

TRACTION



ANNUAL REPORT

2001

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

This is Traction

Traction is a venture capital company founded in 1974. Operations consist of developing and refining companies, which are wholly or partially acquired. To this end, Traction has developed its own methodology, which has its primary focus on customer relationships, capital flow and risk management. Among Traction's client companies are found privately as well as publicly held companies, companies controlled by entrepreneurs where Traction is a minority owner, as well as companies in which Traction is the sole owner, or one of the dominating owners.

Traction is currently engaged in some thirty wholly or partially owned projects, the largest of which are the engagements in Ankarsrum Motors, AcadeMedia, Duroc, Haldex, Know IT, Softronic and Thalamus Networks. Traction's visible equity amounted to over MSEK 700 as of December 31, 2001. The return on equity was 4 percent in 2001. Historically, the average return on equity over the past ten years has been 43 percent. The Traction share is listed on the OM Stockholm Stock Exchange.

Financial information 2002

Date of publication of planned financial information:

- ▶ May 13, 2002 Quarterly report for the period January – March
- ▶ August 12, 2002 Quarterly report for the period January – June
- ▶ November 8, 2002 Quarterly report for the period January – September
- ▶ February 11, 2003 Financial report for 2002

Financial information may be obtained via e-mail by subscription to www.traction.se or by e-mail to post@traction.se.

Shareholder information

Annual General Meeting

The regularly scheduled Annual General Meeting of AB Traction (publ) will be held at 3:30 p.m., April 10, 2002 at the Royal Academy of Engineering Sciences, Grev Turegatan 16, Stockholm, Sweden.

Participation

Notice of participation in the proceedings of the Annual General Meeting shall be made to Traction AB, P.O. 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. The deadline for giving notice of participation is before 4:00 p.m., April 4, 2002.

Participation in the proceedings of the Annual General Meeting is reserved for shareholders who are registered in the share register maintained by Värdepapperscentralen VPC AB not later than March 26, 2002. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of that date in order to participate in the proceedings of the Annual General Meeting.

Dividend

The Board of Directors propose a dividend of SEK 3.85 per share. The Board of Directors has proposed April 15, 2002 as record date. The dividend is expected to be remitted by VPC April 18, 2002.

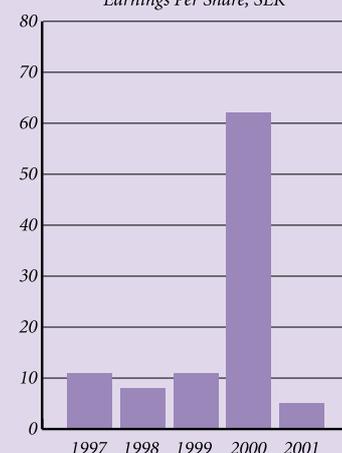
The Year in Brief

- ▶ Profit after taxes MSEK 25.2 (350.7).
- ▶ Earnings per share SEK 5 (62).
- ▶ Return on equity 4 (97).
- ▶ The holding in Ångpanneföreningen sold (capital gain MSEK 41).
- ▶ Svecia burdens the result by about MSEK 50.

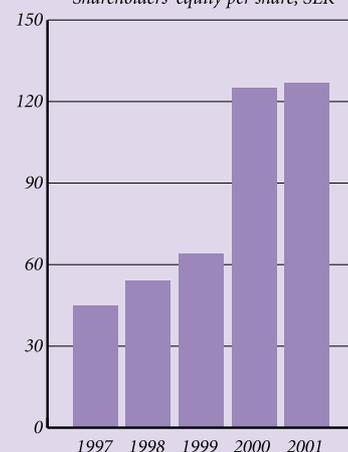
Significant events during 2001

- ▶ **New Projects:** Ankarsum Motors, EDN Storage Technology, Gnosjö Plast, Karlberg & Karlberg, Know IT and Softronic.
- ▶ **Expanded ownership:** AcadeMedia, Arvako, Easy T and Thalamus Networks.
- ▶ **Desinvestments:** Biophausia and Duroc.
- ▶ **Completed projects:** Hagakure Network, RealeX Communications and Ångpanneföreningen.

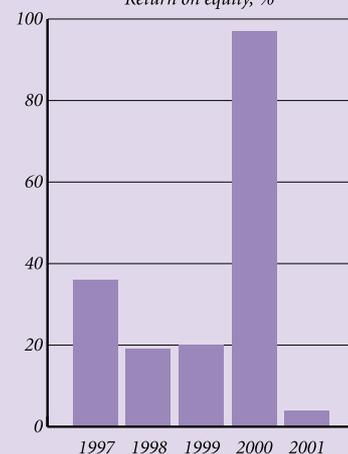
Earnings Per Share, SEK



Shareholders' equity per share, SEK



Return on equity, %



President's Statement



Dear Shareholders,

The past year was marked by declining economy. The telecom and IT markets in particular have experienced great difficulties. What has saved Swedish industry is the weak Swedish currency. The stock market has been clearly ambivalent: good for traditional industry and extremely weak for new companies. Parts of the speculative bubble has indeed burst, even though many companies are still valued at fantasy prices.

For Traction, the market for selling and capitalizing portfolio companies has been very poor. We have therefore done few such deals. The shining exception is that we managed to sell our holding in Ångpanneföreningen at a good profit.

The market for entering new projects improved during the year. During the fall we entered into six new and interesting projects. Two IT consultants, Know IT and Softronic, floated new issues underwritten by us and we subscribed for a substantial portion in both companies. Electrolux sold an electric motors plant to us, Ankarsrum Motors. Lear Corporation sold Gnosjö Plast to us and a number of private individuals, one of whom became the

company's president. From Gandalf we bought two companies and we brought in a new president as partner. One is active in data storage (EDN Storage Technology) and the other in advanced image management (Karlberg & Karlberg).

The opportunities for going into new projects will continue to be good during 2002. The exit market is likely to continue to be very weak, however. We do not believe that the economy will stage a meaningful recovery during the year.

The hysteria in the stock and risk capital markets in recent years has caused a lot of economic damage and has also greatly impaired the economic judgment of many. For a long time we thought that with our stringent methodology and our active engagement we would be able to keep our portfolio companies reasonably healthy. Unfortunately this proved not to be the case and in several of our affiliated companies decisions have been made in direct conflict with our principles and contrary to good business practice. The result of this is that several of our engagements have been burdened by large losses. The worst result was seen in Svecia, where we lost MSEK 50 and have been forced to take extraordinary action, such as forcing group companies into bankruptcy. This was embarrassing as we should have invested entirely different resources and taken other action a long time ago.

The consequence of what has happened and the lesson learned is that we must abide by our principles much more closely. We have also come to the understanding that our methodology, which appears to be so simple, in actual fact is almost incomprehensible to many people. They say that they understand, but instead they act as if the opposite were true. This means that we must attach even greater importance to our methodology and to educating both our co-workers at Traction and at the portfolio companies. We must also become more deeply engaged and take more forceful action when the signs are negative. Sometimes we must also pose more stringent requirements on execution inside the companies.

In this annual report we are presenting Traction's ownership policies for listed companies. These policies have not been presented before, but it feels important to clarify them now that Traction has the role of principal owner in a number of listed companies.

Traction is currently seeking to recruit several new staff members. The challenge in the short term is to recruit a number of Venture Managers so that we can develop and refine Traction's existing portfolio of companies, but also to create opportunities for participating in new deals. Several of those who have left us have elected to become executives in our portfolio companies, but also in other firms. We like to maintain long-term contacts with our former employees and some have stayed on as directors in our portfolio companies.

Traction's expansion for a few years has limited the availability of reasonably priced projects and projects with sound business models. We have therefore increasingly invested our capital in stock market investments. Our capital has also grown very rapidly.

It is therefore a great challenge to build a larger and more effective venture organization and to enter into new projects. This will take time. In order to utilize our capital base we are thus expecting to do transactions large and small over the stock exchange. Our liquidity and investment capacity is relatively large measured by our standards, which in the current climate opens promising opportunities for Traction and its shareholders.

Stockholm, February 2002

Petter Stillström

Ownership policy for listed companies

Below is a summary of Traction's ownership policy for listed companies. Traction's ownership policy in companies that are not publicly traded where we have a partner are controlled by partnership relationship and the rules below do not apply. Nor will our role then be as questioned by the world around us.

- ▶ A company is always run on behalf of the owners and to generate the greatest possible return for the owners.
- ▶ A principal owner has the ultimate responsibility and the authority to take initiatives for changes of the business, the business concepts, its management, the composition of its board of directors, major deals and acquisitions.
- ▶ The principal owner should consult with other larger owners and explain the intentions of the owners to the board of directors and to corporate management.
- ▶ Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
- ▶ A principal owner must not grant favors to itself at the expense of the company, but should be reasonably compensated for its participation in the company's management.
- ▶ If no principal owner exists, the major shareholders should consult with each other and devise and owner steering model to compensate for the lack of a principal owner.
- ▶ If a principal owner, or a responsible group of major owners, do not exist, it is up to the chairman of the board of directors to fill the void to the best of his or her ability.
- ▶ The board of directors should be composed of

persons with a large holding of shares in the company, and by other persons who can contribute to the company's development and who have the time to get actively involved.

- ▶ Traction always wants to appoint at least one director in the companies where Traction holds a major stake and when Traction is the principal owner, also the chairman of the board.
- ▶ It is Traction's intention always to apply its methodology for business development in all companies.
- ▶ The board of directors as a whole is responsible for the president's terms and conditions of employment.

Terms and conditions for presidents should follow these principles:

- ▶ A reasonable basic salary and a bonus for good performance.
- ▶ All terms and conditions should be renegotiable, both up and down, and usually on an annual basis.
- ▶ Periods of notice over six months should not exist, and definitely no golden parachutes.
- ▶ In cases of breach of trust, gross mismanagement or economic irregularities, the president shall be terminated immediately and without any compensation.
- ▶ The president may very well be a large shareholder in the company.
- ▶ Pension terms should only include an annual cost for pension insurance without pension risk for the company, and obviously at a reasonable level.

The Business

Business concept

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

Business philosophy

- ▶ We take a long-term view.
- ▶ Traction is not out to create a conglomerate. Traction works with a number of independent companies – clients, whose increased values are to be realized in the longer term.
- ▶ Our sphere of activity lies within the general transformation of companies. The requisite technical and industry expertise must be available in the company itself.

Our first objective is to sell management; financing is a secondary priority. It is the combination that is interesting.

Goals

- ▶ To achieve average annual growth of equity of at least 25 percent.
- ▶ To create profitability in our wholly and partially owned companies.
- ▶ To minimize the risk and raise the return on our projects.

Strategy

Prerequisites to achieve Traction's goals:

- ▶ The ability to choose the right projects, in reality, the right partner – the corporate manager.
- ▶ Sufficient financial resources to enter into interesting projects.
- ▶ Consistent application of our methodology to minimize risk and raise the return on investment.
- ▶ Project managers who can provide corporate managers with the support and complementary expertise they require to complete the business project.
- ▶ Project managers with varying expertise and different backgrounds to cover the varying needs our companies may have.

- ▶ Project managers with ability to step in as transitional corporate managers in restructuring situations, often until a new management has been appointed.

Exit strategy

For Traction it is important that our companies display long-term growth. We don't make money on dividend income, but earn capital gains when we sell equity. Our basic premise 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. All Traction sales are preceded by consultation with our partners. We define better owner as a company that is able to do more for the company than Traction can.

Traction's methodology for successful business

The common denominator for Traction's business is to apply our own methodology for corporate development on all companies in which we become involved. This means that customers, investors, partners and personnel by necessity must sympathize with our philosophy and our approach to business. For what we sell is that methodology, that's what we make money on, and that's the commodity our clients buy. If you don't want it, you obviously shouldn't have to buy it. We try to be very explicit on this point, since there are those who come to us without this knowledge and with entirely different preconceived notions. 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 in which we pull in different directions.

Traction's methodology has its primary focus on customer relationships, capital flows and risk management, and is summarized in the box on the next page. When reading these principles, they appear truly simple and self-evident, but in practice they

can be quite difficult to follow. There are those who shy away from following these principles when confronted with the practical difficulties. There are even those who believe that it is impossible to follow the principles.

Every time capital is infused in 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 the 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 your pocket, but you call it an investment. One doesn't listen to what the customers are willing to pay for when one has one's own money to spend. And yet, every business needs capital. But it must be infused in moderation and with great care. One of Traction's duties is to see to it that our clients nurture their use of capital, at the same time utili-

zing all opportunities of obtaining external capital.

The most significant aspect of our methodology is that we let the companies develop according to what they have actually succeeded in selling, rather than be guided by what one believes others will buy in the future. Our heroes are the sellers who do two important things: First, they bring back money to the company and, secondly, they bring home information about what can be sold, basically how the products should be designed. The heroes of others are the people with product ideas who are aided by a large capital infusion to build a company. Of course we need ideas and inventions, but we have learned that they have to be second to what the customer will actually pay for. If that is not the case, the experimentation tends to be very expensive. But to each its own. We feel that we must emphasize, however, that the entrepreneur ends up with a larger part of the pie with our method.

Traction's methodology in brief

Create Revenue Before Costs

- ▶ Make sales first, buy later.
- ▶ Let revenues govern costs.
- ▶ Cease activities when funds are short.
- ▶ Let customers and suppliers finance development.

Minimizing Fixed Costs

- ▶ Cover fixed costs by taking orders.
- ▶ Convert fixed costs into variable costs.
- ▶ Do not invest without specific orders.
- ▶ Do not recruit without specific orders.
- ▶ Outsource activities and use consultants.

Controlling the Crucial and Unique Elements of the Business

- ▶ Each business has a unique core. Guard it jealously.
- ▶ Product control.

- ▶ Market control.
- ▶ Do not allow suppliers and intermediaries to take over.
- ▶ Have direct contact with end-users.
- ▶ Guard the brand name and make sure you own it.

Avoid Becoming Involved in Activities that Others Know Better

- ▶ All business contain a host of conventional services and skills. There are always others who are specialists. Use them – but only retain those who are able and strong.
- ▶ Reduce the business activities to a core operation and expand it later if possible.

Avoiding Risk

- ▶ Basic business – something to live off when things are sluggish.
- ▶ Assume one risk at a time rather than many at once.

- ▶ Combine unique elements with the conventional.
- ▶ Let others share in the risk – customers and suppliers. Otherwise refrain.
- ▶ Only take risks the company can afford.
- ▶ Do not borrow for losses, only for business.

Capitalizing on Opportunities

- ▶ Sell to one customer, then two, then four – not to all at once.
- ▶ Find customers who derive unique benefits from the new products, and customers who wish to try something new – known as early adopters.
- ▶ Try many approaches, develop what works, and quickly cease what doesn't.
- ▶ Let the customers' desires and willingness to pay govern the company's activities.

Traction's formula

The key to Traction's historically very high return is a combination of a number of different profitability factors. Each factor in itself increases the value and/or minimizes the risk exposure in Traction's holdings. If you succeed in combining all factors, the return on capital infused can be very high.

Traction's goal is to see to it systematically that the three most important factors, all components of the model for return 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 Traction's way of getting paid for its very active ownership, in part it is a function of Traction's capital-extensive business methodology in the portfolio companies. This results in a relatively small capital contribution in each respective project, which in turn leads to a limited risk, at the same time as a small capital base gives rise to a higher return. We only stand to lose our wager, but the profit can be many times that wager.

Factor 2: Growth with profitability

When the entrepreneur develops his company together with Traction, the goal is to produce growth while maintaining profitability. With Traction's participation, it is often possible to accelerate the rate of growth since the entrepreneur has a strong and competent partner at his side, who in addition to management support will contribute long-time experience in different forms of cooperation, internationalization, acquisitions, etc.

Factor 3: Revaluation situations

Traction puts a sharp focus on realizing changes in

the basis for valuation of its holdings. As examples can be mentioned:

- ▶ That if the company is made attractive to an industrial investor, its value can double many times over.
- ▶ That if the company obtains a market listing, the value can double many times over at the same time as additional capital can be raised, which coupled with Traction's methodology increases the opportunity for long-term growth.
- ▶ That when companies find themselves in acute profitability and liquidity problems, their value drops drastically. For those who then have the courage to take on the challenge and the economic risk, the revaluation gain in the event of a successful reconstruction can be both fast and large.
- ▶ That undercapitalized companies with competent management and interesting projects become more valuable if additional capital is infused. And if one then pilots the company to a higher level, the reward can be extreme.
- ▶ That overcapitalized company's lose less in value than you take out of them.
- ▶ That valuable companies that are hidden in other larger companies can also be helped out into the limelight and be valued higher as a consequence.

Result: High profitability

Each of the above mentioned factors lead individually to growth in value. Traction's job is to combine all three factors, which leads to high leverage on capital infused. Historically, Traction has proven that together with the entrepreneurs, its methodology and skilled project leaders, it can produce a high return for an extended period of time.



Traction and the Surrounding World

Traction operates with several target groups:

Entrepreneurs who:

- ▶ Possess the right properties, i.e. persons that are extremely industrious and resilient, who can get things done, but at the same time are thrifty and can get the customer to pay, be satisfied and buy again.
- ▶ Are willing give up strategic plans in favor of what the surrounding world (the customer) is willing to pay for, and always are prepared to reconsider the business concept and to modify it.
- ▶ Believe in our methodology and are willing to work according to it.
- ▶ Runs or plans to start companies that have the prerequisites for growth.

Management/presidents/owners who:

- ▶ Lack an active owner.
- ▶ Need help in connection with a management buy-out, a spin-off, an acquisition or a change of generations.
- ▶ For other reasons need a financially strong owner in connection with a major transaction.
- ▶ Believe in our methodology and are willing to work according to it.

Banks, reconstruction specialists, auditors who:

- ▶ Need support in specific situations when emergency operative action is required to reconstruct businesses at critical phases.
- ▶ Seek a partner that has the capacity to come in with reconstruction financing to save a business from financial collapse.
- ▶ Need a partner with the financial resources required to enter into major projects.

Organization

Traction's business consists of actively participating in the development of our client companies and assist them in all manner of situations. The organization is thus project-controlled and each Venture Manager is directly responsible for everything pertaining to his or her project. Focus is on developing profitable companies using Traction's methodology and approach to entrepreneurship.

Traction has a number of Venture Managers and a controller with a financial department, and a corporate counsel, all of whom possess specialist knowledge in their respective areas. A recruitment

process is under way with a view to increasing the number of Venture Managers to allow Traction better to handle existing projects and, especially, participate in new ventures.

Traction's founder and director, Bengt Stillström, shares in the board of directors work in several of Traction's portfolio companies and is also active in Traction as culture carrier and sounding board for Traction's staff and the portfolio company managers.



Petter Stillström



Håkan Berntsson



Bengt Stillström



Lars Olof Larson



Ulf Svensson



Maria Lamm (Corporate Counsel)



Claes Thulin

Board of Directors



FROM LEFT TO RIGHT

- ▶ **Bengt Stillström**, 58. M.Sc. (Eng.) and Master of Management. Founded Traction in 1974. Director of a large number of boards within Traction's sphere of interest, among them AcadeMedia (Chairman), Haldex and Thalamus Network (Chairman). Director since 1974. Shares owned: 310,000 class A, 3,308,150 class B.
- ▶ **Sven-Christer Nilsson**, 57, B.A. Previously with Ericsson for 17 years, most recently as President and CEO. Founder and Director of Startup-factory, Chairman of Utfors and Director of Assa Abloy, Establish, Northstream and Parthus Ltd. Director since 2000. Shares owned: 400 class B.
- ▶ **Mats Olsson**, 53, M.A., Chairman of the Board. Director of IAR System, Kipling, Know IT, Modig Machine Tools and TurnIt. Director since 1998.
- ▶ **Bengt Arne Vedin**, 61, Associate Professor, Mälardalens Högskola, Director of Högskolan i Halmstad and Metamatic AB. Secretary General of Ruben Rausing's

Fund for research relating to new businesses and innovations, member of The Royal Academy of Sciences (IVA), and the World Academy of Art and Science. Director since 1984. Shares owned: 20,200 class B.

- ▶ **Lars Olof Larson**, 42, Controller and Secretary of the Board of Directors. B.Sc. (Econ.). Active in Traction since 1997. Shares owned: 7,000 class B.
- ▶ **Petter Stillström**, 30, President, M.Sc. (Econ.). Director of Biophausia, Duroc, Softronic and a number of other companies within Traction's sphere of interest. Director since 1997. Shares owned, privately and via partially owned company: 490,000 class A, 237,770 class B.

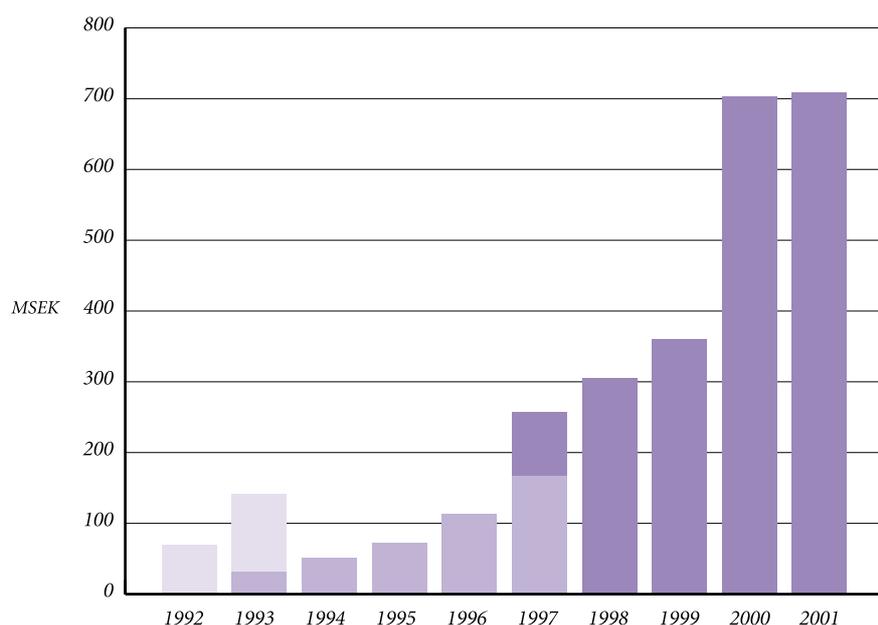
Auditor

- ▶ **Anders Roos**, 59, Authorized Public Accountant with SET Auktoriserade Revisorer, Stockholm. Auditor of Traction since 1985.

10-Year Summary Of Traction

MSEK	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Statement of Income										
Operating revenue ¹⁾	126	111	67	167	182	400	420	465	753	480
NET PROFIT	16	71	19	22	41	54	48	60	351	25
Balance Sheet										
Shares	40	41	40	18	110	191	145	228	573	439
Other fixed assets	73	59	35	29	10	23	53	51	43	171
Current assets	82	47	76	56	41	173	250	223	213	270
Liquid funds	63	104	18	50	33	48	34	47	46	184
TOTAL ASSETS	258	251	169	153	194	435	482	549	875	1064
Shareholders' equity	70	141	51	73	114	257 ³⁾	305	361	703	708
Restructuring reserve and negative goodwill	24	21	23	4	-	13	11	1	-	71
Venture capital under management	70	24	16	5	4	7 ⁴⁾	6 ⁴⁾	6 ⁴⁾	14 ⁴⁾	13 ⁴⁾
Long-term liabilities	34	36	13	13	-	41	47	44	39	62
Current liabilities	60	29	66	58	76	117	113	137	119	210
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	258	251	169	153	194	435	482	549	875	1064
Key Financial Indicators										
Proportion of risk-bearing capital	64%	74%	54%	54%	61%	64%	67%	67%	82%	74%
Equity ratio	27%	56%	30%	48%	59%	59%	63%	66%	80%	67%
Equity per share, SEK	15	31	11	16	25	45	54	64	125	127
Earnings per share, SEK	3	16	4	5	9	11	8	11	62	5
Dividend per share, SEK	-	24	-	-	-	-	0,70	0,35	3,15	3,85
Return on equity	30%	101%	23% ²⁾	43%	56%	36%	19%	20%	97%	4%
Price/earnings ratio						8,8	6,3	7,0	1,7	21,0
Market price per share, SEK						97	53	74	106	105
Market price per share/equity						2,1	1,0	1,2	0,85	0,83
Average number of shares outstanding						5 042			5 658	5 592
Number of shares outstanding at year-end	44 600	4 600	4 600	4 600	4 600	5 670	5 670	5 670	5 616	5 589

Evolution of shareholders' equity



⁵⁾Distribution to the shareholders, MSEK:

- - 110 - - - - 4 8 21

The compilation on the left side refers to the Traction Group with due consideration given to internal restructuring.

- 1) Operating revenue includes dividends, capital gains and shares in profit of affiliated companies from 1995.
- 2) In computing return on equity for 1994 (23 percent), due consideration was given to the MSEK 110 distributed as dividend at mid-year.
- 3) Equity offerings were made in 1997 adding nearly MSEK 90 in new equity.
- 4) The item includes profit sharing loans and minority interest.
- 5) By distribution to the shareholders is meant dividends and repurchase of own shares.

Definitions

Proportion of risk-bearing capital	The sum total of shareholders' equity, restructuring reserve and risk capital under management as a percentage of the balance sheet total.
Equity ratio	Shareholders' equity as percentage of the balance sheet total, not including minority interest.
Earnings per share	Net profit for the year divided by the average number of shares outstanding during the year.
Shareholders' equity per share	Shareholders' equity at year-end divided by the number of shares outstanding at year-end.
P/E ratio	Market price of the share divided by earnings per share.
Return on equity	Net profit as a percentage of shareholders equity at the beginning of the year.

A Small Selection of Transactions Over the Past Five Years

A small selection of events during the past several years. In reality, there are many, many other events, some of which may later prove to be very important.

1997

Equity offering in Duroc. Before the offering, Traction sold some shares and subscription rights in Duroc, and then participated in the offering, which was also partially underwritten by Traction. Equity offering and market listing of Soneruds. Executive Entertainment was started together with an entrepreneur. We invested in Bricad Holding and Signalkteknik. Traction participated in the financial reconstruction of Svecia Screen Printing System, went in as a majority owner and guaranteed financing. AcadeMedia acquired Thalamus Networks and arranged equity financing and wider ownership. We purchased additional shares in JP Bank and issued an option for all shares held. Completed a private placement of shares in Target Games. Purchased 13 percent of the shares in Kjessler & Mannerstråle, and shares in Epic Multimedia. TOTAB Totalentreprenad was sold to BPA. Traction made a public offering and the stock was listed on the SBI-list. In a secondary offering, shares were sold to major investors. Shares were issued for a total of MSEK 90 and the Company got about 2,000 new shareholders.

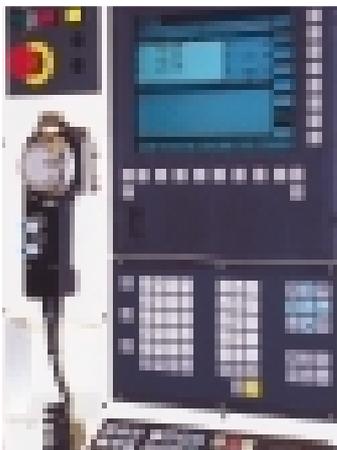
1998

The shares in JP Bank were sold to Sparbanken Finn och Gripen. Participated in a private placement in Thalamus Networks. Became shareholder in CMI again, a company Traction had been involved with

1980. CMA sold its system integration and PC business to Merkantildata. Invested in Easy T, Itca Holding, Mobilsystem, PC-Card International, Promecta Footwear, Skandinaviska Salutorget and Tempelman. The stakes in Kjessler & Mannerstråle, AcadeMedia, Bricad Holding, Target Games and Tolerans Ingol were raised. Subsidiary Maxitech Elektronik acquired Ericsson's corresponding unit in an outsourcing transaction. Financial reconstruction of Svecia. Duroc acquired toolmaker Robertsfors (from Mikro-Verktyg) and Västerås (from ABB). The shares in Epic were sold to AcadeMedia, who also bought additional shares. The investments in Fun Trak and Novum Kan were sold. Traction gained investment company status under Swedish tax legislation.

1999

Traction turns 25. The shares in CMA were sold at a good profit. Traction guaranteed equity offerings in AcadeMedia and Duroc. Obtained additional shares in Thalamus Networks in connection with a distribution from AcadeMedia. Invested in MedMera Distribution, Hagakure Network and Berg & Hav. Received shares in KM Lab from Kjessler & Mannerstråle, which were immediately sold to Dutch company AIControl. Completed two private placements in Easy T. Duroc acquired Swedish Saw Blades. Underwrote an issue of convertible debentures in BioPhausia; Traction subscribed for convertible debentures equivalent to 14 percent of shares outstanding after full conversion. Expanded ownership in Kjessler & Mannerstråle and Recco. The holdings in Itca Holding, Skandinaviska Salutorget and Target Games were sold. The shares in Ögonlasern were sold. More shares in Thalamus Networks were subscribed for and some shares were sold. The Board of Directors was strengthened as



Sven-Christer Nilsson, former President and CEO of Ericsson, since the fall of 1999 participated in the work of the Board of Directors and was elected in connection with the year 2000 Annual General Meeting. Traction UK was formed.

2000

AcadeMedia acquired BIG, Business Intelligence Group, sold its holding in Epic Multimedia with a large capital gain and made a private placement of MSEK 100. The holdings in PC Card International, Executive Entertainment and Mobilsystems were sold. A claim on BioPhausia was converted to equity. Reduced the ownership stake in Thalamus Networks at a substantial capital gain. Thalamus Networks made an equity offering of MSEK 250 and was listed on the O-list of the OM Stockholm Stock Exchange. Acquired stakes in Arvako Företagspoolen and RealeX Communications. A bid was made for all outstanding shares in KM, but the bid was withdrawn since it was not accepted by KM's second largest shareholder. Later accepted a cash bid from J&W, which contributed to the year's good results. Increased the ownership stake in Bricad Holding. Sigicom floated a private placement. Participated in an equity offering by Swedish Tool before an acquisition in January 2001. Sold the shares in MedMera Distribution and received shares in Gandalf in payment. Liquidation of Tempelman AS begins. Fast Forward and Lobbit were closed. Became the largest owner in Haldex and one of the largest owners in Ångpanneföreningen. Traction's shares are listed on the O-list of the OM Stockholm Stock Exchange.

2001

Went into azign management. Participated in an equity offering in AcadeMedia's subsidiary Recall. Sold the shares in Just Group Plc for a small capital loss. Phased out of the engagements in Soneruds Maskin, Berg & Hav, RealeX Communications and Hagakure Network. Sold the shares in Ångpanneföreningen to Sweco, which added considerably to profit. Petter Stillström was appointed President. Guaranteed equity offerings in Know IT and Softronic and became a major owner in both companies. Increased the stakes in AcadeMedia and Thalamus Networks by purchasing shares over the stock exchange. Affiliated company AcadeMedia acquired a small stake in industry colleague M2S with a view to try and participate in a reconstruction of the heavily indebted company. This failed and M2S was forced into bankruptcy. Affiliated company Swedish Tool grew by acquiring Vislanda Maskin, Bonthron & Ewing and Bergander Karlson Maskin. Acquired all shares outstanding in Ankarsrum Motors (the former FHP Elmotor AB) from Electrolux. Together with a number of private individuals, Traction acquired Gnosjö Plast from Lear Corporation. Acquired EDN Storage Technology and Karlberg & Karlberg from the listed company Gandalf. Significant profitability problems in Svecia had a strongly negative effect on the year's result.



The Return on Traction

Over the past ten years, Traction has probably had the highest return on equity on the Stockholm Stock Exchange. At the same time, the Company's capital is valued at a discount. We know that there are those who feel that our profits are not real, since formally they are capital gains. But for us, our profits are genuine and reflect the business we conduct. Traction's business is to acquire companies with low valuations that we can help grow and then sell. While we own the business, our engagement often generates losses on our books. The return varies over time since profits arise primarily in connection with a sale and not during the time when we are working with a specific project. Those who merely try to put a value on our current portfolio will not get a true reflection of reality.

Return on visible equity, after taxes

<u>10-year data</u>	<u>Annual return</u>	<u>Year</u>
Most recent year	4%	01
Worst year	4%	01
Best year	101%	93
10-year average	43%	92–01
5-year average	35%	97–01
Worst 2-year period	20%	98–99
Worst 3-year period	25%	97–99
Best 2-year period	65%	92–93
Traction's goal	25%	Ø all years

The Traction Share

Share capital

The share capital in Traction AB amounts to SEK 5,670,000 divided into 5,670,000 shares, of which 800,000 shares are of class A and 4,870,000 are of class B. Each share has a par or nominal value of SEK 1. All shareholders have a like interest in the Company's assets and profit. Class A shares entitle their holders to 10 votes per share and Class B shares entitle their holders to one vote at shareholder meetings. At shareholder meetings, each person entitled to vote may vote the full number of shares held or represented by him or her, without limitation.

Evolution of share capital

Year	Transaction	Increase in number of shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares	Par value, SEK
1994	Stock dividend	20	10,000	460,000	920	500
1994	Split	459,080	0	460,000	460,000	1
1995	Stock dividend	0	4,140,000	4,600,000	460,000	10
1997	Split	4,140,000	0	4,600,000	4,600,000	1
1997	Rights issue	700,000	700,000	5,300,000	5,300,000	1
1997	Rights issue	370,000	370,000	5,670,000	5,670,000	1

Traction has conducted business since 1974. A new parent company was created in 1994, however. There are no convertible debentures, options or other securities outstanding that could increase the number of shares outstanding. However, the Board of Directors has been authorized by the 2001 Annual General Meeting to decide, on one or more occasions, to make an equity offering of up to 1,000,000 class B shares without regard to the preferential rights of shareholders. The Board Directors also received an extension of an authorization, valid until the next-following Annual General Meeting, to acquire up to the number of shares equivalent to one tenth of all shares outstanding in the Company. As of December 31, 2001, 81,150 shares had been repurchased for about MSEK 9.5. An additional 26,800 shares were repurchased in February 2001 for MSEK 2.9. The Board of Directors has proposed an extension of these authorizations to be dealt with at the upcoming Annual General Meeting to be held April 10, 2002.

Shareholders

	Number of class A shares	Number of class B shares	Proportion of capital, %	Proportion of votes, %
Bengt Stillström	310,000	3,308,150	64.7	50.1
Creatum AB	340,000	166,820	9.0	27.8
Petter Stillström with companies	150,000	70,950	4.0	12.3
Småbolagsfonden		161,150	2.9	1.3
Claes Gyllenhammar with companies		54,850	1.0	0.4
Traction Nouveau AB's Pensionsstiftelse		53,600	1.0	0.4
Skogby & Åberg AB		33,250	0.6	0.3
N.G.L. Förvaltning AB		30,000	0.5	0.2
Traction's foundation for Science and Innovation		26,900	0.5	0.2
Fredrik Crafoord		25,000	0.4	0.2
Åke Svensson		21,000	0.4	0.2
Bengt-Arne Vedin		20,200	0.4	0.2
Other shareholders		816,980	14.5	6.3
Total	800,000	4,788,850	100.0	100.0

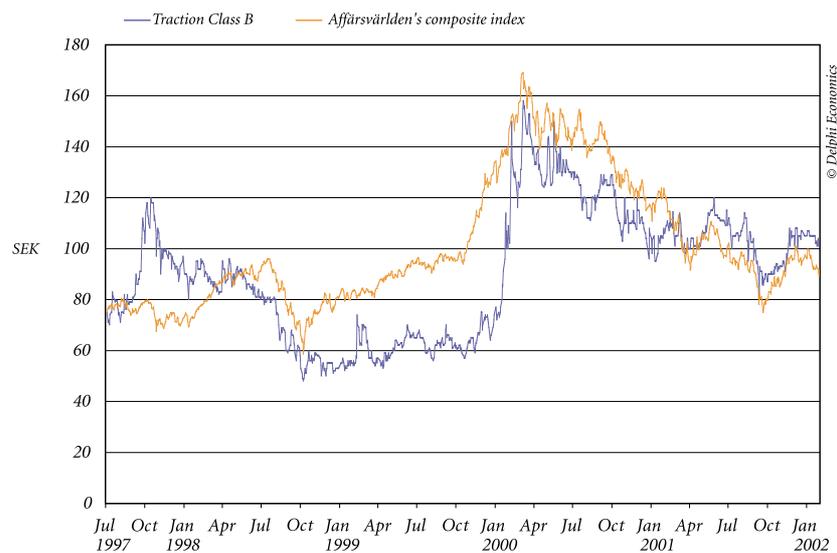
As of December 31, 2001, Traction held 81,150 shares in treasury, equivalent to about 1.4 percent of the share capital and 0.6 percent of the votes. These shares have been excluded from the list of shareholders on the preceding page.

Number of shares per shareholder

	Number of owners	Number of shares	Percentage of capital	Percentage of votes
1 – 500	765	159,680	2.9	1.2
501 – 1,000	128	115,575	2.1	0.9
1,001 – 5,000	97	251,375	4.5	2.0
5,001 – 20,000	25	272,900	4.9	2.1
20,001 – 100,000	10	303,200	5.4	2.4
100,001 – 1,000,000	3	867,970	15.5	41.3
100,001 –	1	3,618,150	64.7	50.1
Total	1,029	5,588,850	100.0	100.0

Share price performance

Traction's Class B share has been listed on the O-list of the Stockholm Stock Exchange since May 24, 2000. Previously the share was traded on the stock list of NGM (the former Stockholms Börsinformation (SBI)). The market price of the Traction share was unchanged during 2001. At year-end 2001, the latest paid quotation was SEK 105 per share. The highest bid price for the share during the year was SEK 125 and the lowest SEK 80.



Dividend policy

Traction's dividend policy is based on the premise that dividends and other distributions to the shareholders should be made in a tax-efficient manner. For purposes of the Swedish tax legislation, Traction is an investment company, the effects of which include that dividends are tax-deductible against interest income and the standard income consisting of two percent of the Company's net asset value as of December 31. With current tax rules, the dividend is adapted to the Parent Company's revenue in such a manner that no tax expense arises in the Parent Company.

PROJECT PRESENTATION

ACADEMEDIA AB

AcadeMedia's business is conducted in three operative units: Gravity, New Media Learning and ReCALL. Gravity produces interactive solutions, so-called e-learning solutions to make customer processes and business more efficient. New Media Learning educates its customers in new media technology and consists of Masters of Media, MacMeckarna and AcadeMedia World. ReCALL supplies infrastructure to distribute media requiring large bandwidth via the Internet without overloading the customers' internal bandwidth.

During the year AcadeMedia's deliveries included an extensive knowledge solution for Taxi Stockholm. The solution follows two main tracks, the first being to make new hires productive quickly and also to raise the quality of the personnel's customer contacts through realistic interactive dialogues. The unique feature is that thanks to interactive support, it becomes practical to train hundreds of persons at a time. Similar solutions can be used in all other areas where the quality of customer contacts is important. Other knowledge solutions developed during the year include a solution that supports the life-long learning and need for knowledge about the surrounding world for companies and international sales organizations, and a solution for quick education of international sales forces/resellers in connection with product rollouts.

In the area of New Media Learning, Platsportalen is an interesting knowledge solution. Platsportalen ties together job-seekers and employers and complements the job-seeker's knowledge to satisfy the needs of the prospective employer. By using interactive education solutions as well as mixed learning, Platsportalen fills the knowledge gap between the job-seeker that otherwise would have constituted an impediment to employment.

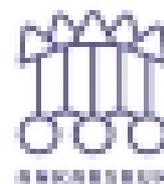
AcadeMedia had 123 employees at year-end. Sales in 2001 amounted to MSEK 99.

AcadeMedia is listed on O-list of the OM Stockholm Stock Exchange. Further information is available in the company's official annual report and at www.academedias.se.

ANKARSRUM MOTORS AB

Ankarsrum Motors (the former FHP Elmotor AB) is one of Europe's leading producers of electric motors. Ankarsrum Motors develops, produces and markets Universal motors and DC motors for outdoor products, household appliances, actuators and welding equipment. The company is also responsible for development and production of Electrolux Assistant, the famous food processor and kitchen appliance. The company also has an injection casting plant.

The history of Ankarsrum Motors dates back to 1655, when Ankarsrum's ironworks received its charter. The works can in many ways be linked to Sweden's history and the industrial growth of the country. During the 1800's Ankarsrums Bruk began making iron stoves and heaters, and a large assortment of kitchen utensils such as frying pans, pots, etc. In 1968 Electrolux acquired Ankarsrums Bruk and the works became a manufacturer of components for kitchen appliances and vacuum cleaners. During the 1980's the focus on electric motors was initiated and today Ankarsrum Motors is a leading producer.



Towards the end of the 1990's a large investment was made in a production line for electric motors, which gives the company a considerable boost in capacity. The company is well invested.

Ankarsrum Motors is striving to be the natural choice for customers who demand high quality, a high degree of flexibility and speed from their supplier. Some of the cornerstones in the company's strategy is just-in-time delivery, minimal inventories, Total Quality Management and a strict environmental policy. The company is third-party-certified according to ISO 9001 since 1994. The number of employees is 250 and 2001 revenues amounted to about MSEK 240. Further information about the company is available at www.ankarsrum.com.

ARVAKO

ARVAKO SVERIGE AB

Arvako is a job placement and training company active in Stockholm, Göteborg, Malmö and Östersund. Arvako offers job placement services and training in the areas of warehouse/industry, office/administration and hotel/tourism. Arvako's training is conducted through its wholly owned subsidiary, Företagspoolen. Företagspoolen offers customized adult education and assignment education and training for, among others, County Labor Board, Kunskapslyftet and medium-sized and large companies. Sales in 2001 amounted to almost MSEK 90. Further information about the company is available at www.arvako.se.



AZIGN MANAGEMENT AB

azign management consists of some 15 experienced management consultants in Stockholm, Göteborg and Malmö. All consultants have extensive experience from industry and commerce. Against the background of their operative experience, they are able to come in as "executives for hire." As management consultants they always take a holistic approach to their assignments. The company's consultants work with transformation processes and have developed a new concept in change management with emphasis on the execution phase. Further information about the company is available at www.azign.se.



BANKING AUTOMATION AB

Banking Automation is an English company that develops, designs and manufactures deposit machines, a kind of cash dispenser in reverse, primarily for banks, and change machines primarily for banks, but also for transportation companies, shopping malls and for similar applications. The machines are placed as free-standing units inside the banking premises and also through the wall out to the street, or in unmanned banking premises. Banking Automation was founded in 1984 and has an installed base of more than 8,000 units with customers that include the leading financial institutions. Banking Automation had sales of approximately MSEK 40 during 2001. Further information is available at www.banking-automation.com.

BIOPHAUSIA AB

BioPhausia conducts sales and research & development of pharmaceuticals in the areas of micro-circulation, connective tissue biology and macro molecules. Today the company has one product, RescueFlow, approved in 14 markets. RescueFlow is a resuscitation fluid given to humans who have suffered life-threatening blood losses in accidents or acts of violence. RescueFlow is administered to increase rapidly and then maintain the volume in the bloodstream. Work is in progress to increase availability of RescueFlow in the countries where the product has been approved.

Several other activities are going on at BioPhausia aimed at broadening the company's product portfolio.

BioPhausia is listed on the O-list of the Stockholm Stock Exchange. Further information is available in the company's official annual report and at www.biophausia.se.

BioPhausia

BRICAD HOLDING AB

Bricad is a real estate company with three wholly industrial and office properties in the north-east Stockholm region. The total floor space is about 26,000 square meters. All three properties have adjoining land and rights for new development and are located close to each respective shopping center area.

Bricad owns 46 percent of Swedish Tool AB (see below).

Bricad also owns 50 percent of Bwell AB. Bwell helps in the development of the company's staff welfare, by using firm and concrete action to improve staff overall health. The Relax Area concept and BWELL Massage armchair has been installed at several major companies and government agencies. Further information is available at www.bwell.se.



DUROC AB

Duroc owns and develops businesses whose business concept and products can be refined on the basis of the Duroc technology. The Duroc technology is collective name for the technical and scientific areas that constitutes the basis for development and manufacture of products based on surface refinement of materials and components using laser technology and systems solutions in conjunction therewith.

Duroc works with exploiting the Duroc technology in a number of market segments. Duroc Application is responsible for development and refinement of the technology. Duroc Energy is active in the field of treatment of components in nuclear power plants. Duroc Rail uses the technology to create longer life for railway wheels and rail, more efficient wheel and rail maintenance, less noise and lower costs for wheel and rail maintenance. Duroc Tooling manufactures form tools for sheet metal and plastics forming, and forging and injection



casting. Swedish Saw Blades manufactures and sells saw-blades.

Duroc owns 45 percent of Impact Coatings AB, which is a company that like Duroc works with surface refinement, but with PVD technology. A so-called thin-film technology primarily suitable for electronics, mobile telephony and automotive components.

Duroc's sales during 2001 amounted to MSEK 214. Duroc is listed on the O-list of the Stockholm Stock Exchange. Further information is available in the company's official annual report and at www.duroc.se.



EDN STORAGE TECHNOLOGY AB

EDN Storage Technology is active in solutions and products for data storage. Data storage is one of the fastest growing segments of the IT industry and also an area with stable and continuing growth because the amount of digitally stored data continues to increase in our society. EDN has long experience in the field of data storage and creates solutions for its customers based on leading products from manufacturers such as Intel and Qlogic. Further information is available at www.edn.se.



EASY T AB

Easy T's business concept is based on two important changes in the travel industry: Growth of the Internet as sales channel and strong demand for efficient ways of selling and distributing airline tickets. The objective behind Easy T's business model is to get as many as possible to use the in-house-developed T-Book system to book air travel. The more people that use the system, the greater Easy T's revenue. Expansion to new markets will be systems sales and by establishing company-owned travel agencies.

The business is divided into two parts:

Easy T Travel, which includes the travel agency business. Easy T Travel AB (Sverige) and Steamond Ltd (England). Operations are based primarily on telephone and Internet sales via the different Websites, www.easyt.se, www.billigtflyg.com and www.easyticket.com.

TBook Software AB, which includes systems sales and further development of the TBook system, an Internet-based system for airline reservations and other travel-related products and services.

Easy T's share is traded unofficially on Hagström & Qviberg Fondkommission's so-called Tech Market. Further information about Easy T is available in the company's official annual report and at www.easyt.com.

FASTIGHETS AB ORNAMENTIK

FAB Ornamentik owns an industrial and office property in central Eskilstuna consisting of 7,500 square meters of rentable space.

FASTIGHETS AB TOFTA

FAB Tofta owns a property in Åkersberga. The property was built at the end of the 1980's and has just over 2,000 square meters of rentable space.

GEODYNAMIK AB

Geodynamik develops and markets systems controlling the packing of blast rock and other fill and paving. The packing is performed faster, simpler and more profitably, and the results are documented to assure quality. Further information is available at www.geodynamik.com.



GNOSJÖ PLAST AB

Gnosjö Plast, located in Gnosjö, is a supplier of plastic parts made with injection molding and form blowing technology. The largest customers are in the automobile and truck industries. Other customers are found among manufacturers of gardening machinery and in medical technology.

Gnosjö Plast's strategy is to deliver products with advanced plastics technology that contribute to value-adding solutions for its customers. The company will also live up to or exceed its customers' tough requirements for delivery security and quality. The company has sales of approximately MSEK 120. There is potential for increasing sales significantly with existing capacity. Further information is available at www.gnosjoplast.se.



HALDEX AB

Haldex is a fast-growing innovator in vehicle technology with its main emphasis on vehicle dynamics. Haldex is a global supplier of products developed in-house for trucks, buses, automobiles and industrial vehicles.

Operations are organized in four product areas:

► **Haldex Brake Systems (65%)**

A leading innovator of systems and components, primarily for compressed-air-based brake systems for heavy vehicles. The customers are manufacturers of heavy trucks, trailers, busses and axle systems for such vehicles. Operations are global and there is manufacturing in the United States, Sweden, the United Kingdom, Germany, Brazil and India. The product program is broad and includes: *Air handling*, which includes compressors, dehumidifiers and air cleaners.

Control Systems, which includes a broad line of control valves and different sub-systems: EBS systems (Electronic Brake Systems), ABS systems (Antilock Brake Systems), ESP systems (Electronic Stability Protocol), and other complementary control systems, such as anti-collision, swerve and roll-over systems, and spring and level control systems; *Wheel Brake Products*, which includes brake cylinders, parking brakes, brake adjustment devices for drum brakes, complete disk brakes with integrated brake adjustment mechanisms and brake lining materials for drum and disk brakes.



This operation had sales of MSEK 4,045 in 2001.

At the turn of the year 2001/2002 two acquisitions were made, Anchorlock brake cylinders and Neway control valves, with aggregate sales of MSEK 500 and with manufacturing operations in Mexico and the United States.

▶ **Haldex Hydraulic Systems (17%)**

A leading supplier of hydraulic systems for lifting, steering and drive systems on industrial vehicles. Most of the customers are manufacturers of off-the-road equipment, fork lift trucks, mobile work platforms and diesel engines. Operations are international, with manufacturing in the United States, Germany, and Sweden. The product program includes different types of gear pumps and electro-hydraulic power systems. This operation had sales of MSEK 1,060 in 2001.

▶ **Haldex Garphyttan Wire (13%)**

A leading supplier of advanced, steel alloy wire products for applications with extreme demands. The main application is in internal combustion engines, such as for valve springs and piston rings. The customers are valve spring and piston ring manufacturer who deliver to the vehicle industry. Operations are global, with manufacturing in Sweden and the United States. This operation had sales of MSEK 804 in 2001.

▶ **Haldex Traction Systems (5%)**

A leading supplier of AWD systems (All Wheel Drive – four-wheel drive), which with the patented Haldex system has established a leading position within the niche for electronically adjustable AWD systems for passenger cars and other light vehicles. Customers are auto makers and suppliers of complete, integrated drive-line systems. Operations are international and manufacturing takes place in Sweden.

This operation had sales of SEK 311 million in 2001.

Haldex is listed on the A-list of the Stockholm Stock Exchange and has annual revenues of SEK 7 billion with 4,150 employees. Further information about Haldex is available in the company's official annual report and at www.haldex.com.

JALMARSON-THIAS AB

Jalmarson-Thias produces, markets and sells bite valves for animal stalls. Most of the production is exported. Operations are conducted in Eskilstuna. Further information is available at www.jalmarson-thiasab.se.



KARLBERG & KARLBERG AB

Karlberg & Karlberg (K2) is one of the leading companies in Sweden in systems solutions for advanced digital film and video management and equipment for media streaming. K2 is active in two business areas:

- ▶ Advanced – advanced editing for TV and post-production.
- ▶ Edit & Animation – solutions for editing and animation for TV and production companies.
- ▶ Media Distribution – solutions for compressing, storage and distribution of media.

Further information is available at www.karlberg.se.

KNOW IT AB

Know IT is a company active in the IT consulting business. Know IT's consultants work primarily as systems developers and help its customers with development of their mission-critical and transaction-intensive systems. Know IT's niche is to offer experienced consultants, technologically at the cutting edge, to assist with innovative and technically advanced solutions that contribute to the customers' business success.

Know IT also works with consulting in the frontline of IT architecture and infrastructure and often works with full responsibility for a project, from feasibility study to testing and delivery. Priority areas include content management, customer relationship tools (CRM) and the e-business area, where Know IT builds IT solutions that contribute to increasing customer profitability.

Know IT's customers are found in the segments of Telecom, Public Sector, Bank, Finance and Insurance. Know IT had 311 employees at year-end. Further information is available in the company's official annual report and at www.knowit.se.

MAXITECH ELEKTRONIK AB

Maxitech Elektronik, located in Åkersberga outside Stockholm, manufactures customer-specific thick-film and hybrid circuits for customers with high requirements of quality and manufacturing capacity. Customers are leading manufacturers in industrial electronics, the automotive industry and telecommunication, and are mostly found in Sweden and Europe. Maxitech received ISO 9001 certification during the year and continues to work on certification according to ISO 14000 and QS 9000.

Thick film circuits are manufactured by means of applying a pattern of conductors, insulation glass and resistors in different layers on a ceramic wafer, via a screen-printing technique. The printed pattern is then dried and sintered (burned) onto the carrier at high temperature. The process is repeated for each material until a complete component carrier has been built, which can consist of different conductive materials, such as gold, silver and copper, and transverse, insulating conductors and resistors. The resistors can be laser-trimmed to very fine tolerances before printing. The ceramic wafers can be printed on both sides and then be connected with through-plated so-called via-holes.

Some of the advantages with thick film compared to conventional circuit boards of the FR-4 type are high heat-transfer rate, very high environmental durability to cold temperatures, heat and moisture, which allows a large packing density and very high reliability. Thick film circuits on ceramic are also well suited for high-frequency and microwave applications due to low losses and good temperature stability.

Further information about Maxitech is available at www.maxitech.se.

The logo for Know IT, featuring the words "know it" in a white, lowercase, sans-serif font centered within a solid red rectangular background.

—PROMECTA—

MSS DATA AB

MSS Data is a company that develops software for accounting, invoicing, etc. in a PC environment. Further information about MSS Data is available at www.mssdata.se.

PROMECTA FOOTWARE AB

Promecta is a fast-growing company in the shoe industry with its principal office in Stockholm and wholly owned subsidiaries in Estonia, Lithuania and Poland. The company works with design, production and sales of ladies' and men's shoes, especially under its own brand names Del Mondo, Excel, Marina Riva and Patrol.

Operations are essentially divided into the following business areas:

- ▶ Wholesale business in Sweden, the Baltic States and Poland.
- ▶ Retail sales in Poland and Estonia.
- ▶ Design and production for other brand names, such as Dahlins.



RECCO AB

Recco markets an avalanche rescue systems and sells reflectors for same, both through sporting goods retailers and for installation in ski shoes and ski wear. The system is internationally established at about 300 leading ski resorts. Further information is available at www.recco.com.

REKALL:

REKALL AB

Rekall AB is a spin-off project from AcadeMedia. The company is active in implementing and operating technical infrastructure for distribution of streaming and other heavy media in data networks. The company's complete and partially patented distribution platform makes it possible for companies, content suppliers and network operators to distribute media efficiently over data networks, such as the Internet, without seriously overburdening the network's bandwidth with many simultaneous users. During the year the company established itself as a supplier of services for storage and distribution of digital data. More information is available at www.rekall.se.



SIGICOM AB

Sigicom is a company in measuring technology. The company's high-tech, quality products and software are used for solving measuring problems, primarily in the areas of vibration, sound and temperature. Sigicom develops and supplies its own measuring and communications platforms and so-called OEM products for industrial and service companies. Further information is available at www.sigicom.se.

SOFTRONIC AB

Softronic is an IT and management company whose business concept is to offer solutions based on modern IT to create better business for the company's customers. This means that Softronic functions as a long-term partner and offers the customers everything from strategic advice and requirements analysis to development of transaction-intensive business solutions, implementation and management of complete systems.

Softronic combines experience and new thinking in Internet technology with competence in strategy and business development. This means that Softronic can offer its customers advanced products, services and service under total responsibility.

Softronic consists of a number of business areas aimed at specific customer groups/segments and regions. There are also subsidiaries, partially with their own business concepts, but with synergies with the group's business. This group includes management consulting companies Consultus and Iberconsult, Softronic Konsult, who offer specialist and assignment consulting, and Softronic Insurance Technology and Management (ITM) with its own fund and insurance system, ITM, developed in-house.

Softronic had 353 employees at year-end. The company's revenues for 2001 amounted to MSEK 329. Softronic is listed on the O-list of the Stockholm Stock Exchange. Further information is available in Softronic's official annual report and at www.softronic.se.

The logo for Softronic, featuring the word "SOFTRONIC" in a bold, red, sans-serif font. The letter "O" is replaced by a red circle with a white dot in the center, resembling a stylized eye or a target.

SVECIA INTERNATIONAL EQUIPMENT AB

Since the start in 1948, Svecia has developed and manufactured printing presses and other equipment for screen printing. Svecia's customers are found in the graphic area, manufacturing industry and the glass industry. Svecia has achieved a position as one of the world's leading suppliers. Of a total of 16,000 manufactured screen printing machines, more than 5,000 are still in operation.

Svecia's equipment is manufactured at its own plants in Sweden, Italy and Spain, and sales are via company-owned sales companies in Germany, France, Spain, Hong Kong, the United States and Italy, and via a global network of distributors. The Svecia Group has sales of about MSEK 250.

The Svecia Group has been a part of Traction for almost five years and has required very substantial input of effort and resources during the entire period. Losses accelerated during the past year and it turned out that management had lost control of the operations. At some point patience gives out over the shortcomings and money-squandering. Traction has therefore been forced to reconstruct large parts of the group. The Swedish production company was forced to file for bankruptcy February 1, 2002 and other similar action will be taken in several of the foreign companies. All efforts are concentrated on minimizing the losses and also on finding a future for as large a portion of the operations as possible.

The logo for Svecia, featuring the word "SVECIA" in a bold, red, sans-serif font. The letters are slightly shadowed, giving it a 3D appearance.

SWEDEN TABLE TENNIS AB

SWEDEN TABLE TENNIS AB

Sweden Table Tennis AB (SST) manufactures and sells table tennis equipment under the brand names of STIGA and Banda. STIGA® is a registered trade mark owned by Stiga AB. STT is 100-percent owned by Fastighets AB Valhalla, which also owns an industrial property in Eskilstuna. SST had sales in 2001 of about MSEK 100. Further information is available at www.tabletennis.se.



SWEDISH TOOL AB

Swedish Tool AB markets and sells multi-operation machines, tools and accessories in the areas of cutting and forming machining for Swedish engineering industry. The company has a number of agencies for large international manufacturers. The company is also active in used machines. The company is thus in a position to satisfy its customers' needs in different investment situation. One of Swedish Tools' competitive means is to assist its customers with innovative financial solutions. One other crucial element of the group's business is its nation-wide service organization that installs, performs service and maintenance and training.

During 2001 the company acquired three business that were integrated into a group during the year:

- ▶ **Vislanda Maskin AB** – by locating in Småland, the group has been able to strengthen its local sales and service organization significantly. The company is historically very strong in the market for used machine tools.
- ▶ **AB Bonthron & Ewing** – a well-established company that works with sales of machine tools and accessories to much of Swedish industry since 1917. The company mainly sells different forms of manual and hydraulic tension tools, automatic rod dispensers for CNC lathes, magnetic applications, and measuring and hand tools. In connection with the acquisition, operations were moved to Swedish Tools' premises in Vallentuna.
- ▶ **Bergander Karlson Maskin** – the business was taken over in June, which meant a strengthening in terms of sales and service personnel and a number of new agencies that constitute good complements to the group's existing ones.

Aside from the above acquisitions, Swedish Tools also took over the agencies in Sweden for:

- ▶ **Beyeler** – edge presses and straight cutters
- ▶ **Prima** – laser systems for cutting, welding and surface treatment

The Swedish Tool Group had 2001 sales of approximately MSEK 100. Further information is available at www.swedishtool.se, www.vislandamaskin.se and www.bonthron-ewing.se.



THALAMUS NETWORKS AB

Thalamus Networks offers broadband-based IT services to property and network owners and residents. Thalamus Networks belongs to the group of operators that has delivered the most commercial Internet access via broadband and has the longest operating experience in Sweden. Thalamus is listed on the

O-list of the Stockholm Stock Exchange. Further information is available in the company's official annual report and at www.thalamus.se.

TOLERANS AB

Tolerans is a technology-intensive company that develops and sells high-speed rotation staplers for newspaper and commercial printing plants. The products are sold via printing press manufacturers, such as Heidelberg and MAN Roland, and via a broad network of agents. During 2001, Tolerans had sales of almost MSEK 60. Further information is available at www.tolerans.se.



TVÅ ÖGON AB

Två Ögon develops and sells eyeglasses. In-house designed and produced reading glasses and sunglasses are sold via a number of chains and as promotional articles for companies. These products are also exported to Iceland, Norway and Finland.

Två Ögon also has obtained the Swedish agencies for Boss Eyewear, HUGO, Boss Woman, Esprit, Eyewear and Charmant. Further information is available at www.tvaogon.se.



ANNUAL ACCOUNTS

The Board of Directors and the President of AB Traction (publ), organization number 556029-8654, hereby submit their Annual Accounts and consolidated financial statements for the financial year ended December 31, 2001.

ADMINISTRATION REPORT

Business

The Group's business consists of developing and refining companies, which are wholly or partially acquired. Traction has developed its own method for business development, which is distinguished by sharp focus on customer relationships, organization of operations in such a way that the need for capital diminishes, and by seeking opportunities and minimizing risk. The Parent Company is an investment company and owns a portfolio of wholly owned subsidiaries, affiliated companies, and smaller investments in other companies. Subsidiary Traction Konsult AB serves a group management function and as consultants for the portfolio companies, while AB Traction Finans is the Group's in-house bank. To give the truest possible picture of the business, dividends, net capital gains and shares in profit from affiliated companies are reported among operating revenue.

Significant events during the financial year

Revenue and results

Consolidated revenue for 2001 amounted to MSEK 480 (757) ((471)), of which dividends, net capital gains and profit shares in affiliated companies accounted for MSEK 69.8 (362.9) ((78.9)). Profit after taxes amounted to MSEK 25.2 (350.7) ((59.9)). Consolidated revenue amounted to MSEK 390.2 (391.9) ((388.3)) and was generated primarily in the Svecia Group, MSEK 257.2, and the Tolerans Group, MSEK 57.5. The acquisitions of Ankarsrum Motors AB and Gnosjö Plast AB towards the end of the year added net revenues of MSEK 32.5 and MSEK 7.0, respectively. The profit decline compared to the year before is explained primarily by lower net capital gains and the very weak result in Svecia and Maxitech, which burdened the year's result by MSEK -53 and MSEK -14, respectively. The return on visible equity for the year was 4 (97) ((20)) percent; the average annual return for the past ten-year period has been 43 percent.

Liquidity, equity ratio, shareholders' equity and risk-bearing capital

The Group's liquid funds amounted to MSEK 184 (46) ((47)) at year-end. In addition hereto, the Company held a liquidity reserve in the form of non-strategic holdings of publicly traded shares in an amount of MSEK 11 at year-end. The Group's balance sheet total as of year-end was MSEK 1,064 (875) ((549)) and visible shareholders' equity stood at MSEK 708 (703) ((361)). The equity ratio at year-end was 66 (80) ((65)) and the visible reserve, i.e. the difference between the book value and the

market value of publicly traded companies, declined to MSEK 3 (-27) ((270)). Traction does not assign a market value to its holdings of shares not publicly traded shares. The net asset value of the Company can therefore not be computed. The proportion of risk-bearing capital at year-end was 74 (82) ((91)) percent.

The acquisitions of Ankarsrum Motors AB and Gnosjö Plast AB

Ankarsrum Motors AB and Gnosjö Plast AB were consolidated in the Traction Group on November 1 and December 1, respectively. In connection with these acquisitions, negative goodwill in the amount of MSEK 57 and a reserve for restructuring in the amount of MSEK 14 were set aside. The negative goodwill will be reversed according to plan over 5 years, while the restructuring reserve refers to defined one-time costs that will arise during 2002 and later.

Capital expenditures

Over MSEK 74 (384) ((86)) were invested during the year in old and new projects, primarily through acquisition of guaranteed new issues in Know IT, MSEK 23, and Softronic, MSEK 18, and purchases of shares over the stock exchange in Thalamus Networks, MSEK 17, and AcadeMedia, MSEK 5. Smaller investments were also made in the form of private placements in Hagakure Network and in AcadeMedia's subsidiary ReCall. Smaller supplementary purchases have also been made in EasyT, where Traction's stake now is 26 percent.

Desinvestments

Sales were made in project companies, which has freed up almost MSEK 168 (415) ((105)), primarily the holding in Ångpanneföreningen, MSEK 142. Additional sales have been made in Duroc (partial sale), Just Group, Biophausia (partial sale), Soneruds Maskin AB and Berg & Hav AB. Hagakure Network AB has filed for bankruptcy.

Capital gains

Shares sold as detailed above had a book value of MSEK 120, which generated capital gains of MSEK 48 (308) ((70)). Most capital gains were generated in the sale of shares in Ångpanneföreningen and partial sale of the shares in Duroc. Sales of other publicly traded shares resulted in capital gains of 15 (24) ((1)).

Shares in profit in affiliated companies

Shares in results of affiliated companies amounted to MSEK -11.9 (28.3) ((8.3)), with the largest negative contributions emanating from AcadeMedia, MSEK -8.7, and Thalamus Networks, MSEK -2.7. Since no private placements to new owners were made during the year, now issuing gains arose, MSEK 0 (42.1) ((7.9)). The issuing gains are reported as shares in the result of affiliated companies.

Foreign exchange forward contract

During the first half of 2001, AB Traction Finans sold USD 20 million for

delivery in April and November 2002. Outstanding forward contracts were valued at market as of December 31, which has prompted a provision in the financial statements of MSEK 7. The loss will be recouped at an exchange rate slightly above SEK 10.30 and at still lower dollar rates of exchange, gains will accrue to the benefit of Traction. These forward transactions should in part be seen as an insurance premium in Traction since other holdings in Traction with exports to the United States benefit from a high US dollar rate of exchange.

Currency policy

At an investment level, Traction may take currency positions without underlying flows if Traction believes that certain currencies are fundamentally overvalued or undervalued. Such currency positions may also be taken by Traction as "insurance premiums" at a consolidated level for investment in projects, the operations and balance sheets of which are exposed to currencies. In the case of operating companies, large net exposures are hedged if the assessment of the currency so warrants, and if it may be accomplished at a reasonable cost.

Allocation of SPP funds/pension reserves

SPP has allocated just over MSEK 2 (8) ((0)) to companies in the Traction Group. These items have been reported as items affecting comparability in the income statement. Traction has an additional MSEK 10 in reserves in its own pension trusts.

Dividend

The Board of Directors propose to the Annual General Meeting a dividend of SEK 3.85 (3.15) ((0.35)) per share for the 2001 operating year. In accordance with 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 tax laws, the dividend is a tax-deductible expense.

Repurchase of own shares

The Board of Directors has been authorized, until the regularly scheduled Annual General Meeting to be held in April 2002, to repurchase, at its discretion, up to 10 percent of the total number of shares outstanding in the Company. Shares may be repurchased both in the market and in the form of an offer to the shareholders. The purpose is to enrich the shareholders. During the year 54,350 class B shares were repurchased in the market at a price of SEK 129 per share (24,350 shares) and at a price of SEK 111 per share (30,000 shares) and in February 2001 26,800 class B shares were repurchased in the market at a price of SEK 109 per share. The total number of shares thereafter outstanding is 5,588,850.

Work of the Board of Directors

Traction's Board of Directors annually adopts rules of procedure for the Board of Directors and instructions for the President and Chief Executive Officer. The rules of procedure sets forth the duties, the division of responsibility, a meeting schedule and the type issues to be brought before the Board of Directors. The Board of Directors consists of five directors with no alternates. The Board of Directors has convened on six

occasions during the year, at which minutes were taken. In addition, individual directors have had day-to-intermittent contact with the Company's president. The agenda for the meetings at which minutes were taken has included issues as set forth in the rules of procedure, such as the state of business, results and financial position in the project companies, interim reports and annual financial statements and major capital expenditure decisions. The Board of Directors is domiciled in Stockholm.

Significant events after financial year-end

Svecia

After accelerating losses, Traction has been forced to reconstruct the Svecia Group. Svecia's Swedish production company was forced to file for bankruptcy February 1, 2002 and similar action is required in several of Svecia's foreign subsidiaries. All efforts are now concentrated on minimizing the losses and to find a new owner for as large a portion of the business as possible. Further losses on this engagement are still not out of the question.

Expected future development of the Company

Traction has a cash position of MSEK 184 going into 2002. In addition, there are holdings of non-strategic publicly traded shares worth MSEK 11 and a balance sheet with very little debt in the Parent Company. The ability and the financial resources thus exist for acquiring new projects and for further development of existing projects. Demand for Traction's services should continue as the economy now shows signs of recovery and as the market again starts to focus on fundamental factors. Strict application of the Traction methodology vouches for continued value growth and profitability.

Proposed allocation of profit (SEK thousand)

Parent Company

The following amounts are available to the Annual General Meeting:	
Retained earnings	626,424
Net profit for the year	<u>37,069</u>
	663 493
To be allocated as follows:	
Dividend to the shareholders SEK 3.85 per share	21 517
To be carried forward	<u>641,976</u>
	663,493

Group

The Group's unrestricted equity amounts to SEK 654,232 thousand. SEK 11,861 thousand will be transferred to statutory reserves.

The Parent Company's and the Group's results and financial position are presented in the following statements of income and balance sheets, cash flow statements and notes to the financial statements.

STATEMENTS OF INCOME

Amounts in SEK thousand

	Note	Group			Parent Company		
		2001	2000	1999	2001	2000	1999
OPERATING REVENUE							
Net revenues	2	390 205	391 890	388 296	-	-	-
Other operating revenue		19 826	2 004	4 010	-	150	-
Other dividend income		18 954	2 538	-	9 425	2 344	-
Net capital gains		62 625	332 061	70 633	55 524	314 856	65 284
Shares in profit of affiliated companies	4	-11 861	24 796	2 393	-	-	-
Total operating revenues		479 749	753 289	465 332	64 949	317 350	65 284
OPERATING EXPENSE							
Raw materials and consumables	3	-213 032	-220 074	-245 639	-	-	-
Goods for resale		-	-	-152	-	-	-
Change in inventory of work in progress, finished goods and work in progress for others		4 839	2 418	807	-	-	-
Other external costs	5, 6	-107 882	-91 308	-45 981	-780	-1 259	-561
Personnel expense	7, 8	-117 434	-94 499	-101 853	-212	-	-
Depreciation, amortization and writedowns		-15 929	-9 530	-10 422	-23 020	-	-29 500
Items affecting comparability	9	2 025	8 166	-	-	-	-
Other operating expenses		-1 419	-1 095	-1 074	-	-	-
Total operating expenses		-448 832	-405 922	-404 314	-24 012	-1 259	-30 061
Operating profit		30 917	347 367	61 018	40 937	316 091	35 223
RESULT OF FINANCIAL INVESTMENTS							
Other interest income and similar items		7 345	10 872	5 151	1 652	2 465	81
Foreign exchange losses		-5 446	-	-	-	-	-
Interest expense to Group companies		-	-	-	-5 506	-1 707	-6 933
Other interest expense and similar items		-5 713	-5 935	-5 202	-3	-27	-
		-3 814	4 937	-51	-3 857	731	-6 852
Profit after financial items		27 103	352 304	60 967	37 080	316 822	28 371
Taxes on the year's profit	10	-1 779	-2 009	-675	-11	-	-
Minority interest		-136	422	-434	-	-	-
NET PROFIT FOR THE YEAR		25 188	350 717	59 858	37 069	316 822	28 371

BALANCE SHEETS

Amounts in SEK thousand

	Note	2001	Group		Parent Company		
			2000	1999	2001	2000	1999
ASSETS							
Fixed assets							
INTANGIBLE FIXED ASSETS							
Goodwill		523	1 853	2 168	-	-	-
		523	1 853	2 168	-	-	-
TANGIBLE FIXED ASSETS							
Buildings and land	11	54 573	9 257	9 629	-	-	-
Plant and machinery	12	95 421	25 544	33 260	-	-	-
Equipment, tools, fixtures and fittings	13	11 091	5 028	4 705	-	-	-
Construction in progress		1 260	-	-	-	-	-
		162 345	39 829	47 594	-	-	-
FINANCIAL FIXED ASSETS							
Shares in subsidiaries	14	-	-	-	171 334	189 131	172 512
Shares in affiliated companies	15	159 476	118 912	163 243	201 291	158 905	234 246
Other listed holdings	16	278 256	447 098	59 846	278 256	437 298	62 726
Other long-term securities holdings	17	931	7 020	4 852	931	7 020	20
Other long-term receivables		8 364	1 715	991	150	300	-
		447 027	574 745	228 932	651 962	792 654	469 504
Total fixed assets		609 895	616 427	278 694	651 962	792 654	469 504
Current assets							
INVENTORIES							
Raw materials and consumables		60 815	41 981	33 508	-	-	-
Work in progress		15 042	15 629	12 719	-	-	-
Finished products and goods for resale		37 879	20 840	34 659	-	-	-
Advance payments to suppliers		4 269	7 478	3 858	-	-	-
		118 005	85 928	84 744	-	-	-
SHORT-TERM RECEIVABLES							
Accounts receivable		103 402	88 451	99 449	-	-	-
Due from Group companies		-	-	-	34 532	-	100
Due from affiliated companies		8 199	5 991	9 512	-	-	95
Tax claim		-	1 175	213	-	-	-
Other receivables		28 914	16 980	16 386	4 328	-	3 421
Prepaid expenses and accrued income	18	11 754	13 963	12 595	-	916	-
		152 269	126 560	138 155	38 860	916	3 616
CASH AND BANK DEPOSITS							
		183 674	46 018	46 912	50 653	5 524	13 567
Total current assets		453 948	258 506	269 811	89 513	6 440	17 183
TOTAL ASSETS		1 063 843	874 933	548 505	741 475	799 094	486 687

BALANCE SHEETS

Amounts in SEK thousand

	Note	Group			Parent Company		
		2001	2000	1999	2001	2000	1999
SHAREHOLDERS' EQUITY AND LIABILITIES							
Equity	19, 20						
RESTRICTED EQUITY							
Share capital		5 670	5 670	5 670	5 670	5 670	5 670
Premium reserve		-	-	-	-	88 676	88 676
Legal reserve		-	-	-	1 134	982	982
Restricted reserves		48 033	112 396	110 922	-	-	-
		53 703	118 066	116 592	6 804	95 328	95 328
NON-RESTRICTED EQUITY							
Non-restricted reserves		629 044	234 509	184 604	626 424	241 623	221 731
Net profit for the year		25 188	350 717	59 858	37 069	316 822	28 371
		654 232	585 226	244 462	663 493	558 445	250 102
Total equity		707 935	703 292	361 054	670 297	653 773	345 430
Minority interest		6 408	4 208	5 569	-	-	-
		6 408	4 208	5 569	-	-	-
Provisions							
PRI pensions		1 277	-	-	-	-	-
Taxes		2 956	3 063	1 095	-	-	-
Negative goodwill		57 113	-	-	-	-	-
Restructuring reserve		13 998	-	1 000	-	-	-
		75 344	3 063	2 095	-	-	-
Long-term liabilities							
Committed credit facility	21	21 911	21 951	29 715	-	-	-
Due to credit institutions		35 863	13 520	12 912	-	-	-
Profit sharing loan		6 569	9 514	144	6 569	9 514	-
		64 343	44 985	42 771	6 569	9 514	-
Current liabilities							
Due to credit institutions		7 110	11 919	20 109	-	-	-
Advance payments from customers		32 692	23 310	19 198	-	-	-
Accounts payable		78 601	48 745	48 085	-	-	-
Due to Group companies		-	-	-	58 348	135 396	127 241
Due to affiliated companies		600	600	300	-	-	216
Tax liabilities		3 539	-	-	11	-	-
Other liabilities		19 902	7 008	27 180	2 391	-	13 800
Accrued expenses and prepaid income	22	67 369	27 803	22 144	3 859	411	-
		209 813	119 385	137 016	64 609	135 807	141 257
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 063 843	874 933	548 505	741 475	799 094	486 687
Pledged assets	23	99 100	71 318	69 806	None	None	None
Contingent liabilities	23	12 448	6 498	51 978	28 016	28 710	33 195

STATEMENTS OF CASH FLOW

Amounts in SEK thousand

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
CURRENT OPERATIONS						
INVESTMENT ACTIVITIES						
The year's sales of project companies	168 062	415 198	104 803	168 062	414 498	104 694
The year's investments in project companies	-74 182	-383 814	-86 358	-79 352	-400 475	-95 702
Net Investments in other shares	91 750	-21 206	-44 824	84 336	-22 166	-47 704
Cash flow from investment activities	185 630	10 178	-26 379	173 046	-8 143	-38 712
OTHER ACTIVITIES						
Profit before financial items, not including net capital gains and shares in profit of affiliated companies	-19 847	-13 022	-17 883	-14 587	1 384	-30 061
Adjustment for items not included in cash flow						
Depreciation, amortization and writedowns	15 929	13 062	16 297	-	-	29 500
Net investments in other fixed assets	-143 764	2 678	-8 093	150	-300	-
Reversal of other items not affecting cash flow	70 811	-3 618	8 989	23 020	-	-
Cash flow from other activities before changes in working capital	-76 871	-900	-690	8 583	1 084	-561
Cash flow from changes in working capital	37 541	372	43 793	-109 142	-2 750	61 950
Cash flow from other activities	-39 330	-528	43 103	-100 559	-1 666	61 389
Cash flow before financial items and taxes	146 300	9 650	16 724	72 487	-9 809	22 677
Financial items	-3 814	4 937	-51	-3 857	731	-6 852
Current taxes	-1 779	-1 626	-1 619	-11	-	-
Cash flow from current operations	140 707	12 961	15 054	68 619	-9 078	15 825
Loans raised and repayment of debt	17 494	-5 376	2 233	-2 945	9 514	-
Repurchase of own shares	-2 940	-6 495	-	-2 940	-6 495	-
Dividends paid	-17 605	-1 984	-3 969	-17 605	-1 984	-3 969
Cash flow from financing activities	-3 051	-13 855	-1 736	-23 490	1 035	-3 969
Cash flow for the year	137 656	-894	13 318	45 129	-8 043	11 856
Liquid funds at beginning of year	46 018	46 912	33 594	5 524	13 567	1 711
Cash flow for the year	137 656	-894	13 318	45 129	-8 043	11 856
Liquid funds at year-end	183 674	46 018	46 912	50 653	5 524	13 567

SUPPLEMENTARY INFORMATION

Note 1: Principles of accounting and valuation

General information

AB Traction's Annual Accounts for 2001 are prepared in accordance with the Annual Accounts Act (1995:1554). The Company follows the recommendations of the Swedish Financial Accounting Standards Council, except as set forth under the item Exception from the recommendations of the Swedish Financial Accounting Standards Council.

Principles of consolidation

The consolidated financial statements include AB Traction and companies in which AB Traction, directly or indirectly, own more than 50 percent of the share capital. The consolidated financial statements are compiled in accordance with recommendation RR 1:96 of the Swedish Financial Accounting Standards Council using the purchase method of accounting. Under that method, the assets and liabilities of the acquired company at the time of acquisition are valued to determine their acquisition value in the Group. Any difference between the purchase price and the acquisition value in the Group is reported as goodwill.

The item untaxed reserves is eliminated from the consolidated balance sheet and is split into deferred tax liability and restricted equity. The deferred tax liability is computed using a tax rate of 28 percent. This means that the item year-end appropriations is eliminated from the consolidated statement of income and estimated deferred taxes are charged against the year's result.

The current rate method is used for translation of the accounting records of non-Swedish subsidiaries. This means that all items in the balance sheet are translated using the year-end rate of exchange, while income statement items are translated using the average rate of exchange.

Reporting of affiliated companies

Shares in affiliated companies, i.e. companies in which the Group owns more than 20 percent and up to 50 percent of the votes, and the ownership is deemed to be of a long-term nature, are reported according to the equity method in the consolidated financial statements. Application of the equity method means that the book value of affiliated companies as reported in the Group corresponds to the Group's share of equity in the affiliated company, plus any goodwill and less any negative goodwill. When affiliated companies are acquired, an estimate is made of the amount of positive or negative goodwill in acquired affiliated companies. Such goodwill is amortized over a period of five years against the share in profit from the affiliated company. The shares in profit in affiliated companies are reported on a gross basis in the Group, not including amortization of the affiliated company share, which is reported in the income statement's item for consolidated depreciation and amortization.

The Group's share in the tax expense of affiliated companies is reported as part of the Group's tax expense. Profit shares not paid out as dividends are included in consolidated restricted reserves. Share holdings previously reported as affiliated companies, but where the ownership stake has been reduced to less than 20 percent of the votes, are reported according to the acquisition value method. The value in the Group reported according to the equity method at the time the holding ceases to be an affiliated company is used as cost basis (acquisition value) in the transition to the acquisition value method.

Conforming to the recommendation of the Swedish Financial Accounting Standards Council regarding Reporting of affiliated companies

Amortization of goodwill on shares in affiliated companies is deducted directly against the shares in profit of affiliated companies starting in 2001. A corresponding adjustment of prior year comparative data has been made.

Exception from the recommendations of the Swedish Financial Accounting Standards Council

Traction reports shares in profit from affiliated companies that are not publicly traded on an aggregated basis out of concern for companies that are not publicly traded. For the same reason, the book values of companies that are not publicly traded are reported only in aggregated form in the Traction Group.

Reclassification of previously reported short-term investments

In order to clarify that all of Traction's investments in shares are part of the investment activities, all share holdings are reported as financial fixed assets effective as of year 2000. A corresponding adjustment has been made of prior year's balance sheets.

Financial fixed assets

In its investment activities, Traction has shares in subsidiaries, shares in affiliated companies, shares in other companies and convertible debentures. The holdings of shares and convertible debentures in these companies are of a long-term character and are reported under the heading financial fixed assets. The shares are valued individually. If the value of an individual holding is deemed to be permanently below book value by a significant amount, that value is written down.

Tangible fixed assets/depreciation and amortization

Tangible fixed assets are reported at cost with a due reduction for depreciation according to plan based on the economic life of the relative assets.

Depreciation/amortization is charged at the following rates:

Intangible assets	20%
Buildings	4%
Machinery and technical facilities	10–20%
Furniture, fixtures, tools and installations	20%

Inventories

Inventories are valued at the lower of cost and market, with a requisite deduction for obsolescence.

Other assets and liabilities

Receivables are carried at their nominal amounts after a deduction for doubtful credits. Other assets and liabilities are valued at cost.

Principles for translating items in foreign currency

For an account of the principles for translating the financial statements of foreign subsidiaries, refer to “Principles of consolidation” above. The positive exchange rate difference arising in this translation has improved the year’s result (see note 19). Aside from this, there is one other foreign affiliate, Banking Automation Ltd. The Group’s share of the capital and profit of this company has been translated at the year-end rate of exchange and the translation difference has improved the year’s result. Subsidiary AB Traction Finans has sold USD 20 million for delivery in April and November 2002. These forward contracts have been valued based on the USD exchange rate at year-end and interest rate differences between the United States and Sweden. Other receivables and liabilities in foreign currency have been translated at the year-end rate of exchange.

Principles for treatment of Ankarsrums Motors AB and Gnosjö Plast AB in the notes below

Ankarsrums Motors AB has been consolidated from November 1 and Gnosjö Plast Holding AB from December 1. In notes 2, 5, 6 and 7 below the data for these companies have been adjusted to account for the length of time they have been part of the Traction Group.

Amounts in the notes below are in SEK thousand unless otherwise specifically noted.

Note 2. revenues by sales by operating segment and geographical area

Net sales by operating segment:

	2001	Group 2000	1999
Printing equipment	314 647	327 081	300 336
Electric motors (2 months)	32 512	-	-
Electronic components	31 508	58 718	71 922
Plastic parts (1 month)	7 005		
Other Traction companies	4 533	6 091	16 038
	390 205	391 890	388 296

Net sales by geographic market:

	2001	Group 2000	1999
Sweden	77 143	157 466	120 062
Rest of Europe	168 581	125 833	182 086
Rest of world	144 481	108 591	86 148
	390 205	391 890	388 296

Note 3. Intra-Group sales

Of the total cost of purchases and revenue from sales, respectively, 16 percent (17) ((17)) of purchase and 18 percent (18) ((17)) of sales have been to other companies in the Group. Transfer prices are equal to market prices.

Note 4. Shares in profit of affiliated companies

	2001		2000		1999	
	Profit	Taxes	Profit	Taxes	Profit	Taxes
AcadeMedia AB (publ)	-8 736	-	6 927	-	795	-
Thalamus Networks AB (publ)	-2 741	-	14 710	-	-2 634	-
Duroc AB (publ)	-1 206	-	587	-	99	-
Kjessler & Mannerstråle (publ) (sold 2000)	-	-	-	-	-1 022	-
Easy T AB (publ) (affiliated from Sept. 2000)	-1 360	-	-	-	7 138	-
Soneruds Maskin AB (publ) (sold 2001)	-	-	-335	-	-416	-
Know IT (publ) (affiliated from Oct. 2001)	-2 094	-	-	-	-	-
	-16 137	-	21 889	-	3 960	-
Other non-listed companies	4 276	-1 501	2 907	-635	-1 567	-919
Total	-11 861	-1 501	24 796	-635	2 393	-919

Total goodwill in the valuation of affiliated companies amounts to SEK 2 277 (10 782) ((29 333)) thousand. Amortization of goodwill in affiliated companies amounts to SEK 1 859 (3 532) ((5 875)) thousand. From 2001 amortization of goodwill is included in the shares in profit of affiliated companies. A corresponding adjustment of comparative data for prior years has been made.

Note 5. Fees and reimbursements to auditors

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Parent company	0	0	0
<i>Subsidiaries</i>			
Sweden	498	570	428
Italy	480	479	90
Hong Kong	73	67	57
USA	137	116	100
Germany	142	131	167
Spain	80	75	77
France	424	125	48
Estonia	0	20	88
Group total	1 834	1 583	1 055

Note 6. Leasing costs

The Group has not entered into any financial leasing contracts of material significance. The amount for external costs includes leasing fees, including rent for rented premises in an amount of SEK 12 778 (11,170) ((11,651)) thousand. The remaining leasing fees, including rental costs, amount to a total of SEK 17 803 thousand), falling due for payment as follows:

Within 1 year	7 631
Later than 1 year but within 5 years	10 172
Later than 5 years	-
Total	17 803

Note 7. Personnel

Average number of employees

	2001		2000		1999	
	Number of employees	Male	Number of employees	Male	Number of employees	Male
Sweden	211	162	155	127	174	143
Italy	11	9	20	17	25	20
Hong Kong	16	11	15	11	18	11
USA	8	6	10	10	15	12
Germany	13	11	13	11	12	10
Spain	10	9	10	9	8	7
France	4	4	5	5	8	6
	273	212	228	190	260	209

The average number of employees at year-end 2001 was 642.

The average number of employees in the Parent Company was 0 (0) ((0)).

Personnel expenses

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
WAGES, SALARIES AND OTHER COMPENSATION						
Presidents and Boards of Directors	8 418	6 746	7 443	-	-	-
Other employees	77 773	62 431	68 777	-	-	-
Total wages, salaries and other compensation	86 191	69 177	76 220	-	-	-
OTHER PERSONNEL, EXPENSES						
Social benefits	22 931	16 624	21 120	-	-	-
Pension costs ¹⁾	7 013	5 298	2 608	-	-	-
Other personnel costs	1 299	3 400	1 905	-	-	-
Total other personnel costs	31 243	25 322	25 633	-	-	-
Total personnel costs	117 434	94 499	101 853			

1) Of which to presidents SEK 939 (744) ((63)) thousand. The item pension costs above is reported net, after indemnification from Traction Nouveau AB's and Traction Konsult AB's pension trusts in the amount of SEK 687 (1 122) ((820)).

Wages, salaries and other compensation by country

	2001		2000		1999	
	Board of Directors, President (of which bonus, etc.)	Other employees	Board of Directors, President (of which bonus, etc.)	Other employees	Board of Directors, President (of which bonus, etc.)	Other employees
Sweden	2 841 (0)	58 857	1 882 (45)	43 219	2 051 (33)	46 968
Italy	500 (0)	3 332	725 (0)	4 599	1 503 (0)	6 129
Hong Kong	1 199 (302)	3 702	1 314 (544)	3 559	732 (312)	2 903
Germany	866 (118)	4 957	757 (97)	4 093	685 (146)	4 096
USA	1 610 (0)	3 790	1 508 (0)	3 754	1 601 (0)	5 687
Spain	476 (89)	1 849	397 (0)	1 798	370 (0)	1 278
France	926 (212)	1 286	163 (0)	1 409	501 (0)	1 716
Group total	8 418 (721)	77 773	6 746 (686)	62 431	7 443 (491)	68 777

Note 8. Benefits of senior management

Pension costs and liabilities

Pensions benefits are within the limits of the ITP plan. Full provisions have been made through pension funds and insurance. The Parent Company's current President, who took office August 14, 2001, has a monthly salary of SEK 26 000 and pension benefits according to the ITP plan. Pension will be paid to the Company's former president, who has the right to retire at age 55, in the amount of SEK 490 thousand per year between the age of 55 and 65. An annual family pension in a lower amount is paid thereafter for life. The pension commitment has been made with year 1993 as a base and will be raised thereafter in accordance with the standards of Alecta. Full provisions for this have been made to Traction Konsult AB's pension fund. The external directors of the Parent Company's Board of Directors receive a total of SEK 160,000 in fees for 2001.

Severance payments

No agreements for severance payments exist.

Note 9. Items affecting comparability

Refers to allocated SPP funds.

Note 10. Taxes

For tax purposes, the Parent Company is an investment company and is therefore liable for taxes on gains on sales of shares and securities treated similarly for tax purposes. Capital losses are not tax-deductible. But for investment companies, a standard taxable increment of 2 percent is added to the taxable base for such securities. According to a resolution by the Riksdag, this percentage rate will be lowered to 1.5 percent from the 2003 year of assessment.

Normal tax rules apply to operating companies in the Traction Group. Group contributions, where the terms for such are fulfilled, can be rendered and received among Traction's subsidiaries. The table below shows the various components of Traction's tax expense.

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
Current taxes	1 779	1 626	1 619	11	-	-
Deferred taxes	0	383	-944	-	-	-
	1 779	2 009	675	11	-	-

Accumulated tax loss carryforwards in the Group's Swedish companies amounted to MSEK 140 as of year-end 2001. These tax loss carryforwards can be utilized to reduce taxes on future profits. Since there is uncertainty as to how long these carryforwards can be utilized, only MSEK 8 has been capitalized as a deferred tax claim. Renewed evaluations as to the accounting for deferred tax claims for tax loss carryforwards will be made on an ongoing basis.

Note 11. Buildings and land

Buildings	Group			
	12/31/2001	12/31/2000	12/31/1999	
Opening balance, cost	9 291	9 291	9 291	
Via corporate acquisitions, etc.	47 752	-	-	
Purchases	0	0		
Closing accumulated cost	57 043	9 291	9 291	
Opening depreciation	-2 219	-1 847	-1 476	
Via corporate acquisitions, etc.	-4 625	-	-	
Year's depreciation	-581	-372	-371	
Closing accumulated depreciation	-7 425	-2 219	-1 847	
Residual value according to plan, buildings	49 618	7 072	7 444	
Book value, Land	4 955	2 185	2 185	
Book value, buildings and land	54 573	9 257	9 629	
Tax assessment values				
	Buildings	25 394	4 600	7 292
	Land	8 418	2 721	2 131

Note 12. Plant and machinery

	Group		
	12/31/2001	12/31/2000	12/31/1999
Opening balance, cost	84 757	87 182	84 248
Via corporate acquisitions, etc.	187 459	-	-
Purchases	801	926	4 073
Sales	-70 786	-3 351	-1 139
Closing accumulated cost	202 231	84 757	87 182
Opening depreciation	-59 213	-53 922	-46 509
Via corporate acquisitions, etc.	-93 311	-	-
Sales/restructuring, etc.	51 791	1 644	890
Year's depreciation	-6 077	-6 935	-8 303
Closing accumulated amortization	-106 810	-59 213	-53 922
Residual value according to plan	95 421	25 544	33 260

Note 13. Equipment, tools, fixtures and fittings

	Group		
	12/31/2001	12/31/2000	12/31/1999
Opening balance, cost	10 344	8 850	5 059
Via corporate acquisitions, etc.	21 608	-	651
Purchases	2 317	2 624	3 790
Sales/restructuring, etc.	-2 020	-1 130	-650
Closing accumulated cost	32 249	10 344	8 850
Opening depreciation	-5 316	-4 145	-2 836
Via corporate acquisitions, etc.	-14 940	-	-315
Sales/restructuring, etc.	1 392	737	434
Year's depreciation	-2 294	-1 908	-1 428
Closing accumulated depreciation	-21 158	-5 316	-4 145
Closing residual value according to plan	11 091	5 028	4 705

Note 14. Shares in subsidiaries

	12/31/2001
Opening book value	189 131
Purchases	5 223
Writedowns	-23 020
Closing book value	171 334

The list below includes all significant shares directly and indirectly owned by the Parent Company.

Shares owned by the Parent Company

Company	Company No.	Domicile	Number of shares	Proportion of capital	Book value in Parent Company
AB Traction Finans	556113-6838	Stockholm	460 000	100%	82 000
Traction Konsult AB	556098-5672	Stockholm	1 000	100%	40 000
Förvaltnings AB Vita	556234-7285	Stockholm	1 250	100%	18 500
Svecia International Equipment AB	556106-8254	Botkyrka	1 000	100%	-
Fastighets AB Tofta	556132-1901	Stockholm	5 000	100%	5 800
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1 000	100%	1 050
Traction Management Ltd	-	Oxford	1	100%	-
Ankarsrum Motors AB	556054-7753	Västervik	250 000	100%	-
Tempelman AS	-	Tallinn	2 095 400	86%	14 795
Tolerans Holding AB	556504-7999	Stockholm	14 160	60%	6 299
Gnosjö Plast Holding AB	556606-9026	Stockholm	550	55%	2 890
Exacta Logistik AB	556025-3493	Stockholm	900 000	100%	-
Total shares owned by the Parent Company					171 334

Note 14. Shares in subsidiaries (cont'd)

Shares owned by subsidiaries

Company	Company No.	Registered office	Number of shares	Proportion of capital
Traction Konsult AB				
Traction Nouveau AB	556302-0832	Stockholm	1 000	100%
Förvaltnings AB Vita				
Maxitech Elektronik AB	556215-7346	Stockholm	30 000	100%
Svecia International Equipment AB				
Svecia Screen Printing AB	556536-8676	Stockholm	10 000	100%
Svecia Siebdrucktechnik GmbH	-	Tyskland	300 000	100%
Svecia France S.A.R.L.	-	Frankrike	1 000 000	100%
Svecia Industrial System S.R.L.	-	Italien	190 000 000	95%
Svecia Espana S.A.	-	Spanien	10 000 000	100%
Svecia Siebdruckmaschinen A.G.	-	Schweiz	50	100%
Svecia East Ltd.	-	Hongkong	99 999	100%
Svecia USA Inc.	-	USA	100	100%
Gnosjö Plast Holding AB				
Gnosjö Plast AB	556575-2358	Stockholm	1 000	100%
Gnosjö Plast Fastighets AB	556606-9042	Stockholm	1 000	100%
Tolerans Holding AB				
Tolerans AB	556504-7981	Stockholm	5 000	100%
Speedliner AB	556504-7973	Stockholm	5 000	100%

Note 15. Shares in affiliated companies

	12/31/2001
ACCUMULATED COST	
Opening book value	158 905
Purchases	47 260
Sales	-11 570
Reclassification	6 696
Total	201 291
ACCUMULATED SHARES IN PROFIT	
Opening book value	-39 993
Sales	4 686
Reclassification	6 854
Year's share in result of affiliated company	-11 861
Year's tax cost in shares in profit	-1 501
Total	-41 815
Book value at year-end	159 476

Note 15. Shares in affiliated companies (cont'd)

Specification of shares in affiliated companies:

Company/Company No.	Registered office	Number of shares	Proportion of capital	Other voting right	Book value parent company	Book value Group	Market value
Listed affiliated companies							
Duroc AB (publ) – 556446-4286	Umeå	600 588	11%	(33%)	56 948	19 856	24 024
AcadeMedia AB (publ) – 556057-2850	Stockholm	1 010 197	32% ¹⁾	(36%)	50 701	31 893	25 154
Thalamus Networks AB (publ) – 556394-1987	Ängelholm	1 670 983	18%	(26%)	25 322	37 312	30 078
Know IT AB (publ) – 556391-0354	Stockholm	2 677 031	27%	-	22 889	20 795	27 305
Easy T AB (publ) – 556549-1650	Stockholm	2 087 860	26%	-	1 648	7 142	3 132
Total listed affiliated companies					157 508	116 998	109 693
Other affiliated companies							
Banking Automation Ltd	Reading	1 288 572	49%	-	10 000	-	-
Bricad Holding AB – 556264-6298	Österåker	17 900	47%	-	8 800	-	-
Arvako Sverige AB – 556606-9059	Stockholm	212 501	17%	34%	5 048	-	-
Fastighets AB Valhalla – 556216-6347	Eskilstuna	3 000	25%	-	5 000	-	-
Recco AB – 556154-6101	Stockholm	499	49%	-	3 508	-	-
Swedish Tool AB – 556282-7633	Stockholm	875	29%	-	2 800	-	-
Jalmarsson-Thias AB – 556253-3231	Eskilstuna	375	25%	-	2 500	-	-
PromectaFootwear AB – 556446-3759	Stockholm	2 000	40%	-	1 925	-	-
Två Ögon AB – 556039-8777	Stockholm	450	45%	-	1 525	-	-
Geodynamik HT AB (publ) – 556189-0871	Stockholm	100 000	20%	-	1 000	-	-
Sigicom AB – 556207-1547	Botkyrka	209 900	35%	-	803	-	-
Fastighets AB Ornamentik – 556225-3004	Eskilstuna	500	35%	-	700	-	-
Track 31 AB – 556618-5186	Stockholm	1000	45% ²⁾	-	100	-	-
Fastighets AB BIBAS – 556579-3527	Stockholm	350	35%	-	37	-	-
SSAF Saffron Spices & Flavours AB – 556524-6815	Stockholm	333	33%	-	29	-	-
MSS Data AB – 556267-3185	Stockholm	250	25%	-	8	-	-
Azign management AB – 556586-8360	Stockholm	520	52% ³⁾	-	-	-	-
Total other affiliated companies					43 783	42 478	Not estimated
Total affiliated companies					201 291	159 476	

- 1) 105,000 call options for class B shares have been issued, primarily to members of senior management in AcadeMedia AB with redemption prices between SEK 75 and SEK 100.
- 2) A call option equivalent to 55 percent of the company has been issued to the company's entrepreneur and President. The company owns 100 percent of EDN Storage Technology AB and Karlberg & Karlberg AB
- 3) Owned by AB Traction Finans. A shareholder agreement limits AB Traction Finans' control of the company.

Note 16. Other listed holdings

	Group	Parent Company
	12/31/2001	12/31/2001
Opening cost	447 098	437 298
Reclassification	-8 502	-1 648
Purchases	50 692	50 692
Sales	-211 032	-208 086
Closing accumulated cost	278 256	278 256

Specification of Other listed holdings

Company	Number of shares	Book value	Market value	Proportion of capital
Haldex	2 512 268	232 932	218 568	11%
Softronic, serie B	9 267 134	18 183	30 582	20%
Avesta Sheffield	305 000	10 167	10 167	-
Biophausia, konv.lån ¹⁾	(nom) 9 006 480	9 422	13 539	(12%)
Biophausia, serie A ²⁾	522 810	5 923	3 398	(4%)
Gandalf	129 500	1 122	227	-
SWECO, serie B	9 600	507	715	-
Total other holdings		278 256	277 196	

1) Equivalent to 2,196,702 shares upon full conversion. Conversion price: SEK 4.12/share.

Proportion of capital is 12 percent upon full conversion.

2) The shareholding is financed by a conditional loan.

Note 17. Other long-term securities holdings

Company	Number of shares	Book value	Market value	Proportion of capital	Other voting right
Rekall AB	1 301	911	-	9%	9%
Grafikens Hus AB	4	20	-	-	-
Group total		931			

Note 18. Prepaid expenses and accrued income

	Group			Parent Company		
	12/31/2001	12/31/2000	12/31/1999	12/31/2001	12/31/2000	12/31/1999
Prepaid expenses	9 652	5 801	3 612	-	-	-
Accrued income	2 102	8 162	8 983	-	916	-
	11 754	13 963	12 595	-	916	-

Note 19. Shareholders' equity – Group

	Share capital	Restricted reserves	Non-restricted reserves
Opening balance	5 670	112 396	585 226
Dividend			-17 605
Repurchase of shares			-2 940
Transfer between restricted and non-restricted capital		24 161	-24 161
Transfer to non-restricted reserves pursuant to Annual General Meeting resolution		-88 524	88 524
Net profit for the year			25 188
Closing balance	5 670	48 033	654 232

An exchange rate gain has arisen in translation of the income statements and balance sheets of foreign subsidiaries in the amount of SEK 1 461 (870) thousand. Since the size of the item is small relative to total capital, the gain has been carried to the income statement, thus improving the year's result.

Note 20. Shareholders' equity – Parent Company

As of December 31, 2001, the share capital amounted to SEK 5,670,000 divided into 800,000 class A shares and 4,870,000 class B shares (total number 5,670,000) of SEK 1.00 par value each. 81,150 class B shares were repurchased during the year (54,350 year 2000 and 26,800 year 2001). At year-end 2001, 5,588,850 shares were thus outstanding.

	Share capital	Premium reserve	Legal reserve	Non-restricted equity
Opening balance	5 670	88 676	982	558 445
Dividend				-17 605
Repurchase of own shares				-2 940
Transfer to non-restricted reserves pursuant to Annual General Meeting resolution		-88 676	152	88 524
Net profit for the year				37 069
Closing balance	5 670	0	1 134	663 493

Note 21. Committed credit facility

The approved limit for the Group amounts to SEK 31,180 (29,523) ((35,628)) thousand. Parent Company 0 (0) ((0)).

Note 22. Accrued expenses and prepaid income

	Group			Parent Company		
	12/31/2001	12/31/2000	12/31/1999	12/31/2001	12/31/2000	12/31/1999
Prepaid expenses	63 210	15 301	16 116	-	-	-
Accrued income	4 159	12 502	6 028	3 859	411	-
	67 369	27 803	22 144	3 859	411	-

Note 23. Pledged assets, contingent liabilities

Pledged assets

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
For liabilities to credit institutions						
Corporate mortgages	58 973	54 000	45 110	-	-	-
Real estate mortgages	19 500	5 500	5 500	-	-	-
Letter of Credit	-	-	10 000	-	-	-
For pension liability and other liabilities						
Corporate mortgages	3 600	1 150	550	-	-	-
For supplier guaranty						
Corporate mortgages	7 027	10 668	8 646			
For foreign exchange forward contract						
Corporate mortgages	10 000	-	-	-	-	-
	99 100	71 318	69 806	-	-	-

Contingent liabilities

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
Guaranties	1 888	3 288	3 588	28 016	28 710	33 195
Sureties	-	2 835	1 772	-	-	-
Contingent liability for foreign exchange forward contract	10 560	-	-	-	-	-
Advance settlement in bankruptcy and disputes	-	375	46 618			
	12 448	6 498	51 978	28 016	28 710	33 195

Stockholm, February 15, 2002

Petter Stillström
President and CEO

Sven-Christer Nilsson

Mats Olsson
Chairman

Bengt Stillström

Bengt-Arne Vedin

My audit report with respect to this Annual Report was submitted February 15, 2002.

Anders Roos
Authorized Public Accountant

AUDIT REPORT

To the Annual General Meeting of Shareholders of AB Traction (publ), organization number 556029-8654.

I have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of AB Traction for the financial year ending December 31, 2001. Responsibility for the accounting records and management rests with the Board of Directors and the President. My responsibility is to render my opinion on the Annual Accounts, the consolidated financial statements and the management based on my audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that I 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 principles, and the Board of Director's and the management's application thereof, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. I have also examined significant decisions, actions and circumstances in the company to allow me to form an opinion as to whether any Director or the President is liable for damages to the company, or in any other way has acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

The Annual Accounts and the consolidated financial statements are prepared in accordance with the Swedish Annual Accounts Act and therefore provide a true and fair picture of the Company's and the Group's performance and financial position in accordance with generally accepted accounting standards in Sweden.

I recommend that the Annual General Meeting adopts the Statement of Income and the Balance Sheet for the Parent Company and the Group, deals with the profit 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, February 15, 2002

Anders Roos
Authorized Public Accountant

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