

# TRACTION

## *Annual Report 2008*

*Traction is an investment company the operations of which are based on our own methodology for developing and refining the companies in which Traction is an owner. Traction's role as owner is based on an active and long-term engagement, together with an entrepreneur or corporate management and other part-owners. At present, Traction is involved in some 15 companies, several of which are publicly traded. Traction's share is traded on OMX Nordic Exchange in Stockholm (the Small Cap list). Read more about Traction at [www.traction.se](http://www.traction.se)*

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## Shareholder Information

### Date of publication of financial information 2009

11 May	Interim Report for the period January – March
27 August	Interim Report for the period January – June
29 October	Interim Report for the period January – September

To subscribe for financial information by e-mail, please visit [www.traction.se](http://www.traction.se), or e-mail the Company at [post@traction.se](mailto:post@traction.se)

All reports during the year will be available at the Company's website: [www.traction.se](http://www.traction.se)

## Annual General Meeting 2009

The regularly scheduled Annual General Meeting will be held at 5:00 p.m., 11 May 2009 at Scandic Hotel Anglais, Humlegårdsgatan 23, SE-102 44 Stockholm, Sweden.

### Application to attend

Applications to participate in the proceedings of the Annual Meeting should be submitted to AB Traction, Box 3314, SE-103 66 Stockholm, Sweden, telephone: +46 8 506 289 00, telefax: +46 8 506 289 30 or by e-mail to [post@traction.se](mailto:post@traction.se). Applications must be submitted no later than by 4:00 p.m., 7 May 2009. To be entitled to participate in the proceedings of the Annual Meeting and to vote, shareholders must be registered in the register of shareholders maintained by Värdepapperscentralen VPC AB, no later than 4 May 2009. Shareholders whose shares are registered in the name of a nominee must, to be entitled to participate in proceedings of the Annual Meeting, temporarily re-register their shares in their own name well in advance of that date.

### Dividend

The Board of Directors proposes a dividend of SEK 2.50 per share. The proposed record day is 18 May 2009. Shareholders are expected to receive their dividend payments on or about 22 May 2008.

# Traction in Brief

Traction is a stock-exchange-listed investment company with ownership interests in listed and unlisted companies. Traction's operations are based on its own methodology for developing and refining the companies in which Traction is an owner. The primary focus of this methodology is customer relationships, capital flows and risk management. The method has evolved over Traction's more than 30-year history. Traction does not focus on specific industries, because our method is based on business acumen, which is applicable regardless of industry affiliation. Traction's role as owner is based on an active and long-term engagement, together with an entrepreneur or corporate management. In addition hereto Traction conducts investment operations aimed at achieving a good return on the Company's capital.

## Business concept

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

## Business philosophy

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

## Goals

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

## Strategy

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

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

Consistent application of our methodology to minimise risk and raise the return on investment.

## Exit strategy

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

# 2008 in Brief

- The result after taxes amounted to MSEK –171 (81)
- Earnings per share was SEK –10.44 (4.90) per share
- Equity per share amounted to SEK 70 (82)
- The change in value of securities was MSEK –189 (73)
- The return on equity was –13 (6) percent
- Net investments in listed companies were MSEK 238 (–73.5)
- Consolidated net revenue amounted to MSEK 355 (282)
- Weak earnings performance in Traction's wholly owned companies
- Repayment of bank loans in the Group of MSEK 48
- More than half of the Company's equity is available for new investment
- Acquisition of major blocks of shares in Bilia, Drillcon and Partnertech
- Increase in ownership in Softronic to 23 percent of capital and 21 percent of votes
- Participation in underwriting of new issue in PA Resources
- Hifabgruppen was acquired by Thalamus Networks for payment in newly issued shares and cash
- The Board of Directors propose a dividend of SEK 2.50 (1.85) per share

## Events in the beginning of 2009

- Subscription for convertibles in PA Resources for MSEK 47
- Purchase of additional shares in Partnertech; Traction' current ownership is 13.6 percent
- Traction has made a tender offer to all shareholders of Nilörngruppen to sell their shares for SEK 29 per share. Acquisition of additional shares in Nilörngruppen for just over MSEK, which means that Traction during March 2009 has exceeded 50 percent of the share capital and votes in Nilörngruppen.
- Repurchase of 237,400 class B shares equivalent to 1.5 percent of the capital for just over MSEK 10 (SEK 44 per share)

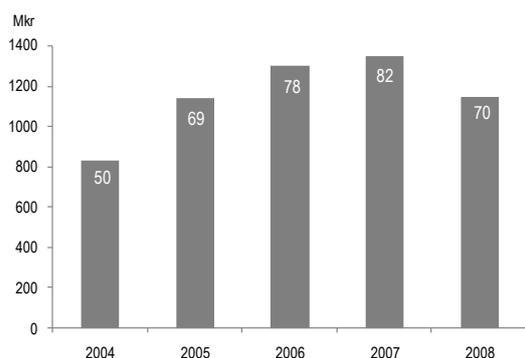
## Key financial indicators

	2008	2007	2006*	2005*	2004*
Equity per share, SEK	70	82	78	69	50
Market price at end of period, SEK	54	68	76	60	37
Market price/equity per share, %	76	83	97	87	74
Earnings per share, SEK	–10	5	11	19	12
Return on equity, %	–13	6	15	38	30
Equity ratio, %	92	90	90	88	82
Dividend per share, SEK	2.50**	1.85	1.10	0.93	0.93
Dividend yield, %	4.6	2.7	1.4	1.6	2.5

\*) Adjusted for split 3:1

\*\*\*) As proposed by the Board of Directors

## Total equity in MSEK & per share, MSEK



# President's Statement

Dear Shareholders,

The year 2008 will go down in history as a horrible year for most equity owners. In the wake of the financial crisis and the sharp downturn for the world economy, the Stockholm market fell by as much as 40 percent. The downturn in the stock market does not come as a surprise to us, even if I have to admit that the ferocious power and the velocity of the slide was astonishing. Traction has maintained a highly liquid position for years, as we felt that the valuations for many companies was forbiddingly high. Our strategy has served us relatively well, compared to most other investment companies, with a reported return of -13 percent. We still have to declare that 2008 was one of the worst years ever for Traction.

The weak result is explained by negative value changes in our holdings of listed and unlisted companies, as well as losses in Traction's wholly owned companies. A significant portion of the negative value changes refers to long-term holdings, where short-term fluctuations are of less real significance. A part of the loss is explained by the fact that we during the second half of 2008 began to buy shares in large, Swedish, multinational companies, after the sharp decline in share prices that began in 2007. In hindsight, we must now acknowledge that we acted a little too early. Stock prices fell more in the wake of the accelerating financial crisis. In a more extended perspective, however, I am convinced that these investments will generate positive returns for Traction, however.

The screeching halt in the world economy that we are now experiencing will in all likelihood affect the corporate sector to an extent that not many have experienced. At the time of writing, the uncertainty is greater than ever. How, then, should we act at this stage? One alternative is obviously to go into hibernation if one thinks that the current situation is lasting. More and more people appear to argue that "if we don't do anything, at least we won't do anything wrong." I do not share this opinion. Even if we are struggling with problems in several of our companies, we must at the same time be active in our search for new and interesting business propositions. If we look back at history, we will certainly see that the best deals were done precisely when times were turbulent and when the level of uncertainty was significant.

Traction is still highly liquid and has good preparedness for new business. We have no debt at the parent company level and our operating companies have only modest bank facilities. In today's grim business climate it should be possible for Traction to identify several new and interesting business situations that can generate a high return in the longer term – provided we do the right things. At the same time we cannot allow ourselves to shut our eyes to the great challenges several of our companies are facing because new orders have slowed and capacity utilisation is down to critical levels. In this uncertain environment we will continue to work hard to limit the risk level without overly impeding on the company's growth opportunities when the economic tide turns. This may sound simple, but is actually very difficult to accomplish in practice.

Unfortunately I don't think that we are going to see much in the way of improvement during 2009, or even in 2010. This puts our companies under enormous pressure. Those who fail to cut costs sufficiently, and do not streamline their operations now, stand the risk of elimination – unless the shareholders are prepared to infuse more capital. The number of new issues floated by listed companies will also increase substantially due to unreasonable leverage, at the same time as underlying demand ebbs. Taken together, this opens exciting opportunities for Traction to participate in the refinancing of basically interesting companies over the year or two.

Today's debate about salaries, bonuses and imaginative pension agreements at our large companies may well hurt smaller companies. Runaway compensation in the big companies spreads to lower levels and boards of directors, ultimately also affecting smaller and medium-sized companies. Not only is this high compensation expensive, but it also gives rise to excessive risk-taking. Those who are too well compensated, and wrongly compensated, will be useless in their regular capacities, and also as board members in other companies. When the mistakes and the excessive risk-taking is also rewarded with compensation as well as new assignments instead of notices of termination and dismissal, we are faced with even greater problems. However, it would be unfortunate if today's debate leads to a negative attitude towards variable compensation, since this form of pay constitutes an important component of compensation to leaders of smaller companies. It is quite reasonable for managers who deliver good results to make good money, but also to face negative consequences of inferior performance rather than be rewarded for those as well. I am convinced that Traction, with both financial strength and long experience in developing companies, can contribute to a sound development that resonates with associates, customers and financiers.

Stockholm, March 2009

Petter Stillström  
President & CEO

# Traction's business

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

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

## Customer relationships

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

The company's business model and strategy must always be subordinated to what the customers want and are willing to pay for. The business model should be seen as a hypothesis that is verified by paying customers. Close co-operation with the customers creates the potential for the company to shift focus quickly to what actually works in the marketplace. The possibility of success is at its greatest when the company ensures that it capitalises on every emerging business opportunity and only proceeds with the products and services that customers demand and pay for.

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

## Capital flows

One additional cornerstone of Traction's methodology is based on a functioning capital flow, achieved by creating revenue before costs. By selling first and buying later, the company can let revenue control the level of costs acceptable to the company. The support of customers and the building of confidence in the company's ability to deliver the promised product/service is a prerequisite for success in this area. Capital tied up is substantially reduced and the need for financing can also be reduced, at the same time as risks are minimised.

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

## Risk management

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

The company's core business should comprise those products and services where the company excels and which can form a basis of support for the company's profitability and expansion. Products and services not part of the core business operations should be outsourced to specialists in these areas, with the aim of reducing operational complexity. If the company is focused on the products and services where it excels, the total business risk will diminish to reasonable levels.

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

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

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

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

## Traction's methodology in brief

### **To create income before expenses**

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

### **To minimise fixed costs**

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

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

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

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

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

### **To capitalise on opportunities**

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

### **To avoid risks**

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

# Traction's formula

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

## **FACTOR 1 ASYMMETRIC RISK PROFILE**

Traction's capital infusion in its portfolio companies is relatively low. In part, this is Traction's way of getting paid for its very active ownership, in part it is a function of the implementation of Traction's capital-extensive business methodology in the portfolio companies. This results in a relatively small capital infusion in each respective project, which in turn means a limited risk, at the same time as a small capital base gives rise to a higher return. All we stand to lose is our stake – but the gain can be many times that stake.

## **FACTOR 2 GROWTH WITH PROFITABILITY**

With Traction as a partner, the goal is always to achieve growth while maintaining profitability. With Traction's participation, it is often possible to accelerate the rate of growth because the entrepreneur/company management has a strong and competent partner at their side – a partner who, in addition to management support, will bring to the company its experience of different types of change, corporate acquisitions, etc.

## **FACTOR 3 REVALUATION SITUATIONS**

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

- If a company becomes an attractive buy-out target for an industrial investor, its value can be multiplied many times over.
- If a company becomes listed in a marketplace, the value can be multiplied several times, at the same time as additional capital can be raised, and this, coupled with Traction's methodology, increases the chances for long-term growth.
- When a company suffers acute profitability and liquidity problems, its value falls drastically. The revaluation profits to be made by those with the courage to accept the challenge of successful reconstruction work are both very rapid and massive.
- The value of under-capitalised companies with a competent management and interesting projects increases if they are given additional capital. And if it is subsequently possible to steer the company to a higher level, the returns can be extreme.
- The drop in value of over-capitalised companies is less than the amount taken out of them.
- Valuable companies hidden within other larger companies can also be helped to emerge into the limelight and their value is thereby increased.

## **RESULT HIGH PROFITABILITY**

Each of the above-mentioned factors leads to a growth in value. Traction's job is to ensure that all three factors are combined, which leads to high leverage on capital infused. Historically, Traction has demonstrated its ability to combine its work alongside the entrepreneurs with its methodology and its skilled project managers to achieve a consistently high return over an extended period of time.

# Traction's universe

TRACTION WORKS WITH SEVERAL TARGET GROUPS

## Entrepreneurs who:

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

## Active partners who in co-operation with Traction:

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

## Company managements, company presidents, owners who:

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

## Financiers, owners, reconstruction specialists who:

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

# Business organisation

Traction's business consists of actively participating in the development of our portfolio companies and assisting them in every kind of situation. The focus is on developing and refining companies, using Traction's business philosophy and approach to entrepreneurship. Traction's central organisation is made up of a group of Venture Managers/Project Managers who are responsible for a number of engagements and who are also charged with the task of finding new projects. Traction also has an analyst who actively oversees the stock market for the purpose of identifying investment opportunities. In addition to its Venture Managers the company has a smaller department for finance and administration. Traction's business organisation also includes a network of co-operation partners who participate actively, or have participated in the development of Traction's associated companies, such as entrepreneurs, owners, directors, members of senior management and financiers. When necessary, Traction's Venture Managers assume operational responsibility for running the portfolio companies in conjunction with the implementation of change projects. Traction's Venture Managers collectively have a broad competence base, which means that Traction is able to offer expertise in the fields of sales, marketing, organisation, financial control and legal issues.

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

**Tomas Ståhl**, Chief Financial Officer since April 2009, born 1971, B.Sc. (Business Administration). Previously active as group controller.

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

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

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

**Gunilla Håkansson**, Controller, born 1953, worked at Traction since 2005.

**Paula Hokkanen**, Financial assistant/reception, born 1982. Worked at Traction since 2008.

# Listed active holdings

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

## DRILLCON AB

Drillcon is Europe's largest company in diamond core boring and a major raise boring contractor. Drillcon has been active in that industry since 1963. Drillcon is listed on First North on the Stockholm Stock Exchange. Additional information is available at [www.drillcon.se](http://www.drillcon.se). Traction is a major owner of Drillcon since autumn 2008.

## DUROC AB

Duroc is an industrial group that owns and develops industrial trading operations in a number of segments. Its subsidiaries are divided into business areas industrial trading and technology/production. Duroc is listed on OMX Nordic Exchange Stockholm (the Small Cap list). Additional information is available at [www.duroc.se](http://www.duroc.se). Traction is a part owner of Duroc since 1993.

## HIFAB GROUP AB

Hifab is the Nordic Region's largest project management firm in the sectors building, construction, installation, environment, climate and IT. Internationally, Hifab also offers its services to aid organisations and then with services in the fields of construction, education and training, social development, institutional and rural development, etc. Hifab's environmental specialists work with environmental investigations and surveys, environmental impact reports in a variety of industries. Since 2008 Hifab also includes People to People that offers qualified IT services for operation, design and management of IT environments. Read more about Hifab at [www.hifab.se](http://www.hifab.se). Hifab is listed on First North on the Stockholm Stock Exchange. Traction is a part owner of Hifab since 2005.

## NILÖRNGRUPPEN AB

Nilörn is today a leader in Europe in labels, with knowledge and experience from label production for more than a century. The company has offices and production facilities in Sweden, Denmark, France, Switzerland, Germany, Belgium, England, Portugal, Hong Kong, India and Turkey. Nilörn is listed on OMX Nordic Exchange Stockholm (the Small Cap list). Additional information about Nilörn is available at [www.nilorn.se](http://www.nilorn.se). Traction is a part owner of Nilörn since 2005.

## NORDIC CAMPING & SPORTS AB

The company has as its business concept to develop camping sites under a common concept. Additional information is available at [www.nordiccamping.se](http://www.nordiccamping.se). The company's shares are traded on Aktietorget. Traction is a part owner of Nordic Camping since 2005.

## PARTNERTECH AB

Partnertech develops and manufactures products on a contract basis for leading companies, primarily in the fields of telecommunication, information technology, engineering industry and medical technology. Partnertech is listed on OMX Nordic Exchange Stockholm (the Small Cap list). Additional information about Partnertech is available at [www.parnertech.se](http://www.parnertech.se). Traction is a part owner of Partnertech since autumn 2008.

## SOFTRONIC AB

Softronic is an IT and management company with a business concept of improving its customers' operations with the latest in information technology through long-term partnership. Softronic has an all-encompassing approach to change, which means that the company can support its customers in everything from strategy to structure, including organisation, processes and IT. Softronic is listed on OMX Nordic Exchange Stockholm (the Small Cap list). Additional information about Softronic is available at [www.softronic.se](http://www.softronic.se). Traction is a part owner of Softronic since 2001.

## SWITCHCORE AB

The object of the company's business is now to manage the company's capital and to find the most beneficial way to create value for its shareholders by utilising its considerable tax-loss carryforwards of about SEK one billion. The company's shares are traded on Aktietorget. Traction is a major owner of Switchcore since 2007.

# Unlisted holdings/Venture

(ownership <50%)

In Traction's unlisted projects we cooperate with entrepreneurs who are large owners in their companies. The business concept is – as partner to these entrepreneurs – to develop growth companies. With Traction as a business partner the entrepreneur is able to generate the prerequisites for profitable growth. We contribute to the development of the company and then sell our stake – preferably together with the entrepreneur – and then – hopefully – realise a healthy profit. The entrepreneur consequently does not make a profit when we move in – they “buy” us in. Several of the companies involved in Traction's current venture engagements are led by a hired CEO, because Traction's partner no longer has an operative role of this nature. In certain projects Traction works with other active owners, at the same time as operations are led by a president who is not a significant owner of the company. The simple way to describe Traction's role as that of an organised business angel operation where we also co-operate with individual business angels who want a partner. For more detailed information about Traction's venture projects, please refer to Traction's website [www.traction.se](http://www.traction.se) and to each respective company's website.

## BANKING AUTOMATION LTD

Banking Automation is a British company that develops, designs and manufactures self-service deposit machines – a sort of reverse ATM – and change machines, primarily for banks, but also for transport companies, shopping malls and the like. The machines are placed both as free-standing units within the bank's premises and as “in-the-wall” machines that open to the street, and in unmanned bank branch offices. Banking Automation was founded in 1984 and has an installed base of over 9,000 units with clients that include the leading financial institutions. Sales are via a well-developed network of agents.

Additional information about Banking Automation is available at [www.bankingautomation.com](http://www.bankingautomation.com). Traction is a part owner of Banking Automation since 1986.

## BRICAD HOLDING AB

Bricad's business concept is make investments in companies with a good development potential and to take an active role in those companies' development. The businesses in Bricad Holding are today the following: Vallentuna Centrum AB owns and manages centre properties in Vallentuna. The rentable space is approximately 35,000 square metres, divided into office and retail space. The owner is Bricad (50 percent) and GE Real Estate (50 percent). Duroc AB is an industrial group Bricad owns about 10 percent. Bwell AB sells products for health and health care. Bwell has today delivered massage chairs, strength exercise and keep-fit equipment to more than 3,000 customers. Bricad's ownership stake is 50 percent. More information about Bricad is available at [www.bricad.se](http://www.bricad.se). Traction is a part owner since 1997.

## GEODYNAMIK AB

Geodynamik develops and markets measuring instruments for the control and quality assurance of compaction of soil and asphalt in connection with the building of roads, railways, airports, trash, factories and properties. Traction is a part owner since 1983. Additional information about Geodynamik is available at [www.geodynamik.se](http://www.geodynamik.se).

## RECCO HOLDING AB

RECCO<sup>®</sup> is a life-saving system used by more than 500 life-saving organisations world-wide as an effective aid in locating avalanche victims. RECCO is based on radar technology, which allows for rapid and exact locating of victims. The system is comprised of two parts and consists of RECCO detectors used by organised rescue groups and RECCO reflectors attached to the ski boot or built into skiing equipment, such as clothing, helmets and ski boots. The reflectors require no knowledge to be used, nor are they dependent on a supply of electrical power. Even though there are similarities with active emergency transmitters, the RECCO system is not intended to be a self-rescue system, or an alternative to using an emergency transmitter. The system is not in the way of other rescue methods, such as dogs or emergency transmitters for instance. Instead the system functions as a complement to other systems. The RECCO system allows much faster organised searching for victims and gives skiers and snowboarders one more chance of being saved in time. The RECCO system is established at all skiing resorts of distinction in the world, now about 350 locations. Traction is a part owner since 1988. Additional information about RECCO is available at [www.recco.com](http://www.recco.com).

## SIGICOM AB

Sigicom develops and markets sensors, measuring systems and communications solutions for unmanned surveillance, primarily of vibrations and noise in industry and infrastructure. The systems automatically send measurement data with intelligent communication to a central database where it is compiled in a web-based interface. There is a major efficiency improvement potential for Sigicom's customers to simplify the installation of measuring equipment and to automate measurements. The measuring instruments are extremely accurate and Sigicom also offers support and regular calibration. Traction is a part owner of Sigicom since 1997. Additional information about Sigicom is available at [www.sigi.com](http://www.sigi.com).

# Subsidiaries

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

## ANKARSRUM BOLAGEN

In 2001 Traction took over the then FHP Elmotor AB from Electrolux. Ankarsrum Bolagen today consists of several companies briefly described below. More information about the operations is available at [www.ankarsrum.com](http://www.ankarsrum.com). Ankarsrum Fastighets AB owns and manages the Group's property consisting of approximately 30,000 square metres of premises.

### **Ankarsrum Motors AB**

Ankarsrum Motors AB develops and manufactures components that are built into customers' products, components that include electric motors and one or several other functions, such as transmission, brake, fan, control, etc., welding feed motors for instance. The company also sells stand-alone electric motors. In the welding feed motor area and for certain specific types of electrical motors Ankarsrum is one of the leading, independent producers in Europe. Ankarsrum's welding feed motors command a world-leading position in its segment, where the production is characterised by solutions adapted to customer requirements with demand for high quality in the end products. Among the customers are the world's leading producers of welding equipment. Ankarsrum's competitive advantage is a high level of automation in production and a highly skilled development department that builds customised solutions and various application modules. The company also assembles and packs complete household appliances.

### **Ankarsrum Assistent AB**

Ankarsrum Assistent AB sells the classic Assistent® kitchen machine, which was taken over from Electrolux during 2009.

### **Ankarsrum Die Casting AB**

Ankarsrum Die Casting is a high-tech casting company that works with products in aluminium and zinc. During 2007 and 2008 there was major expansion of the business in order to streamline and respond to the increased demand for die-cast components. The expansion has among other things resulted in highly efficient machining cells to meet growing demands for precision and flexibility. Die Casting's customers are found among companies in industries such as the vehicle and white goods industries.

## GNOSJÖPLAST AB

Gnosjöplast, located in Gnosjö in Småland, is a processor of different types of plastics through the two manufacturing methods injection moulding and blow moulding. Production is dominated by air ducts, chassis and engine room components, advanced containers for the vehicle industry and other products for other manufacturers. Gnosjöplast has a total shop area of 15,000 square metres and a fleet of large-capacity machines, both for injection moulding and blow moulding. The property is owned by Traction's subsidiary Gnosjöplast Fastighets AB. The company's injection moulding machines have a clamping force of between 160 and 1,600 tonnes. When it comes to blow moulding, conventional as well as three-dimensional, Gnosjöplast can produce article volumes from 0.5 to 1,500 litres. Traction has been involved with Gnosjöplast since 2001. Additional information about Gnosjöplast is available at [www.gnosjoplast.se](http://www.gnosjoplast.se).

## ZITIZ OCH SOURZE

Zitiz is an internet newspaper written by its readers. The motto is: You are the media! The venture is in a start-up phase. Zitiz has so far created a first version of a technical platform for its medium, opened a few newsrooms and has begun to publish articles. The site is available to the public at [www.zitiz.se](http://www.zitiz.se), where readers can study the contents, search for, send and comment on published articles. One can also register as a reporter and begin to deliver material to the different newsrooms. The editorial system makes it easy for editors to publish articles and to communicate with reporters. The intention is to offer interesting communication with niched target groups to corporate customers.

Web newspaper Sourze, also a web newspaper based on citizen journalism, was acquired during 2008. Read more at [www.sourze.se](http://www.sourze.se). Traction started Zitiz in 2007.

# Corporate Governance Report 2008

This corporate governance report for 2008 and the report of the Board of Directors on internal control has not been examined by the Company's external auditor. These reports do not constitute a part of the formal Annual Accounts documents.

## Corporate governance

AB Traction ("Traction") is a Swedish public limited liability company, the Class B shares of which are listed on OMX Nordic Exchange Stockholm. Traction and the Traction Group adheres to the Swedish Companies Act, the body of regulations for issuers on OMX Nordic Exchange Stockholm, other applicable laws and regulations and, from 1 July 2008, The Swedish Code of Corporate Governance ("The Code"). The Articles of Association is also a basis for governance of the Company. The contents of the Articles of Association are governed by the Swedish Companies Act and is adopted by the Annual Meeting. Traction's Articles of Association are available at Traction's website, [www.traction.se](http://www.traction.se).

## Annual Meeting

The general meeting of shareholders is the Company's highest decision-making body. Here Traction's shareholders decide on central issues, such as adoption of income statements and balance sheets, dividend to shareholders, composition of the Board of Directors, discharge from responsibility for the directors and the President, amendments to the Articles of Association, election of auditor and principles for compensation to management. Preparations for and procedures at general meetings of shareholders shall be such that conditions exist for shareholders to exercise their right in an active and well informed manner.

Shareholders whose names are entered in the share roister on the record day and who file notice to attend the general meeting of shareholders, either personally or by proxy, have the right to attend and vote at the meeting. Every shareholders has the right to have one issue dealt with by the Annual General Meeting.

Information about time and place for the Annual General Meeting will be found at Traction's website, not later than in conjunction with the third quarterly report. The website also provides information on what shareholders have to do to have an issue brought before the Meeting. The President & CEO, at least one representative of the nomination committee and one auditor must be present. The Chairman of the Board of Directors must be present and a sufficient number of directors to constitute a quorum, if possible, all directors.

## Nomination committee

Traction shall have a nomination committee to safeguard the interests of the shareholders and which prepares the resolution of the general meeting of shareholders with respect to election of chairman, directors and auditors and the fees for same.

The nomination committee shall consist of two representatives of the owners. The composition of the nomination committee is a departure from the body of regulations of the Code. The reason for this is that the ownership situation is simple and concentrated.

The website contains information on how shareholders may make suggestions to the nomination committee. The recommendation of the nomination committee is announced in connection with the notice for the Annual General Meeting.

## Board of Directors

Traction's Board of Directors consists of five directors. At the 2008 Annual General Meeting all directors were re-elected, Petter Stillström, Jan Andersson, Pär Sundberg, Jan Kjellman and Bengt Stillström. Bengt Stillström was appointed to serve as Chairman of the Board of Directors. The Annual Report contains a description of the directors.

The Board of Directors is charged with the overall responsibility for the Company's organisation and management of the Company's affairs. The Board of Directors makes decisions about the Company's over-arching goals, strategies acquisitions, disposals and investments, and ratifies the financial reporting and makes decisions regarding the Group's financial structure. The Board of Directors is charged with responsibility for the existence of adequate control of the Company's compliance with laws and other rules and regulations, and that the Company's communication of information is open, correct, relevant and reliable.

The rules of procedure for the Board of Directors, and the instructions on the division of responsibility between the Board of Directors and the chief executive, is evaluated, updated and adopted annually. Traction's Board of Directors has not set up any committees within itself; instead, the Board of Directors in its entirety deals with board-of-directors issues. Once per year the Board of Directors shall evaluate the procedural forms of the Board of Directors and its effectiveness. The Board of Directors shall evaluate the work of the chief executive at least once per year. Nobody from the Company's management may be present when this issue is dealt with.

The Board of Directors holds four regularly scheduled meetings and one statutory meeting per year. The regularly scheduled meetings take place in conjunction with publication of interim or annual financial statements. In addition hereto, Board of Directors meetings are held as needed. All directors are provided with a proposed agenda, including documentation, before each meeting

During 2008 four regularly scheduled meetings were held, and one statutory meeting in connection with the Annual General Meeting. Strategic issues, the Company's and the Group's financial position and development, the financial reporting and control, personnel and organisational issues, legal matters and the development in financial markets were dealt with at all meetings. The Company's auditor was present at two meetings, and at one of them the audit report was presented. The work of the chief executive was evaluated at one meeting, at one meeting the Board of Directors evaluated its own work, and at one meeting the Company's future strategy and goals was under special scrutiny. All decisions of the Board of Directors during 2008 were unanimous.

2008			Attendance		Independence	
Name of member	Elected	Fee	Regular Board of Directors meetings	Statutory Board of Directors meetings	Relative to the Company and its management	Relative to major shareholders
Bengt Stillström (Chairman)	1974	0	4/4	1/1		
Jan Kjellman	2005	75,000	4/4	1/1	X	X
Jan Andersson	2005	75,000	4/4	1/1	X	X
Petter Stillström	1997	0	4/4	1/1		
Pär Sundberg	2005	75,000	4/4	1/1	X	X

## The Chief Executive

The President and Chief Executive Officer is responsible for day-to-day management and control of the Group's operations. This includes implementing the Group's over-arching strategy, business control, compiling and supervising the financial reporting, allocating financial resources and assuming responsibility for financing and risk management. The rules of procedure for the Board of Directors govern the division of responsibilities between the Board of Directors and the President & CEO. The Board of Directors evaluates the performance of the President & CEO once a year at a meeting when nobody else from the Company's management participates.

## Compensation

The principles for compensation to the chief executive and other members of senior management are suggested by the Board of Directors and govern fixed annual salary, variable compensation, pension and other benefits. These principles shall subsequently be ratified by the Annual General Meeting. Traction's Board of Directors has chosen not to appoint a separate compensation committee. Instead, the Board of Directors deems it to be appropriate for the Board of Directors in its entirety to fulfil the duties of the compensation committee.

The guidelines for compensation to members of senior management essentially mean that reasonable terms and conditions for employment are applied. Members of senior management may receive variable salary in addition to fixed salary.

No changes in principles are suggested for 2009 in comparison with those adopted for 2008.

Decisions on compensation and other terms and conditions for employment for the chief executive are made by the Board of Directors. The compensation and other terms and conditions of employment for other members of senior management are negotiated and agreed upon by the President & Chief Executive Officer.

## Audit

Auditor is elected by the general meeting of shareholders for a term of four years. The present auditor is Carl Lindgren, KPMG, elected in 2007. Deputy auditor is Ulf Sundborg, KPMG, elected in 2007. Carl Lindgren is also an auditor of Nordea, MTG and Investor. The auditor examines AB Traction's Annual Accounts, consolidated financial statements and the management by the Board of Directors and the President & CEO. The compensation to the auditor is resolved by the Annual General Meeting. At the 2008 Annual General Meeting it was resolved that the fee to the auditor shall be paid in accordance with approved invoice.

# Ownership policy for listed companies

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

- A company shall always be run on behalf of its owners and to afford the maximum possible return for those owners.
- Major shareholders should be represented in the company's Board of Directors.
- A principal owner has the ultimate responsibility and the authority to initiate changes to operations, business concepts, the company's management, the composition of the Board of Directors, major transactions and acquisitions.
- A principal owner should consult with other major owners and explain the owners' intentions to the Board of Directors and corporate management, and ensure that suggestions for new board members are presented.
- The Board of Directors and management shall also gather and embrace the intentions of the owner and work in line with the specified orientation.
- Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
- The Chairman of the Board of Directors or the principal owner must gain support for major structural changes from the largest owners.
- A principal owner may not grant favours to himself or herself at the expense of the company, but shall be entitled to reasonable compensation for his or her participation in the management of the company.
- In the absence of a principal owner, the major owners should consult and formulate a form of corporate governance to compensate for the lack of a principal owner.
- In the absence of a principal owner or group of major owners who take responsibility, it shall be incumbent upon the Chairman, with the aid of the Board of Directors, to compensate for the lack to the best of his or her ability.
- The Board of Directors should be composed of persons with large personal shareholdings and other persons who can contribute to the development of the company, and who have the time to be actively involved.
- The composition of the Board of Directors should be such that it includes numerous different skills, fields of experience and contact interfaces.
- Traction wants to see a business-like and active Board of Directors, that knows its company and its business environment well, and that can complement and support the Chief Executive. The Board of Directors shall make critical decisions regarding the company's strategies, orientation, major transactions and other significant events.
- The Board of Directors shall exercise effective control over the company's finances, risks and opportunities. The Board of Directors works on behalf of the owners.
- As a major owner, Traction always wants to participate in nomination committee work.
- The nomination committee should be composed solely of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the nomination committee.
- Traction wishes at all times to appoint at least one director in companies in which Traction has a major shareholding, and, when Traction is the principal owner, also the Chairman.
- Traction intends, at all times and in all companies, to implement Traction's business development methodology and expects other directors and corporate managers to work in the same spirit.
- The company shall have zero tolerance for arbitrary conduct.
- Option programs to employees should only be offered with on terms adjusted to market conditions so that taxation is as income from capital rather than income from employment.
- Private placement of new shares with major owners are welcome in smaller companies, which thereby can keep the new issue costs low, avoid negative effect on the market price of the share and also get a better ownership structure.

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

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

# Traction from an investor perspective

	Number of shares (thousands)	Stake % (votes)	Market price (SEK)	Carrying value (MSEK)	% of total	SEK per share
<b>Listed active holdings and stake &gt;10%</b>						
Drillcon	4,961	11(11)	1.7	8	1	
Duroc	1,601	22 (26)	14.9	24	2	
Hifab Group	12,364	41(35)	3.1	38	3	
Nilörngruppen	585	22 (31)	27	16	1	
Nordic Camping & Sports	980	22 (22)	4.5	4	0	
Partnertech	1,227	10 (10)	15.5	19	2	
Softronic	11,178	23 (21)	5.2	58	5	
Switchcore	111,000	18 (18)	0.05	6	1	
<b>Total active listed holdings</b>				<b>173</b>	<b>15</b>	<b>11</b>
<b>Other listed holdings</b>						
SCA B	700	–	66.8	47	4	
Statoil ASA	200	–	125.4	25	2	
Swedbank Preferred	475	–	44.4	21	2	
Sandvik B	400	–	48.9	20	2	
Listed holdings value MSEK <20/holding				150	13	
<b>Total other listed holdings</b>				<b>263</b>	<b>23</b>	<b>16</b>
<b>Subsidiaries</b>						
Ankarsrum Diecasting AB		100				
Ankarsrum Motors AB		100				
Ankarsrum Fastighets AB		100				
Gnosjöplast AB		100				
Gnosjö Fastighet AB		100				
<b>Total subsidiaries</b>				<b>45</b>	<b>4</b>	<b>3</b>
<b>Unlisted holdings</b>						
Banking Automation		45		17		
Bricad Holding		47		42		
Recco Holding		49		60		
Other unlisted holdings				4		
<b>Total unlisted holdings</b>				<b>123</b>	<b>11</b>	<b>8</b>
<b>Financial assets in central Traction</b>						
Financial investments				30		
Loans to subsidiaries				72		
Other loans*				30		
<b>Other financial assets</b>				<b>132</b>	<b>11</b>	<b>8</b>
<b>Cash and cash equivalents</b>						
				<b>411</b>	<b>36</b>	<b>24</b>
<b>TOTAL</b>				<b>1,147</b>	<b>100</b>	<b>70</b>

\* Short-term loan to the Hifab Group

The above compilation shows how the Group's equity is distributed. In addition interest-bearing investments, financial investments also include investments in shares where the return is mainly of an interest character. These assets are carried in the consolidated balance sheet as equity assets, however. In the opinion of the Company, the above compilation provides a more true picture of Traction's financial position the consolidated balance sheet, which includes the operating subsidiaries.

# Five-year Overview

Pro forma\*

MSEK	2004	2005	2006	2007	2008
<b>Income Statement</b>					
Operating income	395	317	314	309	380
Operating expense	-413	-332	-335	-326	-384
Change in value of securities	205	305	187	73	-189
Operating result	187	290	166	56	-193
Net finance items	4	1	10	26	22
Taxes	2	0	-1	-1	0
Discontinued operations	-	19	-	-	-
<b>NET RESULT FOR THE YEAR</b>	<b>193</b>	<b>310</b>	<b>175</b>	<b>81</b>	<b>-171</b>
<b>Balance Sheet</b>					
Non-current assets, not including shares	111	91	103	141	121
Shares	721	718	593	557	584
Non-current assets	155	142	103	152	121
Cash and cash equivalents	28	346	646	653	421
<b>TOTAL ASSETS</b>	<b>1,015</b>	<b>1,297</b>	<b>1,445</b>	<b>1,503</b>	<b>1,247</b>
Shareholders' equity	833	1,137	1,297	1,348	1,147
Long-term liabilities and provisions	20	20	21	28	17
Current liabilities	162	140	127	127	83
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,015</b>	<b>1,297</b>	<b>1,445</b>	<b>1,503</b>	<b>1,247</b>

# Ten-year Overview

Pro forma\*

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net result for the year, MSEK	275	108	118	-127	58	193	310	175	81	-171
Shareholders' equity, MSEK	637	680	781	612	656	833	1 137	1 297	1 348	1 147
Equity ratio, %	86	80	74	77	77	82	88	90	90	92
Return on equity, %	77	17	18	-17	9	30	38	15	6	-13
Equity per share, SEK***	37	40	47	37	40	50	69	78	82	70
Earnings per share, SEK***	4	21	7	-8	3	12	19	11	5	-10
Dividend per shares, SEK***	0.12	1.05	1.28	0.50	0.80	0.93	0.93	1.10	1.85	2.50**
Dividend yield, %	0.5	3.0	3.7	1.9	3.0	2.5	1.6	1.4	2.7	4.6**
P/E ratio	7	2	5	-	8	3	3	7	14	-
Market price at year-end, SEK***	25	35	35	26	27	37	60	76	68	54
Market price/Equity	1.16	0.85	0.75	0.71	0.68	0.74	0.87	0.97	0.83	0.77
Number of shares outstanding at year-end, thousands	5,670	5,616	5,589	5,515	5,515	5,515	5,515	16,545	16,367	16,367
Average number of shares outstanding at year-end, thousands	5,670	5,658	5,592	5,547	5,515	5,515	5,515	16,545	16,512	16,367

\* In the above pro forma accounting referring to the period until 2005, the change in value on listed holdings is included in profit.

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

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

# Traction's return

## Return on reported shareholders' equity after taxes

	Annual return, %	Year
Worst year	-17	2002
Best year	77	1999
Ten-year average	18	99-08
Five-year average	15	04-08
Traction's goal	25	all years

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## Definitions

### **Equity/assets ratio**

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

### **Earnings per share**

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

### **Equity per share**

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

### **P/E ratio**

Market price divided by earnings per share.

### **Return on equity**

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

### **Dividend yield**

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

# A small selection of transactions over the past five years

**2004** Traction turned 30. Subsidiary Silva Plastic Center was sold. Became joint owner in SMA Maskin together with a number of private individuals. Staffing company Arvako was sold to the global staffing company Randstad. Financed share purchases in Hifab for a number of private individuals. This led to a situation where a new board of directors could be appointed. AcadeMedia made three acquisitions during the year: Företagspoolen, Reagens and Inductus, turned around to profit and was the year's winner in the stock market with a rise of 448 percent. Underwrote an issue and became joint owner in Nextlink in connection with the company's listing on the NGM OTC-list. Bombus merged with Scoop Publishware. Duroc floated its associated company Impact Coating on Nya Marknaden, an issue that was underwritten, in part, by Traction. Increased the stake in Duroc. Duroc's German associated company, Leipzig Rail Service GmbH, expanded through acquisitions. A strong stock market, with JC and Know IT showing gains of 157 percent and 93 percent, respectively, contributed to the year's strong result.

**2005** Profit after taxes amounted to MSEK 310, which is Traction's best result to date in accordance with the new accounting principles. Sold shares in project companies for MSEK 296, most of which refers to Traction's entire holding in Know IT and JC, and most of the class B shares in AcadeMedia. The holdings in Nextlink and Biophasia were sold at a good profit. Most of our shares in Sigicom AB and Scoop Publishware were sold to the companies' respective principal owners. Became joint owner during the year in Edilen, which in turn is the majority owner in Hifab. Engaged ourselves in Nordic Camping & Sports AB. TBookHolding sold its business to Softronic against payment in Softronic shares. Bricad sold its properties in Åkersberga at a good profit. Acquired a major holding in Nilörngruppen. The Haldex share performed well (+27 percent), Duroc (+29 percent) and Softronic (+55 percent) contributed to the year's result.

**2006** Profit after taxes amounted to MSEK 176. Subsidiary Tolerans was sold, generating a capital gain of MSEK 100. Traction has been a part owner in Tolerans since the spring of 1995 and the company has performed well ever since, with revenue rising from approximately MSEK 30 to MSEK 96 during 2005, with sharply rising profitability. Close to half of the holding in Haldex was sold for about MSEK 230, which meant that the original investment was recouped. Increased the stake in AcadeMedia from 5 percent to 19 percent of capital. Became a major owner in Mandator and gained board representation. Acquired just over 12 percent of the shares outstanding in EIAB and became the company's second largest owner. Extensive restructuring work in Ankarsrum Industries, Gnosjöplast and Thalamus Networks in the quest for creating profitability. Bricad sold its property in Vallentuna Centrum, becoming a fifty percent owner of Vallentuna Centrum AB, which acquired a number of central properties in Vallentuna Centrum. Swedish Tool merged with Wikman & Malmkjell. Strong earnings performance in, among other, Banking Automation, Swedish Tool and RECCO, resulting appreciation of the unlisted holdings by MSEK 45.

**2007** The entire holding in AcadeMedia was sold. Traction has been a part owner of the company since the start in 1994. During January 2007 AcadeMedia acquired NTI independent schools and became a substantially larger company and was considerably revalued in the stock market. In that situation Traction elected to sell its holding. All shares outstanding in EI & Industrimontage were sold after a bid from the company's founder and principal owner. More Haldex shares were sold. The holding in Mandator was sold to Fujitsu Services in connection with a public tender offer. The unlisted Swedish Tool was sold to Duroc for cash and shares in Duroc. SMA Maskin was sold to the company's principal owner. Svecia East Ltd and Svecia Spares & Services were sold to the staff of the companies. A major block of shares in Switchcore were bought. Traction became the company's largest shareholder. A new investment was made in software company PSA Easy Interaction and a supplementary investment was made in Sigicom. Zitiz was started.

**2008** The result after taxes amounted to MSEK -171. The return on equity was -13 percent in a year when the Stockholm market dropped by some 40 percent. The loss relates to negative changes in value on long-term listed holdings and other and other equity investments where only a small number of losses was realised during the year. Unacceptably weak earnings performance by Traction's wholly owned subsidiaries and additional action is required before these companies will be profitable. New chief executive (Roger Kullman) took office in November. Revaluation of the unlisted holdings in Banking Automation, Bricad Holding and Recco by a total of MSEK -32. Net investments in listed companies amounted to MSEK 238. Purchase and sale of a large block of shares in Teleca (8.5 percent). Purchase of major blocks of shares in Bilia (3.6 percent), Drillcon (11.3 percent) and Partnertech (9.7 percent). Increased ownership in Switchcore to 17.9 percent. Increased the stake in Softronic from just over 10 percent to 20.9 percent of the votes. Thalamus Networks acquired Hifabgruppen with payment in own shares and cash. The earnings effect in connection with the tender offer for Hifab amounted to MSEK +43; the ensuing drop in the price of the shares in new Hifab during the autumn impacted Traction's result by MSEK +20. Zitiz acquired the internet newspaper Sourze. The active holding in PSA Easy Interaction was sold. The Group's subsidiaries rapid bank loans totalling MSEK 48 during the year. Participated in the underwriting of PA Resources' new issue and subscribed for convertible debentures in an amount of MSEK 47 in January 2009.

# The Traction Share

The share capital in Traction totals SEK 5,670,000, divided into 17,010,000 shares, 2,400,000 of which are class A shares and 14,610,000 of which are class B shares. A round lot is 100 shares. All shares entitle their holder to equal rights to the Company's assets and profit. Class A shares entitle their holder to 10 votes and class B shares entitle their holder to one vote at annual and extra meetings. Every person entitled to vote at annual and extra meetings may vote for the full number of shares owned and represented by, without limitation.

## Evolution of share capital

Year	Transaction	Increase in Number of shares	Increase in share capital, SEK	Total share capital, SEK	Number of shares	Quotient value of share, SEK
1994	Bonus issue	20	10,000	460,000	920	500
1994	Split	459,080	0	460,000	460,000	1
1995	Bonus issue	0	4,140,000	4,600,000	460,000	10
1997	Split	4,140,000	0	4,600,000	4,600,000	1
1997	New issue	700,000	700,000	5,300,000	5,300,000	1
1997	New issue	370,000	370,000	5,670,000	5,670,000	1
2005	Split	11,340,000	0	5,670,000	17,010,000	0.33

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

## Repurchases of own shares

Year	Number	Amount	Percentage
2000	163,050	6,471,150	0.96
2001	80,400	2,921,200	0.47
2002	221,550	6,616,500	1.30
2003	–	–	–
2004	–	–	–
2005	–	–	–
2006	–	–	–
2007	177,600	11,810,400	1.05
2008	–	–	–
<b>Total</b>	<b>642,600*</b>	<b>27,819,250</b>	<b>3.78</b>

\* On 24 February 2009 237,400 Class B shares were repurchased, equivalent to 1.5 percent of the capital, for just over MSEK 10 (SEK 44 per share). The total number of shares held in treasury thereafter amounts to 880,000 Class B shares, equivalent to 5.2 percent of the capital.

Shareholder	Class A shares	Class B shares	Total	Votes	Capital stake, %	Number of votes, %
Ann Stillström	315,000	2,727,000	3,042,000	5,877,000	18.6	15.5
Bengt Stillström	315,000	2,724,450	3,039,450	5,874,450	18.6	15.5
Petter Stillström, including companies	750,000	1,677,150	2,427,150	9,177,150	15.1	24.2
Hanna Kusterer		1,583,100	1,583,100	1,583,100	9.7	4.2
David Stillström		1,556,700	1,556,700	1,556,700	9.5	4.1
Niveau Holding AB*	1,020,000	500,460	1,520,460	10,700,460	9.3	28.2
Länsförsäkringar småbolagsfond		625,598	625,598	625,598	3.8	1.6
Traction Nouveau Pensionsstiftelse		220,300	220,300	220,300	1.3	0.6
SIX SIS AG		137,831	137,831	137,831	0.8	0.4
Avanza Pension		111,900	111,900	111,900	0.7	0.3
N.G.L Förvaltning		102,900	102,900	102,900	0.6	0.3
Åke Svensson		80,000	80,000	80,000	0.5	0.2
Bengt Månsson		77,250	77,250	77,250	0.5	0.2
Investment AB Spiltan		64,455	64,455	64,455	0.4	0.2
Other shareholders		1,779,356	1,779,356	1,779,356	10.9	4.7
<b>Total, not including shares held in treasury</b>	<b>2,400,000</b>	<b>13,967,400</b>	<b>16,367,400</b>	<b>37,967,400</b>	<b>100.0</b>	<b>100.0</b>
Traction shares held in treasury*		642,600	642,600	642,600	3.8	1.7
<b>Total, including shares held in treasury</b>	<b>2,400,000</b>	<b>14,610,000</b>	<b>17,010,000</b>	<b>38,610,000</b>	<b>100.0</b>	<b>100.0</b>

\* Owned by the Stillström family.

\* On 24 February 2009 237,400 Class B shares were repurchased, equivalent to 1.5 percent of the capital, for just over MSEK 10 (SEK 44 per share). The total number of shares held in treasury thereafter amounts to 880,000 Class B shares, equivalent to 5.2 percent of the capital.

### Size classes

	Number of owners	Shares	Capital stake, %	Proportion of votes, %
1-500	364	68,150	0.4	0.2
501-1,000	192	133,277	0.8	0.4
1,001-5,000	205	452,573	2.7	1.2
5,001-20,000	49	499,632	2.9	1.3
20,001-100,000	20	847,429	5.0	2.2
100,001-1,000,000	6	1,841,129	10.8	4.8
1,000,001-	6	13,167,810	77.4	90.0
<b>Total</b>	<b>846</b>	<b>17,010,000</b>	<b>100</b>	<b>100</b>

### Traction's share price

Traction's class B share has been listed on the Small Cap list of OMX Nordic Exchange Stockholm, Ticker: TRAC-B, since 24 May 2000. is Remium FK is market maker. Previously, since July 1997, the share was traded on NGM's share list. Traction's share price declined by 21 percent in 2008. At the end of 2008, the latest price paid was SEK 54 per share. The highest and lowest prices quoted for the share were SEK 74 and SEK 51.50, respectively.

### Price performance 2004-2008



### Dividend and distribution policy

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

# Board of Directors

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

**Jan Andersson, born 1951**, B.Sc. (Business Administration) and active as a consultant and director of Swedbank, Robur Fonder AB and FPG Media. Jan was previously active at Deutsche Bank, Alfred Berg and financial news magazine Affärsvärlden. Director since 2005. Shareholding: 1,900 class B shares.

**Jan Kjellman, born 1947**, economist and President of IKEA Food Services. Jan has had a long and varied career at IKEA. Director since 2005. Shareholding: 6,000 class B shares.

**Petter Stillström, born 1972**, President and CEO since 2001. M.Sc. (Business Administration). Director of Duroc (Chairman), Nilörgruppen and a number of unlisted companies in Traction's sphere of interest. Director since 1997. Shareholding, privately and via companies: 750,000 class A shares, 1,677,150 class B shares and part owner of the Niveau Holding AB.

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

## Auditors

**KPMG AB**

**Carl Lindgren, born 1958**, Authorised Public Accountant, auditor in charge. Traction's auditor since 2007.



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