



TRACTION 2006

Traction in Brief

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The financial statements part of this report is available on the company's website, www.traction.se and at Traction's offices.

This annual report is, in all essential, a translation of the Swedish original. In the event of any discrepancy between the Swedish and the English document, the Swedish original shall prevail.

Traction's operations are based on its own methodology for developing and refining the companies in which Traction is an owner. The primary focus of this methodology is customer relationships, capital flow and risk management. The method has evolved over the 30 years that Traction has been in business. Traction does not focus on specific industries, because our method is based on business acumen, which is applicable regardless of industry affiliation. Traction's role as owner is based on an active and long-term engagement, together with an entrepreneur or corporate management.

Business concept

To apply Traction's business development method in wholly or partially owned companies, thereby generating high returns and value growth

Business philosophy

- We have a long-term approach.
- We are not seeking to build up a corporate group. We work instead with a number of independent companies – our clients – whose value increase will be realised in the longer term.
- Our sphere of activity lies within the general transformation of companies. The requisite technical and industry expertise must be present in the company.
- Our primary objective is to sell management; financing is a secondary priority. It is the combination that is interesting.

Goals

- To achieve average annual growth of shareholders' equity of at least 25 percent.
- To create profitable growth in our wholly owned and partially owned companies.
- To minimise the risk and increase the return on our projects.

Strategy

To achieve Traction's goals, the following are required:

- The ability to choose the right projects, in reality, the right partner – corporate managers.
- Project Managers who can provide corporate managers with the support and complementary expertise they require to carry out the business project.
- Project Managers with varying expertise and background to cover the varying needs of our companies.
- Project Managers with the ability to step in, when necessary, as corporate managers during transitional periods, until a new manager has been appointed.
- Co-operation partners who can act as project manager, director, president and/or joint owner.
- Sufficient financial resources to take on interesting projects.
- Consistent application of our methodology to minimise risk and raise the return on investment.

Exit strategy

It is important to Traction that our companies display long-term growth and earning power. We make our money, not primarily in the form of dividends from the companies, but on capital gains when we sell equity. Our basic tenet is that we regard our ownership as "perpetual", but our shares are, in principle, always for sale at the right price and to a better owner. We define a better owner as an owner that is able to do more for the company than Traction can.

2006 in Brief

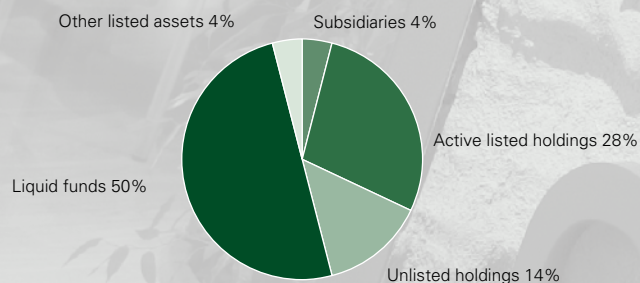
- Profit after taxes amounted to MSEK 175 (310).
- Earnings per share amounted to SEK 10.60 (18.73).
- Shareholders' equity per share amounted to SEK 78 (69).
- The change in value of securities held was MSEK 186.7 (305.1).
- Shares in project companies were sold for MSEK 390 (296).
- Investments in project companies amounted to MSEK 47 (30).
- Tolerans was sold with an earnings effect of MSEK 100.
- Half of the holding in Haldex was sold for almost MSEK 230.
- The Board of Directors proposes a dividend of SEK 1.10 per share (0.93).

Key financial indicators

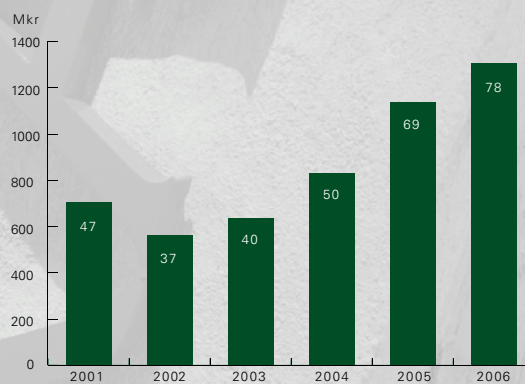
	2006	2005*	2004*	2003*	2002*	2001*
Shareholders' equity per share, SEK	78	69	50	40	37	47
Market price at end of period, SEK	76	60	37	27	26	35
Price/shareholders' equity per share, %	97	87	74	68	71	75
Earnings per share, SEK	11	19	12	3	-8	7
Return on equity, %	15	38	30	9	-17	18
Equity ratio, %	90	88	82	77	77	73
Dividend per share, SEK	1,10	0,93	0,93	0,80	0,50	1,28
Dividend yield, %	1,4	1,6	2,5	3,0	1,9	3,7

*) Adjusted for split 3:1

Allocation of Traction's adjusted equity



Adjusted equity



Numbers denote adjusted equity per share.



CEO

President's Statement

“In the short term we will continue to develop our existing companies and in particular those companies that are not yet profitable.”

Dear shareholders,

By and large 2006 was a good year for Traction. Several of our partially owned companies generated record earnings during 2006. This is the result of multi-year engagement by management and owners, combined with the effects of a strong economy. Companies such as Banking Automation, Swedish Tool, Bricad Holding, RECCO and Softronic reported strong performance. Structural changes and other activities where Traction has been involved during the year occurred in Duroc, where all shares in its subsidiary Impact Coatings and in associated company LRS in Germany were sold. Bricad Holding sold its property in Vallentuna and became 50-percent owner of Vallentuna Centrum AB, which acquired a number of centrally located properties in the Municipality of Vallentuna. Nordic Camping & Sports floated a small new issue and gained a listing on AktieTorget. In January 2007, AcadeMedia acquired NTI (independent schools) and more than doubled its operations. Swedish Tool acquired Wikman & Malmkjell and formed a corporate group with revenues exceeding MSEK 300. In February 2007, it was announced that Duroc had signed a declaration of intent to acquire Swedish Tool/Wikman

Gruppen, and that Thalamus Networks was acquiring P to P IT-Consulting. These acquisitions contribute to increased profitability and create opportunities for continued profitable expansion. Aside from certain synergies, overhead and central costs can be distributed over a larger business, which is an absolute necessity for smaller listed companies.

During 2006 approximately MSEK 50 was invested in new and old projects, particularly in Mandator, where Traction became the largest owner with an 8 percent stake, El och Industrimontage Svenska AB, where Traction acquired 2 percent, and AcadeMedia, where we increased our ownership from 5 percent to 19 percent of equity.

A comprehensive streamlining program was carried out in Ankarsrum Industries. Action taken included a reduction of the number of employees by about 70 persons and certain activities were outsourced. A significant contract in an aggregate amount of approximately MSEK 250 was also concluded by Ankarsrum Die Casting involving production over a ten-year period. Pro-

spects are good for profitable operations going forward, at the same time as we are dissatisfied with the earnings performance during 2006. Structural cost-cutting action was implemented at Gnosjöplast and new investments were made to increase the productivity of the facility. Gnosjöplast also received new orders which bring increased revenue and hence also improved earnings. The challenge is to ensure profitability at these companies also in a scenario where the international economy weakens.

Subsidiary Tolerans and just over half of the holding in Haldex were sold in the beginning of 2006. These and other sales freed up approximately MSEK 400 during 2006. We have maintained high liquid preparedness during the year and we have not allowed ourselves to be put under stress to invest in new active projects on the wrong terms and conditions. Instead, we have allocated a smaller portion of the capital to passive investments in the stock market, especially in large cap companies, thus focusing activities on the existing holdings. After several years of market advances, the risk of a setback is obvious and in the prevailing climate, where valuations assume a continued high level of profit generation, most of the companies listed on Stockholmsbörsen (the Stockholm Stock Exchange) stand out as being fully valued. Several companies have increased the level

of risk in their balance sheets by combining high leverage with a large portion of intangible assets. We feel uncertain as to how the stock market will react when these intangible values prove to be difficult to defend and the banks demand repayments, increased security for loans or equity infusions. This scenario can also be expected for unlisted companies where leverage, especially among private-equity-owned companies, is high relative to the capital base and the size of the business. The stock market tremors that struck in late February illustrate both the underlying nervousness and how quickly values can be erased when the market's confidence begins to waver.

In the short term we will continue to develop our existing companies, with special emphasis on those companies that have yet to show profitability. This requires active efforts and is a job that is always in progress. We have therefore strengthened the central organisation in the beginning of 2007 to allow us to continue delivering active support to existing and newly added entrepreneurs, presidents, boards of directors and other owners.

Stockholm, March 2007

Petter Stillström
President & CEO



Traction's Business

The common denominator for Traction's business is that we apply our own corporate development methodology to all companies in which we become involved. This means that customers, investors, partners and personnel must of necessity sympathise with our philosophy and our approach to business. Because what we sell is our methodology, that's what we make money on, and the commodity our clients buy. If you don't want it, then you should obviously not buy it. We try to be very explicit on this point, because many of those who approach us are ignorant of this fact and have entirely different preconceived ideas. This leads to long and meaningless discussions and, in the worst case, if we fail to be sufficiently observant, to the formation of a partnership where the partners are pulling in different directions.

The primary focus of Traction's methodology is on the following three main areas:

Customer relationships

The direct contact with the company's customers tells the company what it needs to deliver and on what terms. Feedback from the customers enables the company to develop products that are unique and provide optimal solutions to the customer's problems. Identifying customers who could benefit greatly from the products or services provided by the company generates the prerequisites required for achieving high levels of sustained profitability.

The company's business model and strategy must always be subordinated to what the customers want and are willing to pay for. The business model should be seen as a hypothesis that is verified by paying customers. Close co-operation with

the customers creates the potential for the company to shift focus quickly to what actually works in the marketplace.

The possibility of success is at its greatest when the company ensures that it capitalises on every emerging business opportunity and only proceeds with the products and services that customers demand and pay for.

Most successful innovations are propelled by demanding customers as part of a commercial process. It is therefore important to nurture contacts with the customer and never to let the middlemen take command. The company's most important resources are therefore its qualified sales representatives who are responsible for customer relationships and who are able to translate the requirements to the company's other functions.

Capital flow

One additional cornerstone of Traction's methodology is based on a functioning capital flow, achieved by creating revenue before costs. By selling first and buying later, the company can let revenue control the level of costs acceptable to the company. The support of customers and the building of confidence in the company's ability to deliver the promised product/service is a prerequisite for success in this area.

Capital tied up is substantially reduced and the need for financing can also be reduced, at the same time as risks are minimised.

Frequent contacts with the customers give the company hints of how demand changes. This information functions as an "early warning system," affording the company the opportunity to adapt its business and body of costs in line with the new prerequisites.

Risk management

Taking risks is a natural part of all business activity. Which doesn't mean that a company needs to bear all the risks by itself, and there are many ways in which the risks to which the business are exposed can be reduced. Customers, suppliers and other partners who participate in the company's success must naturally also share the risks, or they should be replaced.

The company's core business should comprise those products and services where the company excels and which can form a basis of support for the company's profitability and

expansion. Products and services not part of the core business operations should be outsourced to specialists in these areas, with the aim of reducing operational complexity. If the company is focused on the products and services where it excels, the total business risk will diminish to reasonable levels.

In a forced development process, the risk of the company exposing itself to too many risks simultaneously increases. If different risks are combined, the overall probability for a successful outcome is reduced, and the company's survival is jeopardised thereby. The preferred option is to take one risk at a time, thereby improving control over the risk level to which the company should expose itself.



When reading these principles, they appear to be rather simple and self-evident, but in practice, they can be quite difficult to follow. And then there are those people who are unwilling to follow these principles when they discover the practical difficulties involved. Many believe that it is impossible to follow the principles.

Every time capital is injected into a company, the level of risk rises and profits usually decline. The reason for this is that management's razor-sharp focus on the company's business disappears. It simply becomes less important to get money from paying customers. There is a tendency to go after new ventures; and costs tend to grow with a declining requirement for immediate return. The money burns a hole in the company's pocket, but it is called an investment. Companies are less good at listening to what the customers are willing to pay for when they have their own money to spend. And yet, companies need capital. But it must be injected in moderation and with care. Traction's job is to ensure that our clients nurture their capital usage and at the same time utilise every opportunity for raising external capital.

The most significant aspect of our methodology is that we let the companies develop on the basis of what they have actually succeeded in selling, rather than investing personally in what they believe others will buy in the future. Our heroes are the sales representatives who achieve two key things: they bring money into the company, and they gather information on what is saleable – in principle, on how the products should be developed and designed. Other people's heroes are the people with product ideas who build a company with the aid of a large capital infusion. We are not denying that we need ideas and inventions, but we have learned that they have to be secondary to the things that the customer will actually pay for. When they don't, the experimentation tends to be very expensive. But as we said, each to their own. We feel that we must emphasise, however, that the entrepreneur ends up with a larger slice of the pie using our method.

Traction's methodology in brief

To create income before expenses

- Sell first, buy later.
- Let revenue control costs.
- Cease activities when funds are low.
- Let customers and suppliers finance development.

To minimise fixed costs

- Cover fixed costs by getting orders.
- Convert fixed costs into variable ones.
- Do not invest without secure orders.
- Do not recruit without secure orders.
- Outsource and use consultants.

To control and execute the critical and unique aspects of the business

- Every business has a unique core – guard it jealously.
- Product control.
- Market control.
- Do not allow suppliers and middlemen to take control.
- Stay in direct contact with end customers.
- Nurture the brand name and make sure you own it.

To avoid involvement in those parts of the business where others have more expertise

- All business contains numerous conventional services and skills – there are always other people who specialise in these areas. Use them. But use people who know their business and are strong.
- Reduce the scope of the business to a core operation and expand it later, if possible.

To capitalise on opportunities

- Sell to one customer, then two, then four – not to everyone at once.
- Find customers who will derive massive benefits from the new product and customers who want to try something new – known as "early adopters."
- Try lots of different approaches, make more of what works and quickly stop whatever doesn't work.
- Let the customer's wishes and willingness to pay determine what the company does.

To avoid risks

- Basic business – something to live on when things are sluggish.
- Take one risk at a time, rather than several simultaneously.
- Combine a unique aspect with the conventional ones.
- Let others share the risks – customers and suppliers. Or refrain.
- Only take the risks that the company can afford.
- Borrow for business, not losses.

Traction's Formula

The key to Traction's historically good returns is a combination of a number of different profitability factors. Each factor in itself increases the value and/or minimises the risk exposure in Traction's holdings. If all of these factors are successfully combined, the return on capital infused can be very high. Traction's goal is to systematically ensure that the three most important factors, all of which are components of the model for return shown below, perform well individually, but above all, to create the sought-after combination of factors.

FACTOR 1 ASYMMETRIC RISK PROFILE

Traction's capital infusion in its portfolio companies is relatively low. In part, this is Traction's way of getting paid for its very active ownership, in part it is a function of the implementation of Traction's capital-extensive business methodology in the portfolio companies. This results in a relatively

small capital infusion in each respective project, which in turn means a limited risk, at the same time as a small capital base gives rise to a higher return. All we stand to lose is our stake – but the gain can be many times that stake.

FACTOR 2 GROWTH WITH PROFITABILITY

With Traction as a partner, the goal is always to achieve growth while maintaining profitability. With Traction's participation, it is often possible to accelerate the rate of growth because the entrepreneur/company management has a strong

and competent partner at their side – a partner who, in addition to management support, will bring to the company its experience of different types of change, corporate acquisitions, etc.

FACTOR 3 REVALUATION SITUATIONS

Traction trains a sharp focus on realising changes in the basis for the valuation of its holdings. As examples can be mentioned:

- If a company becomes an attractive buy-out target for an industrial investor, its value can be multiplied many times over.
- If a company becomes listed in a marketplace, the value can be multiplied several times, at the same time as additional capital can be raised, and this, coupled with Traction's methodology, increases the chances for long-term growth.
- When a company suffers acute profitability and liquidity

problems, its value falls drastically. The revaluation profits to be made by those with the courage to accept the challenge of successful reconstruction work are both very rapid and massive.

- The value of under-capitalised companies with a competent management and interesting projects increases if they are given additional capital. And if it is subsequently possible to steer the company to a higher level, the returns can be extreme.
- The drop in value of over-capitalised companies is less than the amount taken out of them.

RESULT HIGH PROFITABILITY

Each of the above-mentioned factors leads to a growth in value. Traction's job is to ensure that all three factors are combined, which leads to high leverage on capital infused. Historically, Traction has demonstrated its ability to combine its work alongside the entrepreneurs with its methodology

and its skilled project managers to achieve a consistently high return over an extended period of time.

Traction's Universe

TRACTION WORKS WITH SEVERAL TARGET GROUPS

Entrepreneurs who:

- Possess the right characteristics, i.e. people who are extremely industrious and resilient, who can get things done, who are simultaneously thrifty and ensure that the customer pays, is satisfied and buys again.
- Are willing to abandon strategic plans in favour of what their external universe (the customer) is willing to pay for, and who are always willing to review their business concept and adapt it on an ongoing basis.
- Believe in our methodology and are willing to work in accordance with its dictates.
- Run or are planning to start companies with the right prerequisites for expansion.

Active partners who in co-operation with Traction:

- Are able to work operatively as project managers, directors or as chief executive.
- Act as an active partner.
- Want to finance a buy-out, a new issue or participate in refinancing the business.
- Believe in our methodology and are willing to work in accordance with its dictates.

Company managements/company presidents/owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out, spin-off or acquisition of businesses, or a change of generations.
- Otherwise need a financially strong owner in conjunction with a major transaction.
- Believe in our methodology and are willing to work in accordance with its dictates.

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 in connection with raising capital.

Business Organisation

Traction's business consists of actively participating in the development of our portfolio companies and assisting them in every kind of situation. The focus is on developing and refining companies, using Traction's business philosophy and approach to entrepreneurship. Traction's central organisation is made up of a group of Venture Managers/Project Managers who are responsible for a number of engagements and who are also charged with the task of finding new projects. Traction also has an analyst who actively oversees the stock market for the purpose of identifying investment opportunities. In addition to its Venture Managers the company has a smaller department for finance and administration. Traction's business organisation also includes a network of co-operation partners who participate actively, or have participated in the development of Traction's associated companies, such as entrepreneurs, owners, directors, members of senior management and financiers.

When necessary, Traction's Venture Managers assume operational responsibility for running the portfolio companies in conjunction with the implementation of change projects. Traction's Venture Managers collectively have a broad competence base, which means that Traction is able to offer expertise in the fields of sales, marketing, organisation, financial control, legal issues, etc. Traction's aim is for each Venture Manager to charge or otherwise generate income for Traction that covers the company's central salary expenses.



Petter Stillström, President and CEO, born 1972, M.Sc. (Business Administration). Worked at Traction since 1999, President and CEO since 2001. Previously worked in corporate finance.



Cecilia Minnhagen, Executive Assistant, born 1963. Worked at Traction since 2006.



Klas Åström, Chief Financial Officer, Venture Manager, born 1959, B.Sc. (Business Administration). Worked at Traction since 2003. Previously worked in senior positions in accounting/finance and corporate finance.



Gunilla Håkansson, Controller, born 1953. Worked at Traction since 2006.



Stefan Engqvist, Analyst, born 1961, B.Sc. (Business Administration). Worked at Traction since 2006. Previously active as analyst, controller and auditor.



Fredrich Dahlman, Venture Manager and President of Thalamus Networks AB, born 1953, B.Sc. (Business Administration). Worked at Traction since 2005. Previously active in leading positions in telecom and international retailing.



Anders Ekborg, Venture Manager and Legal Counsel, born 1968, LL.B. Worked at Traction since 2004. Previously worked for a law firm.



Niclas Handfast, Venture Manager, born 1965, MBA, B.Sc. (Business Administration). Worked at Traction since 2007. Previously active in leading positions in IT and consulting business and in the service sector.



Anders Norlin, Venture Manager, born 1965, M.Sc. (Eng.). Worked at Traction since 2002. Previously worked in sales and marketing issues in the medical technology sector and the graphics industry.



Jan Tidelius, Venture Manager, born 1958, Market economist. Worked at Traction since 2004. Previously worked in senior positions in IT and telecom.



PROJECT PRESENTATION



Listed holdings

Traction is an active major owner in a number of smaller and medium-sized listed companies. We invest in companies where we see a significant revaluation potential and where the risks are manageable. Other involvement in listed companies can be that we underwrite equity offerings in companies in need of new capital and where we see a potential for good returns. Traction has been an owner in several of the companies listed below before they became publicly listed and we participated actively in their respective processes of going public. Please also refer to Traction's ownership policy for further information on our approach to ownership in listed companies and the distribution of roles between owners, Board of Directors and corporate management.

ACADEMEDIA AB

AcadeMedia is a consulting and education company in the business of developing people and companies. AcadeMedia provides interactive knowledge solutions and training in several areas, including IT, Media Technology, Service, Tourism, Project Management, Sales and Finance. Training operations are assembled in business area AcadeMedia Eductus, which offers training solutions to the labour market, rehabilitation training, vocational training and adult education and change-over training for career shifts.

Consultancy operations are conducted in AcadeMedia Learning Consulting and Reagens Simulation for e-learning

and simulation where the company delivers customised solutions that contribute to the customers' processes, in areas such as product roll-outs, personnel introduction programs and information security.

AcadeMedia also has a 70-percent interest in spin-off project Recall, a supplier of technology for distribution of digital media.

In January 2007 AcadeMedia acquired training company NTI, one of Sweden's leading players in independent secondary schools and adult education. With this acquisition AcadeMedia becomes Sweden's largest listed training company in terms of volume, materially strengthening its position as one of

the largest in the industry. In 2006 pro forma revenues amounted to MSEK 481 and the operating profit was MSEK 50.

AcadeMedia is traded on Stockholmsbörsen (Small Cap list). Further information about AcadeMedia is available in the company's official annual report and at www.academedia.se.

KEY FACTS 2006

Revenue MSEK 222
 Traction's stake 19%
 (votes 28%)
 Held since 1994
 President Marcus Strömberg

DUROC AB

Duroc delivers products and services based on material and surface treatment technology to industrial companies with high demands for quality and reliability. Duroc's core business is to develop and advance businesses whose business concept and products can be refined on the basis of the Duroc technology. Material properties can be optimised with respect to wear, friction, corrosion and strength using the Duroc method. The Duroc technology offers flexible and customised solutions where material properties can be optimised in each part of a component. A tool, for example, can be made of simpler and less expensive raw material, in combination with Duroc treatment of the surface for shaping high-tensile steel plate. Performance improvements are achieved by Duroc treatment of valves and shafts for nuclear plants and the process industry. Duroc's methods are highly automated which makes for a high degree of repeatability in production.

Components with optimal performance create major customer and environmental benefits in the form of, for instance, less need for maintenance, greater accessibility, better profitability and reduced consumption of environmentally undesirable substances.

Duroc is divided into a number of business areas: Duroc Engineering delivers Duroc-refined products and complete solutions, mostly to the power and process industries. Duroc Tooling manufactures components and sheet-metal-forming tools and provides Duroc treatment of sheet-metal-forming tools. Duroc Rail delivers maintenance of railway wheels to the railway industry. Micor (previously named Swedish Saw Blades) sells products for industrial disjoining, chiefly to the sawmill industry.

During 2006 Duroc sold all its shares in Impacts Coatings at a substantial gain. Duroc Rail's associated company in Germany was also sold. In February 2007

Duroc signed a declaration of intent to acquire all shares outstanding in the newly formed industrial trading group Swedish Tool Holding AB, containing businesses Swedish Tool and Wikman/Tool Center. The Swedish Tool Holding group's revenue on a pro forma basis amounted to MSEK 304 and the operating profit was MSEK 22.

Duroc is listed on the Stockholm Stock Exchange (Small Cap list). Further information about Duroc is available in the company's official annual report and at www.duroc.se.

KEY FACTS 2006

Revenue MSEK 199
 Traction's stake 17%
 (votes 30%)
 Held since 1993
 President Erik Albinsson

EL & INDUSTRIMONTAGE SVENSKA AB

El & Industrimontage is a strong partner in small as well as large assignments in its areas of operation, which are automation, power technology, installation, service, telecom and security. Thanks to manufacturer independence and high technical competence, El & Industrimontage is one of the fastest growing entities in Sweden in the industry segment of technical installation. El & Industrimontage's strength lies in its

ability to assume full responsibility and package solutions that include everything from assembly, delivery of equipment, design, planning and project management.

El & Industrimontage is traded on the First North list of the Stockholm Stock Exchange. Further information about El & Industrimontage is available in the company's official annual report and at www.eiab.com.

KEY FACTS 2006

Revenue. MSEK 950
Traction's stake 12%
Held since 2006
President Olle Backman
Chairman/Principal owner
. Rolf Tannegård

HALDEX AB

Haldex is focused on vehicular products that improve safety, the environment and driving characteristics. Haldex supplies in-house developed systems and components world-wide and is active in four technology and business areas:

Haldex Commercial Vehicle Systems

Compressed-air-based braking and suspension systems for heavy vehicles. This business area is organised in four product divisions. Air Management focuses on generating and managing the system's compressed air. Brake Controls concentrates on the subsystems that regulate the vehicle's behaviour in braking situations. Foundation Brake specialises in wheel brake products that achieve the actual wheel braking effect. Friction Products, which works with the friction materials on brake pads.

Haldex Traction Systems

Haldex was the first to introduce an electronically controlled all-wheel-drive system in the market, providing better stability and hence increased safety in various driving situations. The first deliveries began in the autumn of 1998 and Haldex has rapidly achieved a leading position in the electronically controlled all-wheel-drive system segment.

Haldex Hydraulic Systems

Hydraulic power systems and components for off-road vehicles and trucks. Customers are the world's various manufacturers of forklift trucks, construction equipment, mobile work platforms, trucks and diesel engines.

Haldex Garphyttan Wire

Special spring wire for combustion engines. Customers are the world's manufacturers of springs for engines and certain engine manufacturers.

Haldex is listed on the Stockholm Stock Exchange (Mid Cap list). Further information about Haldex is available in the company's official annual report and at www.haldex.com.

KEY FACTS 2006

Revenue. MSEK 7,890
Traction's stake 5%
Held since 2000
President Joakim Olsson



MANDATOR AB

Mandator is an IT consultancy that improves its customers' competitiveness through technology stability and enhanced internal and external efficiency. The company delivers qualified competence in the fields of IT and telecom. Mandator's prioritised sectors are industry, telecom and public sector. Mandator has approximately 500 associates in four countries. The largest number of locations is in Sweden with seven. The company is also active in Denmark, Estonia and the United Kingdom. Mandator's Estonian subsidiary offers high IT competence at a competitive price. The Nearshore project is good for cost-effective outsourcing of systems development,

validation and testing. The company has long been one of the foremost IT companies in Estonia.

Mandator was founded in 1982 and listed on the Stockholm Stock Exchange in 1997. The group grew strongly and during the 2000–2003 operated under the name Cell Network. Operations were restructured when the market for IT and Internet collapsed in the beginning of the 2000s. The market stabilised during 2004 and the company again expanded in selected sectors. Expansion continued into 2005 at the same time as profitability improved. Mandator is today a successful IT consultancy company with its base in the Nordic Region and the Baltic States.

Traction is Mandator's largest owner since the spring of 2006.

Mandator is listed on the Stockholm Stock Exchange (Small Cap list). Further information about Mandator is available in the company's official annual report and at www.mandator.se.

KEY FACTS 2006

Revenue MSEK 493
 Traction's stake 8%
 Held since 2006
 President Katarina Mellström

NILÖRNGRUPPEN AB

Nilörn is today a leader in Europe in labels, with knowledge and experience from label production for more than a century. The company has offices and production facilities in Sweden, Denmark, France, Switzerland, Germany, Belgium, England, Portugal, Hong Kong and India.

Nilörn's business concept is to design, manufacture and sell labels and label programmes for the fashion and apparel industries. Via its subsidiaries and co-operation partners in Europe, Nilörn has earned a strong position in the label sector. In total, Nilörn manufactures approximately 10 million labels per day, of different sizes and types.

Nilörn offers a full-coverage "label package" with emphasis on profiling and graphic identity. The product line includes all types of marking: woven textile labels, printed paper labels, printed textile labels, etc. Nilörn strives to increase its competitiveness by offering services to its customers including design resources as well as logistics systems that guarantee reliable and prompt deliveries. Nilörn is also one of the leading companies in the label industry in developing modern and efficient IT systems. Such systems, both internal and external, are used in conjunction with design, production, marking of goods, monitoring of deliveries and communication.

Nilörn is listed on Stockholmsbörsen (Small Cap list). Further information about Nilörn is available in the company's official annual report and at www.nilorn.se.

KEY FACTS 2006

Revenue MSEK 278
 Traction's stake 11%
 (votes 19%)
 Held since 2005
 President Stefan Tingström

NORDIC CAMPING & SPORTS AB

Nordic Camping & Sports (NCS) has as its business concept to develop camping sites and youth hostels under a common brand name/concept. NCS currently runs camping operations in several locations in Sweden. Camping sites are operated in Vingåker, Enköping, Söderhamn, Östersund, Stockholm/Värmdö and two youth hostels along Göta Kanal. A new issue in the amount of MSEK 3 was floated during the year in the interest

of broadening ownership in preparation for a public listing of the company. The company was listed in November 2006. The company's ambition is to establish a chain of camping facilities with nationwide coverage. NCS is an entrepreneur-run company in which Traction since the spring of 2005 is one of several active part owners.

NCS is listed on AktieTorget. Further information is available in the company's

official annual report and at www.nordiccamping.se.

KEY FACTS 2006

Revenue MSEK 14
 Traction's stake 23%
 Held since 2005
 President Tom Sibirzeff



SOFTRONIC AB

Softronic is an IT and management company with a business concept of improving its customers' operations with the latest in information technology through long-term partnership. Softronic has an all-encompassing approach to change which means that the company can support its customers in everything from strategy to structure, including organisation, processes and IT. The group consists of specialised companies, each of which strives to be a leader in its special area of competence. Softronic's IT partnership business has more than 20 years of experience of deli-

ivering mission-critical IT solutions with modern technology and high quality. Softronic assumes total responsibility, from need analysis and development of mission-critical solutions, to implementation and operation. Brokerage and insurance, transportation, forwarding and logistics, member organisations, retailing, telecom, public administration and schools are just some of the areas where Softronic is active. Subsidiary Consultus is one of Sweden's leading consultancies in Change Management – leading companies through periods of transformation.

Softronic is listed on the Stockholm Stock Exchange (Small Cap list). Further information about Softronic is available in the company's official annual report and at www.softronic.se.

KEY FACTS 2006

Revenue.	MSEK 223
Traction's stake	17% (votes 10%)
Held since	2001
President	Anders Eriksson

THALAMUS NETWORKS AB

The Thalamus Group offers advanced data communications solutions that support and render customer operations more efficient. Subsidiary Fiberdata Integration plans, designs, builds and services complex networks. Thalamus Operation offers operation, service and customer support, primarily for advanced networks operated by municipalities, towns and housing and energy companies. Thalamus Operations owns and operates the metropolitan area network in Ängelholm. Business is also conducted in Trelleborg through Fiberdata Installation, a company that installs and

maintains high and low current facilities in and around Trelleborg.

In February 2007 Thalamus Networks acquired the Stockholm-based IT company P to P IT-Consulting. P to P offers companies and organisations qualified IT services for operation, design and management of customer IT environments. P to P had 2006 revenues of MSEK 76 with n operating profit of MSEK 8.7. This acquisition broadens Thalamus' service offerings to major network owners and their customers.

Thalamus Networks is listed on the Stockholm Stock Exchange (Small

Cap list). Further information about Thalamus Networks is available in the company's official annual report and at www.thalamus.se.

KEY FACTS 2006

Revenue.	MSEK 221
Traction's stake	33% (votes 30%)
Held since	1997
President	Fredrich Dahlman

Unlisted holdings/Venture (ownership < 50%)

In Traction's unlisted projects we cooperate with entrepreneurs who are large owners in their companies. The business concept is – as partner to these entrepreneurs – to develop growth companies. With Traction as a business partner the entrepreneur is able to generate the prerequisites for profitable growth.

We contribute to the development of the company and then sell our stake – preferably together with the entrepreneur – and then – hopefully – realise a healthy profit. The entrepreneur consequently does not make a profit when we move in – they “buy” us in. Several of the companies involved in Traction's current venture engagements are led by a hired CEO, because Traction's partner no longer has an operative role of this nature.

In certain projects Traction works with other active owners, at the same time as operations are led by a president who is not a significant owner of the company. The simple way to describe Traction's role as that of an organised business angel operation where we also co-operate with individual business angels who want a partner.

BANKING AUTOMATION LTD

Banking Automation is a British company that develops, designs and manufactures self-service deposit machines – a sort of reverse ATM – and change machines, primarily for banks but also for transport companies, shopping malls and the like. The machines are placed both as free-standing units within the bank's premises and as “in-the-wall” machines that open to the street, and in unmanned bank branch offices. Banking Automation was

founded in 1984 and has an installed base of over 9,000 units with clients that include the leading financial institutions. Sales are via a well-developed network of agents. Profit in 2006 was the highest ever. New product variants and strong demand, both from British and international customers, contributed to rising sales and good profitability.

Additional information about Banking Automation is available at www.banking-automation.com.

KEY FACTS 2006

Revenue MSEK 122
Traction's stake 45%
Held since 1986
Managing Director David Tew

BRICAD HOLDING AB

Bricad Holding is the parent company of a group of companies with operations focused on:

- Owning, developing and managing industrial and office properties, especially in the Vallentuna. During the year Bricad Holding formed a jointly owned (50/50) company, Vallentuna Centrum AB, together with GE Real Estate. Vallentuna Centrum has acquired a number of centrally located properties from the Municipality of Vallentuna and Bricad's property in Vallentuna, which thereby has become

considerably enhanced. The company will develop Vallentuna Centrum further by additional construction of commercial premises as well as a swimming hall for the public.

- Dealing in machinery and equipment for the engineering industry by being the largest owner in Swedish Tool with a stake of approximately 45 percent (refer to separate project description).
- Investing in companies with good development potential and where strong entrepreneurship exists, e.g. Bwell AB where Bricad is a founder and part owner with a stake of 46

percent. Bwell helps to develop companies' staff welfare schemes with firm and concrete action and offers. Refer to www.bwell.se.

More information about Bricad Holding is available at www.bricad.se.

KEY FACTS 2006

Traction's stake 47%
Held since 1997
President/Entrepreneur/Principal owner Bo Richter



GEODYNAMIK AB

Geodynamik develops and markets machine-integrated systems that control the compaction of soil and asphalt paving. The compaction process is faster, simpler and more efficient, and the result

is documented, which allows quality to be assured. Traction has been a joint owner since 1983.

Further information about Geodynamik is available at www.geodynamik.se.

KEY FACTS 2006

Traction's stake 20%
 Held since 1983
 President . . . Carl Bertil Pettersson

HIFAB GRUPPEN AB

Hifab is Scandinavia's largest independent consultancy firm in construction project management. Operations are nation-wide and international in some twenty countries, much of which in development projects in the areas of infrastructure, rural development, environment, geotechnology, procurement, institutional development, training, social development and health care.

HifabGruppen consists of five business areas: Stockholm, Region, Miljöteknik, Hifab International and

Netcom. Hifab, which was founded in 1947, traces its origin to the construction industry. International aid projects were added during the 1970s and during the 1990s new sectors were developed such as infrastructure, energy, environment, water, IT and telecom.

Traction owns 47 percent of Edilen AB, which owns 62 percent of the shares in Hifab. In addition hereto, Traction owns a convertible which fully converted will raise Traction's ownership stake to 67 percent in Edilen.

For more information about Hifab reference is made to www.hifab.se.

KEY FACTS 2006

Revenue MSEK 381
 Traction's stake
 (indirectly and upon full conversion) 43%
 Held since 2005
 President/Part owner Jan Skoglund

RECCO AB

RECCO® is a life-saving system used by more than 500 life-saving organisations world-wide as an effective aid in locating avalanche victims. RECCO is based on radar technology, which allows for rapid and exact locating of victims. The system is comprised of two parts and consists of RECCO detectors used by



organised rescue groups and RECCO reflectors attached to the ski boot or built into skiing equipment, such as clothing, helmets and ski boots. The reflectors require no knowledge to be used, nor are they dependent on a supply of electrical power. Even though there are similarities with active emergency transmitters, the RECCO system is not intended to be a self-rescue system or an alternative to using an emergency transmitter. The system is not in the way of other rescue methods, such as dogs or emergency transmitters for instance. Instead the system functions as a complement to other systems. The RECCO system allows much faster organised searching for vic-

tims and gives skiers and snowboarders one more chance of being saved in time. The RECCO system is established at all skiing resorts of distinction in the world, now about 350 locations. Further information about RECCO is available at www.recco.com.

KEY FACTS 2006

Revenue MSEK 50
 Traction's stake 49%
 Held since 1988
 President/Entrepreneur/Principal owner Magnus Granhed

SIGICOM AB

Sigicom develops and markets field measuring systems for unmanned surveillance of environmental disturbances from construction and contracting projects, traffic and industry. The systems send automatic measurement data with intelligent communication to a central database. Customers are major and

smaller consultancy firms who perform measuring assignments in construction technology, vibration, noise, geotechnology and environmental technology. The market for unmanned environmental surveillance is expanding rapidly.

Further information about Sigicom is available at www.sigicom.com.

KEY FACTS 2006

Traction's stake 12%
 Held since 1997
 President/Entrepreneur/Principal owner. Christer Svensson

SMA MASKIN SVERIGE AB

SMA Maskin is active in the area of materials handling. The company's primary focus is on sales, service and maintenance of trucks. SMA Maskin's service organisation consists of some 50 service technicians covering large parts of the country. Today the company operates service and maintenance shops at companies such as SKF, Stora Enso, Perstorp

and others. The company is general agent for Hyster, which is one of the world's largest truck brands with a complete line of trucks with a lifting capacity from 1 to 52 tons. Hyster is a unit of the American listed Nacco Group.

More information is available at www.smamaskin.se.

KEY FACTS 2006

Revenue. MSEK 90
 Traction's stake 42%
 Held since 2004
 President Mattias Källemyr
 Principal owner. John Wallmark



SWEDISH TOOL AB

The Swedish Tool Group markets and sells a complete line of machines such as CNC-controlled lathes, milling machines, multi-operation machines, edging presses, grinding and special machines, as well as tools and accessories for the Swedish engineering industry. The group has a number of agencies for major international makers in the fields of machining and reshaping processing. In addition to related services, training and product optimisation, the group

also offers constructive financial services. The company had a very positive development during 2006 and gained market shares. Thanks to a merger with Wikman-gruppen (the transaction closed January 1, 2007) the group will be the third largest supplier in its industry. The company also established additional companies in the Baltic States and is now represented in all three of the Baltic States with a very positive development.

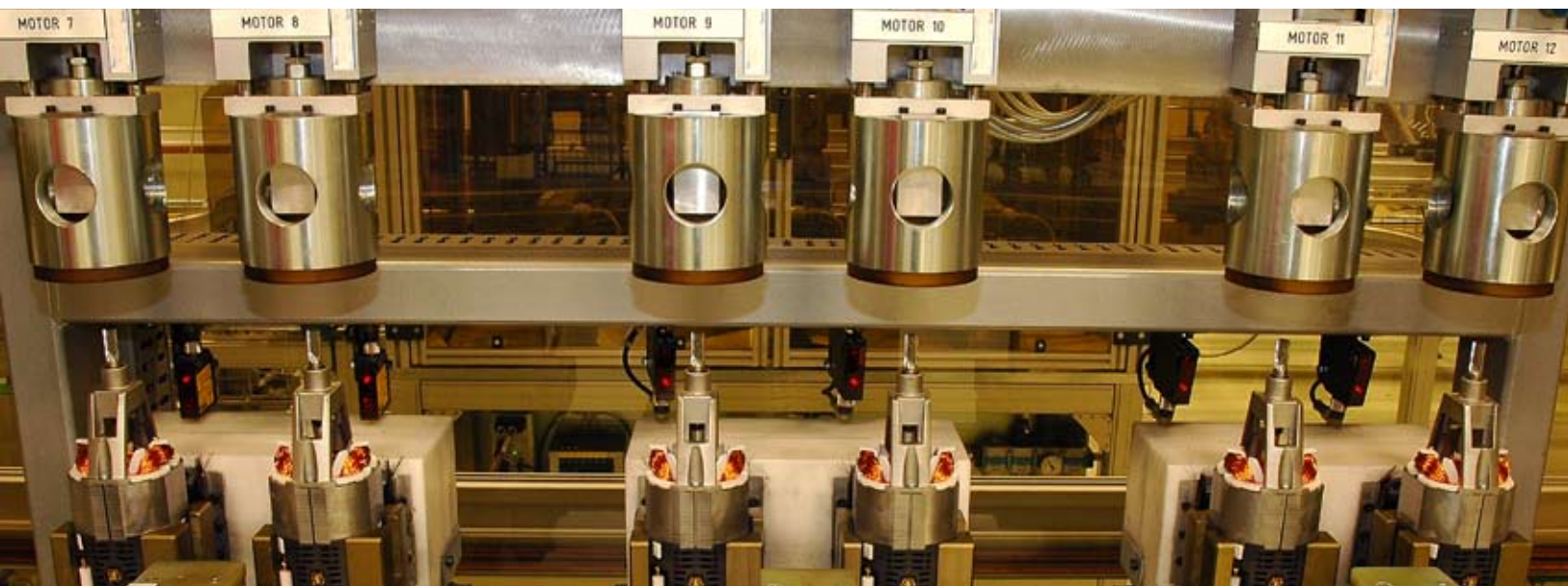
Further information about Swedish Tool is available at www.swedishtool.se.

KEY FACTS 2006

Revenue. MSEK 183
 Traction's stake 29%
 Held since 1997
 President/
 Part owner. Jürgen Engelbrecht

Subsidiaries

Traction's subsidiaries normally require more work by Traction than listed companies and venture engagements, where we have an active entrepreneur who assumes the primary responsibility for operations. Our subsidiaries are usually turn-around projects, reconstructions, management buy-outs/buy-ins, or similar situations. Our principals can be banks, reconstruction specialists, major companies, "old" owners or management. The chief executive is usually an employee, but often participates in incentive programmes/bonus systems. Just like other projects, our work is based on Traction's business methodology and approach to entrepreneurship. Basically, Traction uses the same model for all investments, but the relationship with management differs significantly when the primary responsibility rests with us.



ANKARSRUM INDUSTRIES AB

The Ankarsrum Industries Group consists of two operating areas: Ankarsrum Motors and Ankarsrum Die Casting.

Ankarsrum Motor is today one of the leading independent producers in Europe of medium-size electric motors. The company develops, markets and produces AC and DC motors. Most customers are active in the household appliance, vehicle and welding equipment industries.

Ankarsrum Motors commands a world-leading position as a supplier of electric motors to the welding industry. The company's production of DC motors is characterised by customised solutions for customers with high

demands for quality in the end products.

In AC motors the market is characterised by a small number of large-volume customers and by relatively severe pricing pressures and competition from mostly Asian manufacturers. During 2006 and the beginning of 2007 Ankarsrum attracted new customers who in coming years should increase capacity utilisation at the company's highly efficient motor line significantly.

Ankarsrum Die Casting makes a variety of cast products in aluminium and zinc. The company concluded several agreements during 2006 with a leading European supplier in the auto industry. Combined with a growing

volume of new assignments from existing customers, this has prompted significant investments in highly efficient production equipment. Customers are found in, among other, the vehicle and household appliance sectors.

Further information about Ankarsrum Industries is available at www.ankarsrum.com.

KEY FACTS 2006

Revenue	MSEK 172
Traction's stake	100%
Held since	2001
President	Trevor Fenlon

GNOSJÖPLAST AB

Gnosjöplast, located in Gnosjö in Småland, is a processor of different types of plastics through the two manufacturing methods injection moulding and blow moulding. Production is dominated by air ducts, advanced containers and other products for the auto industry and other manufacturers. Gnosjöplast has a total shop area of 15,000 square metres, some 80 employees and a fleet of large-capacity machines, both for injection moulding and blow moulding.

The company's injection moulding machines have a clamping force of between 300 and 1,600 tonnes. When it comes to

blow moulding, conventional as well as three-dimensional, Gnosjöplast can produce article volumes from 0.5 to 1,500 litres. Efforts are continuously ongoing to expand the customer base and to render production more efficient through automation and operational streamlining.

Several new delivery contracts were concluded during the year with, among other, Scania and Volvo Trucks.

During 2006 a new fully automatic injection moulding machine with a clamping force of 1,500 tonnes was installed. Orders have been placed for four additional injection moulding machines with

clamping force capacity of between 400 and 1,100 tonnes for delivery in 2007. These investments will improve the company's delivery precision and profitability in the years to come.

Further information about Gnosjöplast is available at www.gnosjoplast.se.

KEY FACTS 2006

Revenue	MSEK 98
Traction's stake	100%
Held since	2001
President	Roger Polep



Traction's history

Traction was started in 1974 by Bengt Stillström as a one-man consulting company with a capital of a few thousand kronor and is today a listed investment company with a market capitalisation of approximately SEK 1.3 billion. What has happened since the company started and until today? The story can be told in many dimensions.

Traction's service has always and still is to participate in the development of companies. We have been involved in the unusual events in the evolution of companies. By this we mean everything but the day-to-day work in companies.

It has mostly been a matter of how to exploit new ideas and

Over the years some clients have become larger and of longer duration than others. Some have been more visible externally than others. The economic outcome also varies widely. A few examples:

Entrepreneur Leif Lundblad had already before Traction was established engaged Bengt Stillström as temporary chief executive for a couple of his companies. The co-operation continued for about ten years, during which time Inter Innovation was built as a company. The company developed a bank note dispenser that was sold to banks, directly and via large data companies. Much of Traction's business philosophy was developed



how to save businesses that are not functioning well. In pursuit of such activities we have developed a business philosophy that we know works. This business philosophy is our instrument and guideline. You could also say that it has become our product or our base of collected experience. Read more about this elsewhere in the annual report.

Aside from the adaptation itself, new sales, the development and the production start for new products, the unusual events have included and involved the purchase and sale of companies, reconstruction, reorganisation, recruitment, financing, co-operation and international expansion. We have assisted entrepreneurs and chief executives and tried to complement them, making us strong together. Among our associates we have had people with different backgrounds, in sales and technology, law and finance in order to cover the entire field with such a broad approach. In several cases we have had to step in as temporary chief executives. We call our service Venture Management.

At the outset our customer base was small business owners and entrepreneurs. Larger companies and banks then came into the picture, primarily in the segment of saving troubled businesses. In recent years we have also taken positions in listed companies

and tested during this time. Inter Innovation grew by leaps and bounds, at the peak by 100 percent for two consecutive years, only to grow by 200 percent per year for another two years. A large production company was also acquired at this time. All this occurred with full financial control without external venture capital, something which was regarded as impossible. The company evolved into an internationally active enterprise. Bengt was chairman of the board, at times also with executive powers.

Jan Nordlund was an entrepreneur with several companies in the data area. Traction was involved for about 25 years, from the mid-1970s. CMA Computer marketing grew together with partner Berndt Ohlén to sales of SEK 1.5 billion, primarily in the field of computer leasing. The company was highly profitable, but the whole industry collapsed. CMA acquired the remains of several of its colleagues and was the only major company that survived. The two partners compensated for the downturn in renting out mainframe computers with other computer business in a very skilful manner. Bengt was chairman of the board for many years and presided over many negotiations to acquire and sell companies in the group.

Jonas Kämpe ran an antenna company, Allgon Antenn. In 1984 Traction became engaged as a part owner and the company was reorganised and placed its bets on the future success of mobile telephony. Allgon rode the wave and developed into a large international company that we took public. Growth and profitability was very good and Traction sold its holding in 1993, after about 10 years.

The need for capital infusions in the companies we categorise as venture projects and turn around situations are rarely particularly large. With a larger pool money under management, we were therefore able to begin taking larger positions in publicly traded companies. In these situations our involvement in the development and change is less labour intensive.

The first major investment was JP Bank. After a few years and some changes, we sold our stake to a pair of independent savings banks. In the mid-1990s we were also engaged in Kjessler & Mannerstråle, a medium-sized technical consultancy. Several other consultancy firms were acquired and a laboratory business was spun off. An industry colleague, J&W, made a bid for the company and we sold the holding.

At the end of the 1990s we launched several of our venture projects on the stock market, among them AcadeMedia, that we had started ourselves, Thalamus Networks, which was initially a subsidiary of AcadeMedia and Duroc. Traction was also brought public in 1997.

Among other projects that have been large, profitable, of a long-term nature and/or significant can be mentioned Banking Automation, an English company that makes deposit machines for banks, Eska Komponenter, an attempt to restructure the Swedish foundry market, Standard Radio, communications radios, RECCO, systems for locating avalanche victims, Centrum Invest, consultancy and development company for shopping centres, Tolerans, rotary staplers for tabloid newspapers, Svecia, screen printing machines, Maxitech, thick film hybrids, Gnosjöplast, Ankarsrum Industries, electric motors and light metal casting, EasyT, internet travel agency and software, Bricad, property development, Swedish Tool, machine tools, JC, clothing store chain, Haldex automotive components, Hifab, project management.

The list of projects may seem incongruent, but we try to focus on our service: to deliver participation in the development of companies aided by our business philosophy, to skilful entrepreneurs and chief executives.

Some of the projects have become very profitable for us and our partners. Unfortunately, we have also failed on a number of occasions. What has proven to be particularly difficult is to save companies that have lost their course.

On an aggregate basis we have done extremely well. By 1994 we had made MSEK 140, MSEK 110 was returned to the shareholders. During 1997 we raised MSEK 90 from new sharehol-



The 1999-2000 period was hectic times and the stock market pushed up the value of companies to astronomical levels. We saw no other way than to sell as much as possible and float new issues in the listed companies. For us this turned out very well, but many companies became overcapitalised and we, too, were unable to fend off some bad deals.

Underwriting – or new issue guarantees – became a new service with projects such as Know IT, Softronic, Biophausia, Nextlink, where we also became part owners.

ders. We have distributed MSEK 98 since and have approximately MSEK 1,300 in visible equity at year-end 2006.

The business model at the outset was that of a consultancy shop, with payment for time spent, and developed into also being a partner for entrepreneurs – becoming part owners, working for performance fees, and in due course also investing our own money, granting loans and underwriting.

Corporate governance

Since year 2000, AB Traction (publ) is a public company with its registered office in Stockholm. Traction is listed on Stockholmsbörsen (Small Cap list). Corporate governance in Traction is founded on the Swedish Companies Act, the listing agreement and other relevant rules and recommendations for stock market companies in Sweden. The articles of association establishes the Company's business orientation, its name, its registered office, the size of the Company's share capital, etc.

Traction is listed on the Stockholm Stock Exchange, but does not currently apply the Swedish Code of Corporate Governance. Traction is not required to adhere to the code since the market capitalisation is less than 3 billion kronor.

Composition of the Board of Directors

Independent directors are included in accordance with the requirements of Stockholmsbörsen. The following Board of Directors was re-elected at the regularly scheduled 2006 Annual Meeting: Jan Andersson, Bengt Stillström, Petter Stillström and Pär Sundberg. Bengt Stillström was elected to serve as Chairman at the following statutory Board of Directors meeting. A more detailed presentation of the Board of Directors will be found elsewhere in this annual report.

Rules of procedure for the Board of Directors

The Board of Directors is responsible before the shareholders for the Company's organisation and management. It is the duty of the Board of Directors to monitor the Company's and the Group's financial situation on an ongoing basis. It is incumbent upon the Chairman to lead the work of the Board of Directors and to ensure that the Board of Directors fulfils the duties placed upon it by the Swedish Companies Act and the Articles of Association. At the statutory Board of Directors meeting the Board of Directors of Traction annually adopts rules of procedure with instruction on the division of duties between the Board of Directors and the President, and instructions for financial reporting. Notice is given to the Board of Directors to hold at least four regular meetings in addition to the statutory meeting. The meetings are to be co-ordinated with the schedule for financial reporting and the Annual Meeting. If and when the situation so requires, the Board of Directors will be called to meetings additional to the regularly scheduled meetings. The auditor participates in the Board of Directors meeting when the Annual Accounts are presented, at which time observations made in the course of the audit are presented.

Report of the Board of Directors work 2006

During the year the Board of Directors consisted of five directors with no alternates. The Company's Board of Directors held five meetings during the year at which minutes were taken. Recording secretary at the meetings was the Company's Chief Financial Officer, Klas Åström. In addition, the directors have had continual contact with the Company's President. Issues dealt with at the meetings at which minutes were taken were those prescribed by the rules of procedure, such as the business situation at the project companies, results and financial position, interim reports and annual financial statements as well as major capital expenditure projects.

Election committee

Traction has no formal election committee.

Suggestions for Board of Director candidates and views regarding the composition of the Board of Directors, may be submitted to the Chairman of the Board of Directors, Bengt Stillström.

Audit and internal control

The Board of Directors has the overall responsibility for the Company's internal control. This is aimed at securing the shareholders' investments and the Company's resources, and ensuring that appropriate accounting records are prepared and that the financial information is reliable. It is the duty of the Board of Directors to assist management in identifying and evaluating the major risks that the Company's business entails.

An external auditor is appointed by the Annual Meeting for a period of four years. Anders Roos was elected by the regularly scheduled Annual General Meeting 2003 and Peter Gadsjö was elected deputy auditor, both from SET Auktoriserade Revisorer. The Board of Directors has not appointed a separate audit committee as the Board of Directors in its entirety constitutes an audit committee.

Ownership policy for listed companies

Below is a summary of Traction's ownership policy for listed companies. Traction's ownership policy for unlisted companies in which we have a partner is also governed by a partnership relationship.

- A company shall always be run on behalf of its owners and to afford the maximum possible return for those owners.
- Major shareholders should be represented in the company's Board of Directors.
- A principal owner has the ultimate responsibility and the authority to initiate changes to operations, business concepts, the company's management, the composition of the Board of Directors, major transactions and acquisitions.
- A principal owner should consult with other major owners and explain the owners' intentions to the Board of Directors and corporate management, and ensure that suggestions for new board members are presented.
- The Board of Directors and management shall also gather and embrace the intentions of the owner and work in line with the specified orientation.
- Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
- The Chairman of the Board of Directors or the principal owner must gain 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 participation in the management of the company.
- In the absence of a principal owner, the major owners should consult and formulate a form of corporate governance to compensate for the lack of a principal owner.
- In the absence of a principal owner or group of major owners who take responsibility, it shall be incumbent upon the Chairman, with the aid of the Board of Directors, to compensate for the lack to the best of his or her ability.
- The Board of Directors should be composed of persons with large personal shareholdings and other persons who can contribute to the development of the company, and who have the time to be actively involved.
- The composition of the Board of Directors should be such that it includes numerous different skills, fields of experience and contact interfaces.
- Traction wants to see a business-like and active Board of Directors, that knows its company and its business environment well, and that can complement and support the Chief Executive. The Board of Directors shall make critical decisions regarding the company's strategies, orientation, major transactions and other significant events.
- The Board of Directors shall exercise effective control over the company's finances, risks and opportunities. The Board of Directors works on behalf of the owners.
- As a major owner, Traction always wants to participate in election committee work.
- The election committee should be composed solely of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the election committee.
- Traction wishes at all times to appoint at least one Member of the Board to companies in which Traction has a major shareholding, and, when Traction is the principal owner, also the Chairman.
- Traction intends, at all times and in all companies, to implement Traction's business development methodology and expects other directors and corporate managers to work in the same spirit.
- The company shall have zero tolerance for arbitrary conduct.
- Option programs to employees should only be offered with on terms adjusted to market conditions so that taxation is as income from capital rather than income from employment.
- New issues in the form of private placements are encouraged in smaller companies, keeping the issue costs low, avoiding negative market price effects and promoting an improved ownership structure.

The CEO's terms and conditions of employment should comply with the following principles:

- A reasonable basic salary and a bonus for good performance.
- Terms and conditions should be renegotiable, both upwards and downwards, usually on an annual basis.
- Notice periods should not exceed six months and golden parachutes should definitely not exist.
- The period of notice should be the same for the Chief Executive and the Company.
- The Chief Executive should preferably be a major joint owner of the company.
- Pension plans should be of the defined contribution variety and should, of course, be at a reasonable level.
- The Chief Executive should devote all of his or her working hours to the company and should not hold other positions. If an exception is granted, any compensation shall be deducted from the Chief Executive's contractual compensation from the company.

Traction from an investor perspective

Shareholders' equity

Listed active holdings	Number of shares (thousands)	Stake % (votes)	Market price (SEK)	Book value (MSEK)	% of total	SEK per share
AcadeMedia	593	19 (28)	30	18	1	1
Duroc	927	17 (30)	29	27	2	2
EIAB	380	12(12)	58	22	2	2
Haldex	1 070	5 (5)	163	174	13	10
Mandator	13 200	8 (8)	3	37	3	2
Nilörngruppen	296	11 (19)	32	9	1	1
Nordic Camping & Sports	645	23 (23)	8	6	0	0
Softronic	8 109	17 (10)	5	42	3	2
Thalamus Networks	3 072	33 (30)	10	31	3	2
Total listed active holdings				366	28	22
Subsidiaries						
Ankarsrum Industries		100				
Gnosjöplast		100				
Total subsidiaries				57	4	3
Unlisted holdings						
Banking Automation		45		45	4	3
Bricad Holding		47		38	3	2
Hifab		43*		19	1	1
Recco		49		46	4	3
SMA Maskin		42		3	0	0
Swedish Tool		29		18	1	1
Other unlisted holdings				14	1	1
Total unlisted holdings				183	14	11
Other financial assets				56	4	3
Cash				635	50	39
TOTAL				1 297	100	78

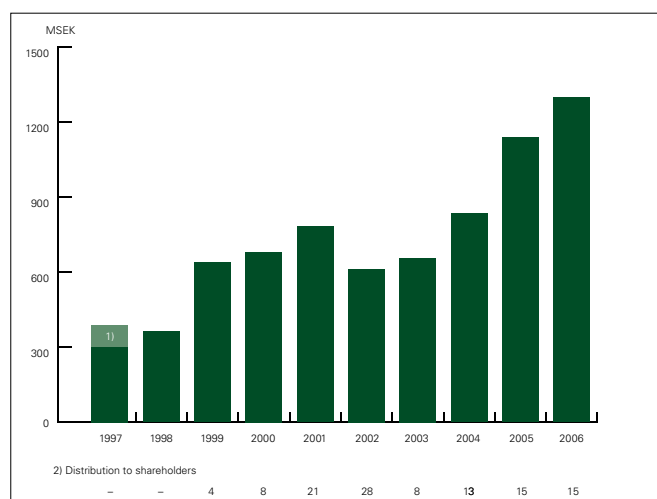
* indirect stake

Traction's return

Return on visible equity after taxes

	Annual return, %	Year
Worst year	-17	2002
Best year	87	1997
Ten-year average	27	97-06
Five-year average	15	02-06
Traction's goal	25	all years

Shareholders' equity, MSEK



1) Just short of MSEK 90 was added to capital through a new issue in 1997.
 2) By distribution to shareholders is meant dividends and buy-back of shares.

Ten-year overview

Pro forma*

MSEK	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net result, MSEK	138	-25	275	108	118	-127	52	193	310	175
Shareholders' equity, MSEK	388	362	637	680	781	612	656	833	1 137	1 297
Equity ratio, %	76	71	86	80	74	77	77	82	88	90
Return on shareholders' equity, %	87	-6	77	17	18	-17	9	30	38	15
Shareholders' equity per share, SEK***	23	21	37	40	47	37	40	50	69	78
Earnings per share, SEK***	4	-1	4	21	7	-8	3	12	19	11
Dividend per share, SEK***	-	0,23	0,12	1,05	1,28	0,50	0,80	0,93	0,93	1,10**
Dividend yield, %	-	1,3	0,5	3,0	3,7	1,9	3,0	2,5	1,6	1,4
Price/earnings ratio	9	-	7	2	5	-	8	3	3	7
Market price at end of year, SEK***	32	18	25	35	35	26	27	37	60	76
Market price/shareholders' equity	2,16	0,98	1,16	0,85	0,75	0,71	0,68	0,74	0,87	0,97

* In the above pro forma accounting, changes in value of listed holdings are included in the result.

Negative goodwill has been expensed as incurred. No revaluation of unlisted holdings has occurred retroactively.

** As proposed by the Board of Directors.

*** Adjusted for split 3:1.

Five-year Overview

Pro forma*

MSEK	2002	2003	2004	2005	2006
Income statement					
Operating revenue	441	434	390	302	298
Operating expenses	-505	-508	-413	-332	-335
Change in value of securities	-92	129	205	305	187
Operating result	-156	55	182	275	150
Net financial items	30	1	9	16	26
Taxes	-1	2	2	0	-1
Discontinued operations	-	-	-	19	-
NET INCOME FOR THE YEAR	-127	58	193	310	175
Balance sheet					
Non-current assets not including shares	141	134	111	91	103
Shares	455	514	721	718	593
Current assets	142	127	155	142	103
Liquid funds	55	81	28	346	646
TOTAL ASSETS	793	856	1 015	1 297	1 445
Shareholders' equity	612	656	833	1137	1297
Long-term liabilities and provisions	69	21	20	20	21
Current liabilities	112	179	162	140	127
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	793	856	1 015	1 297	1 445
Key financial indicators***					
Equity ratio, %	77	77	82	88	90
Return on equity, %	-17	9	30	38	15
Shareholders' equity per share, SEK	111	119	151	206	78
Earnings per share, SEK	-23	10	35	56	11
Dividend per share, SEK	1,50	2,40	2,80	2,80	1,10 **
Dividend yield, %	1,9	3,0	2,5	1,6	1,4
Price/Earnings ratio		-	8	3	3 7
Market price at year-end, SEK	79	81	112	180	76
Market price/Shareholders' equity	0,71	0,68	0,74	0,87	0,97
Number of shares outstanding at year-end, in thousands	5 515	5 515	5 515	5 515	16 545
Average number of shares outstanding, in thousands	5 547	5 515	5 515	5 515	16 545

* See previous page.

** As proposed by the Board of Directors.

*** The key financial indicators for 2002–2005 are not adjusted for split 3:1 effected in 2006.

Definitions

Equity ratio

Shareholders' equity as a percentage of balance sheet total, not including minority interest.

Earnings per share

Net result divided by the average number of shares outstanding during the year.

Equity per share

Shareholders' equity at year-end divided by the number of shares outstanding at the year-end.

P/E ratio

Market price divided by earnings per share.

Return on equity

Net result as a percentage of shareholders' equity at the beginning of the year.

Dividend yield

Dividend as a percentage of market price of share at year-end.



A small selection of transactions over the past five years

2002 Participated in a new share issue in Biophausia. Svecia was reconstructed during the spring and Traction acquired the assets from the official receiver in bankruptcy. The bankruptcy had a strongly negative effect on the result. A decision was made to phase out subsidiary Maxitech. The result was also negatively affected by the change in value of listed holdings, with the effect that Traction reported a loss.

The shares in Hjalmarsson & Thias were sold. The holdings in Azign Management and EDN Storage Technology were sold. Became the biggest shareholder in JC through purchases of shares over the stock exchange. Realised significant foreign exchange gains in USD.

The stakes in AcadeMedia and Thalamus Networks were increased during the year. Associated company Thalamus Networks acquired Fiberdata from TurnIT. Thalamus also underwrote a new share issue in TurnIT, thus becoming the largest owner in the company. Bought a small holding in Ticket and became the company's third largest owner.

2003 Acquired, together with the other private partners in Gnosjöplast, Silva Plastic Center from Silva Sweden AB. Sold the holding in FAB Valhalla, with its wholly owned subsidiary, Sweden Table Tennis (STT), at a good profit.

Associated company Thalamus Networks acquired a major shareholding in ProAct and sold the majority of its shares in TurnIT. The holding was sold later at a good profit.

Subsidiary Berganova AB sold a property in Åkersberga. Sold the shareholding in Ticket. Improved the terms of the convertible loan to Biophausia.

Became a joint owner of Bombus. Substantial restructuring costs in the wholly and majority owned companies had a negative effect on the result.



2004 Traction turned 30. Subsidiary Silva Plastic Center was sold. Became joint owner in SMA together with a number of private individuals. Staffing company Arvako was sold to the global staffing company Randstad. Financed share purchases in Hifab for a number of private individuals. This led to a situation where a new board of directors could be appointed.

AcadeMedia made three acquisitions during the year: Företagspoolen, Reagens and Inductus, turned around to profit and was the year's winner in the stock market with a rise of 448 percent. Underwrote an issue and became joint owner in Nextlink in connection with the company's listing on the NGM OTC-list. Bombus was merged with Scoop Publishware.

Duroc floated its associated company Impact Coating on Nya Marknaden, an issue that was underwritten, in part, by Traction. Increased the stake in Duroc. German associated company Leipzig Rail Service GmbH expanded through acquisitions.

A strong stock market, with JC and Know IT showing gains of 157 percent and 93 percent, respectively, contributed to the year's strong result.

2005 Profit after taxes amounted to MSEK 310, which is Traction's best result to date in accordance with the new accounting principles. Sold shares in project companies for MSEK 296, most of which refers to Traction's entire holding in Know IT and JC, and most of the class B shares in AcadeMedia.

The holdings in Nextlink and Biophausia were sold at a good profit. Most of our shares in Sigicom AB and Scoop Publishware were sold to the companies' respective principal owners.

Became joint owner during the year in Edilen, which in turn is the majority owner in Hifab. Engaged ourselves in Nordic Camping & Sports AB. TBookHolding sold its business to Softronic against payment in Softronic shares. Bricad sold its

properties in Åkersberga at a good profit. Acquired a major holding in Nilörngruppen. The Haldex share performed well (+27 percent), Duroc (+29 percent) and Softronic (+55 percent) contributed to the year's result.

Recruited new chief executives in subsidiaries Ankarsrum Industries and Gnosjöplast.

2006 Profit after taxes amounted to MSEK 176. Subsidiary Tolerans was sold, generating a capital gain of MSEK 100. Traction has been a part owner in Tolerans since the spring of 1995 and the company has performed well ever since, with revenue rising from approximately MSEK 30 to MSEK 96 during 2005, with sharply rising profitability. Close to half of the holding in Haldex was sold for about MSEK 230, which meant that the original investment was recouped.

Increased the stake in AcadeMedia from 5 percent to 19 percent of capital. Became a major owner in Mandator and gained board representation.

Acquired just over 12 percent of the shares outstanding in EIAB and became the company's second largest owner. Extensive restructuring work in Ankarsrum Industries, Gnosjöplast and Thalamus Networks in the quest for creating profitability.

Bricad sold its property in Vallentuna Centrum, becoming a fifty percent owner of Vallentuna Centrum AB, which acquired a number of central properties in Vallentuna Centrum.

Swedish Tool was merged with Wikman & Malmkjell. Strong earnings performance in, among other, Banking Automation, Swedish Tool and RECCO, resulting appreciation of the unlisted holdings by MSEK 45.

The Traction share

The share capital in Traction totals SEK 5,670,000, divided into 17,010,000 shares, 2,400,000 of which are class A shares and 14,610,000 of which are class B shares. A round lot is 100 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 meetings. Every person entitled to vote at annual and extra meetings may vote for the full number of shares owned and represented by, without limitation.

Evolution of share capital

Year	Transaction	Increase in number of shares outstanding	Increase in share capital, SEK	Total share capital, SEK	Number of shares outstanding	Quotient value of share, SEK
1994	Bonus issue	20	10 000	460 000	920	500
1994	Split	459 080	0	460 000	460 000	1
1995	Bonus issue	0	4 140 000	4 600 000	460 000	10
1997	Split	4 140 000	0	4 600 000	4 600 000	1
1997	New issue	700 000	700 000	5 300 000	5 300 000	1
1997	New issue	370 000	370 000	5 670 000	5 670 000	1
2006	Split	11 340 000	0	5 670 000	17 010 000	0,33

Traction has conducted business since 1974. A new parent company was, however, created in 1994. There are no outstanding convertible debentures, warrants or other outstanding securities that could result in an increase in the number of shares outstanding. The Board has been authorised, for the period up to the next Annual General Meeting, to acquire a maximum of the number of shares that would correspond to one tenth of all shares outstanding in the Company.

Buyback of own shares

Year	Number	Amount	Percentage
2000	163 050	6 471 150	0,96
2001	80 400	2 921 200	0,47
2002	221 550	6 616 500	1,30
2003	-	-	-
2004	-	-	-
2005	-	-	-
2006	-	-	-
Total	465 000	16 008 850	2,73

Shareholders

	Class A shares	Class B shares	Total	Votes	Percentage of capital	Percentage of votes
Ann Stillström	315 000	2 727 000	3 042 000	5 877 000	17,88	15,22
Bengt Stillström	315 000	2 724 450	3 039 450	5 874 450	17,87	15,21
Petter Stillström, including companies	750 000	1 721 100	2 471 100	9 221 100	14,53	23,88
Hanna Stillström		1 583 100	1 583 100	1 583 100	9,31	4,10
David Stillström		1 556 700	1 556 700	1 556 700	9,15	4,03
Niveau Holding AB*	1 020 000	500 460	1 520 460	10 700 460	8,94	27,71
Länsförsäkringar småbolagsfond		736 650	736 650	736 650	4,33	1,91
Shares held in treasury		465 000	465 000	465 000	2,73	1,20
Zimbrine Holding BV		177 600	177 600	177 600	1,04	0,46
Skogby & Åberg		137 850	137 850	137 850	0,81	0,36
SSB LI Omnibus AC		123 318	123 318	123 318	0,72	0,32
Investment AB Spiltan and funds		113 455	113 455	113 455	0,67	0,30
N.G.L. Förvaltning AB		102 900	102 900	102 900	0,60	0,27
Åke Svensson		78 000	78 000	78 000	0,46	0,20
Bengt Månsson		77 250	77 250	77 250	0,45	0,20
Other shareholders		1 834 167	1 834 167	1 834 167	11,00	5,00
Total	2 400 000	14 610 000	17 010 000	38 610 000	100,00	100,00

* Owned by the Stillström family.

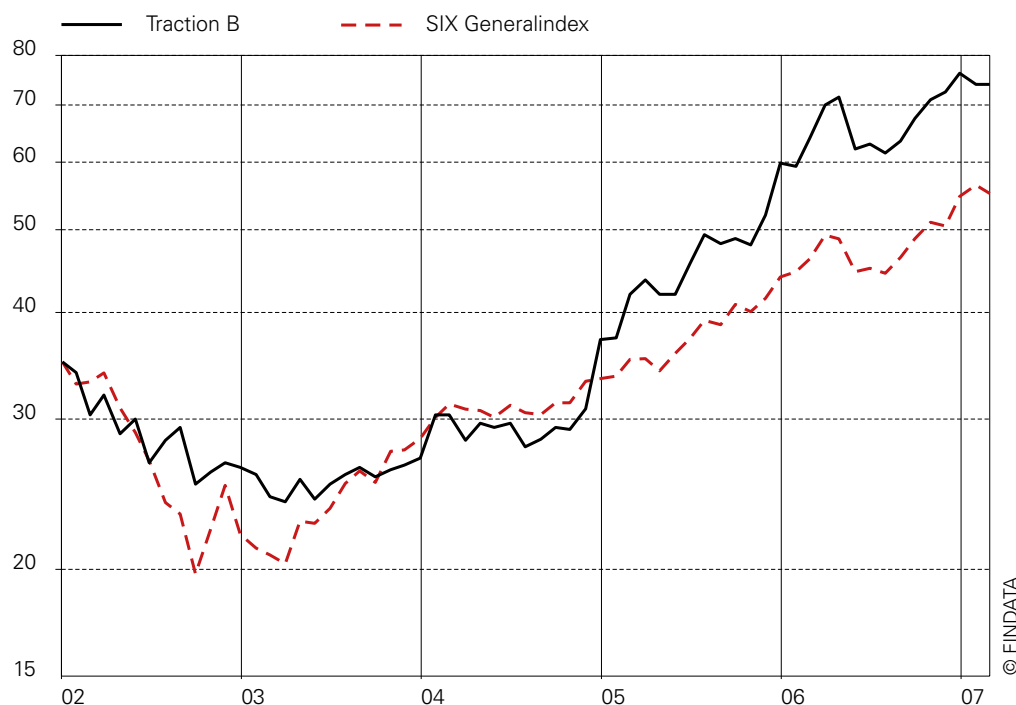
Number of shares per shareholder

	Number of shareholders	Number of shares	Percentage of capital	Percentage of votes
1-500	401	71 610	0,42	0,19
501-1 000	228	157 241	0,92	0,41
1 001-5 000	208	450 044	2,65	1,17
5 001-20 000	56	532 763	3,15	1,39
20 001-100 000	20	884 214	5,20	2,29
100 001-1 000 000	6	1 743 318	10,25	4,52
1 000 001-	6	13 167 810	77,41	90,05
Total	925	17 010 000	100,0	100,00

Traction's share price

Traction's class B share has been listed on the Small Cap list of Stockholmsbörsen (the Stockholm Stock Exchange), Ticker: TRAC-B, since 24 May 2000. The Market maker is Remium FK. Previously, since July 1997, the share was traded on NGM's share list (the former Stockholm Börsinformation

(SBI). Traction's share price rose by 27 percent in 2006. At the end of 2006, the latest price paid was SEK 76 per share. The highest and lowest prices quoted for the share were SEK 76 and SEK 60, respectively



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 31 December. Under cur-

rent 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 exceeds 10 percent. Buyback of the company's own shares occurs when it is deemed attractive for the shareholders.



Board of Directors



From left to right: Jan Andersson, Pär Sundberg, Petter Stillström, Anders Roos, Jan Kjellman and Bengt Stillström.

Jan Andersson, 56, B.Sc. (Business Administration) and active as a consultant and director of Swedbank, Robur Fonder AB, FPG Media AB and Switchcore. Jan was previously active at Deutsche Bank, Alfred Berg and Affärsvärlden. Director since 2005. Shareholding: 600 class B shares.

Jan Kjellman, 60, economist and President of IKEA Food Services. Jan has had a long and varied career at IKEA. Director since 2005. Shareholding: 3,000 class B shares.

Bengt Stillström, 63, M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO between 1974–2001. Member of the Board of Haldex and Hifabgruppen. Director since 1974. Shareholding, including wife's holding: 630,000 class A shares, 5,451,450 class B shares.

Petter Stillström, 35, President and CEO. M.Sc. (Business Administration). Director of Mandator, and a number of unlisted companies in Traction's sphere of interest. Director since 1997. Shareholding, privately and via companies: 750,000 class A shares, 1,721,100 class B shares and part owner of the Niveau group, which is one of Traction's larger shareholders.

Pär Sundberg, 34, M. Sc. (Eng.), President and part owner of OTW-gruppen, active in editorial communication. Chairman of Buzzdor AB and IPS Förändringskompetens AB. Director since 2005. Shareholding: 2,000 class B shares.

Revisor Anders Roos, 64, Authorised Public Accountant at SET Auktoriserade Revisorer, Stockholm. Auditor in Traction since 1985.

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Shareholder Information

Date of publication of financial information:

- 9 May 2007 Interim Report for the period January–March
- 23 August 2007 Interim Report for the period January–June
- 23 October 2007 Interim Report for the period January–September

To subscribe for financial information by e-mail, please see www.traction.se, or e-mail the Company at post@traction.se.

All reports during the year will be available at the Company's website: www.traction.se.

Annual Meeting 2007

The Annual Meeting of the company will be held on Wednesday, 9 May, 2007 at room Björken, Sveavägen 118, Stockholm, Sweden.

Application to attend

Applications to participate in the proceedings of the Annual Meeting should be submitted to AB Traction, Box 3314, SE-103 66 Stockholm, Sweden, telephone: +46 8 506 289 00, telefax: +46 8 506 289 30 or by e-mail to post@traction.se. Applications must be submitted no later than by 4 p.m. on 7 May 2007.

To be entitled to participate in the proceedings of the Annual Meeting and to vote, shareholders must be registered in the register of shareholders maintained by Värdepapperscentralen VPC AB, no later than 3 May 2007. Shareholders whose shares are registered in the name of a nominee must, to be entitled to participate in proceedings of the Annual Meeting, temporarily re-register their shares in their own name well in advance of that date.

Dividend

The Board of Directors proposes a dividend of SEK 1.10 per share. The proposed record day is 14 May 2007. Shareholders are expected to receive their dividend payments on or about 18 May 2007.

www.traction.se

TRACTION

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