

TRACTION

07

Annual Report

07

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SHAREHOLDER INFORMATION

Date of publication of financial information:

- 7 May 2008 Interim Report for the period January–March
- 20 August 2008 Interim Report for the period January–June
- 5 November 2008 Interim Report for the period January–September

To subscribe for financial information by e-mail, please visit 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 2008

The Annual Meeting of the company will be held on Wednesday, 7 May, 2008 at City Conference Centre, Norra Latin, Drottninggatan 71B, 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 4:00 p.m., 5 May 2008. 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 30 April 2008. 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 1.85 per share. The proposed record day is 12 May 2008. Shareholders are expected to receive their dividend payments on or about 16 May 2008.

Traction in Brief

Traction is a stock-exchange-listed investment company with ownership interests in listed and unlisted companies. 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 Traction's more than 30-year history. 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. In addition hereto Traction conducts investment operations aimed at achieving a good return on the Company's capital.

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.

2007 in Brief

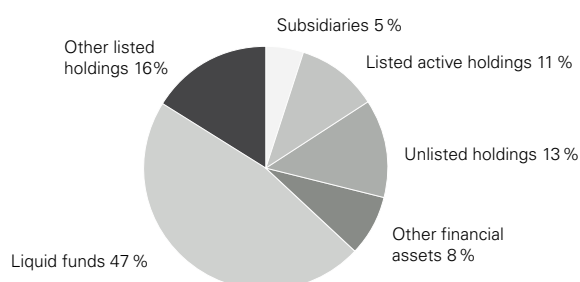
- Profit after taxes amounted to MSEK 81.0 (175.4).
- Earnings per share amounted to SEK 4.90 (10.60).
- Shareholders' equity per share amounted to SEK 82 (78).
- The change in value of securities amounted to MSEK 73.2 (186.7).
- The holdings in AcadeMedia, EIAB and Mandator were sold.
- The Board of Directors propose a dividend of SEK 1.85 (1.10).

Key financial indicators

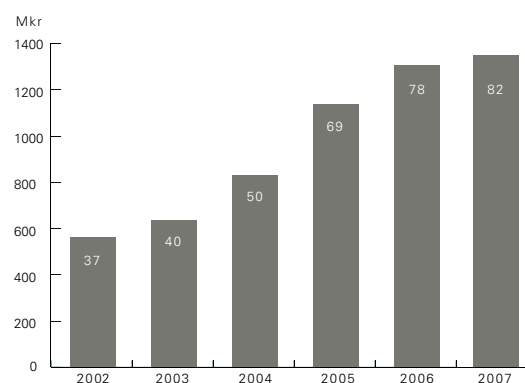
	2007	2006*	2005*	2004*	2003*
Shareholders' equity per share, SEK	82	78	69	50	40
Market price at end of period, SEK	68	76	60	37	27
Price/shareholders' equity per share, %	83	97	87	74	68
Earnings per share, SEK	5	11	19	12	3
Return on equity, %	6	15	38	30	9
Equity ratio, %	90	90	88	82	77
Dividend per share, SEK	1.85	1.10	0.93	0.93	0.80
Dividend yield, %	2.7	1.4	1.6	2.5	3.0

*) Adjusted for split 3:1

Allocation of Traction's equity



Equity per share



Numbers denote equity per share.

“Despite a negative trend during autumn, we can still sum up a positive 2007”



DEAR SHAREHOLDERS,

During the past year Traction has sold more project companies than we have acquired. This is explained by the fact that there have been suitable selling opportunities for these particular holdings and, not the least, because we in recent years have been expecting a major depreciation of assets in general and equities in particular. Even though we have tried to prepare ourselves for a drop in the stock market, it is impossible to know when it will come upon us. Since revaluations usually are at their largest towards the end of a stock market cycle, it is not a good idea to be totally out of the market either. This means that also Traction's stock market value was negatively affected by the stock market turbulence we have witnessed since late summer of 2007, and which is still with us with great intensity as this is written. Despite a negative development during the autumn, we can still sum up a positive 2007 with a positive after-tax result of over MSEK 80. Approximately 80 percent of Traction's equity was invested in interest-bearing assets during the year, which means that the net exposure to the stock market was limited on an aggregate basis.

Among our transactions during 2007 can be mentioned the sale of all shares in AcadeMedia, a company that we founded about ten years ago, the sale of our holding in Swedish Tool to the listed associated company Duroc, the sale of our holding in EIAB in connection with a bid from the company's principal owner and the sale of our holding in Mandator in connection with a public tender offer from Fujitsu Services. We also sold shares in Haldex and bought back some of the shares in the market at a significantly lower price. Traction's investment in Haldex currently amounts to about 3 percent of the company. Since the spring of 2007 Haldex is a passive investment in that we are no longer represented on the company's Board of Directors.

Easy Interaction is a new unlisted venture project. That is the only new venture project added during the year. Activities have instead been focused on the existing holdings. Some of the unlisted holdings were also sold to the personnel of the respective companies (Svecia bolagen) and principal owners (SMA Maskin).

The earnings performance of Traction's wholly owned subsidiaries is a great disappointment and I can only state that we will have to expend even more effort into turning the negative earnings trend. The order situation at Ankarsrum Die Casting, Ankarsrum Motors and Gnosjöplast indicate a major increase in volume during 2008. New staff at Traction and management changes at the subsidiaries guarantee more professional action, which should generate positive earnings effects.

Traction's equity capital amounted to over SEK 1.3 billion as of year-end (SEK 82 per share). MSEK 245 thereof (18 percent, or SEK 15 per share) was invested in unlisted companies where we are represented on the Board of Directors and as major owners. The remainder of the capital, just over 70 percent, or more than MSEK 950, was invested in other listed holdings, and various money market investments and some external lending. This capital should essentially be regarded as the room for investment in new deals. Then there is also the possibility of leveraging some of the assets.

In addition to the focus on our existing holdings, the ambition for 2008 is to identify new business opportunities. This includes investments in major listed companies, investments in smaller and medium-sized companies where we can take an active role, and privately held companies where we prefer to work with driven entrepreneurs seeking an active partner. We also have a clear goal of expanding our existing project companies by acquisition of complementary businesses.

Stockholm, March 2008

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 force that is responsible for customer relationships and who is 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. Capi-

tal 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 is 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 the 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 chal-

lenge 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.
- Valuable companies hidden within other larger companies can also be helped to emerge into the limelight and their value is thereby increased.

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 COOPERATION 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 and legal issues.



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.

Back row

Johannes Vock, Trainee, born 1982. B.Sc. (Business Administration). Worked at Traction since 2008.

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

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.



Front row

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.

Joakim Skantze, Venture Manager, born 1967, M.Sc. (Eng.). Worked at Traction since 2003. Previously worked in senior positions in IT and graphic industry.

Sophie Isola, Assistant to the President, born 1973. Worked at Traction since 2008.

Project Presentation



Listed active 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.

DUROC AB

Duroc is an industrial group that owns and develops industrial trading operations in a number of segments. Its subsidiaries are divided into business areas industrial trading and technology/production.

During 2007 Duroc trebled its revenue by acquiring the industrial trading group Swedish Tool Holding. Duroc issued 2,000,000 new shares in conjunction with the acquisition.

Duroc's business area industrial trading is comprised of the Swedish Tool Holding Group. This group deals in machine tools, including automation solutions, tools, service, support and financing, with the engineering industry. This includes Swedish Tools Holding acquired during the year with industrial trading companies Swedish Tool AB,

Wikman Gerber AG, Tool Center AB and Vislanda Maskin AB. The group also has companies in Norway, Denmark and the Baltic States. Together, the companies in the group represents some 60 agencies for international machine tool manufacturers. Business area industrial trading has revenue of approximately MSEK 400 and has just over 100 employees.

The companies in Duroc's business area technology/production is active in production of customised niche products, design solutions, specialty machining and maintenance of components for the engineering, power, process, wood processing and transport industries. The business area includes the Duroc Engineering companies Umeå and Göteborg, the Duroc Tooling companies Robertsfors and Olofström, and Duroc Rail and

the Micor Group. The companies in technology/production have combined revenue of approximately MSEK 200 and has about 170 employees.

KEY FACTS 2007

Revenue MSEK 560
 Traction's stake 19%
 (votes 24%)
 Held since 1993
 President Erik Albinsson

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, India and Turkey.

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 OMX Nordic Exchange Stockholm (Small Cap list). Further information about Nilörn is available at www.nilorn.se.

KEY FACTS 2007

Revenue MSEK 301
 Traction's stake 22%
 (votes 27%)
 Held since 2005
 President Stefan Tingström

NORDIC CAMPING & SPORTS AB

The company has as its business concept to develop camping sites under a common concept. Nordic Camping & Sports currently runs camping operations in several locations in Sweden. Camping sites are operated in Helsingborg, Enköping, Söderhamn, Östersund, Stockholm/Värmdö and Karlstad.

New issue in the amount of MSEK 9 were floated during the year. The

purpose of the issues was to finance the acquisition of Råå Vallar Camping in Helsingborg and Mörudden Camping in Östersund. The company's ambition is to establish a chain of camping facilities with nation-wide coverage.

Further information about NCS is available at www.nordiccamping.se.

The company's shares are traded on Aktietorget.

KEY FACTS 2007

Revenue MSEK 19
 Traction's stake 23%
 Held since 2005
 President/Entrepreneur
 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 is comprised 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 delivering mission-critical IT solutions with modern technology and high quality. Softronic has total command of platforms such as SOA and Web Services, both for building modern, com-

plete enterprise systems and to integrate existing systems using older technology. 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. In January 2008 Softronic acquired IT service company ISSI with revenue of approximately MSEK 25. Together with the two other acquisitions presented, Yarrow and Enter System, this acquisition

will generate an increase in revenue for the Softronic Group of about 40 percent during 2008 and contribute to continued good profitability. Softronic is listed on OMX Nordic Exchange Stockholm (Small Cap list). Further information about Softronic is available in the company's official annual report and at www.softronic.se.

KEY FACTS 2007

Revenue MSEK 307
 Traction's stake 17%
 (votes 10%)
 Held since 2001
 President/Entrepreneur
 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. P to P IT-consulting offers companies and organisations qualified IT services for operation, design and management of customer IT environments. 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.

Thalamus Operations was divested in the beginning of 2008, resulting in a capital gain of almost MSEK 40. This divestiture means a re-focusing of the business on delivering solutions and consulting services for infrastructure and operation. The Board of Directors has proposed a dividend of SEK 6 per share, which gives just over MSEK 18 to Traction.

Thalamus Networks again sold Fiberdata Installation, active in installation and maintenance of high and low voltage installations in Trelleborg and

vicinity. Thalamus Networks is listed on the OMX Nordic Exchange Stockholm (Small Cap list). Further information about Thalamus Networks is available in the company's official annual report and at www.thalamus.se.

KEY FACTS 2007

Revenue MSEK 189
 Traction's stake 30%
 (votes 29%)
 Held since 1997
 President Kristina Englund

Unlisted holdings/Venture (ownership <50%)

In Traction's unlisted projects we co-operate 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.

Additional information about Banking Automation is available at

www.bankingautomation.com.

KEY FACTS 2007

Revenue	MSEK 101
Traction's stake	45%
Held since	1986
Managing Director	David Tew

BRICAD HOLDING AB

Bricad's business concept is make investments in companies with a good development potential and to take an active role in those companies' development.

The businesses in Bricad Holding are today the following:

Vallentuna Centrum AB owns and manages centre properties in Vallentuna. The rentable space is approximately 35,000 square metres, divided into office and retail space. The owner is Bricad Holding AB (50 percent) and GE Real Estate (50 percent).

Duroc AB is an industrial group that focuses on surface treatment technology and dealing in machine tools and industrial consumables. Bricad Holding AB's ownership stake is about 10 percent.

Bwell AB sells products for health and health care. Bwell has today delivered massage chairs, strength exercise and keep-fit equipment to more than 3,000 customers. Bricad Holding AB's ownership stake is 50 percent.

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

KEY FACTS 2007

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



GEODYNAMIK AB

Geodynamik develops and markets measuring instruments for the control and quality assurance of compaction of soil and asphalt in connection with the building of roads, railways, airports, trash, factories and properties. Thanks

to machine-integrated measuring systems compaction can accomplished fast, simply and efficiently.

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

KEY FACTS 2007

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

PSA EASY INTERACTION AB

Over the past several years PSA Easy Interaction AB (Easy Interaction) has successfully developed a web-based communications platform. The system is made up of a large number of modules (just under 30) and provides customers with interactive and secure access to their websites as well as extra- and intranet functions. The company has mainly sold its services to corporations and organisations. Since inception in 2001

the systems have been employed by over 100,000 users.

During 2007 operations were focused on packaging of the developed models for different target groups and today Easy Interaction provides packaged web tools for small and medium-sized companies, families and schools. These tools improve the internal and external communication in a very cost-efficient and user-friendly manner.

The company has about ten employees, including technicians, marketing/business and administration/finance.

KEY FACTS 2007

Traction's stake 26%
 Held since 2007
 Entrepreneur Lars Holmgren





HIFABGRUPPEN AB

Hifab is Scandinavia's largest independent consultancy firm in construction project management. Operations are nation-wide and international in some twenty countries. Hifabgruppen consists of four business areas: Stockholm, Region, Miljöteknik and Hifab International.

During the year Hifab won a number of prestige projects in Sweden and abroad. Among the foreign projects can be mentioned that Swedish Geological (in business area Miljöteknik) was engaged in a 5-year EU project in Papua Guinea and that Hifab International won a large infrastruc-

tural project in Bangladesh. Among the Swedish assignments can be especially noted project management assignments to lead expansion and reconstruction of Svea Artilleri in Stockholm and Envipro's (in business area Miljöteknik) participation in one of Sweden's largest construction projects, Kvarnholmen in Nacka. Hifab has also been appointed to lead the Förbifart infrastructure project in Stockholm.

Traction owns 47 percent of Edilen AB, which owns 57 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 2007

Revenue. MSEK 369
 Traction's stake (indirectly and upon full conversion) 43 %
 Held since 2005
 President/. Jan Skoglund

RECCO HOLDING 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 based on radar technology. 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 victims 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 2007

Revenue. MSEK 44
 Traction's stake 49 %
 Held since 1988
 President/Entrepreneur
 Magnus Granhed

SIGICOM AB

Sigicom develops and markets sensors, measuring systems and communications solutions for unmanned surveillance, primarily of vibrations and noise in industry and infrastructure. The systems automatically send measurement data with intelligent communication to a central database where it is compiled in a web-based interface.

There is a major efficiency improvement potential for Sigicom's customers to simplify the installation of measuring

equipment and to automate measurements. The measuring instruments are extremely accurate and Sigicom also offers support and regular calibration.

Sales increased sharply during 2007 and is mainly concentrated to the Nordic region. During 2008 Sigicom intends to initiate international establishment with sales via distributors. The company will gradually develop more products in adjacent areas. Growth is expected to continue in 2008.

Further information about Sigicom is available at ww.sigi.com.

KEY FACTS 2007

Traction's andel 23 %
 Held since 1997
 President/Entrepreneur
 Christer Svensson



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 welding feed motors. 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 international customers, who sell mainly to the household appliance industry. The AC motor market is characterised by relatively severe pricing pressures and competition from mostly Asian manufacturers.

Extensive action was taken during 2007 aimed at increasing productivity and efficiency. To mention a few, production was saturated for a number of new

customers, large portions of the machining equipment in the foundry were upgraded or replaced, a new production and administrative system was commissioned during the year and a major reorganisation was instituted through which a number of senior managers were replaced.

The organisation will be further strengthened in the beginning of 2008 to meet rising demand and more stringent requirements from customers.

During 2007 Ankarsrum began a major development project together with a major international player for the purpose of manufacturing a complete product for the world market. Production is expected to commence during autumn 2008. The production of electric motors increased during the latter part of 2007, improving capacity utilisation substantially during that period. This production is expected to continue in the years to come.

Ankarsrum Die Casting makes a variety of cast products in aluminium and zinc. Operations were expanded substantially

during 2007 to achieve greater efficiency and to meet the rising demand for high quality products. This expansion has among other things resulted in highly efficient machining cells to meet increased requirements for precision and flexibility.

The fine-tuning process took longer than planned to complete and this had a negative effect on the year's earnings. A number of new projects were launched during the year and they will gradually be implemented during the following year. 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 2007

Revenue	MSEK 173
Traction's stake	100%
Held since	2001
President	Anders Engström

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, chassis and engine room components, advanced containers for the vehicle industry and other products for other manufacturers. Gnosjöplast has a total shop area of 15,000 square metres, just over 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. Several new delivery agreements were received in 2007,

Several new delivery agreements were obtained in 2007, among them contracts with Scania, Volvo 3P, GM Global, GGP Stiga and Zehnder. Gnosjöplast invested in several new injection moulding machines and the production environment during the year in order to increase automation and to meet a rising tide of new orders. Sales for the year at the same time as production was hampered by machinery breakdowns and problems with fine-tuning. Together with existing new long-term contracts, modernisation

of the machinery, greater capacity utilisation and intensified efforts to render production more efficient, profitability is expected to improve substantially in the years to come.

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

KEY FACTS 2007

Revenue	MSEK 107
Traction's stake	100 %
Held since	2001
President	Roger Polep



ZITIZ

Zitiz is an internet newspaper written by its readers. The motto is: By all for all!

The venture is in a start-up phase.

Zitiz has so far created a first version of a technical platform for its medium, opened a few newsrooms and managed to get a few persons to begin delivering articles. The site is available to the public

at www.zitiz.se, where readers can study the contents, search for, send and comment on published articles. One can also register as a reported and begin to deliver material to the different newsrooms. The editorial system makes it easy for editors to publish articles and to communicate with reporters.

KEY FACTS 2007

Started	2007
Operating manager	Anders Hansson
Legally responsible publisher	Bengt Stillström

Corporate governance

Since year 2000, AB Traction (publ) is a public company with its registered office in Stockholm. Traction is listed on OMX Nordic Exchange Stockholm (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 not currently required to apply the Swedish Code of Corporate Governance since its market capitalisation is less than SEK 3 billion. Traction will be required to apply the code from 1 July 2008.

COMPOSITION OF THE BOARD OF DIRECTORS

Independent directors are included in accordance with the requirements of Stockholm stock exchange. The following Board of Directors was re-elected at the regularly scheduled 2007 Annual Meeting: Jan Andersson, Jan Kjellman, Bengt Stillström, Petter Stillström and Pär Sundberg. Bengt Stillström was elected to serve as Chairman at the ensuing 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 General 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 2007

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. All directors were present at all meetings. 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.

NOMINATION COMMITTEE

Traction has no formal nomination 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. The registered auditing firm of KPMG Bohlins was elected to serve as auditor for the next four years at the 2007 Annual General Meeting, with Authorised Public Accountant Carl Lindgren as auditor in charge. 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 or her 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 nomination committee work.
- The nomination committee should be composed solely of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the nomination committee.
- Traction wishes at all times to appoint at least one director in companies in which Traction has a major shareholding, 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.
- Private placement of new shares with major owners are welcome in smaller companies, which thereby can keep the new issue costs low, avoid negative effect on the market price of the share and also get a better 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

	Number of shares (thousands)	Stake % (votes)	Market price (SEK)	Book value (MSEK)	% of total	SEK per share
Listed active holdings						
Duroc	1,362	19 (24)	26	35	3	2
Nilörngruppen	585	22 (27)	36	21	2	2
Nordic Camping & Sports	996	23 (23)	6	6	0	0
Softronic	8,109	17 (10)	7	59	4	3
Thalamus Networks	3,072	30 (29)	7	22	2	2
Total listed active holdings				143	11	9
Other listed holdings				211	16	13
Subsidiaries						
Ankarsrum Industries		100				
Gnosjöplast		100				
Total subsidiaries				66	5	4
Unlisted holdings						
Banking Automation		45		26	2	2
Bricad Holding		47		50	4	3
HifabGruppen		43*		19	1	1
Recco Holding		49		75	6	5
Other unlisted holdings				8	0	0
Total unlisted holdings				178	13	11
Other financial assets in central Traction						
Financial investments				83	6	5
Lending to subsidiaries				10	1	1
Other lending				20	1	1
Other financial assets				113	8	7
Cash and cash equivalents				637	47	38
TOTAL				1,348	100	82

* indirect stake

The compilation above shows how the Group's equity is distributed. Aside from interest-bearing investments, financial assets also include investment in shares where the return mainly has the character of interest. However, these assets are carried in the consolidated balance sheet as share assets. In the opinion of the Company, the compilation below of the distribution of the Group's equity provides a more true and fair picture of Traction's financial position than the consolidated balance sheet which contains the operating subsidiaries.

Five-year Overview

Pro forma*

MSEK	2003	2004	2005	2006	2007
Income statement					
Operating revenue	438	395	317	314	309
Operating expenses	-508	-413	-332	-335	-326
Change in value of securities	129	205	305	187	73
Operating profit	59	187	290	166	56
Net financial items	-3	4	1	10	26
Taxes	2	2	0	-1	-1
Discontinued operations	-	-	19	-	-
NET PROFIT FOR THE YEAR	58	193	310	175	81
Balance sheet					
Non-current assets not including shares	134	111	91	103	141
Shares	514	721	718	593	557
Current assets	127	155	142	103	152
Cash and cash equivalents	81	28	346	646	653
TOTAL ASSETS	856	1,015	1,297	1,445	1,503
Shareholders' equity	656	833	1,137	1,297	1,348
Long-term liabilities and provisions	21	20	20	21	28
Current liabilities	179	162	140	127	127
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	856	1,015	1,297	1,445	1,503

* See below.

Ten-year Overview

Pro forma*

MSEK	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net profit for the year, MSEK	-25	275	108	118	-127	58	193	310	175	81
Shareholders' equity, MSEK	362	637	680	781	612	656	833	1,137	1,297	1,348
Equity/assets ratio, %	71	86	80	74	77	77	82	88	90	90
Return on equity, %	-6	77	17	18	-17	9	30	38	15	6
Shareholders' equity per share, SEK***	21	37	40	47	37	40	50	69	78	82
Equity per share, SEK***	-1	4	21	7	-8	3	12	19	11	5
Earnings per share, SEK***	0.23	0.12	1.05	1.28	0.50	0.80	0.93	0.93	1.10	1.85**
Dividend yield, %	1.3	0.5	3.0	3.7	1.9	3.0	2.5	1.6	1.4	2.7
P/E ratio	-	7	2	5	-	8	3	3	7	14
Market price of share at year-end, SEK***	18	25	35	35	26	27	37	60	76	68
Market price to equity ratio	0.98	1.16	0.85	0.75	0.71	0.68	0.74	0.87	0.97	0.83
Number of shares outstanding at year-end, thousands	5,670	5,670	5,616	5,589	5,515	5,515	5,515	5,515	16,545	16,367
Average number of shares outstanding at year-end, thousands	5,670	5,670	5,658	5,592	5,547	5,515	5,515	5,515	16,545	16,512

* In the above pro forma accounting the change in value of listed holdings are included in profit.

* Negative goodwill has been recognised as it has arisen. There have been no retroactive revaluation of unlisted holdings.

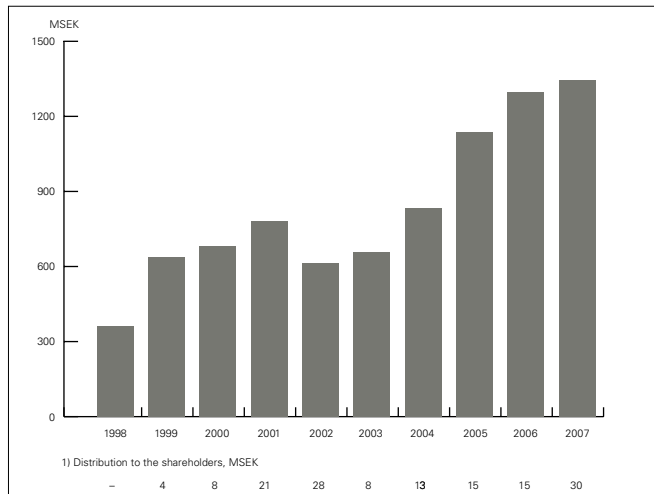
** As proposed by the Board of Directors. *** Adjusted for split 3:1.

Traction's return

Return on reported shareholders' equity after taxes

	Annual return, %	Year
Worst year	-17	2002
Best year	77	1999
Ten-year average	19	98-07
Five-year average	20	03-07
Traction's goal	25	all years

Shareholders' equity, MSEK



1) Distribution to shareholders is defined as dividends and repurchases of own shares.

Definitions

Equity/assets ratio

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

Earnings per share

Net profit 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 profit 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

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 Maskin 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

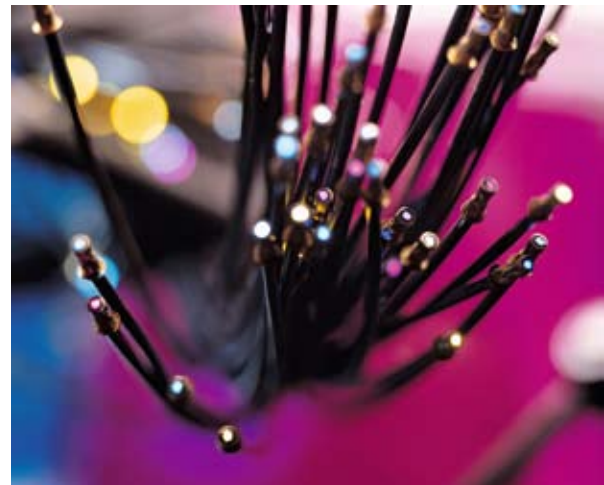
to profit and was the year's winner in the stock market with a rise of 448 percent. Underwrote an issue and became joint owner in Nextlink in connection with the company's listing on the NGM OTC-list. Bombus merged with Scoop Publishware.

Duroc floated its associated company Impact Coating on Nya Marknaden, an issue that was underwritten, in part, by Traction. Increased the stake in Duroc. Duroc's 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.

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 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.

2007 The entire holding in AcadeMedia was sold. Traction has been a part owner of the company since the start in 1994. During January 2007 AcadeMedia acquired NTI independent schools and became a substantially larger company and was considerably revalued in the stock market. In that situation Traction elected to sell its holding.

All shares outstanding in EI & Industrimontage were sold after a bid from the company's founder and principal owner.

More Haldex shares were sold.

The holding in Mandator was sold to Fujitsu Services in connection with a public tender offer.

The unlisted Swedish Tool was sold to Duroc for cash and shares in Duroc.

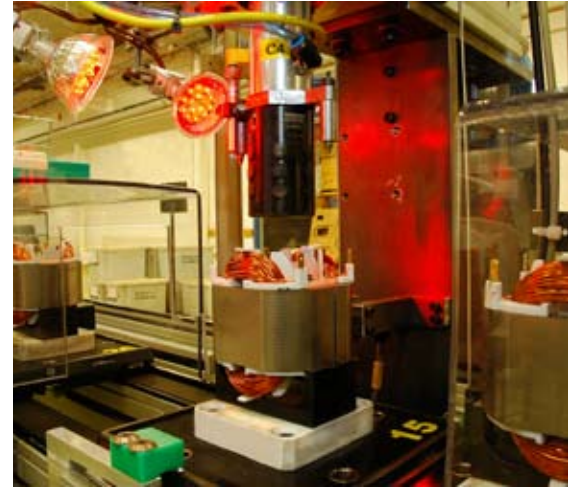
SMA Maskin was sold to the company's principal owner.

Svecia East Ltd and Svecia Spares & Services were sold to the staff of the companies.

A major block of shares in Switchcore were bought. Traction became the company's largest shareholder.

A new investment was made in software company PSA Easy Interaction and a supplementary investment was made in Sigicom.

Zitiz was started.



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
2005	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	–	–	–
2007	177 600	11 810 400	1,05
Total	642 600	27 819 250	3,78

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	17,9	15,5
Bengt Stillström	315 000	2 724 450	3 039 450	5 874 450	17,9	15,5
Petter Stillström, including companies	750 000	1 722 150	2 472 150	9 222 150	14,5	24,3
Hanna Kusterer		1 583 100	1 583 100	1 583 100	9,3	4,2
David Stillström		1 556 700	1 556 700	1 556 700	9,2	4,1
Niveau Holding AB*	1 020 000	500 460	1 520 460	10 700 460	8,9	28,2
Länsförsäkringar småbolagsfond		721 750	721 750	721 750	4,2	1,9
Skogby & Åberg		125 350	125 350	125 350	0,7	0,3
SIS Segaintersettle AG		104 673	104 673	104 673	0,6	0,3
N.G.L. Förvaltning AB		102 900	102 900	102 900	0,6	0,3
Åke Svensson		80 000	80 000	80 000	0,5	0,2
Bengt Månsson		77 250	77 250	77 250	0,5	0,2
Shares held in treasury		642 600	642 600	642 600	3,8	–
Other shareholders		1 942 717	1 942 717	1 942 717	11,4	5,0
Total	2 400 000	14 610 000	17 010 000	38 610 000	100,00	100,00

* Owned by the Stillström family.

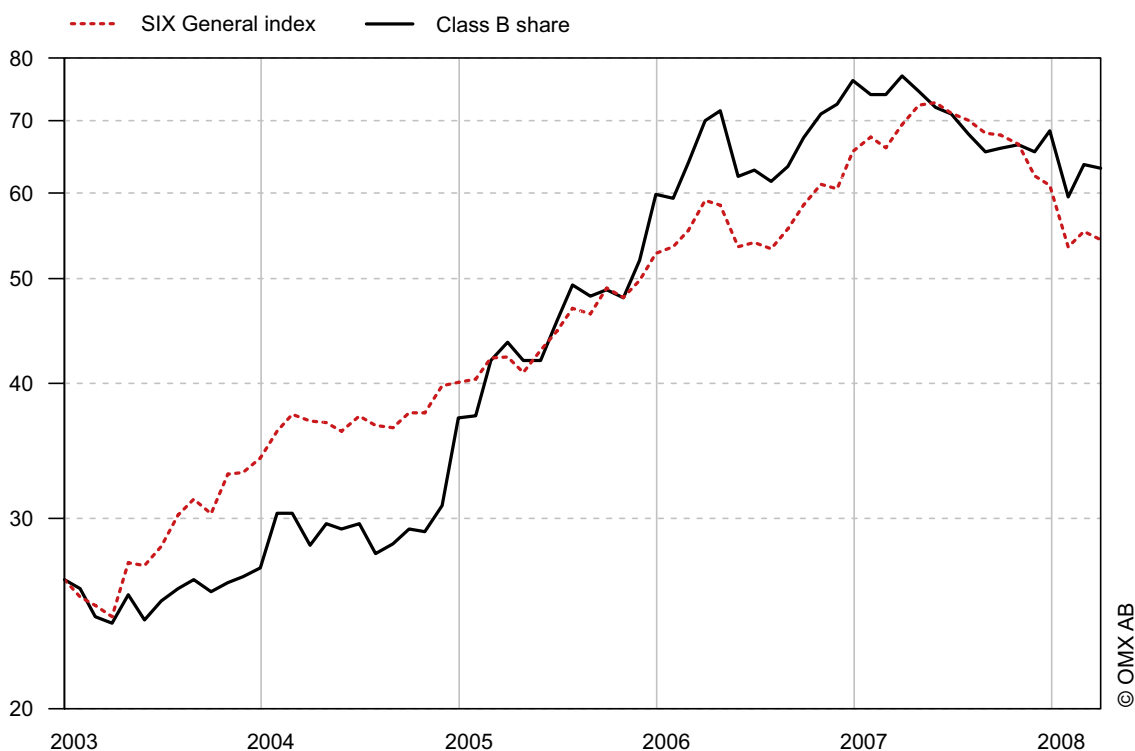
Number of shares per shareholder

	Number of shareholders	Number of shares	Percentage of capital	Percentage of votes
1-500	350	66 846	0,4	0,2
501-1 000	197	135 781	0,8	0,4
1 001-5 000	211	460 237	2,7	1,2
5 001-20 000	55	543 550	3,2	1,4
20 001-100 000	22	938 503	5,5	2,4
100 001-1 000 000	5	1 697 273	10,0	4,4
1 000 001-	6	13 167 810	77,4	90,0
Total	846	17 010 000	100	100

Traction's share price

Traction's class B share has been listed on the Small Cap list of OMX Nordic Exchange Stockholm, 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.

Traction's share price declined by 10 percent in 2007. At the end of 2006, the latest price paid was SEK 68 per share. The highest and lowest prices quoted for the share were SEK 82 and SEK 64, 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 the beginning of the year. 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 Kjellman, Bengt Stillström, Petter Stillström, Jan Andersson and Pär Sundberg.

Jan Kjellman, born 1947, 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.

Petter Stillström, born 1972, President and CEO. M.Sc. (Business Administration). Director of Duroc (Chairman), Nilörn-gruppen 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, 1,722,150 class B shares and part owner of the Niveau group.

Pär Sundberg, born 1972, M. Sc. (Eng.), President and CEO of OTW-gruppen, active in editorial communication. Chairman of Buzzador AB and IPS Förändringskompetens AB. Director since 2005. Shareholding: 2,000 class B shares.

Auditor

KPMG Bohlins

Carl Lindgren, born 1958

Authorised Public Accountant with KPMG Bohlins, Stockholm. Traction's auditor since 2007.

Bengt Stillström, born 1943, M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO between 1974 and 2001. Member of the Board of EIAB and Hifabgruppen. Director since 1974. Shareholding, including wife's holding: 630,000 class A shares, 5,451,450 class B shares.

Jan Andersson, born 1951, B.Sc. (Business Administration) and active as a consultant and director of Swedbank, Robur Fonder AB, FPG Media and Folksam Fond AB. Jan was previously active at Deutsche Bank, Alfred Berg and financial news magazine Affärsvärlden. Director since 2005. Shareholding: 1,200 class B shares.

TRACTION

Annual Accounts 2007

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PARENT COMPANY

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Report of the Board of Directors

The Board of Directors and the President of AB Traction (publ), registration number 556029-8654, hereby submit their report of the Company's and the Group's business during 2007.

BUSINESS

The Group's business is founded on its own methodology for development and refinement of companies where Traction is an owner. Traction's ownership role is based on active and long-term engagement together with an entrepreneur or corporate management and other part owners. The Parent Company is an investment company with a portfolio of wholly and partially owned companies and investments in other companies. The Parent Company is listed on the OMX Nordic Exchange (Small Cap List). More about Traction's business is available at the Company's website, www.traction.se.

IMPORTANT EVENTS DURING THE YEAR

Listed holdings

For the full year of 2007 the development was positive, despite very weak stock market performance during the autumn of 2007. For the full year we report a positive change in value for our listed holdings of MSEK 26. Among important transactions during the year can be mentioned the sale of the entire holding in AcadeMedia (MSEK 35), the sale of the holding in EIAB (MSEK 36) in connection with a bid from the company's principal owner. Sale of shares in Haldex for MSEK 139, at SEK 173 per share, and repurchase of shares in said company for approximately MSEK 50, at SEK 131 per share. The entire investment in Mandator (MSEK 58) was sold in connection with a bid for the company.

Unlisted holdings

Traction's unlisted minority-owned companies continued to report good results overall during 2007. Revaluation of these companies in accordance with IAS 39 totalled MSEK 47.2 during the year (44.6). The value of the holding in RECCO was raised by MSEK 28.8, the holding in Swedish Tool was revalued in connection with a bid from Duroc by a total of MSEK 17.2.

MSEK 18.2 was received during the year through redemption of shares in Banking Automation. The holding in Banking Automation was written down by a corresponding amount. New investments were made in software company Easy Interaction and a supplementary investment was made in Sigicom. The entire holding in SMA was sold to that company's principal owner.

Subsidiaries

Significant new investments, a total of just short of MSEK 40, were made in Ankarsrum Die Casting as well as Gnosjöplast. These investments are attributable to new customer business and refer to investments in production equipment. Significant expenses have been absorbed by both companies in connection with installation and reparation for mass production. The efficiency in production is unsatisfactory and additional action

will be taken to raise productivity. The companies' order situation points towards a sharp increase in volume during 2008. Svecia East Ltd in Hong Kong and Svecia Spares & Services were conveyed to the employees of each respective company. These transfers are subject to approval by Traction's Annual General Meeting to be held 7 May 2008.

Revenue and earnings

Consolidated revenue amounted to MSEK 282.3 (295.6). The reduction in revenue is due in its entirety to the liquidation of the Svecia companies. Operating profit amounted to MSEK 55.9 (166.5), of which the change in value of securities amounted to MSEK 73.2 (186.7). The revaluation of unlisted share holdings accounted for MSEK +47.2 thereof (+44.6), essentially attributable to Swedish Tools and RECCO.

The change in value of the listed portfolio amounted to MSEK 26.0 (41.8), a major portion of which is attributable to a positive change in value in EIAB, Softronic and AcadeMedia. Dividend income amounted to MSEK 17.9 (16.4) and the consolidated net of finance items amounted to MSEK 26.1 (9.6). Consolidated profit after taxes amounted to MSEK 81.0 (175.4).

Investments and sales

Investments in shares of unlisted companies amounted to MSEK 5.0 (15.7) on a cumulative basis, most of it referring to an investment in PSA Easy Interaction, where Traction's ownership stands at 26 percent and a supplemental investment in Sigicom, where the ownership stake now stands at 23 percent. The holding in Swedish Tool was sold to Duroc during the year and payment was received in cash and Duroc shares. The entire holding in SMA was sold to the company's principal owner.

Investments in listed companies amounted to MSEK 336.5 (160.9). The largest net investments were made in Haldex and OEM International. The proceeds of sales of shares in listed companies were MSEK 410.0 (376.8), mainly referring to the sale shares in Haldex, Mandator, AcadeMedia and EIAB.

Shareholders' equity

Shareholders' equity amounted to MSEK 1,348.5 (1,297.3) at 31 December 2007, equivalent to SEK 82 (78) per share.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 652.8 (645.9). Other assets include short-term loan receivables and interest-bearing instruments in an amount of MSEK 52.7 (11.7). Cash flow amounted to MSEK 6.9 (299.7).

Parent Company

AB Traction's result amounted to MSEK -8.6 (55.2). Impairment losses on shares in subsidiaries were charged to this result in an amount of MSEK 77. Liquid funds, including short-term interest investments, amounted to MSEK 576.0 (585.5 as of December 31).

The Parent Company's equity ratio as of 31 December was 99.7 percent (95.5). The Parent Company has no external loans. Net sales of shares amounted to MSEK 103.5 (205.2). The Parent Company had no employees during the year.

Research and development

The Group conducts no research, and product development costs are not a significant part of operations. In the typical case, costs relate to order-driven development and are charged directly to each respective order.

Environmental information

Several of Traction's operating companies conduct business for which permits are required according to the Swedish Environmental Code. The permits refer to the engineering and plastics industries and to foundry operations. These activities impact the external environment through emission of dust and solvents into the air, emission of mineral oil into water, waste from metal-cutting and through noise pollution from these operations. Business requiring a permit account for an overwhelming portion of consolidated net revenue.

Risk and factors of uncertainty

Below is a brief account of the most significant risks and factors of uncertainty facing the Group as well as the Parent Company.

Business risks

Business risks include having a large exposure to a single industry, or an individual holding, changes in market conditions to invest or divest at a chosen moment.

Financial risks

The main financial risks to which the Traction Group is exposed include price risks, i.e. the risk of changes in value of a financial instrument due to changes in either the share price, currency rates or interest rates. Most of the equity risk is centred in AB Traction's share portfolio. The currency exposure is greatest in the Ankarsrum Industries Group and in Banking Automation. There is interest risk both in the surplus liquidity and in the portfolio of liabilities. Other risks that arise in the financial operations are liquidity, financing and credit risks, as well as operational risks.

Other risks

There is also the risk that external bodies of laws and regulations as well as internal rules are not complied with, and risks with IT security. Other operational risks and factors of uncertainty are that the Board of Directors, management or key persons make erroneous decisions, which can have a negative impact on the Company.

Factors of uncertainty

The factors of uncertainty that affect the business and can make assessments of future development uncertain are especially how foreign exchange rates and share prices, the price situation for unlisted holdings and different industries will develop.

PROPOSAL OF THE BOARD OF DIRECTORS FOR GUIDELINES FOR COMPENSATION TO MEMBERS OF SENIOR MANAGEMENT

The Board of Directors propose that the Annual General Meeting resolves guidelines for compensation of members of senior management involving that reasonable terms and conditions for employment are applied. In addition to a fixed salary, members of senior management can also receive a variable salary. For information about the most recently decided guidelines for compensation to members of senior management, refer to Note 8, Personnel.

DISCLOSURE RELATIVE TO THE TRACTION SHARE

Total number of Class A shares outstanding at year-end	2,400,000
Total number of Class B shares outstanding at year-end	13,967,400
Total number of shares outstanding at year-end	16,367,400

Class A shares entitle their holders to 10 votes and Class B shares entitle their holders to 1 vote. The Stillström family owns a total of 80 percent of the capital and 90 percent of the votes. The Company is not aware of any agreements between shareholders that may entail limitations of the right to transfer shares. The Articles of Association do not contain provisions limiting the voting right, nor are there any agreements that contain provisions regarding ownership changes.

Shares held in treasury

During the year 177,600 Class B shares were repurchased at a price of SEK 66.50 each, for a total of MSEK 11.8. Traction's holding of shares in treasury thereafter is 642,000 Class B shares, equivalent to 3.8 percent of the number of shares outstanding. Shares are repurchased in the interest of improving the Company's capital structure, thereby raising shareholder value. A total of MSEK 27.8 has been paid for repurchased shares. See also Note 22.

The 2007 Annual General Meeting authorised the Board of Directors to repurchase own shares up to a maximum of 10 percent of the total number of shares outstanding.

The Articles of Association stipulate that decisions to appoint and remove directors and amend the Articles of Association are made by general meetings of shareholders.

DIVIDEND

The Board of Directors propose to the Annual General Meeting a dividend of SEK 1.85 (1.10) per share for the 2007 operating year.

Pursuant to Traction's dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has investment company status under Swedish laws, the dividend is a tax-deductible expense.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred after the end of the financial year.

OUTLOOK FOR 2008

Traction's business concept lies firm. In the near term, we will continue to give priority to developing our existing companies, and in particular those companies that have yet to display profitability. Traction's strong financial position creates excellent opportunities to expand its portfolio of companies.

STATEMENT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSED DIVIDEND

Traction's dividend policy states that the dividend should be adapted to the Parent Company's revenue in such a way that no tax expense arises in the Parent Company. As set out below, the proposed dividend amounts to MSEK 30.3. The Group's equity as of 31 December 2007 amounts to MSEK 1,348.5 and unrestricted equity in the Parent Company was MSEK 1,075.8. Unrestricted equity includes MSEK 26.1 relating to fair value valuation. In view of the above, and taking into account what the Board of Directors has become aware of in other respects, it is the opinion of the Board of Directors that the proposed dividend is justifiable in view of the demands made by the nature, scope and risks associated with the business, in terms of the size of the Company's and the Group's equity, and taking into account the Company's and the Group's need for consolidation, liquidity and the overall financial position.

PROPOSED ALLOCATION OF EARNINGS (SEK THOUSAND)

Parent Company

The following amounts are available to the Annual General Meeting:

Retained earnings	1,084.4
Net profit for the year	-8.6
	1,075.8

To be allocated as follows:

Dividend to the shareholders of SEK 1.85 per share	30.3
To be carried forward	1,045.5
	1,075.8

Income Statements

Group MSEK	Note 1	2007	2006
Operating revenue	3		
Net revenue	2	282.3	295.6
Other operating income		8.5	2.3
Dividend income	28	17.9	16.4
Total operating revenue		308.7	314.3
Operating expenses	3		
Raw materials and supplies		-153.6	-153.5
Other external costs	4, 5, 6	-62.1	-56.7
Personnel costs	8	-94.4	-109.0
Depreciation, amortisation and impairment	2	-15.9	-15.3
Total operating expenses		-326.0	-334.5
Change in value of securities	27	73.2	186.7
Operating profit	2	55.9	166.5
Result from financial investments:			
Finance income	6, 7, 28	30.2	13.2
Financial expense	7, 28	-4.1	-3.6
Total finance items		26.1	9.6
Profit after finance items		82.0	176.1
Taxes on the year's result	9	-1.0	-0.7
Net profit for the year		81.0	175.4
Attributable to the Company's equity holders		81.0	175.4
Earnings per share (SEK)	10	4.90	10.60
Earnings per share, fully diluted basis (SEK)	10	4.90	10.60

Balance Sheets

Group MSEK	Note 1	2007	2006
Non-current assets			
Buildings and land		34.2	38.5
Plant and machinery		62.3	46.4
Equipment, tools, fixtures and fittings	13	9.4	2.2
Construction on progress		9.4	5.0
Shares in unlisted companies		195.7	182.9
Shares in listed companies		361.4	410.2
Deferred tax claim		–	1.0
Other long-term receivables		28.7	12.5
Total non-current assets		701.1	698.7
Current assets			
Inventories		41.0	31.7
Accounts receivable		43.0	41.2
Due from associated companies		–	1.1
Tax claim		1.1	0.6
Other receivables		3.5	18.0
Prepaid expenses and accrued income	21, 28	11.7	7.5
Short-term investments		48.8	–
Cash and cash equivalents	28	652.8	645.9
Total current assets		801.9	746.0
TOTAL ASSETS		1,503.0	1,444.7

Balance Sheets

Group MSEK	Note 1	2007	2006
Shareholders' equity	22		
Share capital		5.7	5.7
Other capital contributed		1.1	1.1
Other reserves		0.1	-0.4
Retained earnings		1,260.8	1,115.5
Net profit for the year		81.0	175.4
Total shareholders' equity		1,348.5	1,297.3
Long-term liabilities			
Liabilities to credit institutions	23, 28	27.3	20.6
Total long-term liabilities		27.3	20.6
Current liabilities			
Liabilities to credit institutions	28	16.6	14.9
Committed credit facility	25, 28	31.0	31.0
Advance payments from customers		0.0	0.8
Accounts payable	28	46.9	47.1
Tax liabilities		0.3	0.2
Other liabilities		11.3	10.0
Accrued expenses and prepaid income	26	21.1	22.8
Total current liabilities		127.2	126.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,503.0	1,444.7

Refer to Note 29 for disclosures about the Group's pledged assets and contingent liabilities.

Changes in shareholders' equity

Group

MSEK, Note 1	Share capital	Other capital contributed	Reserves (translation reserve)	Retained earnings, incl. net result for the year	Total equity
Opening equity 1 January 2006	5.7	1.1	-0.2	1,130.9	1,137.5
Translation difference	-	-	-0.2	-	-0.2
<i>Total income and expense recognised directly in equity, not including transactions with the Company's owners</i>	-	-	-0.2	-	-0.2
Net result for the year				175.4	175.4
<i>Total income and expense, not including transactions with the Company's owners</i>			-0.2	175.4	175.2
Dividend paid (SEK 0.93 per share)				-15.4	-15.4
Closing equity 31 December 2006	5.7	1.1	-0.4	1,290.9	1,297.3
Opening equity 1 January 2007	5.7	1.1	-0.4	1,290.9	1,297.3
Divestment of Svecia East			0.4		0.4
Translation difference			-0.1		-0.1
<i>Total income and expense recognised directly in equity, not including transactions with the Company's owners</i>	-	-	0.3		0.3
Net result for the year				81.0	81.0
<i>Total income and expense, not including transactions with the Company's owners</i>			0.3	81.0	81.3
Dividend paid (SEK 0.93 per share)				-18.2	-18.2
Repurchase of own shares				-11.8	-11.8
Closing equity 31 December 2007	5.7	1.1	-0.1	1,341.8	1,348.5

Cash Flow Statements

Group MSEK	Note 1, 30	2007	2006
Cash flows from operating activities			
Profit before taxes		82.0	176.1
Adjustment for items not included in cash flow		-58.7	-188.5
Income tax paid		-	-
Net cash generated from operating activities before changes in working capital		23.3	-12.4
Cash flows from changes in working capital			
Change in inventories		-9.3	2.3
Change in operating receivables		9.1	17.3
Change in operating liabilities		-1.3	17.0
Cash flows from changes in working capital		-1.5	36.6
Cash flows from operating activities		21.8	24.2
Cash flow from investing activities			
Sales of subsidiaries	31	1.3	98.8
Purchase of shares in unlisted companies	31	-5.0	-15.7
Sales of shares in unlisted companies		41.5	19.8
Purchase of shares in unlisted companies		-379.7	-155.5
Sales of shares in unlisted companies		453.4	376.8
Purchases/Sales of tangible non-current assets		-39.3	-20.6
Net investment in other financial assets		-65.5	-16.4
Cash flows from investing activities		6.7	287.2
Cash flows from financing activities			
Loans raised		11.8	10.2
Repayment of debt		-3.4	-6.5
Dividends to shareholders		-18.2	-15.4
Repurchase of own shares		-11.8	-
Cash flows from financing activities		-21.6	-11.7
Cash flows for the year		6.9	299.7
Liquid funds at beginning of period		645.9	346.2
Liquid funds at end of period		652.8	645.9

Income Statements

Parent Company MSEK	Not 1	2007	2006
Dividend income		7.7	7.8
Total operating income		7.7	7.8
Operating expenses			
Other external costs		-1.0	-1.3
Personnel expenses		-0.3	-0.3
Total operating expenses		-1.3	-1.6
Change in value of securities		42.2	87.1
Operating profit		48.6	93.3
Result from financial investments:			
Interest income and similar items	7.28	19.8	13.6
Result from shares in Group companies	7.15	-77.0	-49.1
Interest expense and similar items	7.28	-	-2.6
Total finance items		-57.2	-38.1
Profit after finance items		-8.6	55.2
Taxes on the year's result		-	-
Net profit for the year		-8.6	55.2

Balance Sheets

Parent Company MSEK	Not 1	2007	2006
ASSETS			
Financial non-current assets			
Shares in subsidiaries		71.1	128.1
Shares in unlisted companies		30.2	31.8
Shares in listed associated companies	17	75.1	86.4
Shares in listed companies		239.8	310.1
Total non-current assets		416.2	556.4
Current assets			
Due from Group companies		43.9	31.2
Short-term receivables		0.3	0.7
Prepaid expenses and accrued income	21	0.4	0.2
Total current assets		44.6	32.1
Short-term investments		48.8	–
Cash and cash equivalents		576.0	585.5
Total current assets		669.4	617.6
TOTAL ASSETS		1,085.6	1,174.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		5.7	5.7
Legal reserve		1.1	1.1
Total restricted shareholders' equity		6.8	6.8
Unrestricted equity			
Retained earnings		1,084.4	1,059.2
Net profit for the year		-8.6	55.2
Total unrestricted equity		1,075.8	1,114.4
Total shareholders' equity		1,082.6	1,121.2
Current liabilities			
Accounts payable		0.0	0.0
Due to Group companies		–	51.3
Other liabilities		0.1	1.5
Accrued expenses and prepaid income	26	2.9	0.0
Total current liabilities		3.0	52.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,085.6	1,174.0
Pledged assets		–	–
Contingent liabilities		29.0	37.4

Changes in shareholders' equity

Parent Company

MSEK, Note 1	Share capital	Legal reserve	Retained earnings incl. net resultat for the year	Total equity
Opening equity 1 January 2006	5.7	1.1	1,074.6	1,081.4
<i>Total income and expense recognised directly in equity, not including transactions with the Company's owners</i>	–	–	–	–
Net result for the year	–	–	55.2	55.2
<i>Total income and expense, not including transactions with the Company's owners</i>			55.2	55.2
Dividend paid	–	–	-15.4	-15.4
Closing equity 31 December 2006	5.7	1.1	1,114.4	1,121.2
Opening equity 1 January 2007	5.7	1.1	1,114.4	1,121.2
<i>Total income and expense recognised directly in equity, not including transactions with the Company's owners</i>	–	–	–	–
Net result for the year	–	–	-8.6	-8.6
<i>Total income and expense, not including transactions with the Company's owners</i>			-8.6	-8.6
Dividend paid	–	–	-18.2	-18.2
Repurchase of own shares	–	–	-11.8	-11.8
Closing equity 31 December 2007	5.7	1.1	1,075.8	1,082.6

Cash Flow Statements

Parent Company MSEK	Note 1, 30	2007	2006
Cash flows from operating activities			
Profit before taxes		-8.6	55.2
Adjustment for items not included in cash flow		35.0	-37.6
Income tax paid		-	-
Net cash generated from operating activities before changes in working capital		26.4	17.6
Cash flows from changes in working capital			
Change in operating receivables		-32.5	47.4
Change in operating liabilities		1.7	1.3
Cash flows from changes in working capital		-30.8	48.7
Cash flows from operating activities		-4.4	66.3
Cash flows from investing activities			
Sales of shares in subsidiaries		-	19.7
Sales of shares in unlisted companies		18.2	-
Purchase of shares in listed companies		-304.6	-194.1
Sales of shares in listed companies		411.4	379.6
Net investment in other financial assets		-48.8	-
Cash flows from investing activities		76.2	205.2
Cash flows form financing activities			
Loans raised		-	51.3
Repayment of debt		-51.3	-
Dividends to shareholders		-18.2	-15.4
Repurchase of own shares		-11.8	-
Cash flows from financing activities		-81.3	35.9
Cash flows for the year		-9.5	307.4
Cash and cash equivalents at beginning of period		585.5	278.1
Cash and cash equivalents at end of period		576.0	585.5
Cash and cash equivalents include:			
Short-term investments		49.6	-
Cash and cash equivalents		526.4	585.0
Total		576.0	585.0

Notes to the Financial Statements

Corporate information

AB Traction's consolidated financial statements for the financial year ending 31 December 2007 have been approved by the Board of Directors for publication 16 March 2008 and will be presented to the Annual Meeting to be held 7 May 2008 for adoption. The Parent Company is a Swedish company (publ.) with its registered office in Stockholm, Sweden.

Note 1. Accounting and valuation policies

Statement regarding compliance with standards and statutory requirements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and interpretative statements from the International Reporting Interpretations Committee (IFRIC), as approved by the EU. The consolidated financial statements are also prepared in accordance with Swedish law by applying recommendation RR 30:06 Supplementary rules for consolidated accounting of the Swedish Financial Accounting Standards Council. The Parent Company applies the same rules as the Group, except in the cases set forth below in the Parent Company accounting policies section. Any discrepancies between the Parent Company's and the Group's policies and principles are mainly caused by limitations in the possibility of applying IFRS to the Parent Company in full, due to the rules in the Swedish Annual Accounts Act (ÅRL) regarding accounting for associated companies.

Basis of preparation

The consolidated financial statements are based on historical acquisition values, except in the case of derivative financial instruments, available-for-sale financial assets and financial assets valued at fair value through profit or loss. The reported values of assets and liabilities that have been hedged, and which normally are accounted for at acquisition cost, have been adjusted for changes in fair value attributable to risks that have been hedged (fair value hedging). Unless otherwise specifically stated, all amounts are stated in million Swedish kronor (MSEK). The Parent Company's functional currency is Swedish kronor (SEK) and the Parent Company's and the Group's reporting currency is Swedish kronor.

Estimates and judgments

Preparing financial statements in accordance with IFRS requires estimates and judgments as well as assumptions that affect the application of the accounting policies and the reported values of assets, liabilities, revenue and costs. The actual outcome may differ from these estimates and judgments.

The estimates and judgments are reviewed on a regular basis. Changes of estimates are reported in the period when the change is made where the change has affected only this period, or in the period when the change is made and in future periods where the change affects both the current period and future periods.

New IFRS and interpretations now applied

IFRS 7 Financial Instruments: Disclosures and related changes in IAS 1 Presentation of Financial Statements have not involved any changes of accounting policies, only additional information in the Group's financial reports for year 2007.

IFRIC 7 Applying the inflation adjustment method in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies shall be applied starting with the 2007 financial year, but has no effects on the Group's financial reports.

IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 11 IFRS 2: Group and Treasury Share Transactions are applied starting with the 2007 financial year, but have no effects on the Group's financial reports.

IFRIC 10 Interim Financial Reporting and Impairment prohibits reversal of impairment losses recognised in a previous interim period on, inter alia, goodwill. Since no such reversals have taken place, the statement has no effect on the Group's financial reports.

New IFRS and interpretations not yet applied

The following new standards, amendments of standards and interpretation statements, that may become relevant for Traction, have not been applied in preparing these financial reports.

Amendments to IAS 1 Presentation of Financial Statements; A Revised Presentation means that the presentation of the financial statements changes in some respects and that new, non-mandatory designations for reports are suggested. The amendment does not affect the determination of the amounts reported.

Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements involve changes with respect to consolidated accounting and reporting of acquisitions.

IFRS 8 Operating Segments specifies what is an operative segment and the information to be provided about them in the financial reports.

A change in IAS 23 Borrowing Costs states that borrowing costs directly attributable to the purchase, design or production of assets that take a considerable time to complete for their intended use or sale must be capitalised.

Basis of consolidation

The consolidated financial statements include the Parent Company, AB Traction (publ) and its subsidiaries. The financial reports for AB Traction and subsidiaries included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting policies and principles that apply for the Group.

The consolidated financial statements include subsidiaries in which the Parent Company at the end of the financial year, directly or indirectly, has more than 50 percent of the votes, or in which the Parent Company other ways has a controlling interest. Acquired companies are included in the Group from the time of acquisition and companies sold are included in the Group until the time of sale. Only the portion of subsidiary capital earned after the time of acquisition is included in consolidated equity.

The acquisition cost of an acquisition is made up of the fair value of assets rendered as compensation and liabilities created or assumed as of the closing date, plus costs directly attributable to the acquisition. Any positive difference between the acquisition cost of the shares and the Group's share of consolidated acquisition value is reported as consolidated goodwill. Where the difference is negative, the difference is recorded directly in the income statement.

All intra-Group dealings, revenue, costs, gains or losses arising from transactions between companies included in the consolidated financial statements are eliminated in their entirety.

Traction reports share-related investments at fair value, with changes in value recorded in the income statement. In accordance with IAS 28, Item 1, shares in associated companies are also to be accounted for in this manner. Consolidation in accordance with the equity method is thus no longer effected and associated companies are accounted for in – for an investment company – a fairer manner of reporting values. Subsidiaries are consolidated in the same manner as before. Listed shares are valued based on quoted market value and unlisted holdings are subject to valuation based on a valuation model appropriate for each respective holding.

Foreign subsidiaries

Earnings, and the financial position of Group companies with other operative currency than the reporting currency, are translated as follows: assets and liabilities for each of the balance sheets are translated at the year-end rate of exchange, revenue and costs for each of the income statements are translated using the average rate of exchange. All exchange rate differences that arise are reported as separate items under equity. When a foreign business is sold, the accumulated translation differences attributable to a foreign business are realised.

Foreign currency

Earnings and financial position of Group companies with a functional currency other than the reporting currency are translated at the foreign exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the foreign exchange rate prevailing on the balance sheet date. Exchange rate differences that arise in these translations are carried to the income statement. Non-monetary assets and liabilities reported at historical acquisition cost are translated at the foreign exchange rate at the time of the transaction. Non-monetary assets and liabilities reported at fair value are translated to the functional currency at the exchange rate prevailing at the time of valuation at fair value. The change in foreign exchange rate is then reported in the same way as other changes in value relating to the asset or liability.

Designations

Non-current assets, long-term liabilities and provisions consist essentially only of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and liabilities consist essentially only of amounts expected to be recovered or paid within twelve months of the balance sheet date. Any departure from this principle is reported in a note to the respective balance sheet item.

Revenue recognition

Revenue is reported when significant risks and benefits associated with the companies' goods are transferred to the buyers and it is probable that the economic rewards will accrue to the company. In

addition, revenue recognition occurs only when the revenue and the expenditure that has arisen or is expected to arise as a result of the transaction can be calculated in a reliable manner.

Revenue from service assignments is reported in the income statement when the economic outcome can be calculated in a reliable manner. Revenue and costs are reported in the income statement in proportion to the degree to which the assignment is completed.

Dividend income is recognised when the right to receive payment has been established.

Sales are reported net after value added tax (V.A.T.), discounts and exchange rate differences in the case of sales in foreign currency. Intra-Group sales are eliminated in the consolidated accounting.

Leasing

Operational leasing

Costs relating to operational leasing contracts are reported in the income statement on a straight-line basis over the leasing period. Benefits received in conjunction with entering into a contract are reported in the income statement as a reduction of the leasing fees on a straight-line basis over the term of the leasing contract. Variable fees are expensed in the period when they arise.

Financial leasing

Assets leased under financial leasing contracts are reported as non-current assets and are depreciated in accordance with the principles for tangible non-current assets in other respects. Future leasing fees relating to such assets are reported as a liability. Current leasing fees reduce the reported liability, after deduction of interest.

Finance income and expense

Finance income and expense consist of interest income on bank balances and receivables, and on interest-bearing securities, interest expense on loans, exchange rate differences, changes in value of financial investments, including derivative instruments, which because of hedge accounting are not carried directly to equity. Commissions received or paid when loans are raised are distributed over the term of the loan.

In addition, payments relating to financial leases are allocated to interest expense and repayment of principal. The interest expense is reported as a financial expense.

Financial instruments

On the asset side, financial instruments reported in the balance sheet include shares in unlisted companies, loans receivable, trade accounts receivable, short-term investments, cash and cash equivalents and derivative instruments. On the liabilities side are found loan liabilities and trade accounts payable.

Reporting in and removal from the balance sheet

A financial asset or a financial liability is reported in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. Accounts receivable are booked on the balance sheet when an invoice is sent. Liabilities are entered when the counterparty has delivered and a contractual obligation to pay exists, even if no invoice has yet been received. Trade accounts payable are entered upon receipt of invoice.

A financial asset is removed from the balance sheet when the contractual undertaking is fulfilled, or extinguished in some other way. The same holds true for part of a financial liability. Financial assets and financial liabilities are offset and reported in a net amount

in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount, or to realise the asset and settle the liability at the same time. Purchases and sales of financial assets are reported on the day of the transaction, which is the day when the company undertakes to buy or sell the instrument in question.

Classification and valuation

Financial instruments that are not derivative instruments are initially reported at acquisition value, equivalent to the fair value of the instrument, with transaction costs added. This principle applies to all financial instruments except those reported at fair value through profit or loss, which are reported at fair value, less transaction costs.

A financial instrument is classified when first reported based on the purpose behind its acquisition. The classification determines how the financial instrument is valued after the first reporting occasion as described below.

Derivative instruments are reported initially at fair value, which means that the transaction cost affects the period's earnings. After the initial reporting the derivative instrument are reported in the manner described below. Where the derivative instrument is used for hedge accounting, and to the extent this is effective, changes in value of derivative instruments are reported on the same line in the income statement as the hedged item. The ineffective portion is reported in the same way as changes in value of derivative instruments that are not used for hedge accounting. Where hedge accounting is not applied when using interest rate swaps, the interest coupon is reported as interest and any other change in value of the interest rate swap is reported as net profit/net loss.

Cash and cash equivalents consist of cash and immediately available balances with banks and equivalent institutions and short-term investments with a term of less than three months for the time of acquisition, which are subject to only minor risk of fluctuations in value.

Financial assets valued at fair value through profit or loss

This category consists of two sub-groups: Financial assets initially placed in this category ("Fair Value Option") and financial assets held for trading. Financial assets in this category are valued on a current basis at fair value with changes in value through profit or loss.

Financial assets reported in accordance with Fair Value Option

This group includes short-term investments and shares in listed companies. Equity investments where Traction has a significant influence, as stated in IAS 29, Item 1, also belong to this category and are reported in accordance with IAS 39 at fair value with changes in value through profit and loss.

Fair value is determined as follows:

Listed holdings

Listed holdings are valued based on the market value of the holdings (buy price where such is quoted) on the balance sheet date.

Unlisted holdings

Unlisted holdings are valued based on "International Private Equity and Venture Capital Valuation Guidelines" developed and published jointly by risk capital organisations EVCA, BVCA and AFC.

For directly owned investments, an overall assessment is made to determine which valuation method is most appropriate for individual holdings. Factors considered are if there has recently been some kind of financing or "arms-length" transaction. A valuation is also

made by applying relevant multiples to the company's key financial indicators from a selected group of comparable companies, less adjustments due to factors, such as difference in size between the company in question and the group of comparable companies. In cases where there are other methods that better reflect the fair value of an individual holding, these are used, which means that individual holdings may be valued using methods other than those described above.

Investments held to maturity

Investments held to maturity are financial assets including interest-bearing securities with fixed or determinable payments and a fixed term that the company has the expressed intent and ability to hold until maturity. Assets in this category are valued at accrued acquisition value. This category includes investments such as treasury discount notes and commercial paper with a short time remaining to maturity.

Loans and trade receivables

Loans and trade receivables are financial assets that are not derivative instruments, which have determined or determinable payments and that are not listed in an active market. These are valued at accrued acquisition value, which is determined based on the effective interest rate prevailing at the time of acquisition. Trade accounts receivable are carried at the amount expected to be collected, less a deduction for doubtful credits, which are assessed individually. The anticipated term of trade accounts receivable is short, so their value is reported at the nominal amount without discounting. Impairment losses on trade accounts receivable are reported as an operating expense.

Other financial liabilities

This category includes interest-bearing and non-interest-bearing liabilities that are not held for trading purposes. Valuation is at accrued acquisition value. The accrued acquisition value is determined based on the effective rate of interest calculated when the liabilities was entered. This means that surplus values and deficits are allocated to the right periods over the term of the liability.

Trade accounts payable are valued at acquisition value. Trade accounts payable have a short anticipated term and are reported at the nominal amount without discounting.

Impairment

On each reporting date the Group assesses whether there is objective evidence that an asset is impaired. If there is an indication of impairment, the recoverable value of the asset is calculated in accordance with IAS 36. An impairment loss is recognised when the reported value exceeds the recoverable value.

Assessment of reported value is performed in other ways for certain types of assets. This applies to inventories, available-for-sale assets, managed assets used for financing benefits to the employees and deferred tax assets and financial assets. Refer to each respective heading.

Impairment test for financial assets

On each reporting date the Group assesses whether there is objective evidence that a financial asset is impaired. The impairment loss should be significant or extended. Since most of the Group's assets belongs to the category "Financial assets valued at fair value through profit and loss" negative changes in value typically affects the income statement on a current basis.

Calculation of recoverable value

The recoverable value of assets belonging to the categories loans and trade account receivable reported at accrued acquisition value is calculated as the present value of future cash flows, discounted using the effective rate of interest prevailing at the time when the asset was reported for the first time. Assets with a short term to maturity are not discounted.

The recoverable value of other assets is the higher of fair value, less a deduction for selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor that takes risk-free interest and the risk associated with the specific asset into account. For an asset that does not generate cash flow that is essentially independent of other assets, a common recovery value is calculated for the cash-generating unit to which the asset belongs.

Reversal of impairment losses

Impairment losses are not reversed.

Impairment losses on other assets are reversed in cases when a later increase in recovery value objectively is attributable to an event that occurred after the impairment charge was made and there has been a change in the assumptions on which the calculation of recovery value has made.

An impairment loss is reversed only to the extent the reported value of the asset after the reversal does not exceed the reported value the asset would have had no impairment charge had been made, taking into account the impairment loss that would then have been charged.

Taxes

Income taxes consist of current taxes and deferred taxes. For items reported in the income statement, taxes associated therewith are reported in the income statement. For items carried directly to equity, taxes are also carried directly to equity. Deferred taxes are calculated using the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or a liability differs from the value for tax purposes. Temporary differences attributable to shares in subsidiary associated companies not expected to be reversed within the foreseeable future should not be taken into account.

Deferred taxes are calculated using the tax rates and tax rules in force, or in force in practice, on the balance sheet date.

Deferred tax assets relating to deficits are reported only to the extent it is probable that it will be possible to utilise them.

The Parent Company is taxed in accordance with the rules for investment companies. For further information, refer to the heading Parent Company.

Tangible non-current assets/depreciation

Assets are reported at acquisition cost, less depreciation according to plan and any impairment loss based on an assessment of the economic life of the assets. The residual values and economic life are reviewed annually and are adjusted in case of need.

Depreciation according to plan has been charged as follows:

Buildings	4%
Plant and machinery	10–20%
Equipment, tools, fixtures and fittings	20%

Inventories

Inventories are valued using the FIFO principle, at the lower of acquisition value and fair (net realisable) value on the balance sheet date.

Share capital

Shares held in treasury are reported as a reduction of shareholders' equity. Acquired own shares are reported as a deduction item from shareholders' equity. Proceeds of the sale of shares held in treasury are reported as an increase of shareholders' equity. Any transaction costs are carried directly to equity.

Provisions

Provisions are reported when the Group has, or may be deemed to have, an obligation as a result of events that have occurred, and it is probable that disbursements will be required to fulfil the obligation. A further condition is that a reliable estimate can be made of the amount to be disbursed.

Borrowing costs

Borrowing costs are charged to income in the period to which they are attributable, regardless of how the borrowed funds are used.

Compensation to employees – Pension commitments

Defined-contribution plans

Commitments relating to fees for defined contribution plans are reported as a cost in the income statement when they arise.

Commitments for retirement pension and family pension for salaried employees in Sweden are secured mainly through insurance with Alecta. According to statement URA 42 of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this is a defined-benefit plan that covers several employers. For the 2005 and 2006 financial years, the Company has not had access to the kind of information that allows reporting of this plan as a defined-benefit plan. The pension plan according to ITP, which is secured by insurance with Alecta, is therefore reported as a defined-contribution plan. Other pension commitments are defined-contribution plans and are paid for in the form of insurance premiums.

Segment reporting

A segment is a part of the Group that is identifiable for accounting purposes and that either provides goods or services of a particular type (lines of business) or products and services within a given economic environment (geographic area) that is exposed to risks and opportunities that differ from those in other segments.

Segment information is provided in accordance with IAS 14 for the Group only. The primary basis for the Group's breakdown into segments is business areas Listed holdings, Unlisted holdings and Subsidiaries. The internal reporting system is based on the same breakdown, so business areas are appropriate as the primary basis for breakdown. Since operations conducted in Sweden only, sales from Sweden has been divided into geographic areas. There are no significant assets outside Sweden.

Cash flow statement

The cash flow statement is compiled in accordance with IAS 7 using the indirect method. This means that the cash flow has been adjusted for transactions that do not result in cash receipts or disbursements during the period. Liquid funds include cash and cash

equivalents, and short-term investments. Short-term investments are classified as liquid funds since there is little risk for fluctuation in value, when they are easily converted to liquid funds and have a maximum term of three months from the time of acquisition.

Commercial foreign exchange exposure

The commercial foreign exchange exposure in the Traction Group is primarily related to USD in respect of motor deliveries to the United States from the Ankarsrum Group. Portions of the projected net flow are typically hedged for a period of three to six months.

Financial currency exposure

Holdings of equity in foreign subsidiaries and associated companies are not hedged. Exposure is currently limited to Hong Kong dollars and pound sterling.

Interest rate risk

The Group's borrowing is primarily in the form of utilization of committed credit facilities and factoring. All interest rates are variable. The Group's net indebtedness (liquid funds less interest-bearing liabilities) amounted to MSEK 577.9 (579.4) at year-end.

Credit risk

Traction is exposed to credit risk primarily through investment of surplus liquid funds in interest-bearing securities. In order to minimise that risk, there are limits set for exposure to counterparties.

Contingent liabilities

A contingent liability is reported when there is a potential commitment rooted in events that have occurred and the existence of which is confirmed only by one or more uncertain future events, or when a commitment that has not been reported as a liability because it is unlikely that an outflow of resources will be required.

Parent Company

The Parent Company's accounting is prepared in accordance with the Swedish Annual Accounts Act (1955:1554 and applying recommendation RR32:06 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council. Under RR 36:06, the Parent Company in the annual accounts for the legal entity should apply all IFRS approved by EU, and statements to the extent possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation states which exceptions and addenda that should be made compared to IFRS.

Revenue recognition

Dividend income in the Parent Company is recognised to the extent the dividend refers to profit earned after the acquisition. Any excess amount reduces the book value of the shares.

Financial instruments

The Parent Company applies the rules in the Swedish Annual Accounts Act, Chapter 4, Section 14 a-e, which permits valuation of certain financial instruments at fair value.

Associated companies

Shares in associated companies and subsidiaries are reported in the Parent Company in accordance with the acquisition value method. Reported values are tested on each balance sheet date to assess whether there are indications of impairment loss. Only dividends emanating from profit earned after the time of acquisition are recognised as revenue. Dividends exceeding such earned profit are regarded as a repayment of the investment and reduce the share's reported value.

Shareholdings previously designated other shares, but reclassified as shares in associated companies, are reported from this point in time at acquisition value. Acquisition value is equivalent to fair value at the time of reclassification.

Shareholdings previously designated shares in associated companies, but where there has been reclassification, are valued at market and are reported as other shares from the time of reclassification.

Group contributions and shareholder contributions

According to a statement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, shareholder contributions are carried directly to equity with the recipient and are capitalised as shares with the donor, to the extent an impairment charge is not required.

The Parent Company is taxed in accordance with the rules for investment companies, which means that that the Parent Company neither can render nor receive group contributions.

Taxes

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. The Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. Dividend income is reported as revenue. Net interest income and overhead, as well as dividends paid, are deductible. The Parent Company usually does not pay taxes, mainly because of dividends declared. The Traction Group's tax expense therefore consists solely of taxes paid by its subsidiaries.

Note 2. Segment reporting

There is no distribution of Central Traction's costs on segments Listed and Unlisted holdings.

Segment	Sales		Operating result	
	2007	2006	2007	2006
Listed holdings	–	–	35.8	61.8
Unlisted holdings	–	–	55.2	47.3
Subsidiaries	279.8	291.4	-23.8	65.6
Central Traction	3.9	5.6	-11.3	-8.2
Consolidation adjustments	-1.4	-1.4	–	–
Total	282.3	295.6	55.9	166.5

Segment	Assets		Liabilities	
	2007	2006	2007	2006
Listed holdings	361.4	419.3	–	–
Unlisted holdings	195.5	182.9	–	–
Subsidiaries	225.0	211.3	183.3	160.2
Central Traction	789.0	721.9	16.6	77.9
Consolidation adjustments	-47.9	-90.7	-45.4	-90.7
Total	1,503.0	1,444.7	154.5	147.4

Segment	Investments in tangible non-current assets		Depreciation	
	2007	2006	2007	2006
Listed holdings	–	–	–	–
Unlisted holdings	–	–	–	–
Subsidiaries	49.5	19.8	-15.8	-15.0
Central Traction	0.1	–	-0.1	-0.3
Total	49.6	19.8	-15.9	-15.3

Information about geographic distribution of sales

Group	2007	2006
Sweden	103.3	128.5
EU countries, not including Sweden	86.3	73.9
Rest of Europe, not including EU countries	3.5	7.4
North America	67.5	61.8
Other markets	21.7	24.0
Total	282.3	295.6

Distribution of revenue

Group	2007	2006
Distribution of net revenue		
Sale of goods	279.8	292.6
Service assignments	2.5	3.0
Rental income	–	1.1
Total	282.3	295.6

All operations are conducted in Sweden. No assets or liabilities exist outside Sweden, which is why further break-down of the geographic areas is not meaningful.

Note 3. Intra-Group sales

Of the total purchasing costs and sales revenue for the year, 1 % (1 %) of purchases came from and 1 % (1 %) of sales were to other companies in the Group. All transactions were at market prices. All intra-Group transactions were eliminated in the consolidated accounting. Of the Parent Company's costs for purchases and revenue from sales, 0 % (0 %) of purchases came from and 0 % (0 %) of sales were to other companies in the Group.

Note 4. Compensation to auditors

The term audit assignments refers to the examination of the annual accounts and the accounting records, and of the administration by the Board of Directors and the President, other tasks to be performed by the Company's auditor, and counselling and other assistance prompted by observations made in the course of such examination, or the executions of such other tasks. All other activities are defined as other assignments. The Parent Company's audit costs are charged to another company in the Group.

	Group		Parent Company	
	2007	2006	2007	2006
Audit				
KPMG Bohlins AB	0.3	–	–	–
SET Revisionsbyrå	0.2	0.5	–	–
PriceWaterhouseCoopers AB	0.3	0.4	–	–
Other assignments	0.0	0.1	–	–
PriceWaterhouseCoopers AB	–	0.0	–	–
Total	0.8	0.8	–	–

Note 5. Leasing

Leasing fees paid during the year relating to operational leases and future fees for contracts entered into amount to:

Minimum leasing fees	Group	
	2007	2006
Leasing fees paid during the year	6.1	6.2
Fees within 1 year	5.6	6.0
Between 1 year and 5 years	13.9	12.0
Later than in 5 years	2.6	3.4
Total	22.1	21.4
Total	21.4	10.7

There are no variable leasing fees.

Note 6. Exchange rate differences

Exchange rate differences relating to short-term receivables and liabilities are reported on a net basis in the item and are included in amount to MSEK -2.5 (-1.3) and are reported in the item interest income and similar items.

Note 7. Net finance items

Net finance items	Group		Parent Company	
	2007	2006	2007	2006
Interest income	28.5	13.2	18.5	10.9
Interest income from subsidiaries	–	–	1.3	2.7
Result of shares in Group companies	–	–	-77.0	-49.1
Exchange rate differences	0.9	–	–	–
Other financial income	0.8	–	–	–
Interest expense	-4.1	-3.3	–	–
Interest expense to Group companies	–	–	–	-2.6
Other financial expense	–	-0.3	–	–
Total	26.1	9.6	-57.2	-38.1

Note 8. Personnel

Average number of employees	Antal anställda	2007 Varav män	Antal anställda	2006 Varav män
Parent Company	0	0	0	0
Subsidiaries:				
Sweden	185	130	240	166
Hong Kong	–	–	7	4
Total	185	130	247	170

Salaries and other compensation	Group		Parent Company	
	2007	2006	2007	2006
Boards of Directors and members of senior management	4.4	3.9	0.2	0.2
– of which bonus	(0.2)	(0.2)	–	–
Of which Sweden	4.4	3.7	–	–
– of which bonus	(0.2)	(0.2)	–	–
Of which other countries	–	0.2	–	–
– of which bonus	(–)	(–)	–	–
Other employees	63.1	71.4	–	–
Of which Sweden	63.1	70.6	–	–
Of which other countries	–	0.8	–	–
Total salaries and other compensation	67.5	75.3	0.2	0.2
Other personnel expenses:				
Social benefits	21,8	26,0	0,1	0,1
Pension costs*	4,2	5,7	–	–
Other personnel expenses:	0,9	2,0	–	–
Total other personnel expenses	26,9	33,7	0,1	0,1
Total personnel expenses	94,4	109,0	0,3	0,3

* Of which to members of senior management MSEK 0.8 (0.9). The pension costs item above is reported net, after reimbursement from Traction Nouveau AB's and Traction Konsult AB's pension trusts in an amount of MSEK 1.4 (1.1).

Absence due to illness

AB Traction has no employees. Data on absence due to illness are therefore not reported for the Parent Company. Absence due to illness in the other Swedish Group companies is reported in each respective company's annual accounts.

Compensation to Board of Directors and members of senior management

Board of Directors

Directors' fees in accordance with resolution of the Annual Meeting amounted to SEK 225,000 (225,000). A fee of SEK 225,000 was paid to the Board of Directors, of which the Chairman received SEK 0 thousand and the three external directors SEK 75,000 each. Social benefits are additional. No other compensation except for reimbursement for expenses was paid to the Board of Directors.

In his former capacity of President in Traction AB, pension is payable to Bengt Stillström, who had the right to retire from the age of 60 years, in the amount of SEK 490,000 per year between the age of 60 and 65. No pension benefits have been paid so far. A life-long pension is payable thereafter and an annual family pension. The pension commitment was made with 1993 as a base and will be raised thereafter according to Alecta's standards. The total commitment amounts to MSEK 22.7 as of 31 December 2007 (23.6). A full provision has been made in Traction's pension trusts.

President

In 2007, the President and CEO received a salary totalling SEK 291,000 (318,000) from Traction Konsult AB. The President's basic salary amounts to SEK 318,000 per year and no bonus was paid. The pension cost amounted to SEK 40,000 (21,000). A reimbursement has been made by a pension trust so that the cost was not charged to the consolidated income statement. In addition to these costs, the President has received compensation for assignments as a director of certain of Traction's partially owned companies in a total amount of SEK 550,000 (125,000).

An undertaking in respect of the President's future retirement was made during 2007 in the amount of SEK 300,000, plus interest equivalent to the CPI plus three percentage points from 1 January 2008 until the amount has been disbursed. The accumulated vested amount is SEK 1,548,000 as of 31 December 2007 and has been set aside in Traction Nouveau AB's pension trust. In the event that necessary funds where to be lacking in the future in the pension trust, Traction will set aside the funds necessary for the pension trust to fulfil its obligation. Agreements for future pension call for retirement at age 65, with the right for the President to call for pension after reaching age 55.

There are no incentive programmes in the form of awards of financial instruments, options or similar for the President.

The employment agreement with the President and CEO contains a mutually applicable period of notice of six (6) months. There is no agreement on severance pay.

Note 8, continued

Compensation to subsidiary Boards of Directors

No directors' fees were paid by subsidiaries.

Compensation to and terms for other members of senior management

The members of the senior management group consist of four persons, two subsidiary presidents and two persons within central Traction. To these, compensation was paid during 2007 in the form of salaries and benefits in a total amount of MSEK 3.8 (3.3), of which MSEK 0.2 (0.2) in a variable portion. Costs for pension insurance amounted to MSEK 0.8 (0.9). These costs were charged to the income statement with the exception of MSEK 0.3 (0.3) in pension costs, with reimbursement from a pension trust.

There are no incentive programmes in the form of awards of financial instruments, options or similar for this group. The variable compensation portions are linked to the companies' and individual performance. The bonus agreements contain a ceiling relating to maximum compensation.

In the event of termination at the initiative of members of senior management, the maximum period of notice is six months. In the event of termination at the initiative of the Company, the maximum period of notice is six months, in certain cases with an obligation to work. There are no other severance pay agreements.

Pension benefits are paid in most cases equivalent to the ITP plan, or as a percentage of the salary cost. The retirement age is 65 years.

Summary of members' of senior management compensation and pension costs 2007

MSEK Directors	Fixed salary	Variable portion	Other compensation and benefits	Pension costs	Board of Director fees	Total compensation	Pension commitments
Jan Andersson					0.1	0.1	–
Jan Kjellman					0.1	0.1	–
Bengt Stillström					–	–	22.7
Pär Sundberg					0.1	0.1	–
Petter Stillström	0.3	–	–	0.0	–	0.3	1.5
Other management, 4 persons	3.5	0.2	0.1	0.8	–	4.6	–
Total	3.8	0.2	0.1	0.8	0.3	5.2	24.2

Summary of members' of senior management compensation and pension costs 2006

MSEK Directors	Fixed salary	Variable portion	Other compensation and benefits	Pension costs	Board of Director fees	Total compensation	Pension commitments
Jan Andersson					0.1	0.1	–
Jan Kjellman					0.1	0.1	–
Bengt Stillström					–	–	23.6
Pär Sundberg					0.1	0.1	–
Petter Stillström	0.3	–	–	–	–	0.3	1.2
Other management, 5 persons	3.0	0.2	0.1	0.9	–	4.2	–
Total	3.3	0.2	0.1	0.9	0.3	4.8	24.9

Presentation of gender breakdown in the Board of Directors and corporate management

Proportion of women, 31 December 2007, percent	Group	Parent Company
Board of Directors	0	0
Other members of senior management	0	0

Presentation of gender breakdown in the Board of Directors and corporate management

Proportion of women, 31 December 2006, percent	Group	Parent Company
Board of Directors	0	0
Other members of senior management	20	0

Pensions

The majority of the Group's salaried employees have a defined-benefit pension plan in accordance with the ITP plan. Premiums are paid to Alecta as they fall due. Alecta is currently unable to provide details of the size of the pension, so pensions are classified this year as defined-contribution pension plans.

Guidelines for compensation to members of senior management

The 2007 Annual General Meeting decided on guidelines for compensation of members of senior management as follows: Reasonable terms and conditions for employment are to be applied for corporate management. In addition to a fixed salary, members of senior management can also receive variable compensation.

Note 9. Taxes**Group**

Taxes on the year's result	2007	2006
Current taxes	-	-
Deferred taxes	-1.0	-0.7
	-1.0	- 0.7
Deferred taxes relating to utilisation of previously capitalised tax value of tax loss carry-forward	-1.0	-0.7
Reconciliation of effective taxes, Group		
Result before taxes	82.0	176.1
Taxes according to current tax rate of 28 %	-23.0	-49.3
Effect of special tax rules for investment companies	-2.4	15.5
Difference of change in value of shares relating to associated companies between the Parent Company and each respective group	-1.3	11.8
Increase in tax-loss carryforward without corresponding capitalisation of deferred taxes	-11.0	-13.1
Tax effect on non-taxable revenue	36.7	34.4
Reported effective taxes	-1.0	-0.7

Accumulated tax-loss carry-forwards in the Group's Swedish companies amounted to just over MSEK 250 at year-end. These tax-loss carry-forwards, which are not subject to expiration, can be used to reduce taxes on future earnings. Since there is uncertainty with respect to the period of time during which these carry-forwards will be utilised, only a small portion, MSEK 0.0 (1.0) has been capitalised as a deferred tax asset. Whether or not to report deferred tax asset due to tax-loss carry-forwards is subject to re-evaluation on an ongoing basis.

Parent Company

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. The Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. This standard revenue amounted to MSEK 4.2 in 2007 (0.6). Dividend income is taxable; dividends paid are deductible. Net interest income and overhead are deductible. Dividends to shareholders are adjusted in such a way that no tax is payable by the Parent Company.

Note 10. Earnings per share**Earnings per share**

The calculation of earnings per share for 2007 was based on earnings attributable to the Parent Company's equity holders amounts to MSEK 81.0 (175.4) and a weighted average of the number of shares outstanding during 2007 amounting to 16,495,000 (16,545,000). There are no outstanding options programmes or similar schemes, so there is no dilutive effect.

Group	2007	2006
Profit for the year attributable to the Parent Company's equity holders in MSEK	81.0	175.4
Weighted average number of shares outstanding in thousands	16,512	16,545
Earnings per share	4.90	10.60

Note 11. Buildings and land

Group	2007	2006
<i>Buildings</i>		
Opening acquisition value	58.3	58.3
Disposals/restructuring, etc.	-7.4	-
Reclassification	-1.3	-
Closing accumulated acquisition values	49.6	58.3
Opening depreciation	-19.8	-17.8
Disposals /restructuring, etc.	5.8	-0.0
Depreciation for the year	-1.8	-2.0
Reclassification	0.4	-
Closing accumulated depreciation	-15.4	-19.8
Closing reported value	34.2	38.5
<i>Land</i>	2.3	2.5
<i>Tax assessment values:</i>		
Buildings	27.4	23.3
Land	4.3	5.7

Note 12. Plant and machinery

Group	2007	2006
Opening acquisition value	185.1	178.5
Disposals/restructuring, etc.	-105.9	-10.1
Purchases	36.8	16.7
Reclassification	1.6	-
Closing accumulated acquisition values	117.6	185.1
Opening depreciation	-138.7	-135.9
Disposals/restructuring, etc.	96.8	9.1
Depreciation for the year	-13.0	-11.9
Reclassification	-0.4	-
Closing accumulated depreciation	-55.3	-138.7
Closing reported value	62.3	46.4

Note 13. Equipment, tools, fixtures and fittings

Group	2007	2006
Opening acquisition value	29.8	28.9
Disposals/restructuring, etc.	-25.7	-0.9
Purchases	9.1	1.8
Closing accumulated acquisition values	13.2	29.8
Opening depreciation	-27.6	-27.0
Disposals/restructuring, etc.	24.9	0.8
Depreciation for the year	-1.1	-1.4
Closing accumulated depreciation	-3.8	-27.6
Closing reported value	9.4	2.2

Not 14. Construction in progress and advance payments for tangible fixed assets

Group	2007	2006
Opening balance	5.0	1.4
Reclassification, etc.	-0.3	-
Capital expenditures	3.7	1.3
Payments in advance during the year	1.0	2.3
Closing reported value	9.4	5.0

Note 15. Shares in subsidiaries

Parent Company	2007	2006
Opening book value	128.1	101.9
Purchases	–	24.5
Shareholder contributions	20.0	106.0
Disposals	–	-38.0
Impairment	-77.0	-66.3
Closing reported value	71.1	128.1

The following list includes significant share holdings owned directly and indirectly by the Parent Company.

Shares owned by the Parent Company

Company	Company number	Registered office	Number of shares	Capital stake	Book value
Traction Delta AB	556628-9749	Stockholm	1,000	100 %	17.1
Traction Konsult AB	556098-5672	Stockholm	1,000	100 %	20.0
Traction Invest AB	556504-7999	Stockholm	23,600	100 %	34.0
Total shares owned by the Parent Company					71.1

Shares owned by subsidiaries

Company	Company number	Registered office	Number of shares	Capital stake
Traction Konsult AB				
Aicevs AB	556025-3493	Stockholm	900,000	100 %
Traction Invest AB				
Zitiz AB	556633-6961	Stockholm	990	99 % *
*there is 4-% option in issue				
Traction Delta AB				
Ankarsrum Industries AB	556215-7098	Stockholm	1,000	100 %
Gnosjöplast AB	556575-2358	Stockholm	1,000	100 %
Gnosjöplast Fastighets AB	556606-9042	Stockholm	1,000	100 %
Ankarsrum Industries AB				
Ankarsrum Fastighets AB	556054-7753	Ankarsrum	10,000	100 %
Ankarsrum Motors AB	556628-9723	Ankarsrum	10,000	100 %
Ankarsrum Die Casting AB	556628-9715	Ankarsrum	10,000	100 %

Note 16. Shares in unlisted companies

Group

Accumulated acquisition values	2007	2006
Opening book value	182.9	127.9
Purchases/shareholders contributions	7.1	15.7
Disposals/redemption	-49.7	-1.0
Reclassification	–	-4.3
Change in value	55.4	44.6
Total	195.7	182.9

Parent Company

	2007	2006
Opening book value	31.8	48.9
Reclassification	–	-2.5
Disposals	-1.6	-14.6
Closing reported value	30.2	31.8

Specification of the Parent Company's holding of shares in unlisted companies

Bolag	Company number	Registered office	Number of shares	Capital stake	Votes	Book value	
						Parent Company	Group
Banking Automation Ltd		Reading	595,401	45 %	45 %	3.2	26.4
Edilen AB	556652-7791	Stockholm	468	47 %	47 %	26.7*	18.7*
Recco Holding AB	556641-0840	Stockholm	499	49 %	49 %	0.1	75.0
Sub-total						30.2	120.2

* Including convertible loan

Other associated companies in the Group

Bricad Holding AB	556264-6298	Österåker	17,900	47 %	47 %	–	50.0
Geodynamik HT AB (publ)	556189-0871	Stockholm	100,000	20 %	20 %	–	0.3
LFS Invest AB	556701-0722	Stockholm	150	–	–	–	17.8
Poor Cow AB (fd Arvako Sverige AB)	556606-9059	Stockholm	212,501	17 %	34 %	–	0.4
PSA Easy Interaction AB	556712-3004	Stockholm	41,070	26 %	26 %	–	4.6
Rekall AB	556586-8345	Göteborg	1,301	9 %	9 %	0.2	0.2
Scoop Publishware AB	556567-4230	Stockholm	100	8 %	8 %	–	0.0
Sigicom AB	556207-1547	Botkyrka	348,300	23 %	23 %	–	2.3
Sub-total						–	75.4
Total						30.2	195.2

Note 17. Shares in listed holdings

	Group		Parent Company	
	2007	2006	2007	2006
Opening book value	410.2	590.1	396.5	495.2
Reclassification/impairment	–	4.3	-11.3	2.5
Purchases	384.3	160.9	309.2	194.1
Disposals	-325.1	-334.3	-278.6	-334.3
Change in value	-108.0	-10.8	-100.9	39.0
Closing reported value	361.4	410.2	314.9	396.5

Specification of listed holdings Company	Number of shares	Parent Company book value	Group book value	Capital stake	Group votes
Duroc A	125,000				
Duroc B	1,236,650	29.9	34.8	19%	24 %
Nilörngruppen A	100,000				
Nilörngruppen B	484,600	20.1	21.0	22%	27 %
Nordic Camping & Sports	995,612	3.3	6.0	23%	23 %
Thalamus Networks A	210,000				
Thalamus Networks B	2,862,468	21.8	22.3	30%	29 %
Total active holdings (reported as associated companies in the Parent Company)		75.1	84.1		
Softronic B	8,108,688	59.2	59.2	17 %	10 %
Total active listed holdings		134.3	143.3		

Specification of other listed holdings Company	Number of shares	Parent Company book value	Group book value	Capital stake	Votes
Haldex*	683,668	77.5	77.5	3 %	3 %
Statoil ASA	150,000	–	30.1		
OEM International	609,000	26.1	26.1	3 %	1 %
SCA B	100,000	11.4	11.4		
Partnertech	300,000	10.7	10.7	2 %	2 %
Billerud	125,000	8.3	8.3		
Höganäs B	60,000	8.2	8.2		
Sagax, preferensaktie	272,000	–	7.4		
Varyag	130,500	6.8	6.8		
Switchcore	50,740,000	5.6	5.6	8 %	8 %
PA Resources	100,000	5.1	5.1		
Duni	101,800	5.0	5.0		
Ericsson B	300,000	4.6	4.6		
SEB A	20,000	3.3	3.3		
SKF B	30,000	3.3	3.3		
Boliden	30,000	2.4	2.4		
Proffice B	152,500	2.3	2.3		
Total other listed holdings		180.6	218.1		
Total listed holdings		239.8	361.4		

* A call option for 50,000 shares has been issued to Joakim Olsson, President of Haldex.

Note 18. Deferred tax asset

Group	2007	2006
Opening book value	1.0	1.7
Utilised tax-loss carry-forward	-1.0	-0.7
Closing reported value	-	1.0

Note 19. Other long-term receivables

	Group		Parent Company	
	2007	2006	2007	2006
Opening book value	12.5	2.5	-	1.9
Receivables added	16.7	11.9	-	-
Settled receivables	-0.5	-	-	-
Reclassified receivables	-	-1.9	-	-1.9
Closing reported value	28.7	12.5	-	-

	Group	
	2007	2006
Long-term receivables		
Due from associated companies, interest-bearing	16.7	-
Interest-bearing receivable	12.5	12.5
Total	28.7	12.5

Note 20. Inventories

	Group	
	2007	2006
Raw materials and consumables	22.6	16.4
Work in progress	2.4	0.3
Finished goods and goods for resale	16.0	15.0
Total	41.0	31.7

Note 21. Prepaid expenses and accrued income

	Group		Parent Company	
	2007	2006	2007	2006
Rents and leasing	0.2	0.2	-	-
Advance payments for customer tools	8.0	2.6	-	-
Interest income	0.5	0.0	0.3	-
Other	3.0	4.7	0.1	0.2
Total	11.7	7.5	0.4	0.2

Note 22. Shareholders' equity

Group

Share capital

See Parent Company below.

Other contributed capital

Refers to equity contributed by the owners. Includes premiums paid in conjunction with share issues.

Legal reserve

Restricted reserves may not be reduced by paying dividends.

Reserves

Refers to recalculation reserve which includes all exchange rate differences that arise when the financial reports of foreign businesses with their reports in another currency than the currency used for the Group's financial reporting.

Retained earnings including net profit for the year

Retained earnings including net profit for the year includes earned profit in the Parent Company and its subsidiaries.

Parent Company

Share capital

As of 31 December 2007 the share capital amounted to SEK 5,670,000, divided into 2,400,000 class A shares and 14,610,000 class B shares (total number 17,010,000), each with a quotient value of SEK 1/3.

Legal reserve

The purpose of the legal reserve has been to save a portion of the net profit not required to cover a loss carried forward. The legal reserve also includes amounts added to the premium reserve before 1 January 2006.

Retained earnings including net profit for the year

Last year's unrestricted equity after payment of dividend constitutes retained earnings. Together with the year's net profit, the sum constitutes unrestricted equity, i.e. the amount that is available for payment as dividends to the shareholders.

Shares held in treasury

Shares held in treasury includes the cost of own shares held by the Parent Company.

A total of 642,600 class B shares have been repurchased (163,050 shares in 2000, 80,400 shares in 2001, 221,550 shares in 2002 and 177,600 shares in 2007). The total number of shares outstanding at year-end therefore is 16,367,400.

Dividend

After the balance sheet date the Board of Directors has proposed the following dividend.

	2007	2006
Regular dividend per share, SEK 1.85 (1.10)	30.3	18.2

The dividend is subject to confirmation by the Annual General Meeting to be held 7 May 2008.

Traction's goal

To achieve average annual growth of equity of at least 25 percent.

Note 23. Long-term liabilities

SEK 12.0 (0) of the long-term liabilities fall due for payment more than five years after the turn of the year.

Note 24. Provisions

A provision in the amount of MSEK 3.0 was set aside for certain property measures in conjunction with the acquisition of Ankarsrum. This provision was utilised during 2006 for repair of properties and relocations in Ankarsrum.

Group	2007	2006
Opening book value	–	3.0
Utilisation for the year	–	-3.0
Total	–	–

Note 25. Committed credit facility

The Group has approved credit facilities of MSEK 31.0 (31.0). MSEK 0.0 (0.0) in the Parent Company.

Note 26. Accrued expenses and prepaid income

	Group		Parent Company	
	2007	2006	2007	2006
Personnel-related expenses	16.3	16.5	–	–
Other	4.8	6.3	2.9	0.0
Total	21.1	22.8	2.9	0.0

Note 27. Financial risk management

The types of financial risks that the Traction Group encounters in the conduct of its business are primarily in the form of equity risk and, to a limited degree, other financial risks in the form of e.g. currency risk, interest rate risk and liquidity risk. Traction's operational risks are minimised by internal routines for risk management aimed at conducting business with limited and controlled risk.

Equity risk

Equity risk includes share price risk, liquidity risk and counterparty risk. By share price risk is meant the risk for diminution of value due to changes in share prices in the stock market. This is the most significant risk in Traction's business. Active ownership has a central role in Traction's business concept and is aimed at, together with other owners, trying to find forms for value-raising measures in the project companies. Traction's contribution to value creation should also reduce the relative equity risk in the project companies, and hence also in Traction's portfolio. The active ownership role also provides for good understanding of the business of project companies and their day-to-day development.

Principles for financing and financial risk management

The financial strategy in Traction's Parent Company and Traction's holdings, wholly as well as partially owned, is adopted independently of each other.

Parent Company

In the normal instance, the Parent Company will carry no debt. Foreign shareholdings are normally not hedged.

Subsidiaries

Subsidiaries decide independently, via their respective board of directors, on their financial strategy. Companies mainly minimise transaction exposure risks through foreign exchange hedging.

Credit risk

Credit risk refers to the risk that a counterparty or an issuer is unable to fulfil its obligations to Traction. Traction is exposed to credit risk especially in its investment of surplus liquidity in interest-bearing securities. In order to minimise the credit risk there are set limits for exposure to counterparties. According to Traction's finance policy, credit risk can be assumed only on counterparties with high creditworthiness and in a limited amount for a limited term.

Note 28. Financial assets and liabilities

Fair value

When determining fair value for listed shares and securities the official quotes from the balance sheet date are used. The reported value of short-term receivables and current liabilities coincides with fair value. Fair value of receivables and liabilities with adjustable interest is equivalent to their reported values. Foreign exchange forward contracts are valued at fair value taking current interest rates and foreign exchange prices on the balance sheet date into account.

GROUP 2007 Financial assets and liabilities by valuation category	Fair value through profit and loss	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Financial assets					
Shares in unlisted companies	195.7				195.7
Shares in listed companies	361.4				361.4
Long-term liabilities		9.1	19.6		28.7
Trade receivables			43.0		43.0
Short-term investments		48.8			48.8
Accrued interest income		0.5			0.5
Cash and cash equivalents	229.8		423.0		652.8
Total	786.9	58.4	485.6		1,330.9
Financial liabilities					
Long-term interest-bearing liabilities				27.3	27.3
Short-term interest-bearing liabilities				47.6	47.6
Trade accounts payable				46.9	46.9
Total				121.8	121.8
GROUP 2007					
Profit by category of financial instrument	Fair value through profit and loss	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
<i>Operating profit</i>					
Dividends	17.9				17.9
Changes in value	73.2				73.2
<i>Net finance items</i>					
Interest income	2.8	1.0	24.7		28.5
Exchange rate changes			0.9		0.9
Other financial income			0.8		0.8
Interest expense				-4.1	-4.1
	117.3	1.0	26.4	-4.1	117.2
GROUP 2006					
Financial assets and liabilities by valuation category	Fair value through profit and loss	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Financial assets					
Shares in unlisted companies	182.9				182.9
Shares in listed companies	410.2				410.2
Long-term liabilities		9.1	3.4		12.5
Trade receivables			41.2		41.2
Cash and cash equivalents	173.4		472.5		645.9
Total	766.5	9.1	517.1		1,292.7
Financial liabilities					
Long-term interest-bearing liabilities				20.6	20.6
Short-term interest-bearing liabilities				45.9	45.9
Trade accounts payable				47.1	47.1
Total				113.6	113.6

Note 28, continued

GROUP 2006	Fair value	Investments	Loan and	Other	
Profit by category of financial instrument	through profit	held to	trade	liabilities	Total
	and loss	maturity	receivables		
<i>Operating profit</i>					
Dividends	16.4				16.4
Changes in value	186.7				186.7
<i>Net finance items</i>					
Interest income	2.5		10.7		13.2
Interest expense			-0.3	-3.3	-3.6
	205.6		10.4	-3.3	212.7

PARENT COMPANY 2007	Fair value	Investments	Loan and	Other	
Financial assets and liabilities	through profit	held to	trade	liabilities	Total
by valuation category	and loss	maturity	receivables		
Financial assets					
Shares in listed companies	239.8				239.8
Due from Group companies			43.9		43.9
Accrued interest income		0.3			0.3
Short-term receivables/investments		48.8	0.3		49.1
Cash and cash equivalents	229.8		346.2		576.0
Total	469.6	49.1	390.4		909.1

PARENT COMPANY 2007	Fair value	Investments	Loan and	Other	
Profit by category of financial instrument	through profit	held to	trade	liabilities	Total
	and loss	maturity	receivables		
<i>Operating profit</i>					
Dividends	7.7				7.7
Changes in value	17.2				17.2
<i>Net finance items</i>					
Interest income	2.7	0.1	17.0		19.8
	27.6	0.1	17.0		44.7

PARENT COMPANY 2006	Fair value	Investments	Loan and	Other	
Financial assets and liabilities	through profit	held to	trade	liabilities	Total
by valuation category	and loss	maturity	receivables		
Financial assets					
Shares in listed companies	310.1				310.1
Due from Group companies			31.2		31.2
Cash and cash equivalents	173.4		412.1		585.5
Total	483.5		443.3		926.8

Financial liabilities					
Due to Group companies				51.3	51.3
Total				51.3	51.3

Note 28, continued

PARENT COMPANY 2006	Fair value through profit and loss	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Profit by category of financial instrument					
<i>Operating profit</i>					
Dividends	7.8				7.8
Changes in value	16.3				16.3
<i>Net finance items</i>					
Income	2.5		11.1		13.6
Expense				-2.6	-2.6
Total	26.6		11.1	-2.6	35.1

GROUP 2007	Nominal value	Impairment	Book value
Trade receivables			
Not payable	35.4	0.5	34.9
0-30 days past due	6.6	-	6.6
30-60 days past due	0.8	-	0.8
More than 60 past due	1.5	0.8	0.7
Total	44.3	1.3	43.0

GROUP 2006	Nominal value	Impairment	Book value
Trade receivables			
Not payable	35.4		35.4
0-30 days past due	4.3	-	4.3
30-60 days past due	0.9	-	0.9
More than 60 past due	0.7	0.1	0.6
Total	41.3	0.1	41.2

Note 29. Pledged assets, contingent liabilities

Group	2007	2006
Pledged assets		
For liabilities to credit institutions		
Corporate mortgages	74.0	74.0
Real estate mortgages	20.0	20.0
Pledged trade accounts receivable	16.0	14.8
Assets with retention of title	30.4	12.7
Deposits	0.4	-
Total	140.8	121.5
Contingent liabilities		
Guaranties	2.0	8.4
Total	2.0	8.4
Parent Company		
Contingent liabilities		
Guaranties	29.0	37.4
Summa	29.0	37.4

Note 30. Cash flow statement

	Group		Parent Company	
	2007	2006	2007	2006
Interest income during the year	28.0	13.3	18.2	13.6
Dividend income during the year	17.9	16.4	7.7	7.8
Interest paid during the year	-4.1	-3.7	0.0	-2.6
	Group		Parent Company	
Adjustment for items not included in cash flow	2007	2006	2007	2006
Change in value of securities	-73.2	-186.7	34.8	-38.0
Depreciation and amortisation	15.9	15.3	-	-
Other	-1.4	-17.1	0.2	0.4
Total	-58.7	-188.5	35.0	-37.6

Note 31. Net assets in subsidiaries sold

Sale of subsidiary	Group	
Value of assets and liabilities sold	2007	2006
Tangible assets	1.6	-
Inventories	1.1	-
Short-term receivables	4.0	-
Available-for-sale assets	-	29.3
Total assets	6.7	29.3
Current liabilities	4.6	-
Liabilities attributable to available-for-sale assets	-	29.6
Total liabilities	4.6	29.6
Proceeds of sale	1.6	98.8
Less cash and cash equivalents in company sold	-0.3	-
Effect on the Group's liquid funds	1.3	98.8

Note 32. Events after the balance sheet date

There have been no significant events after the end of the financial year.

Note 33. Critical estimates and assessments

Traction's financial reports are prepared in accordance with IFRS. The valuation principles applied are described in Note 1. The choice of valuation principle in certain instances requires that management makes assessments of which principle provides the most true and fair picture. Described below are the most important areas where critical estimates have been made for the application of the Group's valuation principles and important sources of uncertainty with respect to such estimates.

Unlisted holdings

The method of valuation of unlisted holdings is described in valuation principles described in Note 1.

Associated companies

In accordance with IAS 28, section 1, shares in associated companies are reported at fair value. That means that there is no consolidation according to the equity method and associated companies are reported at a, for investment companies, more true and fair way of reporting values.

Note 33, continued

Important sources of uncertainty of estimates

Estimates and assessments are made in applying the valuation principles with respect to factors which are uncertain at the time when the calculations are made. Changes in assumptions may have a significant effect on the financial reports in periods when assumptions are changed. Valuation principles that require estimates and assessments to be made are described below.

Unlisted shares are valued at fair value in accordance with the methods described in Note 1. Market data are used to the greatest extent possible. When such data are not visible in the market, changes in assumptions may affect the fair value of the financial instruments. The Group applies its models in a consistent manner between periods, but the calculation of fair value always requires a significant degree of estimates.

Note 34. Information about the Parent Company

AB Traction is limited liability company registered in Sweden with its principal office in Stockholm. The Parent Company's shares are registered on OMX Nordic Exchange Stockholm. The address of the head office is Saltmätargatan 7, Box 3314, 103 66 Stockholm. The consolidated financial statements for 2007 include the Parent Company and its subsidiaries, together designated the Group.

Note 35. Related party disclosures

Transactions with closely related parties are done on market terms and conditions.

Group

Receivables from associated companies amounted to MSEK 0.0 (1.1). Interest is charged on market terms and conditions. Also refer to Note 19.

Parent Company

The Parent Company has a close relationship with its Group companies and with its associated companies. Refer to notes 15, 16 and 17.

No dividends have been received from subsidiaries and associated companies. A shareholder contribution has been rendered to subsidiary Traction Delta AB. Refer to Note 15. Receivables from subsidiaries amount to MSEK 43.9 as of 31 December 31 (31.2). Interest between Group companies is calculated on market terms and conditions. Refer to Note 7.

Transactions with principal owners or members of senior management

There have been no transactions between AB Traction and its principal owners beyond what is reported in Note 8 Personnel. Other closely related parties consist of Board of Directors and management and there have been no transactions with these parties other than as is described in Note 8 Personnel.

The consolidated financial statements and the Annual Accounts have been prepared in accordance with the international reporting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and generally accepted accounting practices in Sweden and provides a true and fair overview of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and factors of uncertainty facing the Parent Company and the companies that make up the Group.

Stockholm, 16 March 2008

Petter Stillström
President and CEO

Jan Andersson
Director

Jan Kjellman
Director

Bengt Stillström
Chairman

Pär Sundberg
Director

Our audit report with respect to these Annual Accounts was submitted 16 March 2008.

KPMG Bohlins AB

Carl Lindgren
Authorised Public Accountant

Audit Report

To the Annual Meeting of AB Traction (publ), registration number 556029-8654

We have audited the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of AB Traction (publ) for 2007. The company's Annual Accounts are included in the printed version of this document on pages 29–64. Responsibility for the accounting records and management and for application of the Swedish Annual Accounts Act in preparing the Annual Accounts, and that International Financial Accounting Standards (IFRS) as adopted by EU, and the Swedish Annual Accounts Act are applied in preparing the consolidated financial statements rests with the Board of Directors and the President. Our responsibility is to render our opinion on the Annual Accounts, the consolidated financial statements and the management based on our audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that we have planned and performed the audit in such a way as to get reasonable assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting policies, and the Board of Directors' and the management's application thereof, and making an assessment of the critical estimates made by the Board of Directors and the President in preparing the Annual Accounts and the consolidated financial statements, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. As a basis for our statement on discharge from liability, we have examined significant decisions, actions and circumstances in the company to allow us to form an opinion as to whether any Director or the President is liable for damages to the company. We have also examined whether any director or the President has acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We are of the opinion that our audit gives us a reasonable ground for our statements below.

The Annual Accounts are prepared in accordance with the Swedish Annual Accounts Act and provide a true and fair picture of the Company's performance and financial position in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements are prepared in accordance with International Financial Accounting Standards (IFRS) as adopted by EU, and the Swedish Annual Accounts Act, and provide a true and fair presentation of the Group's performance and financial position. The Report of the Board Directors is consistent with the other parts of the Annual Accounts and the consolidated financial statements.

We recommend that the Annual Meeting adopts the income statement and the balance sheet for the Parent Company and the Group, deals with the earnings in the Parent Company in accordance with the recommendation contained in the administration report, and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm, 16 March 2008

KPMG Bohlins AB

Carl Lindgren
Authorised Public Accountant

Addresses

Ankarstrum Industries AB
SE-590 90 ANKARSRUM
CEO: Anders Engström
Telephone: 0490 533 00
Telefax: 0490-509 90
E-mail: info@ankarstrum.com
www.ankarstrum.com



Banking Automation Ltd
Woodley Park Estate, Reading Road
WOODLEY
Berkshire
RG5 3AW
Storbritanien
CEO: David Tew
Telephone: +44 (0)118 969 2224
Telefax: +44 (0)118 944 1191
E-mail: info@bankingautomation.co.uk
www.banking-automation.com



Bricad Holding AB 
Tellusvägen 43
SE-186 36 VALLENTUNA
CEO: Bo Richter
Telephone: 08-540 865 50
Telefax: 08-540 865 51
E-mail: bricad@bricad.se
www.bricad.se

Duroc AB
Reprovägen 15
SE-183 13 Täby
CEO: Erik Albinsson
Telephone: 08-789 11 30
Telefax: 08-789 11 31
E-mail: info@duroc.se
www.duroc.se



Easy Interaction AB
Narvavägen 30
SE-115 22 Stockholm
CEO: Lars Holmgren
Telephone: 08-501 102 30
Telefax: 08-528 088 30
E-mail: info@easyinteraction.se
www.easyinteraction.se



Geodynamik AB 
Box 7454
SE-103 92 STOCKHOLM
CEO: Carl Bertil Pettersson
Telephone: 08-20 67 90
Telefax: 08-20 67 95
E-mail: info@geodynamik.com
www.geodynamik.com

Gnosjöplast AB 
Box 193
SE-335 24 GNOSJÖ
CEO: Roger Polep
Telephone: 0370-33 15 50
Telefax: 0370-922 22
E-mail: info@gnosjoplast.se
www.gnosjoplast.se

Hifabgruppen AB
Box 190 90
SE-104 32 STOCKHOLM
CEO: Jan Skoglund
Telephone: 08-546 666 00
Telefax: 08-546 667 80
E-mail: info@hifab.se
www.hifab.se



Nilörngruppen AB
Alingsåsvägen 6
Box 499
SE-503 13 Borås
CEO: Stefan Tingström
Telephone: 033-700 88 88
Telefax: 033-700 88 19
E-mail: info@nilorn.com
www.nilorn.se




Nordic Camping & Sports AB
Box 55582
SE-112 04 STOCKHOLM
CEO: Tom Sibirzeff
Telephone: 08-782 90 05
Telefax: 08-665 39 06
E-mail: info@nordiccamping.se
www.nordiccamping.se




Recco AB 
Box 4028
SE-181 04 LIDINGÖ
CEO: Magnus Granhed
Telephone: 08-731 59 50
Telefax: 08-731 05 60
E-mail: recco@recco.se
www.recco.com

Sigicom AB 
Box 575
SE-146 33 TULLINGE
CEO: Christer Svensson
Telephone: 08-449 97 50
Telefax: 08-449 97 69
E-mail: info@sigicom.se
www.sigicom.se

Softronic AB 
Ringvägen 100
SE-118 60 STOCKHOLM
CEO: Anders Eriksson
Telephone: 08-51 90 90 00
Telefax: 08-51 91 90 00
E-mail: info@softronic.se
www.softronic.se

Thalamus Networks AB 
Box 11129
SE-161 11 BROMMA
CEO: Kristina Englund
Telephone: 08-635 96 00
Telefax: 08-29 65 30
E-mail: info@thalamus.se
www.thalamus.se

Zitiz AB 
Hästholmsvägen 28, 12 tr
SE-131 30 NACKA
Chief of Operations: Anders Hansson
Telephone: 0707-21 88 35
Telefax: 08-55 05 41 95
E-mail: info@zitiz.com
www.zitiz.com

www.traction.se

TRACTION

AB Traction
Saltmätargatan 7, Box 3314, SE-103 66 Stockholm, Sweden
Telephone: +46 8 506 289 00, Telefax: +46 8 506 289 30
E-mail: post@traction.se