TRACTION

ANNUAL REPORT
2023

Content

3	CEO Statement
4	2023 in Summary
5	Traction's Business
7	Organisation
8	Ownership Policy
9	Active Listed Holdings
13	Unlisted Holdings
16	Financial Investments
20	Financial Overview
23	Sustainability
24	The Traction Share
26	The Past Ten Years
29	Traction's History
31	Addresses

Portmeirion Botanic Garden

Shareholder Information

2 May, 2024	Interim Report January-March
2 May, 2024	Regular AGM
15 July, 2024	Interim Report January-June
24 October, 2024	Interim Report January-September
13 February, 2025	Year-end Report 2024

Subscription to financial information via e-mail can be requested at traction.se, where also financial information is available, or by sending an e-mail to post@traction.se.

The following annual report is a translation of the Swedish version. In case of any discrepancy between the Swedish or English translation, the Swedish version shall prevail.

Dear Shareholders,

Traction's result for 2023 amounted to MSEK 270, which corresponds to a net asset value increase of about 7 percent adjusted for dividends paid. The active listed holdings accounted for just over half of the result (MSEK 140) and showed a return of about 10 percent. Unlisted holdings reduced the result by just over MSEK 20. Financial investments contributed MSEK 164, of which listed shares MSEK 89 (corresponding to an increase of 13 percent) and interest-bearing investments MSEK 75.

After a weak performance during the first three quarters, the trend was reversed during the fourth quarter when the active holdings increased by 19 percent, while the Stockholm Stock Exchange rose by 13 percent. For the full year 2023, the Stockholm Stock Exchange (SBX) increased by 19 percent compared to a loss of 20 percent for 2022, when Traction's net asset value fell by 9 percent.

The performance of Traction's active holdings in 2023 varied, with stars such as OEM International and Softronic both posting record results and Hifab posting its best results in over ten years. Drillcon also ended the year strongly with a full-year result that significantly exceeds the mediocre development of recent years since the peak year 2019. For BE Group and Nilörngruppen, 2023 was more challenging compared to 2021/2022 when both companies reported record results. The wholly owned Ankarsrum Kitchen increased sales by 14 percent to just over MSEK 240, with the newly established subsidiary in the US contributing to both growth and earnings. Sigicom showed continued profitable growth and sales exceeded MSEK 200 for the first time.

At the end of 2023, Traction's ownership passed ten percent of the votes in the British company Portmeirion, which means that the holding, like Driver Group, is included in Traction's active holdings.

At present, we have no ambition to actively engage in the board work of these companies with our own employees or consultants, but our starting point is that stronger ownership gives Traction greater opportunities to constructively conduct a more in-depth dialogue with the board, management and other major owners about the companies' development opportunities.

The valuations of smaller companies in the UK are generally at a significantly lower level than in Sweden, which is an interesting business opportunity. Traction has previously had successful investments in other listed British companies such as RPS Group, WYG and Waterman Group where we sold our holdings in connection with public bids from industrial buyers.

Traction's net asset value of just over MSEK 3,900 consists of 36 percent active listed holdings (MSEK 1,395), 8 percent of unlisted holdings (MSEK 299), 22 percent of other listed shares (MSEK 873), 12 percent of interest-bearing investments with a term of more than one year (MSEK 479) and 22 percent of cash and cash equivalents and interest-bearing investments with a term of less than one year (MSEK 880).

Over time, the proportion of cash and low-interest investments needs to be reduced to create the conditions for higher net asset value growth.

The ambition going forward is to continue to develop the active holdings, but with even greater focus on growth and identification of value-creating structural deals in parallel with identifying new investment opportunities. Both in larger listed companies and larger ownership stakes in mainly listed medium-sized companies.

Petter Stillström, CEO

2023 in Summary

- Profit after tax amounted to MSEK 270 (-378).
- Active listed and unlisted holdings accounted for MSEK 119 (-384) and financial investments accounted for MSEK 164 (21).
- Dividends received amounted to MSEK 127 (123), of which MSEK 75 (77) from active holdings.
- Net asset value per share increased by 7 (-9) percent including dividends paid.
- Traction's net asset value amounted to MSEK 3,925 (3,785), corresponding to SEK 265 (256) per share.
- The return on active listed holdings amounted to approximately 10 (-21) percent.
- The return on other shares was approximately 13 (1) percent.
- Interest-bearing investments with a maturity of more than 12 months amounted to MSEK 479.
- Liquid assets and interest-bearing investments with a maturity of less than 12 months totalled MSEK 880.

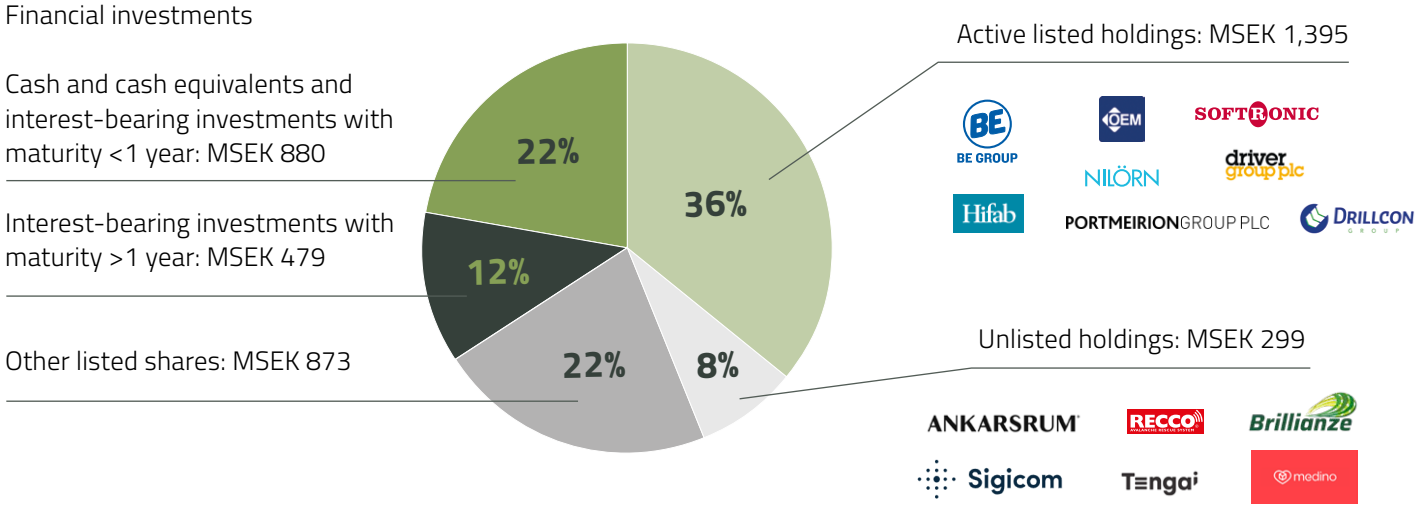
Events in early 2024

- The Board proposes a dividend of SEK 10.45 (8.80) per share, corresponding to MSEK 155 (130).
- Changes in value of listed shareholdings during 2024 up to 8 February amount to MSEK -24, of which active listed holdings MSEK -32.
- Proposed dividends from active listed holdings for the financial year 2023 amount to MSEK 33 (75).

Key Financial Indicators	2023	2022	2021	2020	2019
Profit for the year, MSEK	270	-378	1,344	-19	416
Net asset value, MSEK	3,925	3,785	4,235	2,920	3,001
Net asset value per share, SEK	265	256	286	197	203
Earnings per share, SEK	18	-26	91	-1	28
Market price at end of period, SEK	242	211	277	187	195
Change in net asset value per share, %	7	-9	47	-1	16
Dividend per share, SEK[1]	10.45	8.80	4.85	2.00	4.20
Dividend yield, %[1]	4.3	4.2	1.8	1.1	2.2

[1]Dividend for 2023 refers to the Board's proposal

Distribution of Traction's net asset value



Traction Develops and Improves Companies

Traction is a listed investment company with active ownership interests in listed and unlisted smaller and medium-sized companies. Traction also conducts investment activities for the purpose of obtaining a good return on the Company's capital by making financial investments, mainly in other listed companies and interest-bearing assets.

Traction's role as owner is based on active and long-term engagement in close co-operation with other active owners, entrepreneurs and corporate managements. Traction has no particular focus on specific industries, but conducts development and transformation work that is applicable in all companies intending to give priority to professionalism, long-term thinking, and sound business principles.

Business concept

- To conduct development and change work through active ownership of wholly and partly owned companies in order to achieve a high return and value growth.
- To run an investment business in order to achieve a good return on the company's capital.

Business philosophy

- We take a long-term view.
- We do not seek to build up a group, but work with a number of independent companies whose added value will be realised over time.
- Our field of work is change and development of companies in general. Necessary technical and industry knowledge must be available in the company.

Objectives

- To sustainably generate an increase in Traction's net asset value per share, including dividends, that significantly exceeds the general development of the Stockholm Stock Exchange.
- To create profitable growth in our wholly and partly owned companies.

Strategy

In order to achieve Traction's objectives, the following is necessary:

- The ability to identify interesting business projects, situations and attractive investment opportunities.
- The ability to select the right partners; primarily business leaders/entrepreneurs, but also other active partners.
- Project managers who can provide business leaders with the support and complementary expertise they need.
- Partners who can act as project manager, board member, CEO and/or partner.
- Financial resources.

Exit strategy

For Traction it is important that our companies have long-term growth and earnings capacity. Traction has no strategic holdings or motives for its ownership other than purely commercial ones. In principle, our holdings are thus always for sale at the right price and to a suitable owner. In companies where we have owner partners, the exit strategy varies depending on the companies' development phase and specific conditions, and not least the intentions of other owners.

Traction and the Outside World

Traction has several target groups.

Entrepreneurs who:

- Possess the right qualities, i.e. people who are extremely diligent and resilient, who can get things done, hold the money and ensure that the customer pays, is satisfied and buys again.
- Are willing to give up strategic plans in favour of what the outside world (the customer) is willing to pay for and are always prepared to continually reassess and adapt the business concept.
- Run businesses that have the potential to expand.
- Have a long-term goal for their involvement.

Active partners who, in co-operation with Traction:

- Have the possibility to act as chairman, board member or CEO.
- Act as an active shareholder.
- Want to finance a buyout, a new issue or participate in a refinancing of a business.

Company executives, CEOs, owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out, spin-off, or sale, acquisition of a business or a change of generations.
- Otherwise need a financially strong owner and engaged owner in conjunction with a major transaction.

Financiers, owners, reconstruction specialists who:

- Need support in specific situations when urgent operational measures are needed in critical phases of reconstruction of operations.
- Are looking for a partner with the ability to provide a reconstruction loan to save a business from financial collapse.
- Need a partner with the financial resources needed to enter into a major project.
- Need a guarantor/underwriter in connection with raising capital.

Nilörngruppen

Business Organisation

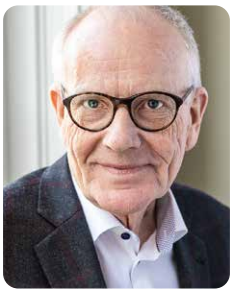
Petter Stillström
CEO, M.Sc. in Economics. Active in Traction since 1999, CEO since 2001. Previously active in corporate finance.

Joakim Skoglund
Asset manager and analyst, B. Sc. Business & Economics. Active in Traction since 2015. Previously portfolio manager and equity strategist at fund companies and banks.

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

Traction's central business organisation also includes a network of co-operation partners who participate actively or have participated in the development of Traction's portfolio companies such as external directors, entrepreneurs, owners, members of senior management and financiers. Traction's book-keeping is handled by an external consultant.

Board of Directors



Bengt Stillström

Henrik Lange

Jonas Olavi

Bengt Stillström, born 1943. M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO during 1974-2001. Chairman of the Board of Profilgruppen and board member of Ringvägen Venture. Board member since 1974. Shareholding including spouse's part: 330 000 A shares, 5 451 450 B shares.

Henrik Lange, born 1961. B. Sc. (Economics). Henrik is currently director of Alfa Laval, Trelleborg, Dunkerstiftelserna, BDR Thermea Group, Velux A/S and the German-Swedish Chamber of Commerce. Board member since 2020. Extensive experience of senior positions in industrial companies, including CEO of Gunnebo and Johnson Pump, as well as leading positions at SKF such as division manager and CFO. Shareholding: 0 shares.

Jonas Olavi, born 1967. M. Sc. (Economics). Head of Tactical Asset Allocation and Portfolio Manager at Alpcot Equities. Board member of Nordic Asia Investment Group and Rydgruppen Sverige AB. Stock market columnist in the magazine Aktiespararen. Board member since 2020. Formerly Head of Allocation at Alfred Berg Kapitalförvaltning AB. Before that, chief equity and fixed income strategist at Nordea, and CEO and fund manager at Michael Östlund & Company Fonder AB and Delphi Fonder AB. Shareholding: 0 shares.

Petter Stillström, born 1972. M. Sc. (Business Administration), CEO since 2001 and board member since 1997. Chairman of the boards of Ankarsrum Kitchen, Nilörngruppen, OEM International and Softronic, and board member of BE Group and Hifab Group. Shareholding, via wholly owned company and closely related parties: 1,095,000 class A shares, 1,677,150 class B shares and partner in Niveau Holding AB.

Revisor: Mazars AB, Chief Auditor Martin Kraft, Authorised Public Accountant. Traction's auditor since 2022.

Ownership Policy for Listed Holdings

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

- A company shall always be run on behalf of its owners and to afford the maximum possible return to those owners.
- Major shareholders should be represented on the Board of Directors.
- A principal owner has the ultimate responsibility to initiate changes to operations, the company's management, the composition of its Board of Directors, major transactions and acquisitions.
- A principal owner should consult with other major owners and explain the owners' intentions to the Board of Directors and corporate management, and ensure that suggestions for new board members are presented.
- The Board of Directors and management shall also gather and embrace the intentions of the owner and work in line with the specified orientation.
- Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
- The Chairman of the Board of Directors, or the principal owner, must obtain support for major structural changes from the largest owners.
- A principal owner may not grant favours to himself or herself at the expense of the company, but shall be entitled to reasonable compensation for his or her participation in the management of the company.
- In the absence of a principal owner it shall be incumbent upon the major shareholders to compensate for such lack by conferring about and designing a corporate governance programme.
- In the absence of a principal owner, the major shareholders should consult and formulate a form of corporate governance to compensate for the lack of a principal owner.
- The Board of Directors should be composed of persons with personal shareholdings and other persons who can contribute to the development, and who have time to be actively involved.
- The composition of the Board of Directors should be such that it includes numerous different skills, fields of experience and contact interfaces.
- Traction wants to see a business-like and active Board of Directors that knows its company and its business environment well, and who can complement and support the CEO.
- The Board of Directors shall make decisions regarding the company's strategies, orientation, major transactions and other significant changes.
- The Board of Directors shall exercise effective control over the company's finances, risks and opportunities.
- The Board of Directors works on behalf of the owners.
- In its capacity of major owner, Traction always wants to participate in the work of the nomination committee.
- The nomination committee should be composed of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the nomination committee.
- Traction wishes at all times to be granted the opportunity to appoint at least one director in companies in which Traction has a major shareholding.
- Option programmes for employees should only be offered if the employee invests a market equity contribution.
- Private placements with new, major owners may be suitable in the case of smaller companies, which thereby can avoid negative effects on the market price of the share and also get a better ownership structure.

Active Listed Holdings

Traction is a major owner in a number of small and medium-sized listed companies. We invest in companies where we see a significant revaluation potential and where the risks are deemed to be manageable. Other transactions in listed companies may mean that we guarantee new issues in companies that need new capital and where we see opportunities for good returns. In some of the companies listed below, Traction was a partner before they became publicly listed and we actively participated in their respective listing processes.

BE Group

Year of investment: 2011
Traction's share of capital and votes: 25%
Revenue 2023: MSEK 5,328
Operating profit 2023: MSEK -52 (MSEK 30 underlying)
Other owners: Alf Svedulf 25%, Johan Ahldin 5%, Försäkringsaktiebolaget Avanza Pension 5%
CEO: Peter Andersson

BE Group is a trading and service company in the steel and metal industry. The company's approximately 10,000 customers are primarily in the engineering and construction industry in Sweden, Finland and the Baltic States, where BE Group is one of the market's leading suppliers.

With solid expertise and efficient processes in purchasing, logistics and simple production, BE Group offers stock sales, production service and direct deliveries based on their specific needs for steel and metal products. The head office is located in Malmö.

In 2023, sales amounted to MSEK 5,328 (6,875) and the underlying operating result was MSEK 30 (488). Cash flow from operating activities was MSEK 491 (204). The year was characterised by a weak market situation, particularly in the construction sector, and lower material prices, which in principle have been declining for 1.5 years. The tough market situation affected the operating margin, which, adjusted for inventory gains/losses, amounted to 0.6 percent for the full year 2023, which can be compared with 7.1 and 9.8 percent for 2022 and 2021, respectively. BE Group has a margin target of more than 5 percent over time, which, in addition to a stabilised price level, will be achieved through continued streamlining of the supply chain, cost focus and deeper customer cooperation. A savings and efficiency programme was initiated in 2023 with expected savings of MSEK 50 on an annual basis.

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

Further information:
begroup.com

Drillcon

Year of investment: 2008
Traction's share of capital and votes: 54%
Revenue 2023: MSEK 474
Operating profit 2023: MSEK 35 (EBITDA MSEK 64)
Other owners: Mikael Berglund 5%
CEO: Patrik Rylander

Drillcon is Europe's largest core drilling company and a major raise boring contractor. The company's market consists of customers in the mining and construction industry. The Nordics segment accounts for just over half of the Group's sales. The remaining sales are from the Iberia segment, which includes Portugal and Spain.

The main operations are currently run through subsidiaries in Sweden, Portugal and Spain. Through these subsidiaries, Drillcon provides services to customers in several countries. In Sweden, Drillcon supplies drilling services to Boliden, LKAB and Lundin Mining, among others. Core drilling is used to take material samples in rock and can also be used for concrete reinforcement, while raiseboring is a method for drilling shafts in rock, including for ventilation and mine lifts. The services are offered in all geographical markets. Drillcon has been in business since 1963 and is headquartered in Örebro, Sweden.

In 2023, Drillcon's sales increased to MSEK 474 (415), corresponding to growth of 14 percent. Operating profit amounted to MSEK 35 (3), resulting in an operating margin of 7.3 (0.8) percent. Drillcon ended the year strongly and in the fourth quarter showed good growth and an improved operating margin of 14.1 (9.9) percent. The Nordics segment delivered improved profitability during the year, while a strong contracted production volume extends to 2028. In the Iberia segment (Portugal and Spain), a new CEO took office in 2023, most recently coming from a management position at Sandvik Mining. Going forward, the work continues with targeted efforts for increased efficiency throughout the Group.
Traction has been a co-owner of Drillcon since autumn 2008 and since 2013 owns more than 50 percent of the shares. Drillcon is listed on Nasdaq Stockholm First North.

Further information:
drillcon.se

Hifab Group

Year of investment: 2004
Traction's share of capital and votes: 54% resp. 55%
Revenue 2023: MSEK 309
Operating profit 2023: MSEK 16
Other owners: Niras AB 9 resp. 8%, Zirkona AB 7% resp. 6%, Niveau Holding AB 5% resp. 12%
CEO: Nicke Rydgren

Hifab Group is one of Sweden's leading project management groups, with over 75 years of experience in the property industry and all its disciplines.

Hifab offers independent advice and project management where the company helps clients with strategy, projects and management. Hifab's clients own, invest in, develop and manage land, buildings, premises, facilities, infrastructure and social resources such as energy and water.

To meet the civil engineering industry's increasing need for strategic advice, Hifab Advisory was launched at the end of 2022, which is a wholly owned start-up in the Hifab Group. Hifab Advisory is growing rapidly with several large assignments with real estate companies and offers advice in business development, sustainability, energy strategy and digitalisation to management teams and decision-makers in the industry.

Through Hifab OY, the company also has a presence in the Finnish market with an increased focus on energy consultancy and project management.

In 2023, the work to transform Hifab and lift profitability has come a long way, with an operating margin of 5.2 (1.5) percent. Sales amounted to MSEK 309 (296), of which the Swedish operations grew by 8 percent organically. The full-year revenue was negatively affected by MSEK 20 attributable to the streamlining of the foreign operations, where Hifab is increasing its focus on the Finnish market and the energy sector. The operational improvements in 2023 can be attributed to initiatives that began in early 2022, including the implementation of a clear strategy, efficiency improvements at all levels and a more dynamic organisation.

The company is listed on Nasdaq Stockholm First North.

Further information:
hifab.se

Nilörngruppen

Year of investment: 2005
Traction's share of capital and votes: 26% resp. 58%
Revenue 2023: MSEK 870
Operating profit 2023: MSEK 63
Other owners: Nordnet Pensionsförsäkring 7% resp. 4%, Protector Forsikring 5% resp. 3%
CEO: Krister Magnusson

Nilörngruppen is an international group, founded in 1977, which adds value to brands through branding and design in the form of labels, packaging and accessories for customers primarily in the fashion and clothing industry. The customers can simply be categorised as brand owners and chain companies. Nilörngruppen endeavours to increase its customers' competitiveness by offering services that cover all design resources, including a logistics system that guarantees reliable and short delivery times. Nilörngruppen is one of Europe's leading players with a revenue of MSEK 870, where about 90 percent of the revenue takes place outside the Nordic region. Nilörngruppen delivers over 1.5 billion labels per year of different sizes and types.

Nilörngruppen is represented through its own companies in Sweden, Denmark, Great Britain, Germany, Belgium, Portugal, Hong Kong, India, Turkey, China, Bangladesh, Italy, Switzerland, Vietnam, USA and Pakistan. The group has its own production of printed labels in England, Turkey, India and Hong Kong, and production of woven and printed labels in Portugal and Bangladesh.

Since Traction bought out Nilörngruppen from the stock exchange in 2009, the company has developed strongly.

For the full year 2023 sales amounted to MSEK 870 (943) and operating profit to MSEK 63.0 (136.4), corresponding to an operating margin of 7.2 (14.5) percent.

In June 2015 Nilörn was listed on Nasdaq First North in Stockholm and since April 2018 the company is listed on Nasdaq Stockholm, Small Cap list.

Further information:
nilorn.se

OEM International

Year of investment: 2009
Traction's share of capital and votes: 3% resp. 10%
Revenue 2023: MSEK 5,145
Operating profit 2023: MSEK 782 (EBITA MSEK 811)
Other owners: Orvaus AB 15% resp. 28%, Siv Franzén 11% resp. 21%, Lannebo Fonder 10% resp. 4%, Agne Svenberg 5% resp. 18%
CEO: Jörgen Zahlin

OEM International is one of Europe's leading technology trading groups in industrial components and systems. In total, the group sells to over 30,000 customers in selected markets in Europe and the British Isles. OEM offers a broad and deep range of more than 60,000 products from more than 400 leading and specialised suppliers in electrical components, fluid power, motors and transmissions, bearings and seals, appliance components and lighting.

By having a well-developed local market organisation and efficient logistics, OEM is a better alternative for suppliers than their own sales companies. OEM provides a high level of knowledge and service and markets the products based on the specific conditions of each market. In addition, the product range is adapted to each individual market and the local organisation is tasked with continuously searching for new products and companies to further increase the competitiveness of the customer offering.

OEM International delivered a new record result for 2023 with sales of MSEK 5,145 (4,731) and EBITA of MSEK 811 (763), corresponding to an EBITA margin of 15.8 (16.1) percent. During the fourth quarter of 2023, three companies were acquired with aggregate sales of MSEK 197.

Traction has been a major shareholder in OEM since the end of 2009 and has been involved in the Board of Directors since spring 2010. OEM International is listed on Nasdaq Stockholm, Mid Cap list.

Further information:
oem.se

Softronic

Year of investment: 2001
Traction's share of capital and votes: 22% resp. 21%
Revenue 2023: MSEK 838
Operating profit 2023: MSEK 105
Other owners: Andreas Eriksson 20% resp. 30%, Stig Martin 8% resp. 15%
CEO: Charlotte Eriksson

Softronic is an IT and management consultancy whose services range from consultancy and new development to management and operation. Softronic has a holistic approach to change, which means that the company can support customers in everything from strategy to structure, including organisation, processes and IT. Its customers are mainly medium-sized and large companies and organisations in Sweden. Customer relationships are characterised by a long-term approach and the company's partnerships often extend back 10-20 years.

One example of Softronic's offering is the anti-money laundering service CM1, which helps customers to monitor and identify transactions that may be associated with criminal activity and terrorism. The service is available 24/7/365 and processes more than 100 million customers per day. CM1 handles all information in accordance with anti-money laundering regulations and GDPR.

In 2023, sales amounted to MSEK 838 (797), corresponding to an organic growth of more than 5 percent. Operating profit amounted to MSEK 105 (88) and the operating margin was 12.5 (11.0) percent.

Most of Softronic's 432 employees are represented in Stockholm. The company also operates in Gothenburg, Malmö, Sundsvall, Arjeplog, Karlstad and Visby. Softronic is listed on Nasdaq Stockholm, Small Cap list.

Further information:
softronic.se

Driver Group

Year of investment: 2019
Traction's share of capital and votes: 27%
Revenue 2022/23: MBP 43
Underlying operating profit 2022/23: MBP 1,0
Other owners: Gresham House 20%, Adrian J Williams 9%, Allianze Global Investors: 7%
CEO: Mark Wheeler

Photo: Shutterstock

Driver Group is a UK-based consultancy and one of the global leaders in dispute management, specialising in the construction, infrastructure and energy sectors under the Driver Trett and Diales brands. The company also offers traditional technical project management services under the Driver Project Services brand. Driver Group has the expertise to offer customised services in all different phases of the project cycle.

The geographical presence extends across five continents via 28 offices in 16 countries. The operating segments consist of Europe & Americas (EuAm), Middle East and Asia Pasific, of which EuAM accounts for about 50 percent of the group's revenue.

During the financial year 2022/23 the company had sales of MBP 43. The company was founded in 1978 and the head office is in London, UK.

Traction bought into Driver Group at the end of 2019 and today owns 27 percent of the company. The company is listed on the AIM list, London Stock Exchange.

Further information:
driver-group.com

Portmeirion Group

Traction's share of capital and votes: 11%
Revenue 2023: MBP 103
Operating profit 2023: MBP 4,8
Other owners: Trustees of Caroline Fulbright Settlement 13%, Charles Stanley Group 11%, Henry Spain Investment Services 6%
CEO: Mike Raybould

Portmeirion Minerals

Portmeirion Group Plc is a British product company within tableware and homeware. The company owns and markets a number of well-established brands such as Portmeirion, Spode, Royal Worcester and Pimpernel. In total, Portmeirion owns six global brands with sales in over 80 countries.

The brands have an accumulated history of over 750 years. For example, the Spode brand's Blue Italian collection, launched in 1816, is an iconic British design classic of crockery and plates.

The company has two factories in the UK and deliveries are mainly made via the company's distribution centres in the UK, USA and Canada. Clear focus is on growth in own e-commerce, D2C for retail customers and building partnerships with retailers who are strong in e-commerce.

Portmeirion's sales in 2023 amounted to MBP 103 and operating profit to MBP 5. Traction bought into Portmeirion Group in 2020 and today owns 11 percent of the company. Portmeirion Group is listed on the AIM list, London Stock Exchange.

Further information:
portmeiriongroup.com

Spode Blue Italian

Unlisted Holdings

Traction's unlisted holdings may consist of both wholly and majority-owned companies as well as minority-owned companies. In the minority-owned companies, we cooperate with entrepreneurs and other active partners. The business concept is to develop successful companies as an active partner. Over the years, Traction has participated in the listing of several unlisted companies.

Ankarsrum Kitchen

Year of investment: 2009
Traction's share of capital and votes: 100%
Revenue 2023: MSEK 241
CEO: Marcus Grimerö

Ankarsrum Kitchen markets, develops and sells the Ankarsrum Assistent Original® household appliance. The company is a wholly owned subsidiary of Ankarsrum Industries, which is 100 percent owned by Traction. Ankarsrum Assistent Original® is a Swedish classic from 1940.

Over the years, the machine has been improved with a more powerful motor, equipped with stepless speed control and overload protection, which has made it stronger and more reliable. The machine comes with a wide range of accessories such as a meat grinder, blender, vegetable slicer, pasta roller and ice cream maker. The plan is to launch more accessories in the coming years to further expand the machine's areas of use.

The company markets Ankarsrum Assistent Original® through physical and digital channels globally. The company has strong established sales in the Nordic domestic market and export sales through mainly distributors. In addition to the Nordic countries, Ankarsrum Assistent Original® is mainly sold to the US, Germany and other countries in Europe. In 2023, Ankarsrum Kitchen has expanded with wholly owned subsidiaries in the US and Germany.

Further information:
ankarsrum.com

Recco Holding

Year of investment: 1988
Traction's share of capital and votes: 49,9%
Revenue 2023: MSEK 65
Net financial assets 2023: MSEK 53
Other owners: Magnus Granhed 50,1%
CEO: Fredrik Steinwall

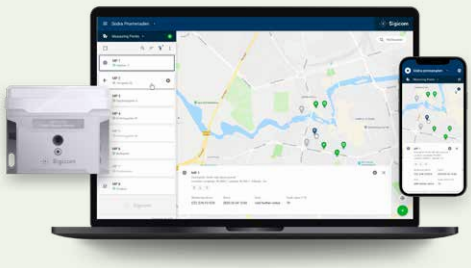
Recco Holding owns RECCO, which is a rescue system used by more than 800 rescue organisations, mountain rescue services and helicopter companies worldwide to find avalanche victims and missing persons. The two-part system consists of RECCO detectors used by professional rescue teams and RECCO reflectors which are built into ski equipment such as clothing, helmets and boots. RECCO is based on a radar technology that enables a quick and accurate localisation of a person wearing a RECCO reflector. The reflectors are completely passive and require no battery or expertise to operate. The RECCO system is intended for organised rescue and is not an alternative but a complement to the use of search equipment enabling peer rescue. Because the RECCO system enables a faster search effort, skiers and snowboarders caught in an avalanche have an additional chance of being rescued in time. The RECCO system is established in every major ski resort in the world.

For several years, Recco has been developing a system that will enable searches over large areas of land in an efficient manner, and for some years now the RECCO SAR Helicopter Detector has been established in several markets around the world. With RECCO SAR, which is attached to a helicopter as shown on page 15, searches can be made at a speed of up to 100 km/h over an area 100 metres wide. This means that an area of 1 km^2 can be searched within six minutes. The company has a presence in 32 countries and in over 900 ski resorts.

Further information:
recco.com

Sigicom

Year of investment: 1997
Traction's share of capital and votes: 21,0%
Revenue 2023: MSEK 203
Other owners: Rehnström/Svensson 41%
CEO: Torbjörn Rehnström



Sigicom is the Nordic region's leading supplier of field measurement systems for unmanned monitoring of vibrations, noise and other environmental disturbances (such as particles in the air). The field measurement systems wirelessly monitor construction and civil engineering works, mines, quarries and road and rail traffic.

Sigicom sells its measurement systems and services on a global market, with exports accounting for the majority of its revenue and continuing to grow. Major markets for Sigicom are the USA, the UK, France, Canada and the Nordic region.

The company has developed the market's most innovative and complete field measurement system from sensor to web presentation and reporting. For Sigicom's customers, this means simple installation, automated measurements and cost-effective monitoring. The sensors continuously measure what is happening and can be triggered by a certain disturbance and can then record detailed signal sequences and alert selected users. The measuring instruments withstand harsh environments and have very high accuracy and reliability.

In addition to web-based application programmes, Sigicom also offers support, service and regular calibration. Sigicom has an ambitious growth agenda based on product leadership and internationalisation. Sigicom is in an intensive internationalisation phase with its own operations in the UK, France, USA and Canada, and a growing number of customers globally.

In 2023, sales increased by 9 percent to MSEK 203 (187) with a double-digit operating margin.

Further information:
sigicom.se

Medino is a fast-growing online pharmacy based in the UK. Medino sees opportunities to digitalise and streamline the pharmacy trade with the ambition to take a leading position in the country. Co-founders are Christian Jakobsson (CEO), Lars Elfversson (Chairman), Henrik Blomkvist and Viktor Holmberg. Traction's ownership share amounts to approximately 8 percent. Investment year: 2020.

Further information:
medino.com

Brillianze Sweden has invented and patented the Transversor technology. A Transversor detects and prevents movement before it causes damage or waste of resources. The first product to use a Transversor is the RolloGuard Instant Fall Protection for walkers. Here the technology acts as fall protection and prevents dangerous movement from occurring, enabling a better walking aid which in turn creates safety. The Transversor technology has the potential to be used in several other applications, such as fishing reels, in order to create a controlled movement that is both safer and more sustainable. The company is founded by entrepreneur Patrik Zander (CEO). Traction's ownership share amounts to approximately 24 percent. Investment year: 2021.

Further information:
brillianze.com

Tengai is a start-up company specialising in AI technology for recruitment and personal assessment. The company offers an automated interview software that ensures an unbiased and efficient recruitment process. The founder of Tengai is the recruitment and staffing group Key People/ TNG Group, which owns approximately 56 percent of the shares. Traction's ownership amounts to approximately 14 percent. Investment year: 2020.

Further information:
tengai-unbiased.com

Recco

Financial Investments

Traction's investments, in addition to active holdings, are classified as financial investments. These consist mainly of shares, corporate bonds and commercial paper. The composition of different asset classes is largely governed by prevailing market conditions. At the end of 2023 financial investments including cash and cash equivalents amounted to just over MSEK 2,200, corresponding to 57 percent of Traction's net asset value. Of this, investments in listed shares accounted for about MSEK 873 and interest-bearing investments with a maturity of less than 12 months, including cash and cash equivalents, for MSEK 880. The remaining MSEK 481 consisted of a mix of interest-bearing assets with varying returns, maturities and liquidity.

Unlike active holdings, the purpose of financial investments is not to create value through active ownership and company building. Rather, the goal is to create ongoing returns through more traditional management even on the part of the capital that is not employed in the active holdings. The size of the total financial investments thus depends partly on how much of the capital is not invested in active holdings at any given time, and partly on prevailing market conditions. The financial investments are evaluated on an ongoing basis and on average have a shorter investment horizon than active holdings. The size of individual financial investments may vary, where primarily larger equity investments may occur and during periods constitute a complement to the active holdings.

A large part of the financial investments consist of liquid holdings that can be quickly sold. This is important in order to maintain the flexibility to be able to support existing active holdings at short notice, invest in new active holdings and participate in guarantee consortiums prior to new share issues.

An equity investment that is initially classified as a financial investment may over time develop into an actively listed holding. By following companies over time as a smaller owner, we are given better opportunities to evaluate both business models and company management.

Financial equity investments also consist of slightly larger holdings in small and medium-sized listed companies where Traction can also be involved in the nomination committee work. For companies where Traction's ownership exceeds five percent of the capital see page 17.

In 2023 financial markets continued to be characterised by the struggle of central banks to bring inflation back in line with inflation targets. In the first half of the year, most countries raised their key interest rates further and left them unchanged in the latter part of the year. Long-term government bond yields rose sharply, peaking in October. However, they then quickly fell back as market participants began to anticipate future policy rate cuts. Global equity markets performed strongly in 2023, driven by expectations of lower interest rates. In particular, sectors and shares exposed to artificial intelligence performed particularly strongly. The value of Traction's financial investments rose in 2023, where the higher interest rate level has favoured the interest-bearing investments.

Underwriting

Traction has a long history as an underwriter of public issues. This has occurred in a number of different situations, such as in connection with widening ownership through private placements, initial public offerings, financing acquisitions and expansion, refinancing maturing debt, saving the company from insolvency, or simply strengthening the balance sheet in general.

- Traction has issued guarantees for companies where we are already part owners, or merely to safeguard the Issue itself. On occasion we have been the sole underwriter and sometimes we are part of an underwriting consortium.
- Traction has also been engaged in ancillary services, such as being a lender until the company has completed the issue.
- Related services include subscribing for securities in private placements, without pre-emptive rights, and to purchase a major shareholder's lot of shares.
- Traction sees this as a financial service but is also prepared to become a long-term owner.

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

Financial Equity Investments

Other listed shares where Traction's holding exceeds five percent.

Duroc is an industrial group that owns and acquires industrial and industrial trading businesses in a variety of industries. The group's current seven companies include IFG and Drake, which together account for 55 percent of the group's revenue. IFG is a market-leading producer of polypropylene-based staple fibres in Europe, while Drake is North America's leading manufacturer of filament yarn and staple fibres. Other companies are active in the tool trade, maintenance of railway wheels and production of climate fabric for greenhouses.

Duroc's revenue amounted to MSEK 3,250 as of December 2023 for a rolling 12-month period. The company is listed on the Nasdaq Stockholm, Small Cap list and Traction's ownership amounts to 8 percent.

Further information:
duroc.se

The PION Group's operations consist of the Poolia, QRIOS and Uniflex segments. The largest segment, Uniflex, accounts for approximately 54 percent of the Group's sales and operates in the staffing and recruitment of personnel for the industrial, logistics and customer service sectors. Poolia, which accounts for 35 percent of sales, is mainly focused on the recruitment of salaried employees. In 2022, a new strategy was implemented to combine consulting and strategy services with tech solutions. The strategy permeates the entire Group, but with an emphasis on the QRIOS segment.

The PION Group's sales in 2023 totalled MSEK 2,020. The company is listed on Nasdaq Stockholm, Small Cap list. Traction's ownership share is 6 percent.

Ytterligare information:
piongroup.se

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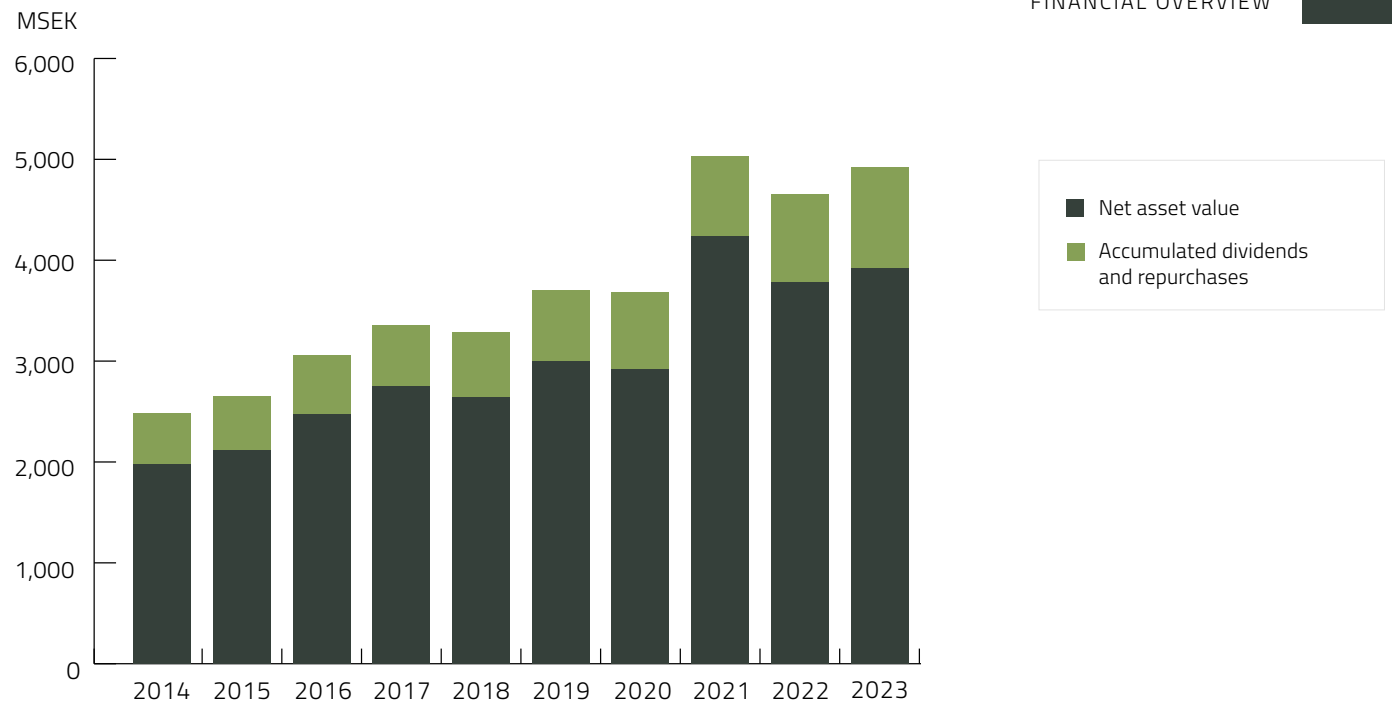
Traction from an Investor's Perspective

The table below shows Traction's net asset value divided into active listed holdings, active unlisted holdings, financial investments, cash and cash equivalents, and other assets as of 31 December 2023.

Holdings	Number of shares thousands	Price per share	Proportion of total		Market value MSEK	Proportion of total	SEK/ share
			Capital	Votes			
Active listed holdings							
BE Group	3,260	71.25	25%	25%	232	6%	16
Drillcon	24,000	6.30	54%	54%	151	4%	10
Driver Group Plc	14,388	3.60	27%	27%	52	1%	3
Hifab Group	32,789	2.70	54%	55%	89	2%	6
Nilörngruppen	3,000	60.00	26%	58%	180	5%	12
OEM International	3,816	105.40	3%	10%	402	10%	27
Portmeirion Plc[1]	1,585	37.26	11%	11%	59	2%	4
Softronic	11,589	19.82	22%	21%	230	6%	16
Total					**1 395**	**36%**	**94**
Unlisted holdings							
Unlisted holdings					242	6%	16
Due from unlisted holdings					57	1%	4
Total					**299**	**8%**	**20**
Total active and unlisted holdings					**1,693**	**43%**	**114**
Financial investments, cash and cash equivalents							
Other listed shares[2]					873	22%	59
Interest-bearing investments[3]					1,053	27%	71
Cash and cash equivalents					306	8%	21
Total					**2,231**	**57%**	**151**
TOTAL					**3,925**	**100%**	**265**

[1]Since 20 November 2023, Portmeirion Plc has been reclassified from Other listed shares to Active listed holdings as ownership exceeded 10% of the voting rights. Ownership increased from just under 10% to 11.3%.
[2]Other listed shares where ownership exceeds five percent are Duroc (8%) and PION Group (6%).
[3]Including interest-bearing investments with a maturity of less than 1 year of MSEK 574 and other net assets/liabilities of MSEK -2.1.



Traction applies investment company accounting (IFRS 10), which means that all holdings are continuously market valued instead of being consolidated in the Traction Group. However, central Traction companies are consolidated. For more detailed explanations, please refer to Traction's formal annual report. Accumulated dividends and repurchases refer to since the listing in 1997.

Ten-year Review

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Profit for the year, MSEK	122	174	401	304	-71	416	-19	1,344	-378	270
Net asset value, MSEK	1,979	2,115	2,478	2,751	2,638	3,001	2,920	4,235	3,785	3,925
Net asset value per share, SEK	133	143	168	186	178	203	197	286	256	265
Increase in net asset value per share, including dividend, %	7	9	19	12	-3	16	-1	47	-9	7
Earnings per share, SEK	8	12	27	21	-5	28	-1	91	-25	18
Dividend per share, SEK[1]	2.00	2.55	2.15	2.75	3.60	4.20	2.00	4.85	8.80	10.45
Dividend yield, %[1]	2.0	2.2	1.5	1.6	2.2	2.2	1.1	1.8	4.2	4.3
Market price at year-end, SEK	99	115	146	175	165	195	187	277	211	242
Net asset value discount, %	25	20	13	6	7	4	5	3	18	9
Number of shares out-standing at year-end (not incl. repurchased shares), thousands	14,865	14,790	14,790	14,790	14,790	14,790	14,790	14,790	14,790	14,790

[1] Dividend for 2023 refers to the Board's proposal.

Traction's Return

Return on net asset value per share including dividends over the last 5 years.

	Annual return	Year
2023	7.4%	2023
Best year	46.6%	2021
Worst year	-9.1%	2022
5-year average	10.5%	2019-2023

Definitions and alternative key financial indicators

The following definitions and alternative key figures are essential for understanding and assessing Traction's operations. Only earnings per share before and after dilution below are defined according to IFRS. All alternative performance measures refer to the Group.

The Traction Group

The Traction Group consists, in addition to the parent company AB Traction, of wholly owned companies that manage securities, conduct lending activities, provide new issue guarantees and conduct consulting activities, mainly for Traction's project companies.

Financial investments

Refers to equity and interest-bearing investments where Traction's ownership is less than 10 percent of the votes or where Traction does not have an active role by being represented on the board. Financial investments are shown in the list of Traction's net asset value. A previously actively listed holding is recognised as a financial investment on the day ownership falls below 10 percent of the votes or, if ownership falls below 10 percent of the votes, from the day Traction's representative leaves the board.

Listed active holdings

Holdings in listed companies where Traction's ownership exceeds 10 percent of the votes or where Traction has an active role by being represented on the board. Active holdings are shown in the list of Traction's net asset value. A holding is recognised as active from the day Traction's ownership exceeds 10 percent of the votes or the day Traction has representation on the board.

Unlisted active holdings

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

Dividend yield

Dividend as a percentage of the year-end share price.

Equity per share and net asset value per share

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

Substance discount

Traction's market value, where unlisted A-shares are valued at the same price as the listed B-share at the end of the period, minus the net asset value divided by the net asset value at the end of the period in percent.

Net asset value and equity capital

The net of assets and liabilities at market value, which for Traction corresponds to the Traction Group's equity.

Change in net asset value per share adjusted for dividend paid in percent/Return on net asset value per share

Earnings per share divided by opening equity per share after deducting dividends paid per share during the period in percent.

Basic and diluted earnings per share

Diluted earnings for the period divided by the average number of shares during the period. The number of shares in 2023 has not changed.

Sustainability in Traction's active holdings

Traction is an investment company with ownership interests in a number of companies in different industries, varying stages of development and geographical focus. Traction's ability to influence the development of the holdings varies depending on the percentage of ownership and the willingness of other partners to follow Traction's approach, but Traction's employees as well as the board members of the project companies are always expected to ensure that the management of the companies attaches great importance to the ongoing sustainability work, which must be adapted to the respective company's situation and local conditions.

Traction's development model is based on each company's management and board taking full responsibility for ensuring that each company complies with prevailing laws and regulations and always acts in an ethically and commercially sound manner. This means that Traction expects that it never tolerates violations of human rights, extortion, corruption, child and forced labour, discrimination, etc. Traction further expects that it analyses risks and formulates goals and has appropriate processes in place to manage and follow up sustainability-related risks.

Practically every human activity and business activity involves some kind of burden on the environment. A sustainable business, according to Traction, ensures that the environmental burden is minimised and balanced against the benefit the business provides.

Traction avoids engaging in companies that, according to Traction, do not provide any real benefit to their customers or society at large, but instead mostly contribute to tragedies in the form of dependence, poverty, death or other unnecessary suffering. Examples of this are companies dealing with alcohol, drugs, tobacco and gambling companies where the purpose is to incorporate the customer into a gambling addiction where the customer gambles away their savings. Credit companies whose existence is based on customers' desperate need for liquidity also do not fit into Traction's investment criteria. Traction also avoids involvement in companies that develop and sell military equipment, even though such companies are unfortunately needed to ensure free and open societies.

Traction does not need to prepare a statutory sustainability report under the current regulations.

Nilörngruppen

The Traction Share

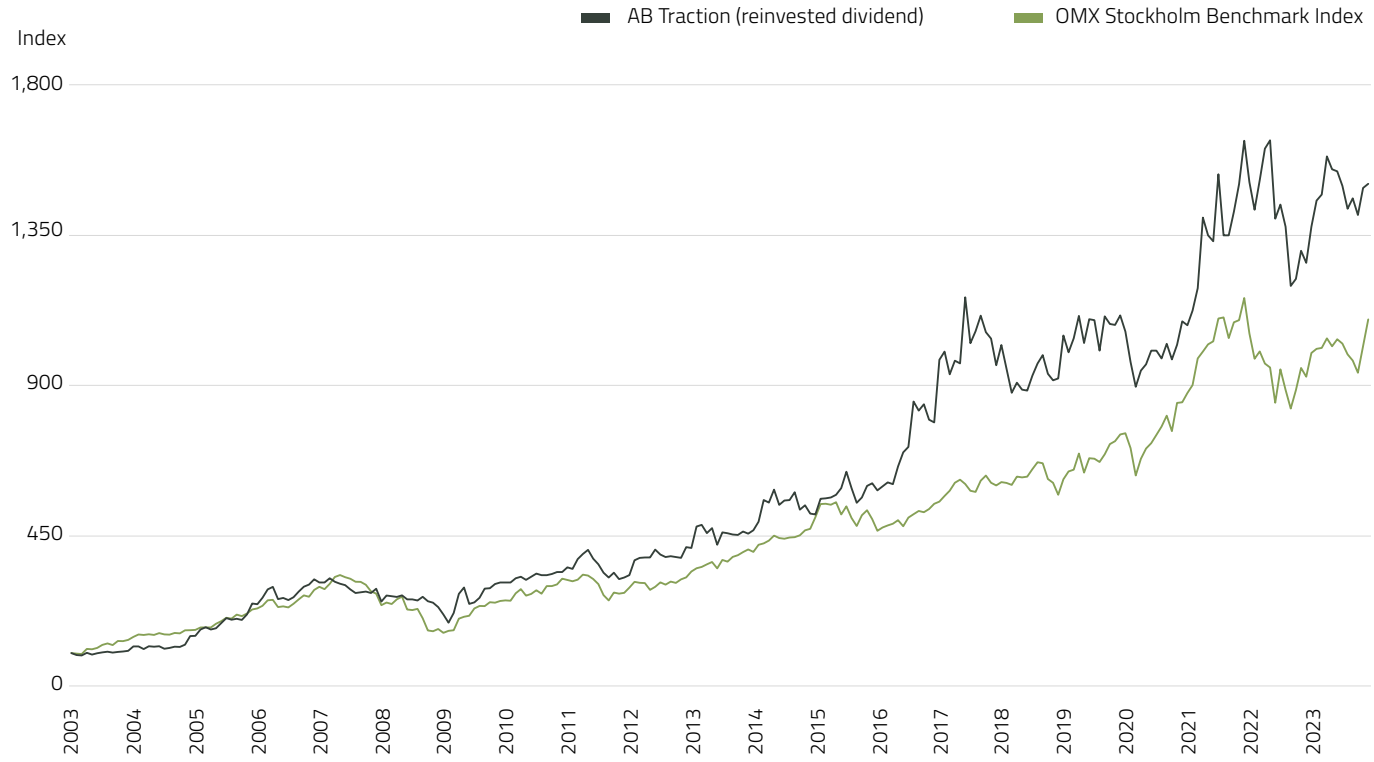
Traction's B share has been listed on NASDAQ Stockholm since 24 May 2000, Ticker: TRAC-B. Prior to that, since July 1997, the share was traded on NGM's share list. During 2023 Traction's share price increased by 12 (-23) percent without taking into account the dividend received of SEK 8.80 per share. At the end of 2023 the price was SEK 242 per share. During the year, the share was quoted at a high of SEK 268 and a low of SEK 222. There are no convertible debentures, option rights or anything else that could lead to an increase in the number of shares. The number of shareholders in Traction as of 31 December 2023 was 4,818 (4,752).

Shareholders[1] as of 31 December 2023	Class A shares	Class B shares	Total	Proportion of capital	Proportion of votes
Ann Stillström	165,000	2,727,000	2,892,000	19.6%	14.1%
Bengt Stillström	165,000	2,724,450	2,889,450	19.5%	14.1%
Petter Stillström incl. companies	1,095,000	1,677,150	2,772,150	18.7%	40.7%
Niveau Holding AB incl. subsidiary[2]	375,000	1,225,000	1,600,000	10.8%	16.1%
Hanna Kusterer		1,583,100	1,583,100	10.7%	5.1%
David Stillström		1,556,700	1,556,700	10.5%	5.0%
N.G.L Förvaltnings AB		102,900	102,900	0.7%	0.3%
Esilentio AB		90,000	90,000	0.6%	0.3%
Handelsbanken Fonder AB		83,017	83,017	0.6%	0.3%
SEB Fonder		73,184	73,184	0.5%	0.2%
Försäkringsaktiebolaget Avanza Pension		62,980	62,980	0.4%	0.2%
Others		1,084,366	1,084,366	7.3%	3.5%
Total	**1,800,000**	**12,989,847**	**14,789,847**	**100.0%**	**100.0%**

[1] Shareholders as of 31 December 2023, not including repurchased shares.

[2] Owned by members of the Stillström family.

Total return on Traction's B share



Source: Bloomberg

Dividend and distribution policy
Traction's basic policy is that dividends and other transfers of assets to the shareholders shall be effected in a tax-efficient manner. For the purposes of Swedish tax legislation, Traction is an investment company, which means, inter alia, that dividends are deductible against interest income and the standard income, which comprises 1.5 percent of the company's net asset value as of the beginning of the year. Under current tax regulations, the dividend is adapted to the parent company's revenue in such a way that no tax expense arises in the parent company. Under current regulations, there is no standard income on unlisted holdings and listed holdings where the percentage of votes exceeded 10 percent at the end of the financial year. Buyback of the company's own shares occurs when it is deemed attractive for the shareholders.

Repurchase of own shares

Year	Number	Amount, SEK
2000	163,050	6,471,150
2001	80,400	2,921,200
2002	221,550	6,616,500
2007	177,600	11,810,400
2009	537,400	28,462,000
2010	141,000	10,081,500
2011	80,000	5,420,000
2012	245,000	18,500,000
2013	424,305	38,188,000
2014	74,695	7,731,000
2015	75,153	8,342,000
Totalt	2,220,153	144,543,750
Cancellation 2010	-610,000	
Cancellation 2014	-400,000	
Repurchased shares	**1,210,153**	
Quota	**7.6%**	

Size class B shares

Holding	No. of owners	No. of B shares	Stake, %
1-500	4,459	255,990	1.6
501-1 000	172	129,692	0.8
1 001-5 000	146	281,716	1.8
5 001-10 000	13	96,605	0.6
10 001-15 000	2	28,395	0.2
15 001-20 000	6	98,366	0.6
20 001-	20	13,309,236	94.4
Total	**4,818**	**14,200,000**	**100.0**

Evolution of share capital

Year	Transaction	Increase in no. of shares	Increase in share capital, SEK	Total share capital, SEK	No. of shares	Quotient value of share, SEK
1994	Bonus issue	20	10,000	460,000	920	500
1994	Split	459,080	0	460,000	460,000	1
1995	Bonus issue	0	4,140,000	4,600,000	460,000	10
1997	Split	4,140,000	0	4,600,000	4,600,000	1
1997	New issue	700,000	700,000	5,300,000	5,300,000	1
1997	New issue	370,000	370,000	5,670,000	5,670,000	1
2006	Split	11,340,000	0	5,670,000	17,010,000	0.33
2010	Cancellation	-610,000	-203,333	5,466,667	16,400,000	0.33
2014	Cancellation	-400,000	-133,333	5,333,334	16,000,000	0.33

The share capital in Traction amounts to SEK 5,333,334, distributed on 16,000,000 shares, of which 1,800,000 shares of class A 14,200,000 shares of class B. All shares entitle their holder to equal rights to the Company's assets and profit. Class A shares entitle their holder to 10 votes and class B shares entitle their holder to one vote at annual and extra general meetings. Every person is entitled to vote at annual and extra general meetings for the full number of shares owned and represented, without limitation.

A selection of the last ten years' business transactions

2023 The result for 2023 of MSEK 270 represents an increase in net asset value of 7 (-9) percent compared with the Stockholm Stock Exchange's 19 (-20) percent. The return on active holdings was approximately 10 percent and other listed shares approximately 13 percent. Rising market interest rates contributed to higher interest income and earnings from interest-bearing investments totalled MSEK 75 (17). The holding in OEM International contributed MSEK 150, Drillcon MSEK 24 and Nilörngruppen MSEK 57 to the result. Additional shares were acquired in Driver Group (MSEK 13), whereby the ownership increased to 27 (21) percent. Ownership in Portmeirion Group passed 10 percent to just over 11 percent, whereby the holding was reclassified as active. During the year, shares were acquired for MSEK 20. Shares in OEM International were sold for just under MSEK 63. OEM International and Softronic posted record results and Drillcon its best result since 2019. Hifab also developed strongly after several years of weak development, where the result was the best in over ten years. For BE Group and Nilörngruppen, 2023 was more challenging compared to 2021/2022 when both companies posted record results. Ankarsrum Kitchen increased sales by 14 percent to just over MSEK 240, with the newly established subsidiary in the US contributing to growth and profitability. Dividends from the active listed holdings totalled MSEK 75 (77), with BE Group and Nilörngruppen accounting for a dominant share.

2022 In 2022 Traction showed a decrease in net asset value of 9 percent, while the Stockholm Stock Exchange as a whole developed more weakly with a return (including dividends) of minus 20 percent. Traction's active listed holdings, which contributed MSEK 870 to earnings in 2021, burdened earnings by MSEK 357, corresponding to a return of -21 percent. Traction's financial investments developed marginally positively (+1 percent) during the year, with major positive contributors being the holdings in Wallenius Wilhelmsen and the British technology consulting company RPS Group Plc, where two industry players made competing bids for the company. Meanwhile, the holdings in Duroc, PION Group (formerly Poolia) and Portmeirion developed weakly. Traction's fixed income investments developed positively in an environment where many fixed income funds showed a negative development despite rising market interest rates during the year. New CEOs took office in Hifab Group and Softronic. OEM International and Nilörngruppen posted record results and BE Group delivered another strong year in terms of earnings.

2021 In terms of earnings, 2021 developed into Traction's best year to date, with earnings of MSEK 1,344, corresponding to an increase in net asset value of 47 percent. The return on the active listed holdings amounted to about 76 percent, with changes in the value of the holdings in BE Group and OEM International being major contributors. BE Group showed a record result of almost MSEK 500 after tax and the company's share price increased by about 270 percent. Nilörngruppen, OEM International and Softronic also posted record results in an environment characterised by Covid-19, travel restrictions, component shortages and sharply rising raw material prices. Traction's financial investments, which developed weakly in 2020, recovered substantially during the year and contributed MSEK 257, corresponding to a return of about 47 percent. Traction's unlisted holdings also developed strongly, with revaluations contributing just over MSEK 200 to the result. It is primarily Ankarsrum Kitchen and Sigicom that showed continued profitable growth with sales increases of 110 and 40 percent respectively. Weak earnings development in Drillcon and Hifab. Most of the small holding in Alternus Energy was sold at the end of the year at a good profit. Minor new investment in the unlisted company Brillianze Sweden. Increased ownership in Driver Group to 21 percent. Divested a small share of the holding in OEM International and marginally increased the ownership in BE Group.

2020 was a year characterised by Covid-19 and its impact on health and the world economy in largely closed national borders, meeting restrictions and teleworking. In addition, extremely large monetary policy and fiscal support packages contributed to continued asset inflation in shares and property. The Stockholm Stock Exchange fell sharply in March and then gradually recovered during the year, totalling an increase of 13 percent. Traction reported a loss of MSEK 19 for the full year, which is explained by the weak development of other listed shares, which largely consisted of investments in the energy sector and capital-intensive sectors such as banks and basic industry. Traction's active listed holdings made a positive contribution, as did the unlisted holdings. Overall stable development for the active holdings despite the ongoing pandemic. Krister Magnusson was appointed CEO of Nilörngruppen. Strong volume increase for the wholly owned household assistant Ankarsrum Assistent Original™. The holding in Ankarsrum Motors was divested. The holding in Duroc was reclassified as a financial investment since Traction is not involved in the company's board of directors and the ownership since 2017 is less than ten

percent of the votes. Minor new investments in the unlisted companies Tengai and Medino. Increased ownership in Driver Group to 17 percent and in Nilörngruppen to 26 percent of the capital. Acquired just over four percent of the capital in the British AIM-listed company Portmeirion in connection with a directed issue and just under five percent in the Irish solar park company Alternus Energy ahead of an unofficial listing of the company's shares.

2019 In terms of earnings, a record year where Traction showed a profit of MSEK 416, corresponding to an increase in net asset value adjusted for dividends paid of 16 percent. The return on the active listed holdings amounted to about 21 percent and for other listed shares to 42 percent, in a generally strong stock market where the Stockholm Stock Exchange rose by about 35 percent. Another year with negative interest rates in Sweden and several other countries. This contributed to continued asset inflation and generally challenging conditions for Traction to find new attractive investment objects to engage in as an active owner. The holding in WYG Plc was short-lived and was sold at a good profit in connection with a bid (bid premium of 244 percent) from the American consulting company TetraTech. The payment received totalled MSEK 91. The holding in Mönsterås Metall was liquidated, but this did not affect Traction financially. Record results in several of the active holdings such as Drillcon, OEM International and Softronic. Weak earnings development in Hifab where, among other things, costs for new recruitments burdened the result. Softronic's founder, principal owner and CEO Anders Eriksson handed over the CEO position to Per Adolfsson in January. Peter Andersson was appointed new CEO of BE Group in September. Acquired a major shareholding (14.2 percent) in the British AIM-listed company Driver Group Plc for approximately MSEK 52. Increased ownership marginally in Nilörngruppen and decreased slightly in Duroc.

2018 The holding in Eitech Holding was formally divested in January after approval by the competition authority in Sweden. Payment received, including amortisation of receivables, totalling approximately MSEK 50 was received in 2018. The deal was agreed at the end of 2017 and also contributed positively to the result. In February Traction became a major owner of Mönsterås Metall (49 percent), which at the same time acquired Ankarsrum Diecasting from Traction. The British technology consulting company WYG became a new active holding as Traction acquired 15 percent of the shares in several rounds during the year for a total of about MSEK 48. Weak price development for both Traction's active listed holdings (-5 percent) and other

BE Group

listed shares, similar to the Stockholm Stock Exchange as a whole, which also developed negatively. Positive earnings and business development in several of the active holdings, including BE Group, Nilörngruppen, OEM International, Sigicom and Softronic, where the last four showed record results. BE Group posted its best result since 2008. Ownership in BE Group increased slightly to 22 percent of the capital through acquisitions for MSEK 15. Ownership in Nilörngruppen decreased slightly in connection with the sale of shares for MSEK 25. Ankarsrum Industries with the operating companies Ankarsrum Motors and Ankarsrum Kitchen was revalued by MSEK -29 against the background of low capacity utilisation in the Group's production lines for electric motors. However, the proprietary kitchen machine Ankarsrum Assistent Original® developed stably.

2017 At the beginning of 2017 Duroc acquired International Fibres Group against payment of newly issued shares in Duroc. The holding in Waterman Group was divested after a public offer, which for Traction's part entailed a total offer value of just under MSEK 85 and a profit effect in 2017 of MSEK 40. Shares in Nilörngruppen were sold for MSEK 67, whereby the ownership decreased to 24 percent of the capital and 57 percent of the votes. The holding in Banking Automation Ltd was divested at the end of 2017. Traction has been a partner in Banking Automation Ltd since 1986. Strong share price development in Drillcon (82 percent) and Softronic (71 percent) contributed positively to the result. Weak development in the Ankarsrum companies, which burdened the result with a total of MSEK 60 in 2017. The return on listed active holdings was 29 percent and the return on other listed shares was 13 percent.

2016 Traction posted its best result ever of MSEK 401, corresponding to a return of 19 percent. Invested MSEK 30 in Eitech Holding AB in the form of shares and loans,

Drillcon

corresponding to 10 percent of the capital and 4 percent of the votes. New CEOs were appointed in Duroc and Drillcon. Divested all shares in Nordic Camping & Resort after a bid from the Norwegian venture capitalist Norvestor Equity AS. During the year, gradually increased ownership in Waterman Group, whereby ownership increased from 11 percent to about 16 percent. Shares in Nilörngruppen were sold for MSEK 79, whereby ownership decreased to 31 percent of the capital and 61 percent of the votes. Acquired 8 percent of the capital and 4 percent of the votes in Poolia (now PION Group) and became the company's second largest owner and became involved in the company's nomination committee. Strong share price development in Nilörngruppen (99 percent), BE Group (40 percent) and Hifab Group (36 percent) contributed positively to the result. Nilörngruppen and OEM International posted record results. Ankarsrum Motors was revalued by MSEK -25 due to weaker development. The return on other equity investments amounted to 45 percent. Negative deposit rates contributed to the fact that most of Traction's liquidity was invested in short-term interest-bearing investments with marginally positive returns.

2015 The holding in PartnerTech was sold for just over MSEK 100 in connection with a bid from industry colleague Scanfil. Nordic Camping & Resort, which continued to develop well, carried out a distribution issue that strengthened the balance sheet and broadened the shareholder base. The holding in Switchcore was sold. BE Group carried out a new share issue that was to a significant extent guaranteed by Traction. A new CEO was appointed in BE Group and Traction assumed the role of chairman. Nilörngruppen was listed on First North in June at the same time that Traction sold shares for just over MSEK 180, corresponding to half the holding, which contributed significantly to the year's result. Acquired all outstanding A-shares in Nilörngruppen in the late autumn, whereby ownership increased to more than 66 percent of the votes. Nilörngruppen's share price developed weakly, unlike the business, which once again delivered a record result. Hifab Group suffered an unexpected and significant legal loss that resulted in the company carrying out a new share issue that was also guaranteed by Traction. Banking Automation had a record year. Strong share price development in OEM International, Softronic and Waterman contributed to the result, while BE Group and Hifab Group burdened the result. A major holding in the staffing company Proffice was revalued following a public offer from an international player. The holding in Modular Streams was divested. Significant divestments of active holdings and a sceptical view of the stock market's valuation level resulted in Traction's cash and cash equivalents and interest-bearing investments increasing to just over MSEK 900.

2014 Traction turned 40 years old. Traction switched to Investment Entity accounting, which means that the subsidiaries in Ankarsrum and Nilörngruppen are no longer consolidated in the Traction Group but are valued at market value. Halved the holding in OEM International after a rising price trend over a long period of time. OEM has developed very positively as a company since Traction became a partner in 2009, as has its share price. BE Group carried out a new share issue that was largely guaranteed by Traction. The issue was oversubscribed and Traction sold parts of its holding during the year, thereby reducing its ownership to just over 17 percent. BE Group developed very weakly, which heavily burdened the result. The holding in Catella was sold. Participated in a new issue guarantee in the property company Amasten in connection with a preference share issue. Duroc appointed a new CEO who immediately initiated an action programme. Ownership in Drillcon and Hifab Group passed 50 percent of the capital and votes. Ownership in PartnerTech increased to just over 23 percent. Nordic Camping & Resort grew and the share price rose by 59 percent. Nilörngruppen showed an increase in sales of 20 percent and delivered a record result. In addition to net sales of active holdings and other listed shares, dividends from unlisted holdings contributed to Traction's cash and cash equivalents and interest-bearing investments increasing to about MSEK 600.

Nilörngruppen

Traction's History

Traction was started in 1974 by entrepreneur Bengt Stillström as a one-man consultancy with a capital of a few thousand Swedish kronor. Today Traction is a stock exchange-listed investment company with equity of more than MSEK 3,900, while almost MSEK 1,000 has been distributed to the shareholders in the form of dividends and repurchase of shares since the listing in 1997.

Traction's service has always been to help develop companies. We have worked with the companies' unusual events. By this we mean everything except the day-to-day work in the companies, where the entrepreneur or other partners have already shown initiative and competence. Often it has been about how to exploit new ideas and how to manage operations that are not working well. To support this, we have developed a business philosophy that we know from experience works. It is our instrument and guiding principle. You could also say that it has become Traction's product. In addition to adaptation, new sales, development and production start-up of new products, the unusual events have usually involved the purchase and sale of businesses, reconstructions, reorganisation, recruitment, financing, cooperation and international expansion. We have helped the entrepreneurs and CEOs and complemented them, so that together we became strong. We have had staff with different backgrounds, sales, technology, law, finance, etc. to cope with this broad approach. Many times we have had to step in as a temporary CEO and negotiator.

For the first ten years, Traction was a one-man company; then in the early 1980s a central organisation was created, which at its peak grew to about ten people. We also work with independent persons in specific projects and it is not unusual for the managers of our project companies to be involved in the board of directors of other companies in which Traction is a major owner. Bengt Stillström was CEO from the start in 1974 to 2001 and is currently Chairman of the Board. Petter Stillström joined the board in 1997 and has been Traction's CEO since 2001.

Initially, our client base was entrepreneurs and business owners. Later, larger companies and banks were added, mainly in connection with projects to rescue businesses that had gone wrong. As a positive effect of profitable business, the capital has grown, which has enabled investments in larger and more mature companies and since the early 1990s Traction has acted as an active owner in several listed companies where we work from an active board/owner role. In parallel with the active company development, parts of the capital have also been invested in other listed companies, which over time has contributed to Traction's capital growth.

The business model started as a consultancy business, based on payment for time spent, and evolved into a partnership with the entrepreneurs - becoming partners, working on a performance basis and eventually also investing equity, providing loans and guarantees. In recent years, the main focus has been on active and long-term ownership of small and medium-sized enterprises in parallel with the investment of capital in other listed shares and fixed income assets in order to generate a return on capital.

Traction's capital base has been built up over a long period of time, without borrowing in the parent company, and with low or non-existent debt in the project companies. We have a business model that is long-term and that we believe is sustainable. Traction helps to create healthy companies.

Ankarsrum Kitchen

Selection of historical projects that were large, profitable, long-lasting and/or significant:

- **Ankarsrum Motors**, highly automated electric motor production, production of welding feed motors and controls, contract manufacturing.
- **Ankarsrum Die Casting**, aluminium die casting.
- **Duroc**, an industrial group that during Traction's active ownership period operated in areas such as laser surface treatment, train wheel maintenance, saw blades and machine trade. Traction has been a major owner since the acquisition of International Fiber Group 2017, but has not been active in board work since 2020.
- **AcadeMedia**, interactive education with later focus on charter schools.
- **Allgon**, antennae and system components for mobile telephones and base stations.
- **Arvako**, staffing and recruitment.
- **Banking Automation Ltd**, deposit machines, payment machines and exchange machines (ATMs).
- **Bricad**, real estate development and management.
- **Centrum Invest**, consultancy and development company for shopping centres.
- **CMA Computer Marketing**, rental of mainframe computers and computer sales.
- **Eitech respektive EIAB**, electrical installations and contracting/assembly.
- **EasyT**, internet travel agency and software.
- **Eska Komponenter**, an attempt to structure the Swedish foundry and casting industry.
- **Gnosjö Plast**, injection-moulding of plastic articles.
- **Haldex**, automotive components.
- **Inter Innovation**, development and promotion of a mechanism for dispensing banknotes from automatic teller machines.
- **Jarl 20**, development, construction and sale of tenant-owned housing cooperatives.
- **JC**, clothing chain.
- **JP Bank**, brokerage, banking.
- **Kjessler & Mannerståle**, engineering consultancy.
- **Know IT**, IT consultancy.
- **Maxitech**, thick-film hybrids.
- **Mutter Media/Metronome**, TV production company.
- **Nordic Camping & Resort**, chain of camping and cabin operations.
- **PartnerTech**, contract manufacturing.
- **Standard Radio**, communication radio equipment.
- **Svecia**, screen-printing machines.
- **Svenska Järnvägsverkstäderna, ASJ**, specialised foundry for casting brake shoes for railway vehicles.
- **Sweden Table Tennis**, Stiga table tennis equipment.
- **Swedish Tool**, supplier of machine tools, machine service and support. Acquired by Duroc in 2007. Established by Bricad.
- **Thalamus Networks**, control technology, broadband.
- **Tolerans**, rotational stapling machines for tabloid newspapers.
- **Waterman**, technology consultancy based in London.
- **WYG**, technology consultancy based in Leeds.

AB Traction
Birger Jarlsgatan 33
Box 3314
SE-103 66 Stockholm
CEO: Petter Stillström
Telephone: +46-8-506 289 00
E-mail: post@traction.se
traction.se

Ankarsrum Kitchen AB
Lysingsvägen 19
SE-593 53 Västervik, Sweden
CEO: Marcus Grimerö
ankarsrum.com

BE Group AB
Krusegatan 19B
SE-212 25 Malmö, Sweden
CEO: Peter Andersson
begroup.com

Brillianze Sweden AB
Verkstadsgatan 4
SE-233 51 Svedala, Sweden
CEO: Patrik Zander
brillianze.com

Drillcon AB
Östra Vagngatan 3 B
SE-702 27 Örebro, Sweden
CEO: Patrik Rylander
drillcon.se

Driver Group Plc
125 Old Broad Street
London, United Kingdom
EC2N 1AR
CEO: Mark Wheeler
driver-group.com

Hifab Group AB
Sveavägen 163
Box 190 90
SE-104 32 Stockholm, Sweden
CEO: Nicke Rydgren
hifab.se

Medino Online Ltd
Unit 5 Union Park
Leighton Buzzard,
United Kingdom
LU7 4UX
CEO: Christian Jakobsson
medino.com

Nilörngruppen AB
Wieslanders väg 3
Box 499
SE-501 13 Borås, Sweden
CEO: Krister Magnusson
nilorn.se

OEM International AB
Box 1009
SE-573 28 Tranås, Sweden
CEO: Jörgen Zahlin
oem.se

Portmeirion Group Plc
London Road
Stoke-on-Trent, United Kingdom
ST4 7QQ
CEO: Mike Raybould
portmeiriongroup.com

Recco AB
Radiovägen 3A
SE-181 55 Lidingö, Sweden
CEO: Fredrik Steinwall
recco.com

Sigicom AB
Glasfibergatan 8
SE-125 45 Älvsjö, Sweden
CEO: Torbjörn Rehnström
sigicom.se

Softronic AB
Hammarby kaj 10A
SE-120 32 Stockholm, Sweden
CEO: Charlotte Eriksson
softronic.se

Tengai AB
Nordenskiöldsgatan 11
SE-211 19 Malmö, Sweden
CEO: Elin Öberg Mårtenzon
tengai.io

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