun to doubt, in this environment with an abundance of venture capital, that also found its way to ever more unsophisticated and highly valued business projects. In addition, many financially creative players emerged, who skilfully exploited investors' increasingly desperate pursuit of returns. Fragile structures were created, not least in the real estate sector, while asset prices and indebtedness increased in society.

It seems quite unreasonable that a virus could result in that world's leaders, in a panicky way, chose to shut down entire countries and overnight introduce what could almost be called a state of emergency. In the accelerating course of action, the health risks of the corona virus were suddenly set against the risks that are instead created by shutting down entire nations. When revenues overnight go down to zero for a large part of the business world, we have set forces in motion that no one knows the effects of, let alone can rein in.

As of this writing, we have experienced a sharp and immediate correction on the world's stock exchanges, as well as a credit market that has largely ceased to function. This has also affected Traction during the first quarter of 2020. During 2019, however, most of our active holdings showed good profitability and had strong balance sheets. We have that with us when we now have to deal with this unique situation.

Initially, during the first quarter of 2020, Traction's financial investments showed a very weak development and previous year's gains have been quickly eroded. However, we had a very strong financial position, with a high proportion of fixed income securities, which is why our position relative to many others has been strengthened. Of course, we are constantly thinking about how our investment activities should be conducted. We are probably just at the beginning of a sharp recession, which we are also trying to prepare for. Therefore, the most important thing for our active holdings is to take steps to be able to survive the winter and at the same time retain the opportunity to get up and running quickly when our outside world wakes up. There are early signs of improvement in the spread of infection, and we hope that the politicians in Continental Europe will not delay too long in returning their countries to a more normal state. However, we are planning this time for the

recovery to be slow. If we were to be wrong in this assumption, we believe that the damage will be limited, but if we are right, we will emerge stronger from this crisis, relative to many other players.

Society needs strong companies. Traction and everyone who is primarily engaged in well-managed and previously profitable companies must utilize all available means to ensure their survival. However, not all companies can be saved and those who did not show profitability before this crisis should probably not be rescued in government bailouts. Also, companies with the weakest finances must not benefit at the expense of all those who have given priority to strong balance sheets. Aggressive dividends and high indebtedness must also be allowed to lead to the elimination. Here, the owners must inject new capital or hand over ownership to someone who can better manage the company. Companies that already had weak revenues and an unproven business model may either be financed by the owners or closed down. It cannot be the job of government to provide for their survival.

When our portfolio companies have gone through the brutal and costly adjustment that must now be made, our business opportunities will be significant and several of our active holdings will be able to advance their positions. Another risk is that the huge stimulus packages that are being launched, as well as measures by the central banks, will erode confidence in the financial system. It would also be regrettable if capital is raised, that continues to promote the environment of asset inflation that we had before the crisis. This increases the likelihood of an even greater system crash in the future.

After the financial doping of recent years, it is my hope that the market realizes that financially fragile corporate structures should be dismantled. Nor can it be reasonable to use both preference shares, bonds and bank loans at the same time in order to create leverage for the company's share. We also feel that the accounting rules for real estate companies have glorified results, when an operating expense has been allowed to be classified as a real estate investment. This has erroneously both increased the result and resulted in an increased property value. At the same time, it has been common to debt-finance intangible assets, especially in connection with corporate acquisitions.

We also believe that investors, equity analysts and owners will begin to study the companies' balance sheets more closely. The crisis we are now in is likely to result in companies holding higher liquidity buffers. To achieve this, more financially robust companies are required.

Even if it feels far away in this tumultuous time, I would still like to say something about 2109. Traction generated a full-year profit of MSEK 416, which meant a net asset value increase of 16 percent, adjusted for dividend paid. This result exceeded the previous record profit from 2016 of MSEK 401. The return on the active listed holdings amounted to approximately 21 percent, and for other listed shares as much as 42 percent. Seen as return on Traction's aggregate capital, in an overall strong stock market, the result was modest, however. This is due to the fact that a significant portion of the assets, as was the case in prior years, consisted of low-yielding interest-bearing assets with lower risk level. This, however, is of great benefit to us now in the ongoing crisis. Even in bad times, opportunities for good long-term business are created, as long as sufficient capital is available. Traction now has that opportunity.

Stockholm, 3 April 2020

Petter Stillström

2019 IN SUMMARY

- The result after taxes amounted to MSEK 416 (-71).
- Active listed and unlisted holdings accounted for MSEK 219 (-72) and financial investments for MSEK 204 (-7).
- The net asset value per share grew by 16 (-3) percent adjusted for dividend paid.
- Traction's net asset value amounted to MSEK 3,001 (2,638), equivalent to SEK 203 (178) per share.
- The return on other listed shares amounted to 42 percent.
- The holding in WYG Plc was sold for MSEK 91 in connection with a cash offer.
- Just over 14 percent of the British consultancy Driver Group Plc was acquired for approximately MSEK 52.
- Record results in Drillcon, OEM International and Softronic.
- Interest-bearing investments and cash amount to just over MSEK 1,200.

EVENTS IN THE BEGINNING OF 2020

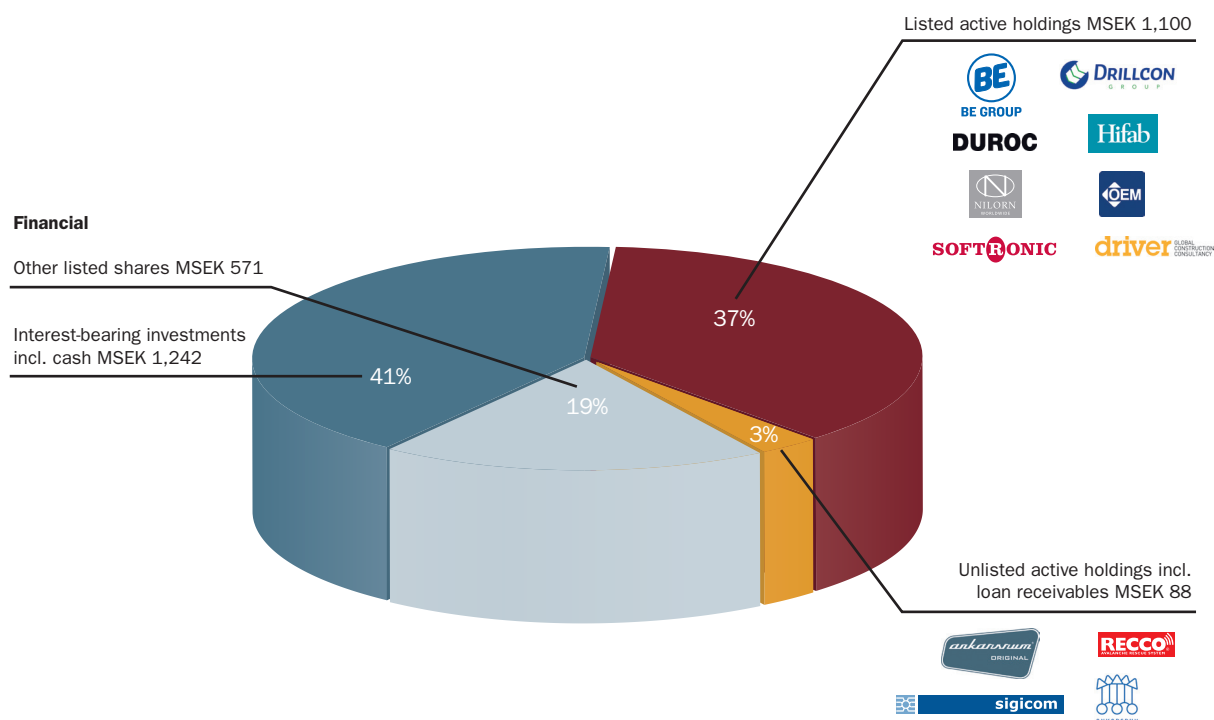
- The Board of Director proposes a dividend of SEK 4.20 (3.60) per share, equivalent to MSEK 62 (53).
- The spread of SARS-CoV-2 and the uncertainty about its economic effects and sharp decline in oil prices have resulted in a significant downturn in the world's stock markets during the first quarter. This has had a negative effect on Traction's listed holdings, the active holdings as well as the financial investments.

KEY FINANCIAL INDICATORS	2019	2018	2017	2016	2015	2014	2013
Profit for the year, MSEK ¹	416	-71	304	401	174	122	268
Net asset value, MSEK ¹	3,001	2,638	2,751	2,478	2,115	1,979	1,901
Net asset value per share, SEK	203	178	186	168	143	133	127
Earnings per share, SEK ¹	28	-5	21	27	12	8	18
Market price at end of period, SEK	195	165	175	146	115	99	90
Change in net assets value per share, %	16	-3	12	19	9	7	17
Dividend per share, SEK	4.20	3.60	2.75	2.15	2.55	2.00	2.45
Dividend yield, % ²	2.2	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 as proposed by the Board of Directors.

DISTRIBUTION OF TRACTION'S NET ASSET VALUE



Traction develops and improves companies

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.



Nilorn

Business organisation

Traction's Investment Managers are responsible for developing the existing portfolio companies and are also charged with responsibility for identifying new business opportunities. Carl Östring below worked during the period 2011-2019 as legal counsel and Investment Manager at Traction but switched in October 2019 to own operations. Carl continues to assist Traction and Traction's portfolio companies with legal and business advice.

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



Johanna Lüpertz
CFO, M. Sc. (Business Administration). Active in Traction since 2018. Previously active as finance and accounting manager.



James Ahrgren
Investment Manager, M.Sc. (Engineering). Active in Traction since 2019. Previously in leading positions in manufacturing industry in Sweden, China and India.



Carl Östring
CEO of Generalcounsel.se. Employed by Traction 2011-2019. Previously partner at law firm in Stockholm and Moscow. Director of Duroc, Drillcon (Chairman), Hifab Group and Recco Holding.



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 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.

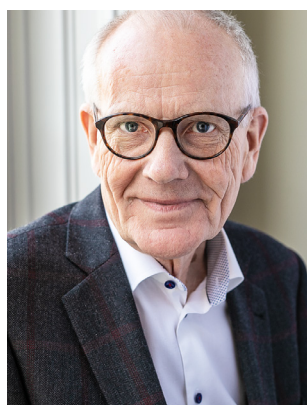
Maria Linde, born 1966, M. Sc. (Eng.) and Executive MBA. Management consultant and CEO of FlowMotion AB. Director since 2009. Shareholding: 1,250 class B shares.

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 Nilorn, OEM International and Softronic and director of BE Group and Hifab Group. 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. Tractions 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 a 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.

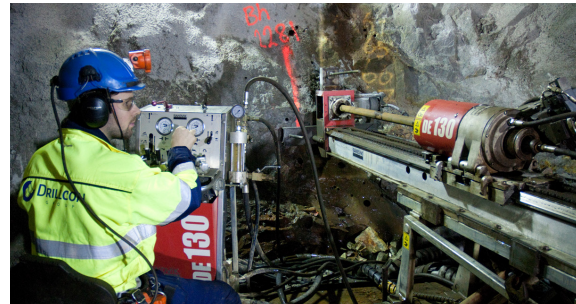


BE Group is a trading and service company in the steel and metals industry. The company's approximately 10,000 customers are primarily found in the engineering and construction industries in Sweden, Finland and the Baltic States, where BE Group is one of the market's leading suppliers. With solid competence 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. Peter Andersson took over as new CEO in September 2019. The head office is located in Malmö.

Traction has been engaged on the company's Board of Directors since 2012. BE Group is since November 2006 listed on Nasdaq Stockholm, the Small Cap list.

Further information is available at begroup.com

Investment year: 2011
Traction's share of capital and votes: 23% (as of March 2020)
Revenue 2019: MSEK 4,359
Operating profit 2019: MSEK 88 (MSEK 94 underlying)
Other owners: Alf Svedulf: 20%, The Pure Circle: 5%
CEO: Peter Andersson



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. In 2019 operating profit increased by 50 percent to MSEK 48. Traction is a part owner of Drillcon since autumn 2008 and owns more than 50 percent of the shares outstanding since 2013. 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%
Revenue 2019: MSEK 393
Operating profit 2019: MSEK 48 (EBITDA MSEK 76)
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. The French-Belgian corporate group Cotting Group, a producer of technical textiles, was acquired during 2019. The company is listed on Nasdaq Stockholm, Small Cap list.

Further information is available at duroc.se

Investment year: 1993
Traction's share of capital and votes: 9%
Revenue 2019: MSEK 3,272 (R12 Dec 18/19)
Operating profit 2019: MSEK 168 (R12 Dec 18/19)
Other owners: 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
Revenue 2019: MSEK 357
Operating result 2019: MSEK -11 (MSEK -3 underlying)
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 715. 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 90 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

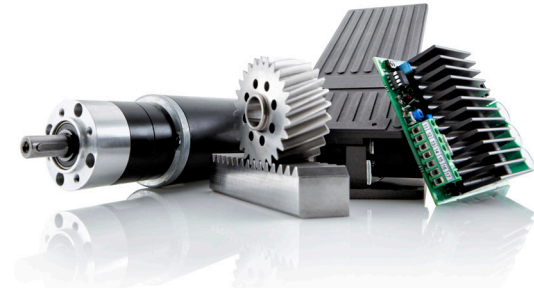
Traction's share of capital and votes: 26%, and 58% respectively (as of March 2020)

Revenue 2019: MSEK 715

Operating profit 2019: MSEK 66

Other owners: Mawer Investment Management 10% and 6%, respectively

CEO: Krister Magnusson



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 during 2019 the company generated a record result of MSEK 371, equivalent to an EBIT growth of 15 percent (EBITA increased by 12 percent to MSEK 385).

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 votes: 4%, and 10%, respectively

Revenue 2019: MSEK 3,299

Operating result 2019: MSEK 371 (EBITA MSEK 385)

Other owners: Orvaus AB, 19% and 29%, respectively Lannebo Fonder, 14% and 5%, respectively, Siv Franzén 11% and 21%, respectively. Agne Svenberg incl. Family, 7% and 19%, respectively

VD: 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 anti-money-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.

During 2019 the company showed a record profit of MSEK 73, equivalent to an operating margin of 10.2% (9.2). Most of Softronic's employees are represented in Stockholm. The company also has operations 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
Revenue 2019: MSEK 720
Operating profit 2019: MSEK 73
Other owners: Anders Eriksson, 20% and 33%, respectively
 Stig Martin, 8% and 15%, respectively
CEO: Per Adolfsson



Driver Group is a British consultancy company and one of the globally leading players in dispute management, with primary involvement in construction, infrastructure and energy sectors under the Driver Trett and Diales trademarks. The company also offers its services in traditional technical project management and advisory services under the Driver Project Services trademark. Driver Group has the competence to offer tailor-made services in all phases of the project cycle. The geographic presence spans five continents via 26 offices in 14 countries.

The operating segments consist of Europe & Americas (EuAm), Middle East and Asia Pacific, of which EuAM accounts for about 50 percent of the group's turnover. During the 2018/ 19 financial year the company had turnover of just below 60 MBP. The company was founded in 1978 and the head office is located in Haslingden, UK. Traction bought into Driver Group at the end of 2019 and owns more than 14 percent of the shares. The company is listed on the AIM list of the London Stock Exchange.

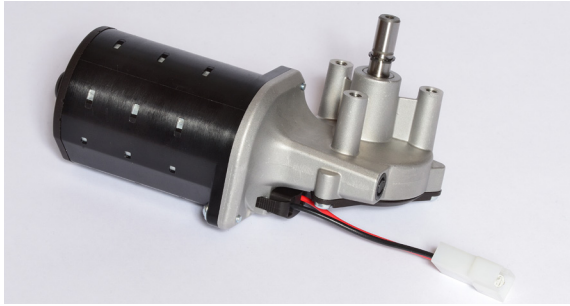
Further information is available at driver-group.com

Investment year: 2019
Traction's share of capital and votes: 14%
Revenue 2018/19: MBP 59
Underlying operating profit 2018/19: MBP 3.1
Other owners: Gresham House 15%, Adrian J Williams 7%
CEO: Gordon Wilkinson



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 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 co-operation 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 sales 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 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.

Further information is available at ankarsrum.com

Investment year: 2001
Traction's share of capital and votes: 100%
Revenue 2019: MSEK 113
CEO: Marcus Grimerö





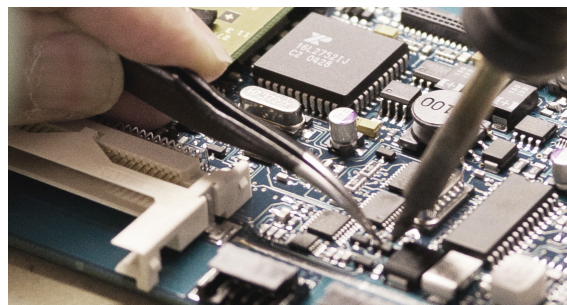
Recco Holding is the owner of RECCO, which is a system which is used by more than 800 rescue organisations, mountain rescue services and helicopter companies all over the world to locate avalanche victims. The system is comprised of two parts and consists of RECCO detectors used by organized rescue missions 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 snowboarders 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 successful tests were performed during 2109 of a new helicopter-based search system, which in addition to avalanche rescues significantly broadens the area of use for RECCO to search for people lost 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. During 2019 sales grew by 28 percent to MSEK 49. Prospects for continued growth are good against the background of in light of upcoming launches and the company's existing presence in 28 countries.

Further information is available at recco.com

Investment year: 1988
Traction's share of capital and votes: 49.9%
Revenue 2019: MSEK 49
Financial net assets 2019: approximately MSEK 47
Other owners: Magnus Granhed 50.1%
CEO: Fredrik Steinwall



Sigicom is the Nordic Region's leading supplier of field measuring 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%
Revenue 2019: MSEK 113
Other owners: Rehnström/Svensson family 44% 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 2019 the financial investments, including cash and cash equivalents, amounted to just over MSEK 1.8 billion, equivalent to approximately 60 percent of Traction's net asset value. Approximately MSEK 570 hereof was in the form of listed equities and interest-bearing investments with a maturity of less than 12 months, including cash of approximately MSEK 620. The remainder, just over MSEK 620, was placed in a mix of interest-bearing assets with varying returns, maturity and liquidity. The current monetary policy in Sweden, with negative market interest rates during 2019, means that Traction tries to invest most of its surplus liquidity in commercial paper and other short-term interest-bearing 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.

During 2019 most financial asset classes showed a strong development. Stock markets recovered during the beginning of the period, the sharp stock market decline that occurred in the fourth quarter of 2018. Despite signs of a weaker industrial economy, stock markets continued to rise during the remainder of 2019, and most markets scored new highs. A low and falling interest rate level and, at least temporary, peace in the trade conflict between USA and China contributed to raising equity investors' willingness to take on risk. The market for corporate bonds also showed a strong development during 2019. Traction's financial investments were favoured by the good sentiment and developed well during the period. The listed financial equity investments rose by 40 percent compared to 35 percent for the Stockholm Stock Exchange at large

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.

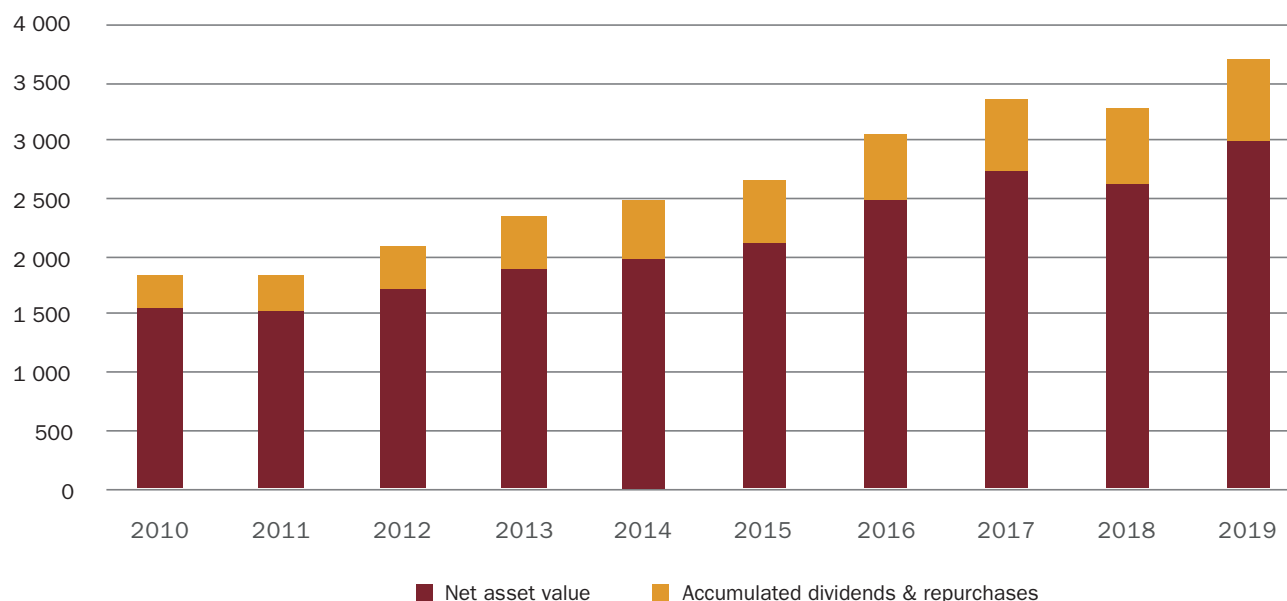
Over the years Traction has participated in more than 30 underwriting consortia.

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 2019.

	Number of shares thousands	Price per share	Proportion of total capital votes		Market value MSEK	Proportion of total	SEK/share
Listed active holdings							
BE Group	2,903	35.95	22%	22%	104	3%	7
Drillcon	24,000	6.14	54%	54%	147	5%	10
Duroc	3,335	30.80	9%	9%	103	3%	7
Hifab Group	32,744	2.42	54%	55%	79	3%	5
Nilörngruppen	2,700	68.90	24%	57%	186	6%	13
OEM International	886	250.00	4%	10%	222	7%	15
Softronic	11,589	16.62	22%	20%	193	6%	13
Driver Group Plc	7,395	8.92	14%	14%	66	2%	4
Total					1 100	37%	74
Unlisted active holdings							
Unlisted holdings					66	2%	4
Due from active holdings					22	1%	1
Total					88	3%	6
Total active holdings					1,188	40%	80
Financial investments, cash and cash equivalents							
Other listed shares					571	19%	39
Interest-bearing investments ¹					1,071	36%	72
Cash and cash equivalents					171	6%	12
Total					1,813	60%	123
TOTAL					3,001	100%	203

¹ Including interest-bearing investments with a tenor of less than 1 year in the amount of MSEK 447 and other net assets/liabilities in the amount of MSEK -4.

DEVELOPMENT OF NET ASSET VALUE


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.

Ten-year survey

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Profit for the year ¹ , MSEK	246	12	255	277	122	174	401	304	-71	416
Net asset value ¹ , MSEK	1,548	1,522	1,719	1,901	1,979	2,115	2,478	2,751	2,638	3,001
Net asset value per share, SEK ¹	99	98	112	127	133	143	168	186	178	203
Increase in net asset value per share, including dividend, % ¹	18	1	17	17	7	9	19	12	-3	16
Earnings per share, SEK ¹	16	1	17	18	8	12	27	21	-5	28
Dividend per share, SEK ²	1.85	2.35	3.10	2.45	2.00	2.55	2.15	2.75	3.60	4.20
Dividend yield, % ²	2,5	3,5	3,7	2,7	2,0	2,2	1,5	1,6	2,2	2,2
Market price at year-end, SEK	73	68	84	90	99	115	146	175	165	195
Net asset value discount, %	26	30	25	29	25	20	13	6	7	4
Number of shares outstanding at year-end (not including repurchased shares), thousands	15,689	15,609	15,364	14,940	14,865	14,790	14,790	14,790	14,790	14,790

¹2010-2013 pro forma. See explanation above.

²Dividend for 2019 refers to the proposal of the Board Directors.

Traction's return

Return on net asset value per share, including dividends 2015-2019

	Annual return	Year
2019	16%	2019
Best year	19%	2016
Worst year	-3%	2018
Five-year average	10%	2015-2019

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 AND 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 the net asset value at the end of the period, in percent.

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.

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 2019.

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.





Nilorn



Nilorn

The Traction share

Traction' class B share is listed on NASDAQ Stockholm since 24 May 2000, Ticker: TRAC-B. Previously, since July 1997, the share was traded on NGM's share list. During 2019 Traction's stock price increased by 10.8 percent (-5.7) without taking the dividend of SEK 3,60 per share into account. At year-end 018 the market price was SEK 195 per share. The highest quotation for the year was SEK and the lowest SEK 154. D There are no convertible debentures, options or other instruments that may cause a rise in the number of shares outstanding. The number of shareholders in Traction as of 31 December 2019 was 3,525 (3,005).

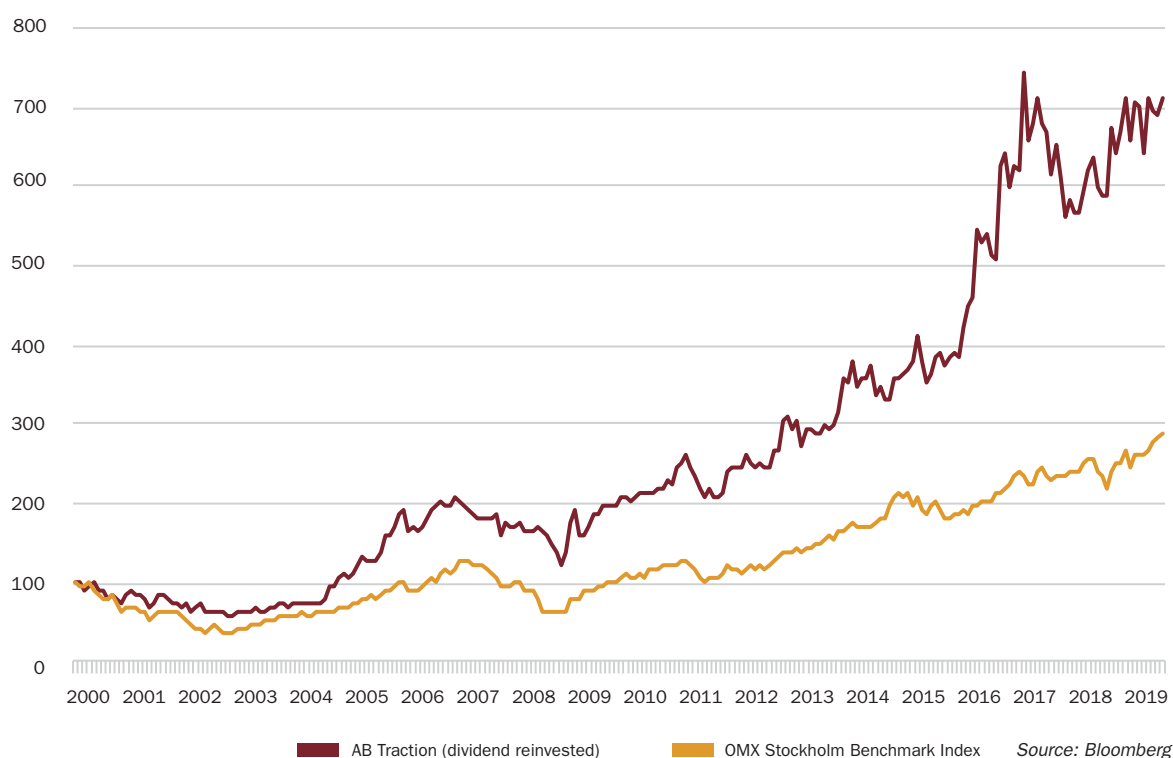
SHAREHOLDERS¹

	Class A shares	Class B shares	Total	Proportion of	
				capital	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, incl. companies	1,095,000	1,677,150	2,772,150	18.7%	40.7%
Niveau Holding AB, incl. subsidiaries 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		78,906	78,906	0.5%	0.3%
SEB Fonder		68,056	68,056	0.5%	0.2%
Holst, Gull May		59,600	59,600	0.4%	0.2%
Other		1,086,985	1,086,985	7.4%	3.5%
Total	1,800,000	12,989,847	14,789,847	100.0%	100.0%

¹ Shareholders as of 31 December 2019, 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	-	-
2019	-	-
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 B SHARES

Holding	Number of owners	Number of B shares	Stake
1-500	3,150	201,954	1.3
501-1,000	185	135,558	0.9
1,001-5,000	144	293,104	1.8
5,001-10,000	14	100,874	0.6
10,001-15,000	7	85,225	0.5
15,001-20,000	5	87,595	0.6
20,001-	20	13,295,690	94.4
Total	3.525	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	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 amounts to SEK 5,33,334, distributed on 16,000,000 shares, of which 1,800,000 shares of class A and 14,200,000 shares of class B. 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

2019 In terms of profit a record year where Traction showed a profit of MSEK 416, equivalent to a net asset value increase adjusted for dividend paid of 16 percent. The return on the active listed holdings amounted to approximately 21 percent and for other listed shares 42 percent, in a generally strong stock market where the Stockholm Stock Exchange rose by about 35 percent. Yet another year with negative interest rates in Sweden and several other countries. This contributed to a continued asset inflation and generally challenging conditions for Traction to find new, attractive investment objects to get involved in as active owner. The holding in WYG Plc was brief and was sold with a good profit in connection with a bid (bid premium of 244 percent) from the American consultancy TetraTech. Proceeds amounted to MSEK 91. Mönsterås Metall filed for bankruptcy, but this did not have negative effect on Traction. Record results in several of the active holdings, such as Drillcon, OEM International and Softronic. Weak development on Hifab, where costs such as recruitment costs burdened the result. Softronics' founder, principal owner and CEO handed over CEO role to Per Adolffsson in January. Peter Andersson was appointed new CEO i BE Group in September. Acquired a major lot of shares (14.2 percent) in the British AIM listed company Driver Group Plc for approximately MSEK 52. Marginal increase in ownership of Nilörngruppen and a small reduction in Duroc. Strong financial position with more than SEK 1.2 billion in the form of cash and interest-bearing investments.

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 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.

2017 In the beginning of 2017 Duroc acquired International Fibres Group with payment in newly issued shares in Duroc. The holding in Waterman Group was sold after a public bid, which for Traction meant a total bid value of just short of MSEK 85 and a profit effect during 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, which significantly contributed to the year's result.



In late autumn Traction acquired all outstanding class A shares in Nilörngruppen, whereby Traction's ownership increased to 66 percent of the votes. Nilörngruppen's share price showed a weak development, whereas the company's operations again delivered record earnings. Hifab Group suffered an unexpected legal loss which compelled the company to float a new issue, which also was underwritten by Traction. New CEOs were recruited for Drillcon and Hifab Group. Both take office in 2016. Banking Automation had a record year. Shares in OEM International, Softronic and Waterman showed a strong development, while BE Group and Hifab Group were a drag on earnings. A major holding in staffing company Proffice was revalued following a public offer from an international player. The holding in Modular Streams was sold. Significant sales of active holdings and a sceptical view of the stock market's valuation levels had the effect that Traction's cash and cash equivalents rose to more than MSEK 900.

2014 Traction turned 40. Traction switched to Investment Entity Accounting, which means that the subsidiaries in Ankarsrum and Nilörngruppen are valued at market rather than being consolidated in the Traction Group. Sold 50 percent of the holding in OEM International after a rising price trend for a long period. As a company, OEM has shown a very positive development since Traction became a part owner in 2009, as has its share price. BE Group floated a new issue, largely underwritten by Traction. The issue was oversubscribed and Traction sold parts of the holding, whereby ownership was reduced to just over 17 percent. BE Group' development was very weak which had a major impact on the result. The holding in Catella was sold. Participated in the underwriting of real estate company Amasten in connection with a preferred share issue. A new chief executive was appointed in

Duroc. An action program was initiated immediately. Ownership in Drillcon and Hifab passed the 50-percent-mark for capital and votes. Ownership in PartnerTech increased to just over 23 percent. Nordic Camping & Resort grew and the share price advanced by 59 percent. Nilörngruppen recorded a revenue increase of 20 percent and delivered all-time-high earnings. In addition to net sales of active holdings and other listed shares, dividends from unlisted holdings contributed an increase in Traction's cash and cash equivalents, and interest-bearing investments to approximately MSEK 600.

2013 Increased ownership in BE Group to 21.7 percent and in Catella to 11.6 percent by acquiring major lots of shares in the beginning of the year. Fastpartner acquired Bricad's holding in Vallentuna Centrum after several years of active development of the property 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. Zitz 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 area. 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

"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."

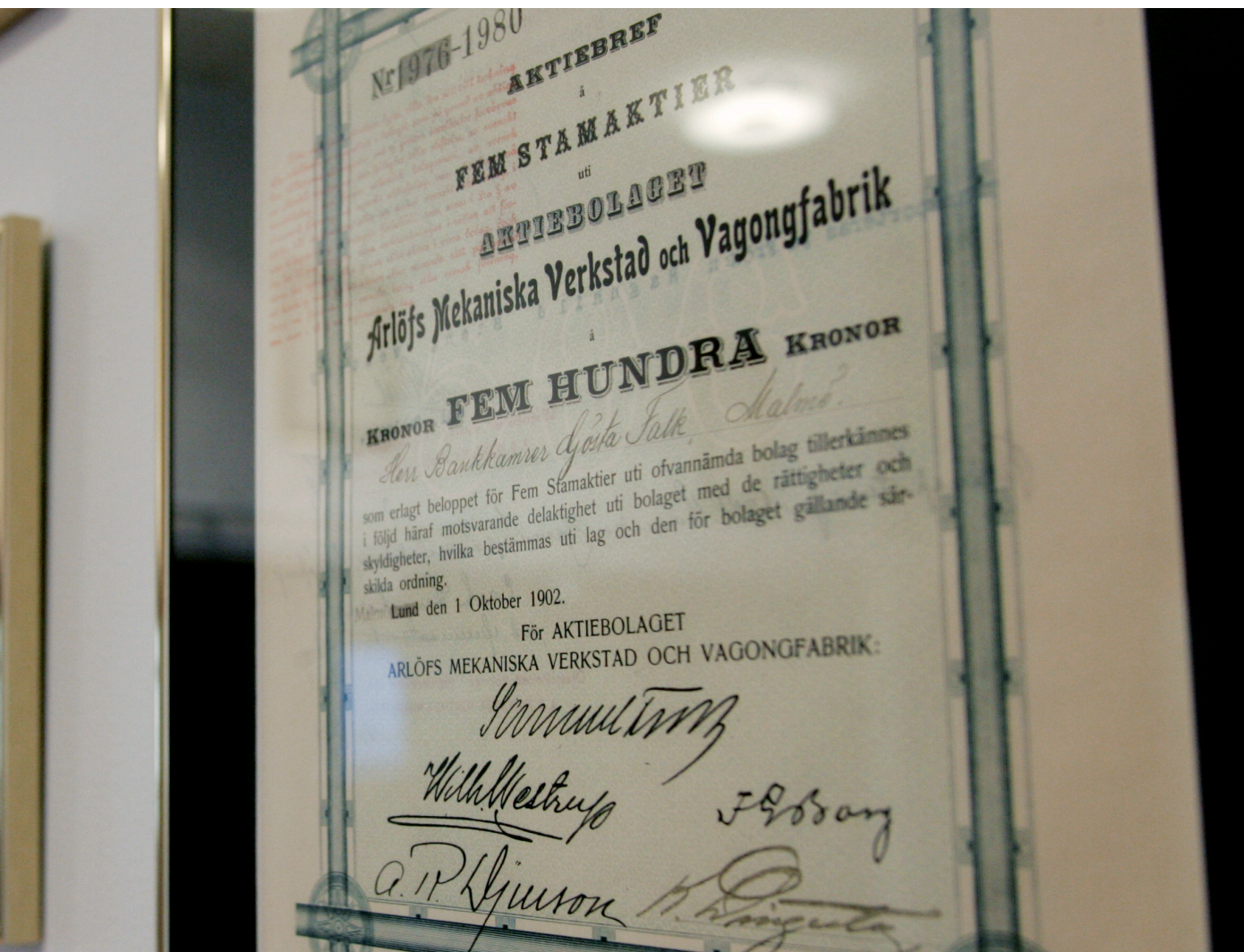
Excerpt from Traction's business philosophy



Traction's history

Traction was started in 1974 by entrepreneur Bengt Stillström as a one-man consultancy with a capital of a few thousand Swedish kronor. Today Traction is a stock exchange-listed investment company with equity of SEK 3.0 billion, while 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/assembly.
- 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.
- WYG, technology consultancy based in Leeds.

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