TRACTION

Annual Report 2006

The Board of Directors and the President of AB Traction (publ), company number 556029-8654, hereby submit their annual accounts and consolidated financial statements for the financial year ending 31 December 2006.

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Administration Report

Corporate information

AB Traction's consolidated financial statements for the financial year ending 31 December 2006 have been approved by the Board of Directors for publication 16 March 2007 and will be presented to the Annual Meeting to be held 9 May 2007 for adoption. The Parent Company is a Swedish company (publ.) with its registered office in Stockholm, Sweden.

Business

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

Important events during the year

In January 2006 Traction sold its Tolerans subsidiary. The capital gain amounted to MSEK 100.3. Half of the holding in Haldex was also sold for MSEK 228.1 and a sizeable gain.

Overall, Traction's unlisted minority-owned companies strengthened their positions during 2006 and most of the companies report good earnings. These companies were revalued in accordance with IAS 39 during the year in an aggregate amount of MSEK 44.6 (51.9); revaluation of Banking Automation, Bricad Holding and Swedish Tool accounts for most of the revaluation increase.

A number of measures were taken in subsidiaries Ankarsrum Industries and Gnosjöplast to improve their profitability. The earnings performance during 2006 was Note satisfactory, but with action taken we are hopeful that both companies will show growth during 2007 and improved results.

Revenue and earnings

Revenue in Tractions continuing operating subsidiaries amounted to MSEK 295.6 (298.2). The operating result, including management expenses, but Note including changes in value of securities amounted to MSEK -36.6 (-29.8). The result of the subsidiaries amounted to MSEK -28.0 (-11.7) over MSEK 13 of which was one-time expenses, mainly relating to personnel reductions.

The change in value of securities amounted to MSEK 186.7 (305.1) and primarily refers to the sale of Tolerans, which yielded a capital gain of MSEK 100.3, and revaluation of the unlisted share holdings, which had a positive earnings effect totalling MSEK 44.6 (51.9). The change in value of the unlisted portfolio amounted to MSEK 41.8 (253.2), mainly relating to revaluation of the holding in Haldex and a lowering of the value of the holding in Thalamus Networks. Consolidated net financial items amounted to MSEK 26.0 (15.5), of which dividend income amounted to MSEK 16.4 (14.5).

Capital expenditures and divestitures

Investments in shares in project companies amounted to MSEK 47.2 (29.6), mostly referring to investments in AcadeMedia, El & Industrimontage (EIAB) and Mandator. Approximately MSEK 25 was invested in interest-bearing instruments, MSEK 15 of which is included in the item Other unlisted holdings. Sales of shares in project companies generated MSEK 389.5 (296.2) and mainly refers to the sale of just over half of the shareholding in Haldex and the sale of Tolerans. Net investments in other listed companies amounted to MSEK 2.8 (-26.2).

Shareholders' equity

Shareholders' equity amounted to MSEK 1,297.3 (1,137.5) at year-end, equivalent to SEK 78 (69) per share.

Stock split

A 3:1 split of the Traction share was effected 28 June 2006. The number of shares thereafter outstanding is a total of 16,545,000, of which 2,400,000 are class A shares and 14,145,000 are class B shares.

Shares held in treasury

No shares were repurchased during the year and the total number of shares held in treasury as of 31 December 2006 was 465,000 class B shares. Shares are repurchased in the interest of improving the Company's capital structure, thereby raising shareholder value. Repurchased shares are equivalent to 3 percent of the share capital. A total of MSEK 16.0 has been paid for repurchased shares. See also Note 23.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 645.9 (346.2). Other assets include listed shares, loan receivables and interest-bearing instruments in an amount of MSEK 55.9 (70.5). Liquid funds in the central companies amounted to MSEK 635 (340). The accumulated cash flow amounted to MSEK 299.7 (318.7).

Parent Company

AB Traction's profit amounted to MSEK 55.2 (406.7). Liquid funds amounted to MSEK 565.5 (278.1) as of December 31. The Parent Company's equity amounted to MSEK 1,121.2 (1,081.4) and the equity ratio stood at 96 percent (99). Capital expenditures during the year amounted to MSEK 85.2 (35.6), the entire amount relating to purchase of shares. The Parent Company had no employees during the year.

Research and development

The Group conducts no research, and product development costs are Note a significant part of operations. In the typical case costs relate to order-driven development and are charged directly to each respective order.

Dividend

The Board of Directors propose to the Annual Meeting a dividend of SEK 1.10 (0.93) per share for the 2006 operating year. Pursuant to Traction's dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has investment company status under Swedish laws, the dividend is a tax-deductible expense.

Environmental information

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

Financial risk management

The types of financial risks that the Traction Group encounters in its operations are primarily in the form of equity risks and, to a limited degree, other financial risks in the form of e.g. currency risk, interest rate risk and liquidity risk. Traction's operational risks are minimised by internal routines for risk management for the purpose of conducting operations with limited and controlled risk. Refer also to the section on financial risks in Note 1 Accounting policies.

Events after the end of the financial year

AcadeMedia acquired education company NTI, one of Sweden's leading players in independent secondary schools and adult education. NTI had 2006 revenue of MSEK 259 and reported a profit after financial items of MSEK 43. The purchase money amounted to MSEK 200, MSEK 50 of which was paid in the form of newly issued shares in AcadeMedia and MSEK 150 in cash. In conjunction with this transaction, the sellers of NTI became the largest shareholder in AcadeMedia. More on the new AcadeMedia is available at www.academedia.se.

Duroc made a declaration of intent to acquire all shares outstanding in the newly formed industrial trading group Swedish Tool Holding AB, which contains the businesses Swedish Tool and Wikman/Tool Center. The Swedish Tool Holding group's revenue amounted to MSEK 304 and the operating profit was MSEK 22. The purchase money amounted to MSEK 51 in cash and 2 million newly issued class B shares in Duroc. A special meeting of the shareholders in Duroc will be held for approval of the transaction. The acquisition constitutes an expansion of Duroc's business concept to generate capital growth for its shareholders, primarily by acquiring, developing and selling industrial and trading operations. More about Swedish Tool is available at www.swedishtool.se. Traction's direct ownership in Swedish Tool stands at 21 percent. Bricad Holding, of which Traction owns 47 percent, owns 33 percent. In terms of profit, the proposed transaction means a positive change in value for Traction during 2007, including our share of the capital of Bricad of approximately MSEK 21.

Thalamus Networks acquired Stockholm-based IT company P to P IT Consulting. P to P offers to companies and organisations advanced IT services for operation, design and management of customer IT environments. P to P had 2006 revenue of approximately MSEK 76 and an operating profit of MSEK 8.7. This acquisition broadens Thalamus' offering of services to large network operators and their customers. More about the transaction is available at www.thalamus.se.

The future

Traction's business concept lies firm. Our desire is to contribute actively to developing and changing companies together with other stakeholders, management groups and entrepreneurs. Our model requires comparatively little capital, but major engagement.

In the near term, we will continue to give priority to developing our existing companies, and in particular those companies that have yet to display profitability. In a longer term perspective, Traction is highly interested in expanding its portfolio of companies.

Statement of the Board of Directors regarding the proposed dividend

Traction's dividend policy states that the dividend should be adapted to the Parent Company's revenue in such a way that no tax expense arises in the Parent Company. As set out below, the proposed dividend amounts to MSEK 18.2. The Group's equity as of 31 December 2006 amounts to MSEK 1,297.3 and unrestricted equity in the Parent Company was MSEK 1,114.4. Unrestricted equity includes MSEK 128.0 relating to fair value valuation. In view of the above, and taking into account what the Board of Directors has become aware of in other respects, it is the opinion of the Board of Directors that the proposed dividend is justifiable in view of the demands made by the nature, scope and risks associated with the business, in terms of the size of the Company's and the Group's equity, and taking into account the Company's and the Group's need for consolidation, liquidity and the overall financial position.

Proposed allocation of earnings (SEK thousand)

Parent Company

The following amounts are available to the Annual Meeting:	
Retained earnings	1,059,115
Net profit for the year	55,264
	1,114,379
To be allocated as follows:	
Dividend to the shareholders of SEK 1.10 per share	18,200
To be carried forward	1,096,179

Income Statements

Group MSEK	Note 1	2006	2005
Operating revenue	3		
Net revenue	2	295.6	298.2
Other operating income		2.3	3.6
Total operating revenue		**297.9**	**301.8**
Operating expenses	2, 3		
Raw materials and supplies		-153.5	-149.3
Other external costs	4, 5, 6	-56.7	-48.6
Personnel costs	7	-109.0	-115.0
Depreciation, amortisation and impairment	2	-15.3	-18.7
Total operating expenses		**-334.5**	**-331.6**
Change in value of securities		186.7	305.1
Operating profit		**150.1**	**275.3**
Result from financial investments:			
Interest income and similar items	6	13.2	3.9
Dividend income		16.4	14.5
Interest expense and similar items		-3.6	-2.9
Total financial items		**26.0**	**15.5**
Profit after financial items		**176.1**	**290.8**
Taxes on the year's result	8	-0.7	0.1
Net profit, continuing operations		**175.4**	**290.9**
Profit from discontinued operations	9	-	19.1
Net profit for the year		**175.4**	**310.0**
Attributable to the Company's shareholders		175.4	310.0
Earnings per share (SEK)		10.60	18.73
Number of shares outstanding (thousands)		16,545	16,545
Average number of shares outstanding (thousands)		16,545	16,545

Balance Sheets

Group MSEK	Note 1	2006	2005
Non-current assets			
Buildings and land	10	38.5	40.8
Plant and machinery	11	46.4	42.6
Equipment, tools, fixtures and fittings	12	2.2	1.9
Construction on progress	13	5.0	1.4
Unlisted holdings	15	182.7	127.7
Listed holdings	16	410.2	590.1
Other securities holdings	17	0.2	0.2
Deferred tax claim	18	1.0	1.7
Other long-term receivables	19	9.6	2.5
Total non-current assets		**695.8**	**808.9**
Current assets			
Inventories	20	31.9	34.1
Accounts receivable		41.2	38.2
Due from associated companies		1.1	10.7
Tax claim		0.6	0.0
Other receivables		20.7	21.3
Prepaid expenses and accrued income	21	7.5	8.2
Liquid funds		645.9	346.2
Total current assets		**748.9**	**458.7**
Assets in discontinued operations		–	29.3
TOTAL ASSETS		**1,444.7**	**1,296.9**

Balance Sheets

Group MSEK	Note 1	2006	2005
Shareholders' equity	22		
Share capital		5.7	5.7
Other capital contributed		1.1	1.1
Other reserves		-0.4	-0.2
Retained earnings		1,115.5	820.9
Net profit for the year		175.4	310.0
Total shareholders' equity		**1,297.3**	**1,137.5**
Long-term liabilities and provisions			
Liabilities to credit institutions	23	20.6	17.3
Other provisions	24	–	3.0
Total long-term liabilities and provisions		**20.6**	**20.3**
Current liabilities			
Liabilities to credit institutions		14.9	14.6
Committed credit facility	25	31.0	31.0
Advance payments from customers		0.8	0.2
Accounts payable		47.1	26.4
Tax liabilities		0.2	0.2
Other liabilities		10.0	12.1
Accrued expenses and prepaid income	26	22.8	25.0
Total current liabilities		**126.8**	**109.5**
Liabilities in discontinued operations		–	29.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,444.7**	**1,296.9**
Pledged assets	27		
Contingent liabilities	27		

Changes in shareholders' equity

Group

MSEK, Note 1	**Share-capital**	**Other capital contributed**	**Other reserves**	**Retained earnings**	**Net result for the year**	**Total equity**
Amount at beginning of 2005	**5.7**	**96.1**	**-0.4**	**510.4**	**65.6**	**677.4**
Effect of implementing IAS 39				165.3		165.3
Restated opening balance	**5.7**	**96.1**	**-0.4**	**675.7**	**65.6**	**842.7**
Transfer of result for preceding year				65.6	-65.6	–
Translation difference			0.2			0.2
Dividend				-15.4		-15.4
Transfer between restricted and unrestricted equity		-95.0		95.0		–
Net result for the year					310.0	310.0
Amount at year-end 2005	**5.7**	**1.1**	**-0.2**	**820.9**	**310.0**	**1,137.5**
Amount at beginning of 2006	**5.7**	**1.1**	**-0.2**	**820.9**	**310.0**	**1,137.5**
Transfer of result for preceding year				310.0	-310.0	–
Translation difference			-0.2			-0.2
Dividend				-15.4		-15.4
Net result for the year					175.4	175.4
Amount at year-end 2006	**5.7**	**1.1**	**-0.4**	**1,115.5**	**175.4**	**1,297.3**

* The accumulated translation difference in shareholders' equity amounts to MSEK -0.4 (-0.2). The change is caused by changes in foreign currency rates when converting Svecia East Ltd.

Cash Flow Statements

Group MSEK	Note 1	2006	2005
Current operations			
Profit before taxes		176.1	309.9
Adjustment for items not included in cash flow	28	-188.5	-263.7
Current taxes		–	–
Cash flow from current operations before changes in working capital		**-12.4**	**46.2**
Cash flow from changes in working capital			
Change in inventories		2.3	17.5
Change in operating receivables		17.3	-0.9
Change in operating liabilities		17.0	-8.4
Cash flow from changes in working capital		**36.6**	**8.2**
Cash flow from current operations		**24.2**	**54.4**
Cash flow from investing activities			
Sales of subsidiaries	29	98.8	–
Purchase of shares in project companies*		-47.2	-29.6
Sales of shares in project companies*		290.7	296.2
Net investments in other shares		-2.8	26.2
Purchase/Sale of tangible non-current assets		-20.6	-2.3
Net investment in other financial assets		-31.7	1.4
Cash flow from investing activities		**287.2**	**291.9**
Cash flow from financing activities			
Loans raised		10.2	13.5
Repayment of debt		-6.5	-25.8
Dividends to shareholders		-15.4	-15.4
Cash flow from financing activities		**-11.7**	**-27.7**
Cash flow for the year		**299.7**	**318.6**
Liquid funds at beginning of period		346.2	27.6
Liquid funds at end of period		645.9	346.2
Interest received during the year		13.3	3.8
Interest paid during the year		-3.7	-2.9

* Project companies are defined as unlisted holdings and listed active holdings.

Income Statements

Parent Company MSEK	Note 1	2006	2005
Other operating income		–	–
Total operating revenue			
Operating expenses			
Other external costs	4	-1.3	-1.4
Personnel costs	7	-0.3	-0.2
Total operating expenses		**-1.6**	**-1.6**
Change in value of securities		38.0	392.3
Operating profit		**36.4**	**390.7**
Result from financial investments:			
Other interest income and similar items		13.6	5.2
Dividend income		7.8	10.8
Interest expense and similar items		-2.6	-0.0
Total financial items		**18.8**	**16.0**
Profit after financial items		**55.2**	**406.7**
Taxes on the year's result	8	–	–
Net profit for the year		**55.2**	**406.7**

Balance Sheets

Parent Company MSEK	Note 1	2006	2005
ASSETS			
Financial non-current assets			
Shares in subsidiaries	14	128.1	101.9
Unlisted holdings	15	31.6	48.7
Listed holdings	16	396.5	495.2
Other securities holdings	17	0.2	0.2
Other long-term receivables	19	–	1.9
Total non-current assets		**556.4**	**647.9**
Current assets			
Short-term receivables			
Due from Group companies		31.2	152.4
Other receivables		0.7	3.0
Prepaid expenses and accrued income	21	0.2	0.1
Total current assets		**32.1**	**155.5**
Cash and cash equivalents		585.5	278.1
Total current assets		**617.6**	**433.6**
TOTAL ASSETS		**1,174.0**	**1,081.5**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22		
Restricted equity			
Share capital		5.7	5.7
Legal reserve		1.1	1.1
Total restricted shareholders' equity		**6.8**	**6.8**
Unrestricted equity			
Retained earnings		1,059.2	667.9
Net profit for the year		55.2	406.7
Total unrestricted equity		**1,114.4**	**1,074.6**
Total shareholders' equity		**1,121.2**	**1,081.4**
Current liabilities			
Due to Group companies		51.3	–
Other liabilities		1.5	0.1
Total current liabilities		**52.8**	**0.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,174.0**	**1,081.5**
Pledged assets	27	–	–
Contingent liabilities	27	37.4	21.0

Changes in shareholders' equity

Parent Company

MSEK, Note 1	**Share capital**	**Legal reserve**	**Retained earnings**	**Net result for the year**	**Total equity**
Amount at beginning of 2005	**5.7**	**1.1**	**579.5**	**41.4**	**627.7**
Effect of implementing IAS 39			62.4		62.4
Restated opening balance	**5.7**	**1.1**	**641.9**	**41.4**	**690.1**
Transfer of result for preceding year	–	–	41.4	-41.4	–
Dividend	–	–	-15.4	–	-15.4
Net result for the year	–	–	–	406.7	406.7
Amount at year-end 2005	**5.7**	**1.1**	**667.9**	**406.7**	**1,081.4**
Amount at beginning of 2006	**5.7**	**1.1**	**667.9**	**406.7**	**1,081.4**
Transfer of result for preceding year	–	–	406.7	-406.7	–
Dividend	–	–	-15.4	–	-15.4
Net result for the year	–	–	–	55.2	55.2
Amount at year-end 2006	**5.7**	**1.1**	**1,059.2**	**55.2**	**1,121.2**

Cash Flow Statements

Parent Company MSEK	Note 1	2006	2005
Current operations			
Profit before taxes		55.2	469.1
Adjustment for items not included in cash flow	28	-37.6	-454.5
Current taxes		–	–
Cash flow from current operations before changes in working capital		**17.6**	**14.6**
Cash flow from changes in working capital			
Change in operating receivables		47.4	-83.7
Change in operating liabilities		1.3	0.1
Cash flow from changes in working capital		**48.7**	**-83.6**
Cash flow from current operations		**66.3**	**-69.0**
Cash flow from investing activities			
Purchase of shares in project companies		–	-10.9
Sales of shares in project companies		19.7	–
Purchase of shares in project companies*		-46.8	-15.5
Sale of shares in project companies*		270.7	408.2
Net investments in other shares		-38.4	-9.2
Net investment in other financial assets		–	5.5
Cash flow from investing activities		**205.2**	**378.1**
Cash flow from financing activities			
Loans raised		51.3	–
Repayment of debt		–	-16.2
Dividends to shareholders		-15.4	-15.4
Cash flow from financing activities		**35.9**	**-31.6**
Cash flow for the year		**307.4**	**277.5**
Liquid funds at beginning of period		278.1	0.6
Liquid funds at end of period		585.5	278.1
Interest received during the year		13.6	5.3
Interest paid during the year		-2.6	-0.0

* Project companies are defined as unlisted holdings and listed active holdings.

Notes to the financial statements

Note 1. Accounting policies, valuation principles, etc.

Statement regarding compliance with standards and statutory requirements

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

Basis of preparation

The consolidated financial statements are based on historical acquisition values, except in the case of derivative financial instruments, available-for-sale financial assets and financial assets valued at fair value via the income statement. The reported values of assets and liabilities that have been hedged, and which normally are accounted for at acquisition cost, have been adjusted for changes in fair value attributable to risks that have been hedged (fair value hedging). Unless otherwise specifically stated, all amounts are stated in million Swedish kronor (MSEK).

New IFRS and interpretations

With the exception of IFRS 7 Financial Instruments: Disclosures, which raises disclosure requirements, publication of IFRS standards and interpretations which have been published, but not yet taken effect as of 31 December 2006, are not expected to have a material effect on the consolidated financial reporting for 2007.

Basis of consolidation

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

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

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

All intra-Group dealings, revenue, costs, gains or losses arising from transactions between companies included in the consolidated financial statements are eliminated in their entirety. A subsidiary is included in the consolidated financial statements from the time of acquisition, defined as the day when the Parent Company gains a controlling interest, and is included in the consolidated financial statements until the day when such controlling interest ceases to exist.

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

Foreign subsidiaries

Earnings, and the financial position of Group companies with other operative currency then the reporting currency, are translated as follows: assets and liabilities for each of the balance sheets are translated at the year-end rate of exchange, revenue and costs for each of the income statements are translated using the average rate of exchange. All exchange rate differences that arise are reported as separate items under equity.

Parent Company

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act (1955:1554) and applying recommendation RR 32: (Accounting for legal entities). RR 32 means that the Parent Company in the annual report for the legal entity must apply all IFRS rules and recommendations approved by EU to the maximum extent possible while observing the Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation sets out the exceptions and amendments to be made relative to IFRS.

Changed accounting policies

From 2006, the Parent Company applies valuation at fair value of financial assets and liabilities, with the exception of those instruments which according to § 14b of the Swedish Annual Accounts Act cannot be valued at fair value. The transitional effect is reported as an adjustment to the 2005 opening balance of shareholders' equity. These items are valued as before at the lower of cost and market, or at acquisition value. The change has meant that other long-term holdings of

Notes, cont'd

securities are valued at fair value, with the change in value recorded in the income statement.

Associated companies and subsidiaries
Shares in associated companies and subsidiaries are reported in the Parent Company in accordance with the acquisition value method. Reported values are tested annually for objective proof of need for an impairment charge. Only dividends originating from profit earned after the time of acquisition are reported as income. Dividends in excess of such earned profit is treated as a repayment of investments and reduces the reported value of the share.

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

Shareholdings previously reported as associated companies, but where there has been a reclassification, are valued at market and reported as Other securities holdings from the time of such reclassification.

Group contributions and shareholder contributions
In accordance with a statement from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, shareholder contributions are accounted for directly against equity of the recipient, to the extent there is no need for an impairment charge.

Discontinued operations
Subsidiary Tolerans, which was sold in January 2006, was classified as discontinued operations in accordance with IFRS 5 as of 31 December 2005. This means that the assets and liabilities in Tolerans are reported as lump sums on a separate line under current assets and current liabilities, respectively. In the income statement the profit after taxes of Tolerans is reported on a separate line.

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

Revenues
Sales revenue for products and services is reported when an agreement with a customer has been made and delivery has been made or services have been provided and all essential risks have been transferred to the buyer. Sales are reported net after deduction of value added tax, rebates and exchange rate differences on sales in foreign currency. Intra-Group sales are eliminated in the consolidated financial statements.

Impairment
The reported values of the Group's assets, with the exception of financial assets reported at fair value, with changes in value in the income statement in accordance with IAS 39, are tested annually for any indication of a need for an impairment charge. Where such indication exists, the recoveranble value of the asset is calculated. Impairment is charged when the carrying value of an asset exceeds the recoverable value. Impairment is charged in the income statement.

Calculation of recoverable value
The recoverable value of assets belonging to categories loan receivables and accounts receivable reported at accrued acquisition cost, is calculated as the present value of future cash flows, discounted using the effective rate of interest prevailing when the asset was reported for the first time. Assets of a short-term nature are not discounted.

The recoverable value of other assets is the higher of fair value after deduction of costs to sell and value in use. Value in use is calculated as discounted future cash flows with a discount factor taking into account a risk-free interest rate and the risk associated with the specific asset. For an asset that does not generate cash flows that are significantly independent of other assets, a common recoverable value is calculated for the cash-generating unit to which the asset belongs.

Reversal of impairment
Impairment is reversed where a later increase in the recoverable value objectively can be attributed to an event that has occurred after the impairment was charged and there has been a change in the assumptions on which the calculation of recoverable value was made.

An impairment charge is reversed only to the extent the reported value of the asset after the reversal does not exceed the reported the asset would have had if impairment had been charged, taking into account any depreciation or amortisation that would then have been charged.

Financial instruments
Financial instruments are valued and reported in the Group in accordance with the rules in IAS 39 Financial Instruments: Recognition and Measurement. Financial instruments are initially reported at acquisition cost, equivalent to the fair value of the instrument, plus transaction costs for receivables and liabilities valued at accrued acquisition cost. Other financial assets and liabilities are initially valued not including transaction costs. A financial asset and a financial liability is recorded in the balance sheet when the Company becomes party to the terms and conditions of the instrument. Accounts receivable are recorded in the balance sheet when an invoice is sent. Liabilities are recorded when the counterparty has performed and a contractual obligation to pay has been established, even if no invoice has been received. Accounts payable are recorded when an invoice is received. A financial asset is removed from the balance sheet when the rights in the contract have been realised, fall due or the Company loses control thereof. The same is true for part of a financial asset. A financial liability is removed when the obligation in the contract is fulfilled, or otherwise extinguished. The same is true for a financial liability. Acquisition and sale of financial assets are reported on the transaction day, which is the day when the Company undertakes to acquire or sell the asset.

Shares
Shares are reported in accordance with IAS 39 at fair value with changes in value in the income statement. In accordance with IAS 28, Item 1, investments in shares in which Traction has significant influence are also reported in accordance with IAS 39 at fair value with changes in value in the income statement. Fair value is determined as follows:

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

Notes, cont'd

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

For directly owned investments, an overall assessment is made to determine which valuation method is most appropriate for individual holdings. Factors considered are if there has recently been some kind of financing or "arms-length" transaction. A valuation is also made by applying relevant multiples to the company's key financial indicators from a selected group of comparable companies, less adjustments due to factors, such as difference in size between the company in question and the group of comparable companies. In cases where there are other methods that better reflect the fair value of an individual holding, these are used, which means that individual holdings may be valued using methods other than those described above.

Taxes
Income taxes consist of current taxes and deferred taxes. For items reported in the income statement, taxes associated therewith are reported in the income statement. For items carried directly to shareholders' equity, taxes are also carried directly to shareholders' equity. Deferred taxes are calculated using the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or a liability differs from the value for tax purposes. Such differences may arise when, for example, an asset is written up or down, or when accounting policies applied vary between individual Group companies and the consolidated accounting.

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

Tangible non-current assets/depreciation
Assets are reported at acquisition cost, less depreciation according to plan based on an assessment of the economic life of the assets.

Depreciation according to plan has been charged as follows:

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

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

Receivables
Receivables are carried at the amounts expected to be collected.

Liquid funds
Liquid funds consist solely of bank deposits, account balances with brokerage firms and short-term investments. Short-term investments are classified as liquid funds when there is little risk for fluctuation in value, when they are easily converted to liquid funds and have a maximum term of three months from the time of acquisition.

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

Restructuring reserve
A provision is reported when a detailed restructuring plan has been adopted and restructuring has either begun, or been announced publicly.

Warranty reserve
A provision is reported when the underlying product or service has been sold. The warranty provision is calculated based on warranty expenses in prior years and expected future warranty risk.

Receivables and liabilities in foreign currency
Receivables, liabilities and provisions in foreign currency in individual companies are translated using the year-end rate of exchange.

Borrowing costs
Borrowing costs are charged to earnings in the period to which they refer, irrespective of how the borrowed funds were used.

Leasing
Leasing of assets can be either in the form of financial leasing or operational leasing. Assets leased under financial leases are reported in the balance sheet as non-current assets and are depreciated in accordance with the principles that apply for other tangible non-current assets. Future leasing fees associated with these assets are reported as liabilities. After deduction of interest, current leasing fees reduce the reported liability.

Compensation to employees – Pension commitments
Commitments for retirement pension and family pension for salaried employees in Sweden are secured mainly through insurance with Alecta. According to statement URA 42 of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this is a defined-benefit plan that covers several employers. For the 2005 and 2006 financial years, the Company has not had access to the kind of information that allows reporting of this plan as a defined-benefit plan. The pension plan according to ITP, which is secured by insurance with Alecta, is therefore reported as a defined-contribution plan. The year's expenses for pension insurance with Alecta amounted to MSEK 1.7 (1.8). Alecta's surplus can be distributed to the policy holders or the insured. At year-end 2006 Alecta's surplus in the form of the collective solvency margin was 143 (129) percent. Other pension commitments are defined-contribution plans and are paid for in the form of insurance premiums.

Segment reporting
A segment is a part of the Group that is identifiable for accounting purposes and that either provides goods or services of a particular type (lines of business) or products and services within a given economic environment (geographic area) that is

Notes, cont'd

exposed to risks and opportunities that differ from those in other segments.

The primary basis for the Group's breakdown into segments is business areas Electric motors and Plastic components, and Other operations. The internal reporting system is based on the same breakdown, so business areas are appropriate as the primary basis for breakdown. Since operations are mainly conducted in Sweden, sales from Sweden has been divided into geographic areas. There are no significant assets outside Sweden.

Traction's business consists of majority-owned businesses and a portfolio of partially owned companies. In terms of value, the listed partially owned companies account for the majority of Traction's total assets, not including liquid funds. A detailed account of each respective holding is available upon request from each such company. Only the majority-owned holdings are reported by segment.

Cash flow statement

The cash flow statement is compiled in accordance with IAS 7 using the indirect method. This means that the cash flow has been adjusted for transactions that do not result in cash receipts or disbursements during the period. Liquid funds include cash and cash equivalents, and short-term investments. Short-term investments are classified as liquid funds when there is little risk for fluctuation in value, when they are easily converted to liquid funds and have a maximum term of three months from the time of acquisition.

Related-party disclosures

There were no transactions between AB Traction and the principal owners other than those reported in Note 7 Personnel. Other related parties are found on the Board of Directors and in management. There were no transactions between AB Traction or Traction's associated companies and these parties other than those reported in Note 7 Personnel. AB Traction has rendered shareholder contributions to subsidiaries Ankarsrum Industries and Gnosjöplast.

Risk and uncertainty factors

Below is a brief description of the most significant factors of risk and uncertainty for the Group as well as the Parent Company.

Business risks

Business risks include having a large exposure to a certain sector, or an individual holding, changed market conditions to invest or sell at a chosen moment.

Financial risks

The principal financial risks that the Traction Group is exposed to are price risks, i.e. the risk of change in value of financial instruments due either to changes in share prices, currency exchange rates or interest rates. The bulk of equity risk lies in AB Tractions share portfolio. The currency exposure is greatest in Ankarsrum and Banking Automation. There is interest rate risk in both the surplus liquidity and in the portfolio of liabilities. Other risks that arise in financial operations are liquidity risk, financing and credit risks and operational risks.

Other risks

There are also risks involved in not following external regulations and legislation, obligations governed by agreements and non-compliance with internal rules and regulations, as well as IT security risks.

Uncertainty factors

The uncertainty factors that affect operations and, among other things, make assessments of the future development uncertain, are above all how exchange rates and share prices, the price situation for unlisted holdings and how different sectors will develop.

Financial risk management

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

Equity risk

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

Principles for financing and financial risk management

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

Parent Company

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

Subsidiaries

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

Commercial foreign exchange exposure

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

Financial currency exposure

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

Interest rate risk

The Group's borrowing is primarily in the form of utilization of committed credit facilities and factoring. All interest rates are variable. The Group's net indebtedness (liquid funds less interest-bearing liabilities) amounted to MSEK 579.4 (283.4) at year-end.

Notes, cont'd

Note 2. Segment reporting

	Sales		Operating result	
Segment	**2006**	**2005**	**2006**	**2005**
Electric motors/Ankarsrum Industries	172.3	159.3	-14.5	-7.5
Plastic components/Gnosjöplast	98.0	103.2	-13.5	-4.2
Other	26.7	39.4	-8.6	-18.1
Consolidation adjustments	-1.4	-3.7	–	–
Total	**295.6**	**298.2**	**-36.6**	**-29.8**
Change in value of securities			186.7	305.1
Consolidated operating profit			**150.1**	**275.3**

Other information	Assets		Liabilities	
Segment	**2006**	**2005**	**2006**	**2005**
Electric motors/Ankarsrum Industries	104.7	86.5	76.7	71.3
Plastic components/Gnosjöplast	85.4	74.4	65.8	76.3
Other	1,379.9	1,180.7	93.1	188.3
Consolidation adjustments	-125.3	-44.7	-88.2	-206.1
Total	**1,444.7**	**1,296.9**	**147.4**	**129.8**

	Capital expenditures		Depreciation and amortization	
Segment	**2006**	**2005**	**2006**	**2005**
Electric motors/Ankarsrum Industries	6.8	2.8	-9.7	-12.3
Plastic components/Gnosjöplast	15.3	1.9	-5.3	-4.8
Other	–	–	-0.3	-1.6
Total	**22.1**	**4.7**	**-15.3**	**-18.7**

Information about geographic distribution of sales

	2006	2005
Sweden	128.5	136.3
EU countries, not including Sweden	73.9	77.5
Rest of Europe, not including EU countries	7.4	4.2
North America	61.8	58.6
Other markets	24.0	21.6
Total	**295.6**	**298.2**

Note 3. Intra-Group sales

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

Notes, cont'd

Note 4. Compensation to auditors

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

	Group		Parent Company	
	2006	2005	2006	2005
Audit				
SET Revisionsbyrå	0.5	0.5	–	–
PricewaterhouseCoopers	0.4	0.2	–	–
Other assignments				
PricewaterhouseCoopers	0.0	0.1	–	–
Total	**0.9**	**0.8**	**–**	–

Note 5. Leasing

Leasing is classified in the consolidated financial statements as finance leasing or operating leasing. In finance leasing the economic risks and rewards associated with ownership are conveyed to the lessee. If that is not the case it is a matter of operating leasing.

Leased assets classified as financial are reported as assets in the consolidated balance sheet. The obligation to pay future leasing fees is recognised as a liability. Leased assets are depreciated according to plan, while leasing fees are accounted for as interest and repayment of liabilities.

Operating leasing costs are reported in the income statement under the item Other external costs.

	Group	
Operating leasing contracts	**2006**	**2005**
Leasing fees paid during the year	6.2	5.6
Nominal value of future leasing fees:		
Within 1 year	6.0	4.4
Later than in 1 year, but within 5 years	12.0	5.8
Later than in 5 years	3.4	0.5
Total	**21.4**	**10.7**

Note 6. Exchange rate differences

Exchange rate differences relating to short-term receivables and liabilities amount to MSEK -1.3 (2.0) and are reported on a net basis in the item Other external cost. Exchange rate differences relating to financial receivables amount to MSEK 0.0 (0.1) and are reported in the item Other interest income and similar items.

Notes, cont'd

Note 7. Personnel

Average number of employees	2006 Number of employees	2006 Of whom men	2005 Number of employees	2005 Of whom men
Parent Company	0	0	0	0
Subsidiaries:				
Sweden	240	166	276	189
Hong Kong	7	4	7	4
Total	**247**	**170**	**283**	**193**

	Group		Parent Company	
Salaries and other compensation:	**2006**	**2005**	**2006**	**2005**
Presidents and Boards of Directors	2.3	2.9	0.2	0.2
Other employees	73.0	77.4	–	–
Total salaries and other compensation	**75.3**	**80.3**	**0.2**	**0.2**
Other personnel expenses:				
Social benefits	26.0	27.3	0.1	–
Pension costs*	5.7	6.5	–	–
Other personnel expenses	2.0	0.9	–	–
Total other personnel expenses	**33.7**	**34.7**	**–**	**–**
Total personnel expenses	**109.0**	**115.0**	**0.3**	**0.2**

* Of which to presidents MSEK 0.6 (0.6). The pension expense item above is reported net, after reimbursement from Traction Nouveau AB's and Traction Konsult AB's pension trusts in an amount of MSEK 1.1 (1.1).

Salaries and other compensation by country

	2006		2005	
	Board of Directors, presidents (of which bonuses et al.)	**Other employees**	**Board of Directors, presidents (of which bonuses et al.)**	**Other employees**
Sweden	2.1	72.2	2.6	76.6
	(0.2)		(0.2)	
Hong Kong	0.2	0.8	0.3	0.8
	(–)		(–)	
Group Total	2.3	73.0	2.9	77.4
	(0.2)		(0.2)	

Notes, cont'd

Absence due to illness

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

Compensation to Board of Directors and members of senior management

Board of Directors

Directors' fees in accordance with resolution of the Annual Meeting amounted to SEK 225,000 (150,000). A fee of SEK 225,000 was paid to the Board of Directors, of which the Chairman received SEK 0 thousand and the three external directors SEK 75,000 each. Social benefits are additional. No other compensation except for reimbursement for expenses was paid to the Board of Directors.

In his former capacity of President in Traction AB, pension is payable to Bengt Stillström, who had the right to retire from the age of 55 years, in the amount of SEK 490,000 per year between the age of 60 and 65. No pension benefits have been paid so far. A life-long pension is payable thereafter and an annual family pension. The pension commitment was made with 1993 as a base and will be raised thereafter according to Alecta's standards. The total commitment per 31 December 2006, amounts to MSEK 23.6. A full provision has been made in Traction's pension trusts.

President

In 2006, the President and CEO received a salary totalling SEK 318,000 (318,000). No bonus was paid. The pension cost according to an ITP plan amounted to SEK 21,000 (21,000). A reimbursement has been made by a pension trust so that the cost was not charged to the consolidated income statement. In addition to these costs, the President has received compensation for assignments as a director of certain of Traction's partially owned companies in a total amount of SEK 125,000 (50,000).

An undertaking in respect of the President's future retirement was made during 2006 in the amount of SEK 300,000, plus interest equivalent to the CPI plus three percentage points from 1 January 2006 until the amount has been disbursed. The accumulated vested amount is SEK 1,187,000 as of 31 December 2006 and has been set aside in Traction Nouveau AB's pension trust. In the event that necessary funds where to be lacking in the future in the pension trust, Traction will set aside the funds necessary for the pension trust to fulfil its obligation. Agreements for future pension call for retirement at age 65, with the right for the President to call for pension after reaching age 55.

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

The President and CEO have a mutually applicable period of notice of six month.

Compensation to subsidiary Boards of Directors

No directors' fees were paid by subsidiaries.

Compensation to and terms for other members of senior management

The members-of-senior-management group consists of five persons, three subsidiary presidents and two persons within central Traction. To these, compensation was paid during 2006 in the form of salaries and benefits in a total amount of MSEK 3.3 (4.5), of which MSEK 0.2 (0.2) in a variable portion. Costs for pension insurance amounted to MSEK 0.9 (0.8). These costs were charged to the income statement with the exception of MSEK 0.3 (0.4) in pension costs, with reimbursement from a pension trust.

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

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

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

Notes, cont'd

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

MSEK	Fixed salary	Variable portion	Other benefits	Total compensation	Pension costs
President and CEO	0.3	–	–	0.3	0.3
Other members of senior management	3.0	0.2	0.1	3.3	0.9
Total	**3.3**	**0.2**	**0.1**	**3.6**	**1.2**

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

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

Pensions

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

Decision-making forms

Compensation and terms of employment of the President and CEO are decided by the Parent Company's Board of Directors. Compensation and terms of employment for other members of senior management are decided, with respect to subsidiary presidents, by the Chairman of the Board of Directors in the subsidiaries in consultation with the Parent Company's President, and with respect to other members of senior management in central Traction operations, by the Parent Company's President.

Notes, cont'd

Note 8. Taxes

Group

Taxes on the year's result	**2006**	**2005**
Current taxes	–	0.1
Deferred taxes	-0.7	–
	-0.7	0.1
Deferred taxes relating to utilisation of previously capitalised tax value of tax loss carry-forward	-0.7	–
Reconciliation of effective taxes, Group		
Result before taxes	176.1	309.9
Taxes according to current tax rate of 28 %	-49.3	-86.8
Effect of special tax rules for investment companies	15.5	78.2
Difference of change in value of shares relating to associated companies between the Parent Company and the Group	11.8	–
Utilisation of previous tax-loss carry-forwards not capitalized	–	0.5
Increase in tax-loss carryforward without corresponding capitalisation of deferred taxes	-13.1	–
Tax effect of non-deductible expenses	–	-0.4
Tax effect on non-taxable revenue	34.4	8.6
Reported effective taxes	**-0.7**	**0.1**

Accumulated tax-loss carry-forwards in the Group's Swedish companies amounted to just over MSEK 200 at year-end. These tax-loss carry-forwards, which are not subject to expiration, can be used to reduces taxes on future earnings. Since there is uncertainty with respect to the period of time during which these carry-forwards can be utilised, only a small portion, MSEK 1.0 (1.7) has been capitalised as a deferred tax claim. Whether or not to report deferred tax claims due to tax-loss carry-forwards is subject to re-evaluation on an ongoing basis

Parent Company

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. The Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. This standard revenue amounted to MSEK 0.6 in 2006 (1.0). Dividend income is taxable; dividends paid are deductible. Net interest income and overhead are deductible.

Note 9. Discontinued operations

Tolerans AB was sold in January 2006. In accordance with IFRS, Tolerans' profit after taxes is reported as discontinued operations in the income statement.

Tolerans	**2006**	**2005**
Revenue	–	95.1
Costs	–	-76.0
Profit after financial items	–	19.1
Profit for the year from discontinued operations	–	19.1
Cash flow from current operations	**–**	**23.2**

Notes, cont'd

Note 10. Buildings and land

Group	2006	2005
Buildings		
Opening acquisition value	55.8	55.8
Closing accumulated acquisition values	**55.8**	**55.8**
Opening depreciation	-17.8	-15.8
Disposals	-0.0	-0.1
Depreciation for the year	-2.0	-1.9
Closing accumulated depreciation	**-19.8**	**-17.8**
Closing reported value	**36.0**	**38.0**
Land		
Book value	2.5	2.8
Book value, buildings and land	**38.5**	**40.8**
Tax assessment values:		
Buildings	23.3	23.2
Land	5.7	5.8

Note 11. Plant and machinery

Group	2006	2005
Opening acquisition value	178.5	179.2
Disposals/restructuring, etc.	-10.1	-4.1
Purchases	16.7	3.4
Closing accumulated acquisition values	**185.1**	**178.5**
Opening depreciation	-135.9	-126.7
Disposals/restructuring, etc.	9.1	3.9
Depreciation for the year	-11.9	-13.1
Closing accumulated depreciation	**-138.7**	**-135.9**
Closing reported value	**46.4**	**42.6**

Note 12. Equipment, tools, fixtures and fittings

Group	2006	2005
Opening acquisition value	28.9	28.8
Disposals/restructuring, etc.	-0.9	-1.0
Purchases	1.8	1.1
Closing accumulated acquisition values	**29.8**	**28.9**
Opening depreciation	-27.0	-25.3
Disposals/restructuring, etc.	0.8	0.7
Depreciation for the year	-1.4	-2.4
Closing accumulated depreciation	**-27.6**	**-27.0**
Closing reported value	**2.2**	**1.9**

Note 13. Construction in progress and advance payments for tangible fixed assets

Group	2006	2005
Opening balance	1.4	3.2
Reclassification, etc.	–	-0.4
Capital expenditures	1.3	-2.2
Payments in advance during the year	2.3	0.8
Closing reported value	**5.0**	**1.4**

Note 14. Shares in subsidiaries

Parent Company	2006	2005
Opening book value	101.9	90.7
Purchases/shareholder contributions	130.5	11.2
Disposals	-38.0	–
Impairment	-66.3	–
Closing reported value	**128.1**	**101.9**

Notes, cont'd

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

Shares owned by the Parent Company

Company	Company number	Registered office	Number of shares	Capital stake	Book value
Traction Delta AB	556628-9749	Stockholm	1,000	100%	54.1
Traction Konsult AB	556098-5672	Stockholm	1,000	100%	40.0
Traction Invest AB	556504-7999	Stockholm	23,600	100%	34.0
Total shares owned by the Parent Company					**128.1**

Shares owned by subsidiaries

Company	Company number	Registered office	Number of shares	Capital stake
Traction Konsult AB				
Traction Nouveau AB	556302-0832	Stockholm	1,000	100%
Svecia East Ltd.	–	Hong Kong	99,999	100%
Svecia Spares & Services AB	556330-3634	Stockholm	10,000	100%
Svecia Engineering AB	556025-3493	Stockholm	900,000	100%
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1,000	100%
Traction Delta AB				
Ankarsrum Industries AB	556215-7098	Stockholm	1,000	100%
Gnosjöplast AB	556575-2358	Stockholm	1,000	100%
Gnosjöplast Fastighets AB	556606-9042	Stockholm	1,000	100%
Ankarsrum Industries AB				
Ankarsrum Universal Motors AB	556054-7753	Västervik	250,000	100%
Ankarsrum Motors AB	556628-9723	Västervik	10,000	100%
Ankarsrum Die Casting AB	556628-9715	Västervik	10,000	100%
Ankarsrum Production AB	556628-9756	Västervik	10,000	100%
Ankarsrum Support AB	556628-9731	Västervik	1,000	100%

Notes, cont'd

Note 15. Shares in unlisted companies

Group

Accumulated acquisition values	2006	2005
Opening book value	127.7	48.0
Adjustment for change accounting policy	–	10.0
Purchases	15.7	30.2
Sales/disposals	-1.0	-12.4
Reclassification	-4.3	–
Change in value	44.6	51.9
Total	**182.7**	**127.7**

Parent Company	2006	2005
Opening book value	48.7	21.9
Purchases	–	30.2
Reclassification	-2.5	–
Sales	-14.6	-2.4
Impairment	–	-1.0
Closing reported value	**31.6**	**48.7**

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

						Book value	
Company	Company number	Registered office	Number of shares	Capital stake	Votes	Parent-Company	Group
Banking Automation Ltd		Reading	898,096	45%	45%	4.8	44.6
Edilen AB	556652-7791	Stockholm	468	47%	47%	26.7*	18.7*
Recco Holding AB	556641-0840	Stockholm	499	49%	49%	0.1	46.2
Sub-total						**31.6**	**109.5**

* Including convertible loan

Other associated companies in the Group

Bricad Holding AB	556264-6298	Österåker	17,900	47%	47%	–	38.3
Geodynamik HT AB (publ)	556189-0871	Stockholm	100,000	20%	20%	–	0.3
LFS Invest AB	556701-0722	Stockholm	150	–	–	–	15.3
Poor Cow AB (fd Arvako Sverige AB)	556606-9059	Stockholm	212,501	17%	34%	–	0.4
SMA Nordic AB	556633-6979	Stockholm	42,340	42%	42%	–	0.9
Swedish Tool AB	556282-7633	Stockholm	875	29%	29%	–	18.0
Sub-total						**–**	**73.2**
Total						**31.6**	**182.7**

Notes, cont'd

Note 16. Other listed holdings

	Group		Parent Company	
	2006	2005	2006	2005
Opening book value	590.1	516.9	495.2	453.3
Reclassification/Impairment	4.3	–	2.5	–
Adjustment for changed accounting policy	–	155.3	–	62.4
Purchases	160.9	71.5	194.1	71.5
Sales	-334.3	-382.2	-334.3	-219.3
Change in value	-10.8	228.6	39.0	127.3
Closing reported value	**410.2**	**590.1**	**396.5**	**495.2**

Specification of listed holdings

Company	Number of shares	Parent Company Book value	Group Book value	Capital stake	Votes
AcadeMedia A	100,000				
AcadeMedia B	492,684	17.9	17.8	19%	28%
Duroc A	175,800				
Duroc B	751,070	15.7	27.0	17%	30%
EI & Industrimontage	380,500	22.0	22.0	12%	12%
Haldex*	1,070,468	174.0	174.0	5%	5%
Mandator	13,200,000	36.6	36.6	8%	8%
Nilörngruppen A	100,000				
Nilörngruppen B	196,200	9.5	9.5	11%	19%
Nordic Camping & Sports	645,250	1.2	5.4	23%	23%
Softronic B	8,108,688	42.2	42.2	17%	10%
Thalamus Networks A	210,000				
Thalamus Networks B	2,862,468	33.2	31.5	33%	30%
Total listed holdings		**352.3**	**366.0**		

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

Specification of other listed holdings

Company	Number of shares	Parent Company Book value	Group Book value	Capital stake	Votes
ALM Equity	2,082,860	5.2	5.2	–	–
Cybercom	94,500	3.9	3.9	–	–
Industrivärden C	50,000	12.8	12.8	–	–
Statoil ASA	50,000	9.0	9.0	–	–
SCA B	15,000	5.4	5.3	–	–
SCA B Call 20070216 290	200,000	9.2	9.2	–	–
SCA B Put 20070216 330	-200,000	-1.3	-1.3	–	–
Total other listed holdings		**44.2**	**44.2**		
Total listed holdings		**396.5**	**410.2**		

Notes, cont'd

Note 17. Other securities holdings

	Group		Parent Company	
	2006	2005	2006	2005
Opening book value	0.2	0.2	0.2	0.2
Closing reported value	**0.2**	**0.2**	**0.2**	**0.2**

Company	Number of shares	Book value	Market value	Capital stake
Rekall AB	1,301	0.2	–	9%
Scoop Publishware AB	100	0.0	–	10%
Sigicom AB	184,900	0.0	–	12%
Total other long-term holdings		**0.2**	**–**	**–**

Note 18. Deferred tax claim

Group	2006	2005
Opening book value	1.7	2.1
Tax-loss carry-forward in company being phased out	–	-0.4
Utilised tax-loss carry-forward	-0.7	–
Closing reported value	**1.0**	**1.7**

Note 19. Other long-term receivables

	Group		Parent Company	
	2006	2005	2006	2005
Opening book value	2.5	5.9	1.9	5.5
Receivables added	9.0	2.1	–	1.9
Settled receivables	–	-5.5	–	-5.5
Reclassified receivables	-1.9	–	-1.9	–
Closing reported value	**9.6**	**2.5**	**0.0**	**1.9**

Note 20. Inventories

Group	2006	2005
Raw materials and consumables	16.4	15.2
Work in progress	0.3	0.8
Finished goods and goods for resale	15.0	18.1
Advance payments to suppliers	0.2	–
Total	**31.9**	**34.1**

Notes, cont'd

Note 21. Prepaid expenses and accrued income

	Group		Parent Company	
	2006	2005	2006	2005
Accrued interest	0.0	–	–	–
Rents and leasing	0.2	4.2	–	–
Advance payments for customer tools	2.6	–	–	–
Other	4.7	4.0	0.2	0.1
Total	**7.5**	**8.2**	**0.2**	**0.1**

Note 22. Shareholders' equity

Also refer to report Changes in shareholders' equity, pages 8 and 12.

Parent Company

As of 31 December 2006 the share capital amounted to SEK 5,670,000, divided into 2,400,000 class A shares and 14,610,000 class B shares, each with a quotient value of SEK 1/3. A total of 465,000 class B shares have been repurchased (163,050 shares in 2000, 80,400 shares in 2001 and 221,550 shares in 2002). The total number of shares outstanding is therefore 16,545,000.

Note 23. Long-term liabilities

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

Note 24. Provisions

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

Group	2006	2005
Opening book value	3.0	5.0
Year's utilisation	-3.0	–
Reclassification	–	-2.0
Total	**–**	**3.0**

Reclassification 2005 refers to discontinued operations.

Note 25. Committed credit facility

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

Notes, cont'd

Note 26. Accrued expenses and prepaid income

	Group		Parent Company	
	2006	2005	2006	2005
Personnel-related expenses	16.5	17.8	–	–
Other	6.3	7.2	–	–
Total	**22.8**	**25.0**	**–**	**–**

Note 27. Pledged assets, contingent liabilities

Group		
Pledged assets	**2006**	**2005**
For liabilities to credit institutions		
Corporate mortgages	74.0	74.0
Real estate mortgages	20.0	20.0
Pledged accounts receivable	14.8	15.6
Assets with retention of title	12.7	7.5
Total	**121.5**	**117.1**

Contingent liabilities	**2006**	**2005**
Guaranties	8.4	–
Sureties	–	–
Total	**8.4**	**–**

Parent Company		
Contingent liabilities	**2006**	**2005**
Guaranties	37.4	21.0
Sureties	–	–

Note 28. Adjustment for items not included in cash flow

	Group		Parent Company	
	2006	2005	2006	2005
Change in value of securities	-186.7	-305.1	-38.0	-454.6
Depreciation and amortisation	15.3	18.7	–	–
Impairment of shares	–	30.8	–	–
Other	-17.1	-8.1	0.4	0.1
Total	**-188.5**	**-263.7**	**-37.6**	**-454.5**

Notes, cont'd

Note 29. Net assets in companies sold

Sale of subsidiary	Group	
Value of assets and liabilities sold	**2006**	**2005**
Assets in discontinued operations	29.3	–
Total assets	**29.3**	**–**
Liabilities in discontinued operations	29.6	–
Total liabilities	**29.6**	**–**
Proceeds of sale	98.8	–
Less liquid assets in company sold	–	–
Effect on the Group's liquid funds	**98.8**	**–**

The Board of Directors certifies that, so far as it is aware, the Annual Accounts are prepared in accordance with generally accepted accounting standards for listed companies, that the information provided is consistent with actual circumstances and that nothing of material importance has been omitted that could affect the presentation of the Company conveyed by the Annual Accounts.

Stockholm, 16 March 2007

Petter Stillström
President and CEO

Jan Andersson

Jan Kjellman

Bengt Stillström
Chairman

Pär Sundberg

My audit report with respect to these Annual Accounts was submitted 16 March 2007.

Anders Roos
Authorised Public Accountant

Audit Report

To the Annual Meeting of AB Traction (publ), company 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 (publ) for 2006. Responsibility for the accounting records and management, and for application of the Swedish Annual Accounts Act in preparing the Annual Accounts, and that International Financial Accounting Standards (IFRS) as adopted by EU, and the Swedish Annual Accounts Act are applied in preparing the consolidated financial statements rests with the Board of Directors and the President. 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 policies, and the Board of Directors' and the management's application thereof, and making an assessment of the critical estimates made by the Board of Directors and the President in preparing the Annual Accounts and the consolidated financial statements, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. As a basis for my statement on discharge from liability, I have 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. I have also examined whether any director or the President has acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

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

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

Stockholm, 16 March 2007

Anders Roos
Authorised Public Accountant