TRACTION

Annual Accounts 2008

Contents

Board of Directors Report

The Board of Director and the President of AB Traction (publ), registration number 556029-8654, hereby submit their report of the Company's and the Group's business during 2008.

BUSINESS

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

IMPORTANT EVENTS DURING THE YEAR

Listed holdings

For the full year Traction records negative value changes on listed holdings of just over MSEK –190. Major changes in value among the listed holdings are Haldex, MSEK –34 and Softronic MSEK –11. The decline of the Stockholm Stock Exchange by approximately 40 percent during the year meant that the value of Traction's listed holdings was negatively impacted. Purchases of listed shares in large, Swedish, multi-national companies during the third and fourth quarters contributed to the weak result. Major transactions during the year were the sale of shares in Haldex for MSEK 49 (average price SEK 117.90 per share), the purchase of large blocks of shares in Drillcon (11.3 percent), Partnertech (9.7percebt) and Bilia (3.6 percent). Ownership in Switchcore increased to 17.9 percent. Ownership in Softronic increased from just over 10 percent to 20.9 percent of the votes. Thalamus Networks acquired Hifabgruppen with payment in newly issued shares in Thalamus and cash. Thalamus has subsequently changed its name to Hifab Group.

Unlisted holdings

Traction did not become engaged in any new unlisted companies during 2008. A revaluation of unlisted holdings took place during 2008 in the amount of MSEK +4.8. Reclassification of the holding in Hifab Group accounts for MSEK +36.9 hereof doing the period 1 January – 30 June 2008. The corresponding change in value of the listed holding in Hifab during the second half of 2008 amounted to MSEK –22.6. The values of the holdings in Recco Holding and Banking Automation have been reduced by MSEK 15 and MSEK 9.4, respectively, as a consequence of a lower level of profit. The holding in was reduced in value by MSEK 7.7, in part as a consequence of impairment in the value of Duroc. The value of the shares in Easy Interaction was reduced by MSEK 6.5. Since the end of 2008 Traction is no longer represented on the company's Board of Directors.

Subsidiaries

Traction's subsidiaries recorded higher revenue in 2008 than in 2007. The earnings performance remains unacceptably weak, however, and further action will be required before the companies are profitable.

Revenue and result

Net revenue of the Traction Group amounted to MSEK 355.0 (282.3). The operating result in the subsidiaries was MSEK –20.0 (–23.8). The change in value of securities was MSEK –188.7 (73.2), MSEK 4.8 (47.2) of which was revaluation of unlisted holdings. Major changes in value among the listed holdings are MSEK –34 in Haldex, MSEK –16 in Duroc and MSEK –11 in Softronic. Hifab was reclassified to unlisted holding effective as of 1 July 2008 by reason of the tender offer from Thalamus Networks. The change in value of the holding in Hifab until 30 June 2008 amounted to MSEK +42.6, which is included in the change in value of unlisted holdings. The corresponding change in value on the listed holding in Hifab during the period 1 July to 31 December amounted to MSEK –22.6. The aggregate change in value for the full year 2008 is MSEK 20.0. The consolidated net financial income amounted to MSEK 21.9 (26.1).

Investments and disposals

Net investment during the year in shares in listed companies amounted to MSEK 238.3 (–73.5). Investments during the year in shares in unlisted companies amounted to MSEK 0.9 (5.0). Shares in unlisted companies were sold for MSEK 18.1 (41.5).

Equity

Shareholders' equity as of 31 December 2008 amounted to MSEK 1,147.3 (1,348.5), equivalent to SEK 70 (82) per share.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 420.7 (652.8). In addition there were investments in interest-bearing assets and other lending in an amount of MSEK 60, plus the holdings in unlisted companies as set forth in Note 17. Accumulated cash flow amounted to MSEK –232.1 (6.9). Subsidiaries repaid bank loans during the year in the amount of MSEK 48.1. As of year-end, a wholly owned subsidiary of AB Traction had guaranteed a convertible debenture loan in PA Resources in a maximum amount of MSEK 50. Convertible debentures were subscribed for in January 2009 in a total amount of MSEK 47.

Parent Company

AB Traction's reported result for the period January – December amounted to MSEK –39,8 (–8,6). Cash and cash equivalents amounted to MSEK 399.3 (576.0) on the balance sheet. The Parent Company' equity ratio stood at 98 (99.7) percent. The Parent Company has no external loans. Other liabilities refer to acquired, but not yet paid-for shares. The Parent Company's surety liability was reduced during 2008 by MSEK 26.2 to MSEK 3.0 as a consequence of repayment of bank loans in the Group as outlined above.

Research and development

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

Personnel and environment

The number of employees in the Group during the year was 217 (185).

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.

Risks and factors of uncertainty

Below is a brief account of the most significant risks and factors of uncertainty facing the Group as well as the Parent Company. Principles for financial risk management applied by Traction are described in Note 25.

Business risks

Business risks include having a large exposure to a single industry, or an individual holding, changes in market conditions to invest or divest at a chosen moment. Traction's proportion of unlisted holdings was reduced during 2008. The risks of the overall portfolio is limited by the fact that it contains several investments in different segments of industry.

Financial risks

The main financial risks to which the Traction Group is exposed include price risks, i.e. the risk of changes in value of a financial instrument due to changes in either the share price, currency rates or interest rates. Most of the equity risk is centred in AB Traction's share portfolio. Traction measures its listed holdings using current market prices, which does not reflect the long-term value in companies where Traction is a major shareholder. The value of these major holdings will not materialise until there is sale. Only then will it be known if there is a premium or a discount compared to the current market price. In the opinion of Traction, current market price is the most reasonable method of current measurement of the listed holdings. The currency exposure is greatest in the Ankarsrum Industries Group and in Banking Automation. Interest risk is primarily inherent in the surplus liquidity since the portfolio of liabilities is minimal. Other risks that arise in the financial operations are liquidity, financing and credit risks, as well as operational risks. These risks are continually followed up by the organisation.

Other risks

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

Factors of uncertainty

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

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

The Board of Directors propose that the Annual General Meeting resolves guidelines for compensation of members of senior management involving that reasonable terms and conditions for employment are applied. The guidelines for compensation to members of senior management are unchanged from the preceding year. In addition to a fixed salary, members of senior management can also receive a variable salary. Variable salary consists of bonus linked to the companies' and Individuals' performance. Last year 10 percent (3.8) of the total compensation to Board of Directors and management was in the form of variable salary. Bonus agreements have a ceiling for maximum compensation. A mutual period of notice of six months applies between the Company and members of senior management. There are no other agreements for severance payment.

DISCLOSURE REGARDING THE *TRACTION SHARE*

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

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

Traction's pension trusts own 224,800 shares in Traction.

The Company is not party to any significant agreements that come into force, or are amended, or cease to apply where control of the Company were to change as a consequence of a buy-out. Beyond the aforementioned mutually agreed period of notice, there are no agreements between the Company and directors or employees that prescribe compensation quit, or are terminated without reasonable cause, or if their employment ceases as a consequence of a buy-out of shares in the Company.

Shares held in treasury

No shares were repurchased during 2008. Traction’s holding of shares in treasury is 642,000 Class B shares, equivalent to 3.8 percent of the number of shares outstanding and equivalent to a quotient value of MSEK 0.2. Shares are repurchased in the interest of improving the Company’s capital structure, thereby raising shareholder value. A total of MSEK 27.8 has been paid for repurchased shares. See also Note 22 and below about events during 2009.

The 2008 Annual General Meeting authorised the Board of Directors to repurchase own shares up to a maximum of 10 percent of the total number of shares outstanding.

DIVIDEND

The Board of Directors propose to the Annual General Meeting a dividend of SEK 2.50 (1.85) per share for the 2008 operating year. Pursuant to Traction's dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has investment company status under Swedish laws, the dividend is a tax-deductible expense.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

During 2008 Traction participated in an underwriting consortium for the convertible issue of PA Resources. The result was that In January 2009 Traction had to subscribe for MSEK 47 million of the issue. The convertible has a term of five years and can be converted into shares in PA Resources at a price of SEK 16 per share. The convertible carries an interest rate of 12 percent p.a.

An additional 492,207 shares (MSEK 7.9) was acquired in Partnertech. Traction thereafter holds 13.6 of all shares outstanding.

Acquisition of 836,825 shares (MSEK 24.3/ SEK 29 per share) in Nilörngruppen. Traction's ownership has increased to 53.8 percent of the capital and 51.2 percent of the votes. On 9 March 2009 Traction made an offer to all shareholders to purchase their shares for SEK 29 per share.

Repurchase of 237,400 class B shares equivalent to 1.5 percent of the capital for just over MSEK 10 (SEK 44 per share).

OUTLOOK FOR 2009

Traction's business concept lies firm. In the near term, we will continue to give priority to developing our existing companies, and in particular those companies that have yet to display profitability. Traction continues to be highly liquid and more than half of the Group's equity is available for new investments. In addition, Traction, the Parent Company, has no loans. Nobody knows how the world's equity market will perform going forward. One thing is certain, however, and that is that the overall economy will deteriorate further, as will underlying demand. This spells hard work for those companies that must adapt to lower demand. Efforts in that direction are already ongoing in several of Traction's portfolio companies. Traction nurtures aspirations of finding new interesting companies to get involved with in the current economic downturn and financial turbulence.

STATEMENT OF THE BOARD POF DIRECTORS REGARDING THE PROPOSED DIIVIDEND

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 40.9. The Group's equity as of 31 December 2008 amounts to MSEK 1,147.3 and unrestricted equity in the Parent Company was MSEK 1,005.6. Unrestricted equity includes MSEK –123.1 relating to fair value valuation. In view of the above, and taking into account what the Board of Directors has become aware of in other respects, it is the opinion of the Board of Directors that the proposed dividend is justifiable in view of the demands made by the nature, scope and risks associated with the business, in terms of the size of the Company's and the Group's equity, and taking into account the Company's and the Group's need for consolidation, liquidity and the overall financial position.

PROPOSED ALLOCATION OF EARNINGS (SEK)

Parent Company

The following amounts are available to

The Annual General Meeting:

Retained earnings	1,045,419,613
Net result for the year	–39,829,723
	1,005,589,890
To be allocated as follows:	
Dividend to the shareholders of SEK 2.50 per share	40,918,500
To be carried forward	964,671,390
	1,005,589,890

Income Statements

Group MSEK	Note 1	2008	2007
Operating revenue	3		
Net revenue	2	355.0	282.3
Other operating Income		3.5	8.5
Dividend Income	26	21.6	17.9
Total operating revenue		**380.1**	**308.7**
Operating expenses	3		
Raw materials and supplies		–161.0	–153.6
Other external costs	4, 5, 6	–101.6	–62.1
Personnel costs	8	–103.8	–94.4
Depreciation, amortisation and impairment charges	2, 11, 12, 13	–17.7	–15.9
Total operating expenses		**–384.1**	**–326.0**
Change In value of securities	26	–188.7	73.2
Operating result	2	**–192.7**	**55.9**
Result from financial Investments			
Finance income	6, 7, 26	29.1	30.2
Finance expense	7, 26	–7.2	–4.1
Total finance items		**21.9**	**26.1**
Result before taxes		**–170.8**	**82.0**
Taxes on the year's result	9	–	–1.0
Net result for the year		**–170.8**	**81.0**
Attributable to the Parent Company's equity holders		–170.8	81.0
Earnings per share (SEK)	10	–10.44	4.90
Earnings per share after dilution (SEK)	10	–10.44	4.90

Balance Sheets

Group	Note		
MSEK	1	**2008-12-31**	**2007-12-31**
Tangible non-current assets			
Buildings and land	11	34.5	34.2
Plant and machinery	12	67.1	62.3
Equipment, tools, fixtures and fittings	13	5.7	9.4
Construction in progress	14	13.5	9.4
Shares in unlisted associated companies	16, 26	123.1	195.5
Shares in other unlisted companies	16, 26	0.2	0.2
Shares in listed associated companies	17, 26	140.4	84.1
Shares In other listed companies	17, 26	295.1	277.3
Other long-term receivables	18, 26	25.4	28.7
Total non-current assets		**705.0**	**701.1**
Current assets			
Inventories	19	42.2	41.0
Trade receivables	26	35.7	43.0
Due from associated companies		30.0	–
Tax assets		2.6	1.1
Other receivables		7.2	3.5
Prepaid expenses and accrued income	20, 26	2.7	11.7
Short-term Investments	26	–	48.8
Cash and cash equivalents	26	420.7	652.8
Total current assets		**541.1**	**801.9**
TOTAL ASSETS		**1,246.1**	**1,503.0**

Balance Sheets

Group	**Note**		
MSEK	1	**2008-12-31**	**2007-12-31**
Shareholders' equity	21		
Share capital		5.7	5.7
Other contributed capital		1.1	1.1
Reserves		-0.2	0.1
Retained earnings		1,311.5	1,260.8
Net result for the year		-170.8	81.0
Total shareholders' equity		**1,147.3**	**1,348.5**
Long-term liabilities			
Liabilities to credit institutions	22, 26	16.8	27.3
Total long-term liabilities		**16.8**	**27.3**
Current liabilities			
Liabilities to credit institutions	26	9.8	16.6
Committed credit facility	23	0.1	31.0
Trade payables	26	40.4	46.9
Tax liabilities		0.2	0.3
Other liabilities		12.3	11.3
Accrued expenses and prepaid Income	24	19.1	21.1
Total current liabilities		**82.7**	**127.2**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,246.1**	**1,503.0**

Refer to Note 27 for information about the Group's pledged assets and contingent liabilities.

Changes in Shareholders' equity

Group **MSEK,** Note 1	**Share capital**	**Other contributed capital**	**Reserves (translation reserve)**	**Retained earnings incl. year's result**	**Total shareholders' equity**
Opening equity 2007-01-01	**5.7**	**1.1**	**–0.4**	**1,290.9**	**1,297.3**
Sale of Svecia East			0.4		0.4
Translation difference			–0.1		–0.1
Total changes in equity recognised directly in equity, not including transactions with the Company's owners			0.3		0.3
Net result for the year				81.0	81.0
Total changes in equity not including transactions with the Company's owners			0.3	81.0	81.3
Dividend paid (SEK 1.10 per share)				–18.2	–18.2
Repurchase of own shares				–11.8	–11.8
Closing equity as of 2007–12–31	**5.7**	**1.1**	**–0.1**	**1,341.8**	**1,348.5**
Opening equity 2008–01–01	**5.7**	**1.1**	**–0.1**	**1,341.8**	**1,348.5**
Translation difference			–0.1		–0.1
Total changes in equity recognised directly in equity, not including transactions with the Company's owners			*–0.1*		*–0.1*
Net result for the year				–170.8	–170.8
Total changes in equity not including transactions with the Company's owners			**–0.1**	**–170.8**	**–170.9**
Dividend paid (SEK 1.85 per share)				–30.3	–30.3
Closing equity 2008–12–31	**5.7**	**1.1**	**–0.2**	**1,140.7**	**1,147.3**

Cash Flow Statements

Group	Note		
MSEK	1, 28	**2008**	**2007**
Operating activities			
Result before taxes		–170.8	82.0
Adjustment for items not included in cash flow	28	255.9	–58.7
Income taxes paid		–	–
Cash flow from operating activities before changes in working capital		**85.1**	**23.3**
Cash flow from changes in working capital;			
Change in inventories		–1.1	9.3
Change in operating receivables		–51.9	9.1
Change in operating liabilities		–6.8	–1.3
Cash flow from changes in working capital		**–59.8**	**–1.5**
Cash flow from operating activities		**25.3**	**21.8**
Cash flow from investing activities			
Sale of subsidiaries	29	–	1.3
Purchase of shares in unlisted companies		–0.9	–5.0
Sale of shares in unlisted companies		18.1	41.5
Purchase of shares in listed companies		–745.3	–379.7
Sale of shares in listed companies		507.0	453.4
Purchase/sale of tangible non-current assets		–23.1	–39.3
Change in other financial assets		65.2	–65.5
Cash flow from investment activities		**–179.0**	**6.7**
Cash flow from financing activities			
Loans raised		–	11.8
Repayment of liabilities		–48.1	–3.4
Dividend to shareholders		–30.3	–18.2
Repurchase of own shares		–	–11.8
Cash flow from financing activities		**–78.4**	**–21.6**
Cash flow for the year		**–232.1**	**6.9**
Cash and cash equivalents at beginning of year		652.8	645.9
Cash and cash equivalents at year-end		420.7	652.8
Cash and cash equivalents include:		149.8	49.6
Cash and bank deposits		270.9	603.2
Total		420.7	652.8

Income Statements

Parent Company MSEK	Note 1	2008	2007
Dividend income	26	13.9	7.7
Total operating revenue	3	**13.9**	**7.7**
Operating expenses			
Other external costs	4	–1.4	–1.0
Personnel expenses	8	–0.3	–0.3
Total operating expenses	3	**–1.7**	**–1.3**
Change in value of securities	26	–61.3	42.2
Operating result		**–49.1**	**48.6**
Result from finance items			
Interest income and similar items	7, 26	27.0	19.8
Result from shares in Group companies	7, 15	–17.1	–77.0
Interest expense and similar items	7, 26	–0.6	–
Total finance items		**9.3**	**–57.2**
Result before taxes		**–39.8**	**–8.6**
Taxes on the year’s result	9	–	–
Net result for the year		**–39.8**	**–8.6**

Balance Sheets

Parent Company	Note		
MSEK	1	**2008-12-31**	**2007-12-31**
ASSETS			
Financial non-current assets			
Shares in subsidiaries	15	74.1	71.1
Shares in unlisted associated companies	16	3.2	30.0
Shares in other unlisted companies	16	0.2	0.2
Shares in listed associated companies	17, 26	72.4	75.1
Shares in other listed companies	17, 26	293.0	239.8
Total non-current assets		**442.9**	**416.2**
Current assets			
Due from Group companies	26	191.9	43.9
Short-term receivables		0.0	0.3
Prepaid expenses and accrued income	20	0.1	0.4
Total short-term receivables		**192.0**	**44.6**
Short-term investments	26	–	48.8
Cash and cash equivalents	26	399.3	576.0
Total non-current assets		**591.3**	**669.4**
TOTAL ASSETS		**1,034.2**	**1,085.6**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Equity	21		
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		1,045.4	1,084.4
Net result for the year		–39.8	–8.6
Total unrestricted equity		**1,005.6**	**1,075.8**
Total shareholders’ equity		**1,012.4**	**1,082.6**
Current liabilities			
Trade liabilities		0.0	–
Due to Group companies	26	0.1	–
Perpetual liabilities		–	0.1
Accrued expenses and prepaid income	24	21.7	2.9
Total current liabilities		**21.8**	**3.0**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**1,034.2**	**1,085.6**
Pledged assets	27	–	–
Contingent liabilities	27	3.0	29.0

Changes in Shareholders' Equity

Parent Company **MSEK,** Note 1	**Share capital**	**Legal reserve**	**Retained earnings incl. year's result**	**Total shareholders' equity**
Opening equity 2007-01-01	**5.7**	**1.1**	**1,111.4**	**1,121.2**
Net result for the year	–	–	–8.6	–8.6
Total changes in equity recognised directly in equity, not including transactions with the Company's owners			*–8.6*	*–8.6*
Dividend paid (SEK 1.10 per share)	–	–	–18.2	–18.2
Repurchase of own shares	–	–	–11.8	–11.8
Closing equity 2007–12–31	**5.7**	**1.1**	**1,075.8**	**1,082.6**
Opening equity 2008–01–01	**5.7**	**1.1**	**1,075.7**	**1,082.5**
Net result for the year	–	–	–39.8	–39.8
Total changes in equity recognised directly in equity, not including transactions with the Company's owners			*–39.8*	*–39.8*
Dividend paid (SEK 1.85 per share)	–	–	–30.3	–30.3
Closing equity 2008–12–31	**5.7**	**1.1**	**1,005.6**	**1,012.4**

Cash Flow Statements

Parent Company	Note		
MSEK	1, 28	**2008**	**2007**
Operating activities			
Result before taxes		–39.8	8.6
Adjustment for items not included in cash flow	28	79.0	35.0
Income taxes paid		–	–
Cash flow from operating activities			
Before changes in working capital		**39.2**	**26.4**
Cash flow from changes in working capital			
Change in operating receivables		–147.4	–32.5
Change in operating liabilities		18.7	1.7
Cash flow from changes in working capital		**–128.7**	**–30.8**
Cash flow from operating activities		**–89.5**	**–4.4**
Cash flow from investment activities			
Purchase of subsidiaries		–0.1	–
Sale of shares in unlisted companies		121.3	18.2
Purchase of shares listed companies		–845.0	–304.6
Sale of shares in listed companies		618.5	411.4
Purchase of other financial assets		–	–48.8
Sale of other financial assets		48.4	–
Cash flow from investment activities		**–56.9**	**76.2**
Cash flow from financing activities			
Repayment of liabilities		–	–51.3
Dividend to shareholders		–30.3	–18.2
Repurchase of own shares		–	–11.8
Cash flow from financing activities		**–30.3**	**–81.3**
Cash flow or the year		**–176.7**	**–9.5**
Cash and cash equivalents at beginning of year		576.0	585.5
Cash and cash equivalents at year-end		399.3	576.0
Cash and cash equivalents include:			
Short-term investments, comparable to cash and cash equivalents		149.8	49.6
Cash and bank deposits		249.5	526.4
Total		399.3	576.0

Notes to the financial statements

Corporate information

AB Traction's consolidated financial statements for the financial year ending 31 December 2008 have been approved by the Board of Directors for publication 6 March 2009 and will be presented to the Annual Meeting to be held 11 May 2009 for adoption. The Parent Company is a Swedish company (publ.) with its registered office in Stockholm, Sweden.

Note 1. Accounting and valuation policies, 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 (IASB) and interpretative statements from the International Reporting Interpretations Committee (IFRIC), as approved by the EU. The consolidated financial statements are also prepared in accordance with recommendation RFR 2.1 Accounting for Legal Entities of the Swedish Financial Reporting Board. The Parent Company applies the same rules as the Group, except in the cases set forth below in the Parent Company accounting policies section. Any discrepancies between the Parent Company's and the Group's policies and principles are mainly caused by limitations in the possibility of applying IFRS to the Parent Company in full, due to the rules in the Swedish Annual Accounts Act (ÅRL) regarding accounting for associated companies.

Basis of preparation

The consolidated financial statements are based on historical acquisition values, except in the case of derivative financial instruments, available-for-sale financial assets and financial assets valued at fair value through profit or loss. Unless otherwise specifically stated, all amounts are stated in million Swedish kronor (MSEK). The Parent Company's functional currency is Swedish kronor (SEK) and the Parent Company's and the Group's reporting currency is Swedish kronor.

Estimates and judgments

Preparing financial statements in accordance with IFRS requires estimates and judgments as well as assumptions that affect the application of the accounting policies and the reported values of assets, liabilities, revenue and costs. The actual outcome may differ from these estimates and judgments. The estimates and judgments are reviewed on a regular basis. Changes of estimates are reported in the period when the change is made where the change has affected only this period, or in the period when the change is made and in future periods where the change affects both the current period and future periods.

Significant accounting principles applied

Except as described in greater detail, the accounting principles set forth below are applied in the periods presented in the Company's financial statements. The Group's accounting principles have also been consistently applied by the Group's companies.

New IFRS and interpretations now applied

IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions explains* how classification of share-based payments is to be made when the company upon settlement purchases equity instruments form other parties, or where owners of the company transfers the instruments, and also how classification is to be made of transactions in which the company's employees receives or has the right to receive equity instruments in the company's parent company. The interpretation statement is applied from the 2008 financial year. Application is retroactive. Traction has no transactions with treasury shares with share-based compensation, and no transactions where the Company's employees receives or has the right to receive equity instruments in the Parent Company. The recommendation therefore does not impact Traction.

New IFRS recommendations and interpretations not yet applied

A number of new or amended standards and interpretation statements do not come into force until the next financial year and have not been applied early when preparing these financial statements. News and amendments that come into force after 2009 are not planned to be applied early. The Company has made no estimates of these effects. Amendments of IFRS 2 Share-based Payment explain, among other things, which terms and conditions shall constitute "vesting terms," that all other terms and conditions shall constitute "non-vesting terms" and how "non-vesting terms" must be reported. The amendment shall be applied in the financial year beginning 1 January 2009, or later. The revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements give rise to changes in the consolidated financial statements and the accounting treatment of acquisitions. The revised standards shall be applied to financial years beginning 1 July 2009 or later. IFRS 8 Operating Segments defines what a segment is and the type of information to be provided about them in the financial statements. The standard, which has been adopted by EU, shall be applied in financial years beginning 1 January 2009 or later. Amendments to IAS 1 Presentation of Financial Statements mean that the presentation of the financial statements will change in some respects, and that new, non-mandatory designations of the reports are suggested. The amendment does not change the determination of amounts to be reported. The amended IAS 1 shall be applied to financial years beginning 1 January 2009 or later. Amendments to IAS 27 Cost of an investment in a Subsidiary, Jointly controlled entity or associate are applied to financial years beginning 1 January 2009 or later. The amendments affect, inter alia, the accounting for dividends received from subsidiaries and joint venture companies and how the formation of a new parent company is to be reported. The amendment shall be applied to financial years beginning 1 January 2009 or later. Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements made under the designation "Puttable Financial Instruments and Obligations Arising on Liquidation" mean that certain highly specialised financial instruments that have the character of equity instruments, but which previously had to be reported as a liability now must be reported as equity. The interpretation statement is applied to financial years beginning 1 January 2009 or later. IAS 39 Financial Instruments: Recognition and Measurement, Eligible Hedged Items is applied to financial years beginning 1 January 2009 or later. The amendment consists of an explanation of how the rules in IAS 39 are to be applied in two hedging situations. These situations relate to a unilateral risk in a hedged item and inflation in a financially hedged item. IFRIC 16 Hedges of a Net Investment in a Foreign Operation states, among other things, that it is only the risk in the functional currencies of the parent company and each respective foreign operation that can be hedged. The interpretation statement also provides answers to the question where in the group the hedging instrument may be if hedge accounting is applied and if the method of consolidation affects the amount that is reclassified from equity to earnings, i.e. step-by-step consolidation or continuous consolidation. The interpretation statement is applied to financial years beginning 1 October 2008 or later.

Basis of consolidation

The consolidated financial statements include the Parent Company, AB Traction (publ) and its subsidiaries. The financial reports for AB Traction and subsidiaries included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting policies and principles that apply for the Group. The consolidated financial statements include subsidiaries in which the Parent Company at the end of the financial year, directly or indirectly, has more than 50 percent of the votes, or in which the Parent Company other ways has a controlling interest. Acquired companies are included in the Group from the time of acquisition and companies sold are included in the Group until the time of sale. Only the portion of subsidiary capital earned after the time of acquisition is included in consolidated equity. The acquisition cost of an acquisition is made up of the fair value of assets rendered as compensation and liabilities created or assumed as of the closing date, plus costs directly attributable to the acquisition. Any positive difference between the acquisition cost of the shares and the Group's share of consolidated acquisition value is reported as consolidated goodwill. Where the difference is negative, the difference is recorded directly in the income statement. All intra-Group dealings, revenue, costs, gains or losses arising from transactions between companies included in the consolidated financial statements are eliminated in their entirety. Traction reports share-related investments at fair value, with changes in value recorded in the income statement. In accordance with IAS 28, Item 1, shares in associated companies are also to be accounted for in this manner. Consolidation in accordance with the equity method is thus no longer effected and associated companies are accounted for in − for an investment company − a fairer manner of reporting values. Subsidiaries are consolidated in the same manner as before. Listed shares are valued based on quoted market value and unlisted holdings are subject to valuation based on a valuation model appropriate for each respective holding.

Foreign subsidiaries
Earnings, and the financial position of Group companies with other operative currency 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. When a foreign business is sold, the accumulated translation differences attributable to a foreign business are realised.

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

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

Revenue recognition
Revenue is reported when significant risks and benefits associated with the companies' goods are transferred to the buyers and it is probable that the economic rewards will accrue to the company. The Group subsequently does not any engagement in the day-to-day management associated with ownership. In addition, revenue recognition occurs only when the revenue and the expenditure that has arisen or is expected to arise as a result of the transaction can be calculated in a reliable manner and when the right to receive payment has been established.

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

Financial leasing
Financial leasing is at hand when the economic risks and benefits associated with ownership have been transferred to the lessee. Assets leased under financial leasing contracts are reported as non-current assets and are depreciated in accordance with the principles for tangible non-current assets in other respects. Future leasing fees relating to such assets are reported as a liability. Current leasing fees reduce the reported liability, after deduction of interest.

Finance income and expense
Finance income and expense consist of interest income on bank balances and receivables, and on interest-bearing securities, interest expense on loans, exchange rate differences, changes in value of financial investments, including derivative instruments, which due to hedge accounting are not carried directly to equity. Commissions received or paid when loans are raised are distributed over the term of the loan. In addition, payments relating to financial leases are allocated to interest expense and repayment of principal. Interest income on receivables and interest expense on liabilities is calculated using the effective rate method. The effective interest rate is the interest rate that discounts future incoming and outgoing payments under a financial instrument's expected term at the reported net

value of the financial asset or liability. Transaction costs, including issue costs, are expensed immediately when receivables or liabilities are valued at fair value and allocated to the right period over the term when valuing at accrued acquisition value.

Financial instruments

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

Reporting in and removal from the balance sheet

A financial asset or a financial liability is reported in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. Accounts receivable are booked on the balance sheet when an invoice is sent. Liabilities are entered when the counterparty has delivered and a contractual obligation to pay exists, even if no invoice has yet been received. Trade payables are entered upon receipt of invoice. A financial asset is removed from the balance sheet when the contractual undertaking is fulfilled, or the company loses control over it. The same holds true for part of a financial asset. A financial liability is removed from the balance sheet when the obligation under the agreement has been fulfilled or extinguished in some other manner. The same holds true for part of a financial liability. Financial assets and financial liabilities are offset and reported in a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount, or to realise the asset and settle the liability at the same time. Purchases and sales of financial assets are reported on the day of the transaction, which is the day when the company undertakes to buy or sell the instrument in question.

Classification and valuation

Financial instruments that are not derivative instruments are initially reported at acquisition value, equivalent to the fair value of the instrument, with transaction costs added. This principle applies to all financial instruments except those reported at fair value through profit or loss, which are reported at fair value, less transaction costs. A financial instrument is classified when first reported based on the purpose behind its acquisition. The classification determines how the financial instrument is valued after the first reporting occasion as described below.

Derivative instruments and hedge accounting

Derivative instruments are value initially at fair value, meaning that transactions costs are charged to the period's result. After the initial reporting, derivative instruments are reported as described below. Where the derivative instrument is used for hedge accounting and to the extent it is effective, change sin value of derivative instruments are reported on the same line in the income statement as the hedged item. The ineffective portion is reported in the same manner as changes in value of derivative instruments not used for hedge accounting. Where hedge accounting is not applied in the use of interest rate swaps, the interest coupon is reported as interest and any other change in the value of the interest rate swap is reported as net gain/net loss. Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions, and short-term investments with a term form the time of acquisition of less than three months which are subject to only minimal risk of fluctuation in value.

Financial assets valued at fair value through profit or loss

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

Financial assets reported in accordance with Fair Value Option

This group includes short-term investments and shares in listed companies. Equity investments where Traction has a significant influence, as stated in IAS 28, Item 1, also belong to this category and are reported in accordance with IAS 39 at fair value with changes in value through profit and loss.

Fair value is determined as follows:

Listed holdings

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

Unlisted holdings
Unlisted holdings are valued based on “International Private Equity and Venture Capital Valuation Guidelines” developed and published jointly by risk capital organisations EVCA, BVCA and AFIC.
For directly owned investments, an overall assessment is made to determine which valuation method is most appropriate for individual holdings. Factors considered are if there has recently been some kind of financing or “arms-length” transaction. A valuation is also made by applying relevant multiples to the company’s key financial indicators from a selected group of comparable companies, less adjustments due to factors, such as difference in size between the company in question and the group of comparable companies. In cases where there are other methods that better reflect the fair value of an individual holding, these are used, which means that individual holdings may be valued using methods other than those described above.

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

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

Other financial liabilities
This category includes interest-bearing and non-interest-bearing liabilities that are not held for trading purposes. Valuation is at accrued acquisition value. The accrued acquisition value is determined based on the effective rate of interest calculated when the liabilities was entered. This means that surplus values and deficits are allocated to the right periods over the term of the liability. Trade payables are valued at acquisition value. Trade payables have a short anticipated term and are reported at the nominal amount without discounting.

Impairment
On each reporting occasion an assessment is made to determine if there is any indication that an asset has lost value. If there is an indication that value has been lost, the recovery value of the asset is calculated in accordance with IAS 36. An impairment loss is reported when the reported value of an asset exceeds the recovery value. An impairment is charged in the income statement.

The assessment of reported value is performed differently for certain assets. This applies to inventories, assets held for re-sale, managed assets used for financing of compensation to employees and deferred tax assets, and also financial asset. Refer to each respective heading.

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

Calculation of recoverable value
The recoverable value of assets reported at accrued acquisition value is calculated as the present value of future cash flows, discounted using the effective rate of interest prevailing at the time when the asset was reported for the

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

Reversal of impairment losses
Impairment losses on other assets are reversed in cases when a later increase in recovery value objectively is attributable to an event that occurred after the impairment charge was made and there has been a change in the assumptions on which the calculation of recovery value has made. An impairment loss is reversed only to the extent the reported value of the asset after the reversal does not exceed the reported value the asset would have had no impairment charge had been made, taking into account the impairment loss that would then have been charged. Impairment losses on loan receivables and trade receivables reported at accrued acquisition value are reversed when a later increase of the recovery value objectively can be attributed to an event that has occurred after the impairment loss was charged.

Taxes
Income taxes consist of current taxes and deferred taxes. For items reported in the income statement, taxes associated therewith are reported in the income statement. For items carried directly to equity, taxes are also carried directly to equity. Deferred taxes are calculated using the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or a liability differs from the value for tax purposes. Temporary differences attributable to shares in subsidiary associated companies not expected to be reversed within the foreseeable future are not taken into account. Deferred taxes are calculated using the tax rates and tax rules in force, or in force in practice, on the balance sheet date. Deferred tax assets relating to deficits are reported only to the extent it is probable that it will be possible to utilise them.

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

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

Depreciation according to plan has been charged as follows:

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

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

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

Provisions
Provisions are reported when the Group has, or may be deemed to have, an obligation as a result of events that have occurred, and it is probable that disbursements will be required to fulfil the obligation. A further condition is that a reliable estimate can be made of the amount to be disbursed. A provision for a loss contract is reported when the expected rewards the Group is expected to get from a contract are lower than the unavoidable costs to fulfil the obligations under the contract.

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

Compensation to employees − Pension commitments
Defined-contribution plans
Commitments relating to fees for defined contribution plans are reported as a cost in the income statement when they arise. Commitments for retirement pension and family pension for salaried employees in Sweden are secured mainly through insurance with Alecta. According to statement UFR 3 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 2007 and 2008 financial years, the Company has not had access to the kind of information that allows reporting of this plan as a defined-benefit plan. The pension plan according to ITP, which is secured by insurance with Alecta, is therefore reported as a defined-contribution plan. Other pension commitments are defined-contribution plans and are paid for in the form of insurance premiums.

Compensation upon termination
Costs for compensation in connection with termination are reported only where the company is demonstrably committed, without any realistic possibility to withdraw, by a formal plan to terminate an employment before the normal point in time. When compensation is offered as an incentive for voluntary resignation, a cost is reported where it is probable that the offer will be accepted and the number of employees who will accept the offer can be accurately estimated.

Short-term compensation
Short-term compensation to employees is calculated without discounting and reported as a cost when the related services are received. A provision is reported for the expected cost of bonus payments when the Group has a binding obligation to make such payments as a consequence of services received from employees and when the obligation can be accurately calculated.

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

Segment information is provided in accordance with IAS 14 for the Group only. The primary basis for the Group's breakdown into segments is business areas Listed holdings, Unlisted holdings and Subsidiaries. The internal reporting system is based on the same breakdown, so business areas are appropriate as the primary basis for breakdown. Traction's business methodology is practiced in all segments. Since operations are mainly conducted in Sweden, sales from Sweden has been divided into geographic areas.

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

Commercial foreign exchange exposure
Traction hedges income in foreign currencies when we judge the risk to be great for a large adverse development in foreign exchange rates, otherwise not.

Financial foreign exchange exposure
Holdings of equity in foreign subsidiaries and associated companies are not hedged. Exposure is currently limited to Hong Kong dollars and pound sterling. On different occasions Traction may take foreign exchange positions for speculative reasons, i.e. to seek a return not related to other activities.

Interest rate risk
The Group's borrowing is primarily in the form of utilisation of committed credit facilities and factoring. The Group's net indebtedness (liquid funds less interest-bearing liabilities) amounted to MSEK 394.1 (577.9) at year-end. Only Traction's operating companies have credit facilities.

Credit risk
Traction is exposed to credit risk mainly through its investment of surplus liquidity in interest-bearing securities. Limits are set for exposure to counterparties for the purpose of minimising credit risk. Traction also invests in interest-bearing securities with slightly higher risk, and therefore also a higher interest rate, as an element of managing assets.

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

Parent Company accounting policies
The Parent Company's accounting is prepared in accordance with the Swedish Annual Accounts Act (1955:1554 and applying recommendation RFR 2.1 (Accounting for Legal Entities) of the Swedish Financial Reporting Board. Under RFR 2.1, the Parent Company in the annual accounts for the legal entity should apply all IFRS approved by EU, and statements to the extent possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation states which exceptions and addenda that should be made compared to IFRS. The form of presentation differs between the Parent Company and the Group. Segment reporting is applied in accordance with IAS 14 for the Group only. Reference is made to section for Segment reporting under the Group's accounting policies above.

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

Subsidiaries and associated companies
Shares in associated companies and subsidiaries are reported in the Parent Company in accordance with the acquisition value method. Reported values are tested on each balance sheet date to assess whether there are indications of impairment loss. Only dividends emanating from profit earned after the time of acquisition are recognised as revenue. Dividends exceeding such earned profit are regarded as a repayment of the investment and reduce the share's reported value. Shareholdings previously designated other shares, but reclassified as shares in associated companies, are reported from this point in time at acquisition value. Acquisition value is equivalent to fair value at the time of reclassification. Shareholdings previously designated shares in associated companies, but where there has been reclassification, are valued at market and are reported as other shares from the time of reclassification.

Group contributions and shareholder contributions
According to a statement UFR 2 of the Swedish Financial Reporting Board, shareholder contributions are carried directly to equity with the recipient and are capitalised as shares with the donor, to the extent an impairment charge

is not required. The Parent Company is taxed in accordance with the rules for investment companies, which means that that the Parent Company neither can render nor receive group contributions.

Taxes

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

Note 2. Segment reporting

Refer to Note 1 Accounting policies for additional detail on segment reporting. Changes in value of the segments is reported separately in Notes 15–17. There was no distribution from Central Traction of costs to segments Listed and Unlisted holdings.

	Sales*		**Operating result**	
Segment	**2008**	**2007**	**2008**	**2007**
Listed holdings	–	–	–173.7	35.8
Unlisted holdings	–	–	6.3	55.2
Subsidiaries	351.3	279.8	–20.0	–23.8
Central Traction	5.1	3.9	–5.3	–11.3
Consolidation adjustments	–1.4	–1.4	–	–
Total	**355.0**	**282.3**	**–192.7**	**55.9**

* All sales in the segments are external.

	Assets		**Liabilities**	
Segment	**2008-12-31**	**2007-12-31**	**2008-12-31**	**2007-12-31**
Listed holdings	435.5	361.4	–	–
Unlisted holdings	123.3	195.5	–	–
Subsidiaries	300.7	225.0	255.0	183.3
Central Traction	695.9	789.0	153.5	16.6
Consolidation adjustments	–308.4	–47.9	–309.0	–45.4
Total	**1,246.9**	**1,503.0**	**99.5**	**154.5**

	Investments in tangible non-current assets		**Depreciation**	
Segment	**2008**	**2007**	**2008**	**2007**
Listed holdings	–	–	–	–
Unlisted holdings	–	–	–	–
Subsidiaries	24.4	49.5	–17.7	–15.8
Central Traction	–	0.1	–	–0.1
Total	**24.4**	**49.6**	**–17.7**	**–15.9**

Information about geographic distribution of sales

Group	2008	2007
Sweden	136.1	103.3
EU countries not including Sweden	93.9	86.3
Other Europe. not including EU countries	3.5	3.5
North America	95.4	67.5
Other markets	26.1	21.7
Summa	**355.0**	**282.3**

All operations are conducted in Sweden, which is why further break-down of the geographic areas is not meaningful

Distribution of revenue

Group	2008	2007
Distribution of net revenue		
Sale of goods	350.9	279.8
Service assignments	4.1	2.5
Total	**355.0**	**282.3**

Note 3. Intra-Group sales

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

Note 4. Compensation to auditors

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

	Group		Parent Company	
	2008	2007	2008	2007
Audit				
KPMG	0.4	0.3	–	–
SET Revisionsbyrå	–	0.2	–	–
PricewaterhouseCoopers	0.4	0.3	–	–
Other assignments				
PriceWaterhouseCoopers	0.1	–	–	–
Total	**0.9**	**0.8**	**–**	**–**

Note 5. Leasing

The Traction Group has operating lease contracts primarily for machinery. Leasing fees paid during the year relating to operational leases and future fees for contracts entered into amount to:

	Group	
Minimum leasing fees	**2008**	**2007**
Paid during the year	7.0	6.1
Fees within 1 year	5.8	5.6
Between 1 year and 5 years	16.5	13.9
Later than in 5 years	1.7	2.6
Total future minimum leasing fees	**24.0**	**22.1**

Note 6. Exchange rate differences

Exchange rate differences relating to short-term receivables and liabilities are reported on a net basis in the item and are included in amount to MSEK 6.3 (–2.5) and are reported in the item interest income and similar items. Exchange rate differences relating to financial receivables amount to MSEK –2.0 (0.9) and are reported in the item finance expense (income).

Note 7. Net finance items

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Interest income	29.1	28.5	23.5	18.5
Interest income from Group companies	–	–	3.5	1.3
Result of shares in Group companies	–	–	–17.1	–77.0
Exchange rate differences	–2.0	0.9	–	–
Other finance income	0.5	0.8	–	–
Interest expense	–5.7	–4.1	–0.6	–
Total	**21.9**	**26.1**	**9.3**	**–57.2**

More information about the financial assets and liabilities will be found in Note 28.

Note 8. Personnel

The Traction Group has employees only in Sweden.

	2008		2007	
Average number of employees	**Number of**	**Of whom**	**Number of**	**Of whom**
Group	**employees**	**men**	**employees**	**men**
Parent Company	–	–	–	–
Subsidiaries	217	151	185	130
Total	**217**	**151**	**185**	**130**

	Group		Parent Company	
Salaries and other compensation	**2008**	**2007**	**2008**	**2007**
Board of Directors and members of senior management, 9 persons	4.2	4.4	0.2	0.2
– of which bonus	*(0.5)*	*(0.2)*	–	–
Other employees	68.8	63.1	–	–
Total salaries and other compensation	**73.0**	**67.5**	**0.2**	**0.2**
Other personnel expenses:				
Social benefits	24.5	21.8	0.1	0.1
Pension costs*	4.3	4.2	–	–
Other personnel costs	2.0	0.9	–	–
Total other personnel costs	**30.8**	**26.9**	**0.1**	**0.1**
Total personnel costs	**103.8**	**94.4**	**0.3**	**0.3**

*** Of which to members of senior management MSEK 0.5 (0.8). The item pension costs above is reported on a net basis, after reimbursement from Traction's pension trusts in an amount of MSEK 1.3 (1.4).**

Absence due to illness

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

Compensation to Board of Directors and members of senior management

Board of Directors

Directors' fees in accordance with resolution of the Annual Meeting amounted to SEK 225,000 (225,000). A fee of SEK 225,000 was paid to the Board of Directors, of which the Chairman received SEK 0 thousand and the three external directors SEK 75,000 each. Social benefits are additional. No other compensation except for reimbursement for expenses was paid to the Board of Directors. In his former capacity of President of Traction AB, pension is payable to Bengt Stillström, who had the right to retire from the age of 60 years, in the amount of SEK 490,000 per year between the age of 60 and 65. No pension benefits have been paid so far. A life-long pension is payable thereafter and an annual family pension. The pension commitment was made with 1993 as a base and will be raised thereafter according to Alecta's standards. The total commitment amounts to MSEK 22.7 as of 31 December 2008 (22.7). A full provision has been made in Traction's pension trusts.

President

In 2008, the President and CEO received a salary totalling SEK 318,000 (292,000). The President's basic salary amounts to SEK 318,000 per year and no bonus was paid. The pension cost amounted to SEK 40,000 (21,000). A reimbursement has been made by a pension trust so that the cost was not charged to the consolidated income statement. In addition to these costs, the President has received compensation for assignments as a director of certain of Traction's partially owned companies in a total amount of SEK 250,000 (550,000). An undertaking in respect of the President's future retirement was made during 2008 in the amount of SEK 300,000, plus interest equivalent to the CPI plus three percentage points from 1 January 2008 until the amount has been disbursed. The accumulated vested amount is SEK 1,949,000 as of 31 December 2008 and has been set aside in Traction's pension trusts. In the event that necessary funds where to be lacking in the future in the pension trusts, Traction will set aside the funds necessary for the pension trust to fulfil the obligation. Agreements for future pension call for retirement at age 65, with the right for the President to call for pension after reaching age 55.

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

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

Compensation to subsidiary Boards of Directors

No directors' fees were paid by subsidiaries.

Compensation to and terms for other members of senior management

The senior management group consists of five persons, two subsidiary presidents and three persons within central Traction. To these, compensation was paid during 2007 in the form of salaries and benefits in a total amount of MSEK 5.0 (3.8), of which MSEK 0.5 (0.2) in a variable portion. Costs for pension insurance amounted to MSEK 0.5 (0.8). These costs were charged to the income statement with the exception of MSEK 0.3 (0.3) in pension costs, with reimbursement from a pension trust. There are no incentive programmes in the form of awards of financial instruments, options or similar for this group. The above mentioned variable compensation portions are linked to the companies' and individual performance. The bonus agreements contain a ceiling relating to maximum compensation. In the event of termination at the initiative of members of senior management, the maximum period of notice is six months. In the event of termination at the initiative of the Company, the maximum period of notice is six months, in certain cases with an obligation to work. There are no other severance pay agreements. Pension benefits are paid, in most cases equivalent to the ITP plan, or as a percentage of the salary cost. The retirement age is 65 years.

Summary of the Board of Directors' and management's compensation and pension costs for 2008.

MSEK Directors	Fixed salary	Variable portion	Other compensation and benefits	Pension costs	Directors' fees	Total compensation	Pension commitments
Jan Andersson					0.1	0.1	–
Jan Kjellman					0.1	0.1	–
Bengt Stillström					–	–	22.7
Pär Sundberg					0.1	0.1	–
Petter Stillström	0.3	–	–		–	0.3	1.9
Other management, 4 persons	3.4	0.5	0.1	0.5	–	4.5	–
Total	**3.7**	**0.5**	**0.1**	**0.5**	**0.3**	**5.1**	**24.6**

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

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

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

Number of women 2008-12-31, percent	**Group**	**Parent Company**
Board of Directors	–	–
Other members of senior management	–	–

Proportion of women 2007-12-31, percent	**Group**	**Parent Company**
Board of Directors	–	–
Other members of senior management	–	–

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 managed in accordance with the rules for defined-contribution pension plans. In addition to the above mentioned pension commitments for the former President, Bengt Stillström, and the present President, Petter Stillström, the Group has no pension commitments.

Guidelines for compensation to members of senior management

The 2008 Annual General Meeting decided on unchanged guidelines for compensation of members of senior management as follows: Reasonable terms and conditions for employment are to be applied for corporate management. In addition to a fixed salary, members of senior management can also receive variable compensation.

Note 9. Taxes on the year's result

Group

Taxes on the year's result	**2008**	**2007**
Current taxes	–	–
Deferred taxes	–	–1.0
	–	–1.0
Deferred taxes relating to utilisation of previously capitalised tax value of tax loss carry-forward	–	–1.0
Reconciliation of effective taxes, Group		
Result before taxes	–170.8	82.0
Tax according to current tax rate of 28%	47.8	–23.0
Effect of special tax rules for investment companies	–11.1	–2.4

Difference of change in value of shares relating to associated companies between the Parent Company and each respective group	0.2	–1.3
Increase of tax-loss carry-forward without corresponding capitalisation of deferred taxes	–18.8	–11.0
Tax effect of non-taxable revenue and costs	–18.1	36.7
Reported effective taxes	**0.0**	**–1.0**

Accumulated tax-loss carry-forwards in the Group's Swedish companies amounted to just over MSEK 320 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 will be utilised, only a small portion, MSEK 0.0 (0.0) has been capitalised as a deferred tax asset. Whether or not to report deferred tax asset due to tax-loss carry-forwards is subject to re-evaluation on an ongoing basis.

Parent Company

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. The Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. This standard revenue amounted to MSEK 2.8 in 2008 (4.2). Dividend income is taxable; dividends paid are deductible. Net interest income and overhead are deductible. Dividends to shareholders are adjusted in such a way that no tax is payable by the Parent Company.

Note 10. Earnings per share

The calculation of earnings per share for 2008 was based on earnings attributable to the Parent Company's equity holders amounts to MSEK –170.8 (81.0) and a weighted average of the number of shares outstanding during 2008 amounting to 16,367,400 (16,512,000). There are no outstanding options programmes or similar schemes, so there is no dilutive effect.

Group	2008	2007
The year's result attributable to the Parent Company's equity holders in MSEK	–170.8	81.0
Weighted average number of shares outstanding during the year, in thousands	16,367	16,512
Earnings per share in SEK	–10.44	4.90

Note 11. Buildings and land

Group	2008-12-31	2007-12-31
Buildings and land		
Opening acquisition cost	49.6	58.3
Purchases	2.1	–
Disposals/restructuring, etc.	–	–7.4
Reclassification	–	–1.3
Closing accumulated acquisition cost	**51.7**	**49.6**
Opening depreciation	–15.4	–19.8
Disposals/restructuring, etc.	–	–5.8
Year's depreciation	–1.8	–1.8
Reclassification	–	0.4
Closing accumulated depreciation	**–17.2**	**–15.4**
Book value, buildings and land	**34.5**	**34.2**
Of which land	2.3	2.3
Tax assessment values:		
Buildings	27.4	27.4
Land	4.3	4.3

Note 12. Plant and machinery

Group	2008-12-31	2007-12-31
Opening acquisition cost	132.4	199.6
Disposals/restructuring, etc.	–6.6	–105.9
Purchases	14.4	36.8
Reclassification	6.0	1.6
Closing accumulated acquisition cost	**146.2**	**132.4**
Opening depreciation	–70.1	–153.5
Disposals/restructuring, etc.	4.8	96.8
Year's depreciation	–13.9	–13.0
Reclassification	0.1	–0.4
Closing accumulated depreciation	**–79.1**	**–70.1**
Closing reported value	**67.1**	**62.3**

Note 13. Equipment, tools, fixtures and fittings

Group	2008-12-31	2007-12-31
Opening acquisition cost	16.3	32.9
Disposals/restructuring, etc.	–8.5	–25.7
Purchases	4.4	9.1
Closing accumulated cost	**12.2**	**16.3**
Opening depreciation	–6.9	–30.7
Disposals/restructuring, etc.	2.3	24.9
Year's depreciation	–1.9	–1.1
Closing accumulated depreciation	**–6.5**	**–6.9**
Closing reported value	**5.7**	**9.4**

Note 14. Construction in progress and advance payments for tangible non-current assets

Group	2008-12-31	2007-12-31
Opening balance	9.4	5.0
Reclassification, etc.	–8.9	–0.3
Capital expenditures	5.5	3.7
Advance payments made during the year	7.5	1.0
Closing reported value	**13.5**	**9.4**

Note 15. Shares in subsidiaries

Parent Company	2008-12-31	2007-12-31
Opening book value	71.1	128.1
Purchases	0.1	–
Shareholder contribution	20.0	20.0
Impairment	–17.1	–77.0
Closing reported value	**74.1**	**71.1**

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

Shares owned by the Parent Company

Company	Company number	Registered office	Number of shares	Capital stake	Book value
Traction Delta AB	556628-9749	Stockholm	1 000	100%	15,2
Traction Konsult AB	556098-5672	Stockholm	1 000	100%	20,0
Traction Invest AB	556504-7999	Stockholm	23 600	100%	34,0
Track 50 AB (during next year to Traction Projekt AB)	656747-6345	Stockholm	1 000	100%	4,9
Total shares owned by the Parent Company					**74,1**

Shares owned by subsidiaries

Company	Company number	Registered office	Number of shares	Capital stake
Traction Invest AB				
Zitiz AB	556633-6961	Stockholm	980	98%*

***Option for 3 percent has been issued**

Company	Company number	Registered office	Number of shares	Capital stake
Traction Delta AB				
Ankarsrum Industries AB	**556215-7098**	**Stockholm**	**1 000**	**100%**
Gnosjöplast AB	**556575-2358**	**Stockholm**	**1 000**	**100%**
Gnosjöplast Fastighets AB	**556606-9042**	**Stockholm**	**1 000**	**100%**
Ankarsrum Industries AB				
Ankarsrum Fastighets AB	**556054-7753**	**Ankarsrum**	**10 000**	**100%**
Ankarsrum Motors AB	**556628-9723**	**Ankarsrum**	**10 000**	**100%**
Ankarsrum Die Casting AB	**556628-9715**	**Ankarsrum**	**10 000**	**100%**

Note 16. Shares in unlisted companies

Group

Accumulated acquisition cost	**2008-12-31**	**2007-12-31**
Opening book value	195.7	182.9
Purchases/shareholder contribution	1.9	7.1
Disposals/Redemption	–17.8	–49.7
Reclassification	–61.3	–
Change in value	4.8	55.4
Total	**123.3**	**195.7**

Parent Company	**2008–12–31**	**2007–12–31**
Opening book value	30.2	31.8
Reclassification	–26.7	–
Disposals	–0.1	–1.6
Closing reported value	**3.4**	**30.2**

Specification of the Parent Company's and the Group's holdings of shares in unlisted companies

Parent Company's holding of shares in unlisted companies	Company number	Registered office	Number of shares	Capital stake	Votes	Book value Parent Company	Book value Group
Banking Automation Ltd	-	Reading	595,401	45%	45%	3.2	17.0

Rekall AB	556586-8345	Göteborg	1,301	9%	9%	0.2	0.2
Sub-total of Parent Company's shares in unlisted companies						**3.4**	**17.2**
Of which shares in unlisted associated companies in the Parent Company					**3.2**	**17.0**	
Other holdings in the Group of shares in unlisted companies							
Bricad Holding AB	556264-6298	Österåker	17,900	47%	47%	–	42.3
Geodynamik HT AB (publ)	556189-0871	Stockholm	100,000	20%	20%	–	0.0
Poor Cow AB (the former Arvako Sverige AB)	556606-9059	Stockholm	212,501	17%	34%	–	0.4
PSA Easy Interaction AB	556712-3004	Stockholm	41,070	26%	26%	–	0.0
Sigicom AB	556207-1547	Botkyrka	348,300	23%	23%	–	3.4
Scoop Publishware AB	556567-4230	Stockholm	100	8%	8%	–	0.0
Recco Holding AB	556641-0840	Stockholm	499	49%	49%	–	60.0
Sub-total of other holdings in the Group of shares in unlisted companies					**–**	**106,1**	
Total						**3.4**	**123.3**
Of which shares in unlisted companies						**3.2**	**123.1**

Note 17. Shares in listed holdings

	Group		Parent Company	
	2008-12-31	**2007-12-31**	**2008-12-31**	**2007-12-31**
Opening book value	361.4	410.2	314.9	396.5
Reclassification/Impairment	32.0	-	-	-11.3
Purchases	742.6	384.3	804.3	309.2
Disposals	-507.0	-325.1	-589.8	-278.6
Change in value	-193.5	–108.0	-164.0	-100.9
Closing reported value	**435.5**	**361.4**	**365.4**	**314.9**

Specification of listed active holdings and stake of >10 %

Company	**Number of 1,000 shares**	**Parent Company Book value**	**Group Book value**	**Capital stake**	**Votes**
Duroc, class A and class B shares	1,601	23.9	23.9	22%	26%
Hifab, class A and class B shares	12,364	29.2	38.2	41%	35%
Nilörngruppen, class A and class B shares	585	15.8	15.8	22%	31%
Nordic Camping & Sports	980	3.5	4.4	22%	22%
Softronic A and B shares	11,178	–	58.1	23%	21%
Total shares in listed companies		**72.4**	**140.4**		
Drillcon	4,961	8.4	8.4	11%	11%
Partnertech	1,227	19.0	19.0	10%	10%
Switchcore	111,000	5.6	5.6	18%	18%
Total listed active holdings and stake of >10%		**105.4**	**173.4**		

Specification of other listed holdings

Company	Number of 1 000 shares	Parent Company Book value	Group Book value
SCA B	700	46.7	46.7
Statoil ASA	200	25.1	25.1
Swedbank BTA	475	21.1	21.1
Sandvik	400	19.6	19.6
Volvo B	400	17.1	17.1
Skanska B	200	15.5	15.5
Other listed holdings		114.9	117.0
Total other listed holdings		**260.0**	**262.1**
Total listed share holdings		**365.4**	**435.5**

Note 18. Other long-term receivables

	Group	
	2008-12-31	**2007-12-31**
Opening book value	28.7	12.5
Receivables added	16.3	16.7
Settled receivables	–19.6	–0.5
Reclassification of receivables	–	–
Closing reported value	**25.4**	**28.7**

	Group	
	2008-12-31	**2007-12-31**
Long-term receivables	0.3	-
Due from associated companies. interest-bearing	-	16.7
Interest-bearing receivable	25.1	12.0
Total	**25.4**	**28.7**

Note 19. Inventories

	Group	
	2008-12-31	**2007-12-31**
Raw materials and consumables	24.3	22.6
Work in progress	0.6	2.4
Finished goods and goods for resale	17.3	16.0
Total	**42.2**	**41.0**

There has been no impairment of inventories.

Note 20. Prepaid expenses and accrued income

	Group		Parent Company	
	2008-12-31	**2007-12-31**	**2008-12-31**	**2007-12-31**
Rents and leasing	0.2	0.2	–	–
Advance payments for customer tools	–	8.0	–	–
Interest income	0.6	0.5	–	0.3
Other	1.9	3.0	0.1	0.1
Total	**2.7**	**11.7**	**0.1**	**0.4**

Note 21. Shareholders' equity

Group

Share capital

Refer to Parent Company below.

Other contributed capital

Refers to capital contributed by the owners. Includes premiums paid in connection with share issues.

Reserves

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

Retained earnings including net profit for the year

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

Parent Company

Share capital

As of 31 December 2008 the share capital amounted to SEK 5,670,000, divided into 2,400,000 class A shares and 14,610,000 class B shares (total number 17,010,000), each with a quotient value of SEK 1/3.

Legal reserve

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

Retained earnings, including net profit for the year

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

Shares held in treasury

Shares held in treasury includes the cost of own shares held by the Parent Company.
A total of 642,600 class B shares have been repurchased (163,050 shares in 2000, 80,400 shares in 2001, 221,550 shares in 2002 and 177,600 shares in 2007). The total number of shares outstanding at year-end therefore is 16,367,400.

Dividend

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

	2008	**2007**
Regular dividend per share SEK 2.50 (1.85)	40.9	30.3

The dividend is subject to confirmation by the Annual General Meeting to be held 11 May 2009. A dividend of SEK 1.85 per share was paid during the year.

Capital management

The Group's financial goal is to maintain a strong financial position that contributes to sustaining investors', lenders' and the market's confidence, and to form a foundation for continued development of the business operations; at the same time as generating a satisfactory long-term return for the Company's shareholders.
The Board of Directors has a mandate from the 2008 Annual General Meeting to repurchase shares. Share buy-backs are done for the purpose of improving the Company's capital structure, thereby increasing shareholder value. There is no formal repurchase plan for the Company's shares. The Board of Directors suggests that the 2009 Annual General Meeting again gives the Board of Directors a mandate to repurchase own shares.

Note 22. Long-term liabilities

MSEK 0.0 (3.5) of the long-term liabilities fall due later than in five years from year-end..

Note 23. Committed credit facility

The Group has approved credit facilities of MSEK 12.0 (31.0). In the Parent Company 0.0 (0.0).

Note 24. Accrued expenses and prepaid income

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Personnel-related expenses	16.3	16.3	–	–
Share purchases not yet settled	–	–	21.7	2.9
Other	2.8	4.8	–	–
Total	**19.1**	**21.1**	**21.7**	**2.9**

Note 25. 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.

The Group's shares in unlisted companies amount to MSEK 123.3 (195.7). A change in the value by +/– 1 percent is equivalent to MSEK +/– 1.2 (2.0).

The Group's shares in listed companies amount to MSEK 435.5 (361.4). A change in the value by +/– 1 percent is equivalent to MSEK 4.4 (3.6).

FX risk

Since investments essentially are denominated in Swedish kronor (SEK), there is no direct foreign exchange risk in these that affects Traction's balance sheet. On the other hand there are indirect foreign exchange rate risks in those parts of the holdings that are engaged in international business. FX risk thus affects the Company's balance sheet and income statement, which indirectly affects the valuation of the Traction share.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument fluctuates due to changes in market interest rates. The Group's interest expense amounts to MSEK 5.7 (4.1), and relative to the size of the aggregate consolidated result Traction's interest rate risk is deemed to be low. Interest-bearing net assets in foreign currency constitutes 2.7 (1.7) percent of the balance sheet total. Translation exposure is there not hedged. With the current portfolio of investments the interest rate risk is primarily attributable to the Group's interest-bearing investments.

Liquidity risk

Liquidity risk is the risk of encountering difficulties in obtaining liquid funds to meet commitments associated with financial instruments. Traction's liquidity risk is limited since assets primarily consist of liquid funds, liquid listed shares, and by the fact that the Group's total liabilities amount to less than 8 (10) percent of the balance sheet total

Credit risk

By credit risk is meant the risk a counterparty or an issuer fails to fulfil its commitments to Traction. Traction is exposed to credit risk primarily by investing its surplus liquidity in interest-bearing securities. There are set limits for exposure to counterparties in the interest of minimising the exposure to counterparties.

From time to time Traction also invests in high-yield interest-bearing securities with correspondingly higher risk. Such investments are diversified in terms of risk in several types of instruments and maturities.

Note 1 contains a description of the principles taken into account for impairment charges against financial assets.

Principles for financing and financial risk management

The financial strategy in Traction's Parent Company and Traction's holdings, wholly or partially owned, is determined independently.

Traction's financial policy defines responsibility and authority for all operations related to financing of the Group. Among other things, this includes raising credit, foreign exchange management, financing and liquidity planning. The policy also defines policies in the context of internal control. The finance policy is reviewed annually and is set by the Board of Directors of AB Traction.

Parent Company

Holdings of foreign shares are typically not subject to FX hedging.

Subsidiaries

The subsidiaries decide on their own financial strategy.

Note 26. Financial assets and liabilities

Fair value

When determining fair value for listed shares and securities, the official quotes from the balance sheet date are used. The reported value of short-term receivables and current liabilities coincides with fair value. Fair value of receivables and liabilities with adjustable interest is equivalent to their reported values. Foreign exchange forward contracts are valued at fair value taking current interest rates and foreign exchange prices on the balance sheet date into account. Fair value for unlisted holdings is determined in accordance with what is stated in Note 1 Accounting policies.

Group 2008

Financial assets and liabilities by valuation category

	Fair value via income statement to maturity	Investments held trade receivables	Loan and trade liabilities	Other	Total
Financial assets					
Shares in unlisted companies	123.3				123.3
Shares in listed companies	435.5				435.5
Long-term receivables	25.1	0.3			25.4
Trade receivables			35.7		35.7
Short-term receivables			30.0		30.0
Accrued interest income		0.6			0.6
Cash and cash equivalents		149.8	270.9		420.7
Total	**583.9**	**150.7**	**336.6**		**1 071.2**
Financial liabilities					
Long-term interest-bearing liabilities, more than 1 year				16.8	16.8
Current interest-bearing liabilities, less than 1 year				9.8	9.8
Trade payables, 30 days				40.4	40.4
Total				**67.0**	**67.0**

Group 2008

Result by category of financial instrument

	Fair value via income statement	Investments held to maturity	Loan and trade liabilities	Other liabilities	Total
Operating result					
Dividends	21.6				21.6
Changes in value	–188.7				–188.7
Net finance items					
Interest income		7.8	21.3		29.1
Exchange rate changes			–2.0		–2.0
Other financial income			0.5		0.5
Interest expense				–5.7	–5.7
Total net finance items	*–*	*7.8*	*19.8*	*–5.7*	*21.9*
Total	**–167.1**	**7.8**	**19.8**	**–5.7**	**–145.2**

Group 2007

Financial assets and liabilities by valuation category

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Financial assets					
Shares in unlisted companies	195.7				195.7
Shares in listed companies	361.4				361.4
Long-term receivables		9.1	19.6		28.7
Trade receivables			43.0		43.0
Short-term investments		48.8			48.8
Accrued interest income		0.5			0.5
Cash and cash equivalents		229.8	423.0		652.8
Total	557.1	288.2	485.6		1 330.9
Financial liabilities					
Long-term interest-bearing liabilities, more than 1 year				27,3	27,3
Short- term interest-bearing liabilities, less than 1 year				47,6	47,6
Trade payables, 30 days				46,9	46,9
Total				**121,8**	**121,8**

Group 2007

Result by category of financial instrument

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Operating profit					
Dividend income	17.9				17.9
Changes in value	73.2				73.2
Net finance items					
Interest income		3.8	24.7		28.5
Exchange rate changes			0.9		0.9

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Other finance income			0.8		0.8
Interest expense				-4.1	-4.1
Total net finance items		***3.8***	***26.4***	***-4.1***	***26.1***
Total	**93.9**	**3.8**	**26.4**	**-4.1**	**117.2**

Parent Company 2008

Financial assets and liabilities by valuation category

	Fair value via income statement	Investments held to maturity	Associated companies	Loan and trade receivables	Other liabilities	Total
Financial assets						
Shares in unlisted companies	0.2		3.2			3.4
Shares in listed companies	365.4					365.4
Due from Group companies				191.9		191.9
Cash and cash equivalents		149.8		249.5		399.3
Total	**365.6**	**149.8**	**3.2**	**441.4**		**960.0**
Financial liabilities						
Due to Group companies					0.1	0.1
Share purchases not yet settled					21.7	21.7
Total					**21.8**	**21.8**

Parent Company 2008

Result by category of financial instrument

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Operating result					
Dividends	13.9				13.9
Changes in value	–78.4				–78.4
Net finance items					
Interest income		7.8	19.2		26.8
Interest expense			–0.6		–0.4
Total net finance items					
Total	**–64.5**	**7.8**	**18.6**		**–38.1**

Parent Company 2007

Finance items and liabilities by valuation category

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Financial assets					
Shares in listed companies	239.8				239.8
Due from Group companies			43.9		43.9
Accrued interest income		0.3			0.3
Short-term receivables/investments		48.8	0.3		49.1
Cash and cash equivalents		229.8	346.2		576.0
Total	**239.8**	**278.9**	**390.4**		**909.1**

Parent Company 2007

Result by category of financial instrument

	Fair value via income statement	Investments held to maturity	Loan and trade receivables	Other liabilities	Total
Operating profit					
Dividends	7.7				7.7
Changes in value	17.2				17.2
Net finance items					
Interest income		2.8	17.0		19.8
	24.9	2.8	17.0		44.7

Group 2008

Accounts receivable	Nominal	Impairment	Book value
Not payable	26.5	0.8	25.7
0–30 days past due	6.2	–	6.2
30–60 days past due	1.3	–	1.3
More than 60 days past due	3.1	0.6	2.5
Total	**37.1**	**1.4**	**35.7**

Group 2007

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

Note 27. Pledged assets, contingent liabilities

Group

Pledged assets	**2008**	**2007**
For liabilities to credit institutions		
Corporate mortgages	26.0	74.0
Real estate mortgages	-	20.0
Pledged trade receivables	14.5	16.0
Assets with retention of title	25.3	30.4
Deposits	-	0.4
Total	**65.8**	**140.8**

Contingent liabilities	2008	2007
Sureties	0.2	2.0
New issue guarantee	50.0	
Summa	**50.2**	**2.0**

Parent Company

Contingent liabilities	2008	2007
Sureties	3.0	29.0
Total	**3.0**	**29.0**

Note 28. Cash flow statement

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Interest income during the year	29.1	28.0	26.8	18.2
Dividend income during the year	21.6	17.9	13.9	7.7
Interest paid during the year	–5.7	–4.1	–	–

Adjustment for items not included in cash flow

	Group		Parent Company	
	2008	**2007**	**2008**	**2007**
Change in value of securities	188.7	–73.2	78.4	34.8
Depreciation and amortisation	17.7	15.9	–	–
Other	49.5	–1.4	0.6	0.2
Total	**255.9**	**–58.7**	**79.0**	**35.0**

Note 29. Net assets in subsidiaries sold

Sale of subsidiaries	Group	
Value of assets and liabilities sold:	**2008**	**2007**
Tangible assets	–	1.6
Inventories	–	1.1
Short-term receivables	–	4.0
Available-for-sale assets	–	–
Total assets	**–**	**6.7**
Current liabilities	–	4.6
Liabilities attributable to available-for-sale assets	–	
Total liabilities	**–**	**4.6**
Proceeds of sale	–	1.6
Less cash and cash equivalents in company sold	–	–0.3
Effect on the Group's cash and cash equivalents	**–**	**1.3**

Note 30. Critical estimates and assessments

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

Unlisted holdings

The method of valuation of unlisted holdings is described in valuation principles described in Note1.

Associated companies

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

Important sources of uncertainty of estimates

Estimates and assessments are made in applying the valuation principles with respect to factors which are uncertain at the time when the calculations are made. Changes in assumptions may have a significant effect on the financial reports in periods when assumptions are changed. Valuation principles that require estimates and assessments to be made are described below. Unlisted shares are valued at fair value in accordance with the methods described in Note 1. Market data are used to the greatest extent possible. When such data are not visible in the market, changes in assumptions may affect the fair value of the financial instruments. The Group applies its models in a consistent manner between periods, but the calculation of fair value always requires a significant degree of estimates.

Note 31. Information about the Parent Company

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

Note 32. Related party disclosures

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

Group

Receivables from associated companies amounted to MSEK 30.0 (0.0). Interest is calculated on market terms and conditions.

Parent Company

The Parent Company has a close relationship with its Group companies and with its associated companies. Refer to notes 15, 16 and 17. No dividends have been received from subsidiaries and associated companies. A shareholder contribution has been rendered to subsidiary Track 50 AB (under name-change to Traction Project AB). Refer to Note 15. Receivables from subsidiaries amount to MSEK 191.9 as of 31 December (43.9). Interest between Group companies is calculated on market terms and conditions. Refer to Note 7.

Transactions with principal owners or members of senior management

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

Certification by the Board of Directors

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

Stockholm, 11 March 2009

Petter Stillström President	Jan Andersson Director	Jan Kjellman Director
Bengt Stillström Chairman		Pär Sundberg Director

Our audit report with respect to these Annual Accounts was submitted 11 March 2009

KPMG AB

Carl Lindgren
Authorised Public Accountant

Audit Report

To the Annual General Meeting of AB Traction (publ) company number 556029-8654

We 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 2008. The company's Annual Accounts are included in the printed version of this document. Responsibility for the accounting records and management and for application of the Swedish Annual Accounts Act in preparing the Annual Accounts, and that International Financial Accounting Standards (IFRS) as adopted by EU, and the Swedish Annual Accounts Act are applied in preparing the consolidated financial statements rests with the Board of Directors and the President. Our responsibility is to render our opinion on the Annual Accounts, the consolidated financial statements and the management based on our audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that we have planned and performed the audit in such a way as to get high but not absolute assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting policies, and the Board of Directors' and the management's application thereof, and making an assessment of the critical estimates made by the Board of Directors and the President in preparing the Annual Accounts and the consolidated financial statements, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. As a basis for our statement on discharge from liability, we have examined significant decisions, actions and circumstances in the company to allow us to form an opinion as to whether any Director or the President is liable for damages to the company. We have also examined whether any director or the President has acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We are of the opinion that our audit gives us a reasonable ground for our statements below.

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

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

Stockholm, 11 March 2009

Carl Lindgren

Authorised Public Accountant