

TRACTION

Annual Report

2000

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

This is Traction

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

Traction is currently engaged in some thirty wholly or partially owned projects, the largest of which are the engagements in AcadeMedia, BioPhausia, Duroc, Haldex, Maxitech Elektronik, Svecia International Equipment, Thalamus Networks and Ångpanneföreningen. Traction's visible equity amounted to over MSEK 700 as of December 31, 2000. The return on equity was 97 percent in 2000. Historically, the average return on equity over the past ten years has been 44 percent. The Traction share is listed on the OM Stockholm Stock Exchange.

Financial information 2001

Date of publication of planned financial information:

- | | |
|--------------------|---|
| ► May 9, 2001 | Quarterly report for the period January – March |
| ► August 14, 2001 | Quarterly report for the period January – June |
| ► November 8, 2001 | Quarterly report for the period January – September |
| ► February 6, 2002 | Financial report for 2001 |

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

Shareholder information

Annual General Meeting

The regularly scheduled Annual General Meeting of AB Traction (publ) will be held at 3:30 p.m., April 5, 2001 at the Royal Academy of Engineering Sciences, Grev Turegatan 16, Stockholm, Sweden.

Participation

Notice of participation in the proceedings of the Annual General Meeting shall be made to Traction AB, P.O. Box 3314, SE-103 66 Stockholm, telephone +46-8-506 289 00, telefax +46-8-506 289 30, or by e-mail to post@traction.se. The deadline for giving notice of participation is before 4:00 p.m., March 30, 2001.

Participation in the proceedings of the Annual General Meeting is reserved for shareholders who are registered in the share register maintained by Värdepapperscentralen VPC AB not later than March 26, 2001. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of that date in order to participate in the proceedings of the Annual General Meeting.

Dividend

The Board of Directors propose a dividend of SEK 3.15 per share. The Board of Directors has proposed April 10, 2001 as record date. The dividend is expected to be remitted by VPC April 17, 2001.

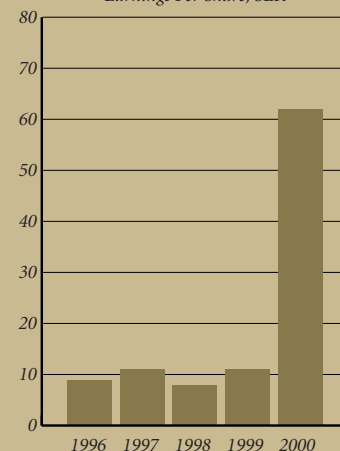
The Year in Brief

- ▶ Profit after taxes MSEK 350.7 (59.9).
- ▶ Earnings per share SEK 62 (11).
- ▶ Return on equity 97 percent (20).

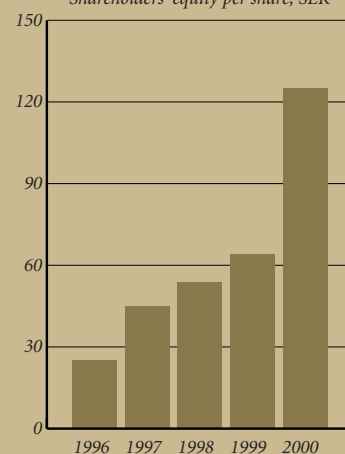
Significant events during 2000 and the beginning of 2001

- ▶ New Projects: Arvako Företagspoolen, azign management, Haldex, RealeX Communications, Recall and Ångpanneföreningen.
- ▶ Expanded ownership: BioPhausia, Bricad Holding and Swedish Tool.
- ▶ Desinvestments: AcadeMedia and Thalamus Networks.
- ▶ Completed projects: Berg & Hav, Executive Entertainment, Fastforward, Just Group (the former Media Key), Kjessler & Mannerstråle, Lobbit, MedMera Distribution, Mobilsystem, PC Card International, Soneruds Maskin and Tempelman.

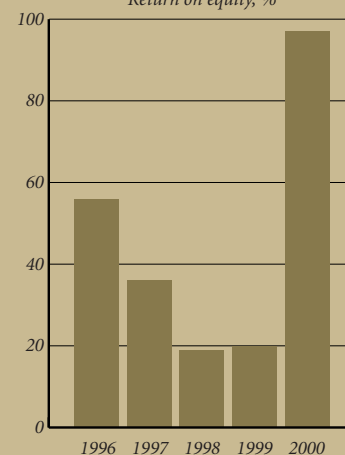
Earnings Per Share, SEK



Shareholders' equity per share, SEK



Return on equity, %





Dear Shareholders,

Year 2000 was turbulent. In absolute numbers the year was Traction's most profitable ever, and in relative terms it was only surpassed by 1993. But the year has also been trying on our organization and on the confidence in our business method, and hence the very fundamental principle of Traction. At no time in the past have the values we stand for been so called into question and been so unfashionable. At no time in the past have we so grossly failed in applying our methodology in the companies and never before have we encountered such difficulties in attracting new projects. Demand for our services has simply been non-existent.

We try to build real companies that make money on delivering goods to their customers, companies

that are responsive to their customer needs, are managed accordingly and get paid by their customers for goods delivered. Our customers should be business-like in their overall behavior and they should have a long range outlook. The basics of our business philosophy are described elsewhere in this Annual Report.

Are we suggesting, then, that others do not build real companies? Of course not! But others build in an entirely different way and based on different prerequisites. The difference lies in how the companies are managed and which factors one believes determine success.

We begin with the sales process and let it control what we do, and also make it finance what we do. We allow the customer's money to be in control. Our most tactical resource is therefore skilled salesmen, who can listen to the customers, guide them in our direction, get paid and then see to it that the customer is satisfied with the company's delivery.

The dominating method for corporate development – and the one that competes with our method – is based on the premise that the company's products and market should be developed using capital from different financial sources. The aim is to devise a business plan with a good business concept, which is then sold to investors. The most critical resource in this case is the business concept itself, or the product, often with great potential and protected by patents. The persistence in sticking to the business concept becomes important. Profitability over the short term becomes uninteresting. If more money is needed, you can always tap the stock market.

For us, the business concept is a mere hypothesis of what the company should do. The business process itself, to deliver what the customer pays for, is much more important. The business process must not be disturbed. On the other hand, we think a good company should always reconsider and adapt its business concept.

Those companies who focus too sharply on their business concept, especially if a large capital is allotted to them, run a great risk of doing the wrong things, of not listening to the customer. The result is large losses and a weak business culture in the company.

These tendencies of believing more in one's own business concept than the needs of the customer,

manifested in profitable business, have been around for a long time. They have been cherished by many, but reality has failed to field sufficient capital. Many have therefore been forced to use our method for their corporate development, or have had to abstain from trying. What has happened during the past few years is that the availability of speculative capital has become so abundant that success has been measured in stock prices rather than profitability. It became so easy "to make money" on any simple business concept. It is hardly surprising that our harsh and demanding method found no customers.

At the time of writing, a process of sobering up is under way and we are generally optimistic that our methods will again be in demand. Unfortunately, a whole generation of enterprising people have had their behavior destroyed for a period of many years. They will never understand that their behavior during their period of success is the reason for the collapse, for which they will always blame the market. History repeats itself in all speculative bubbles. The irony is that the biggest money stands to be made by understanding the course of events. That is why Traction made its greatest profit ever during year 2000.

What we now have ahead of us is the chore of repairing the damage inflicted on many companies. That is the price we must pay.

Year 2001 will have to be the year when we very heavy-handedly must change the behavior to our method where we have failed so far. We also believe that 2001 will offer interesting business opportunities for us to reconstruct companies.

Brief comments to Traction's investments in Haldex and Ångpanneföreningen

Haldex

We think Haldex is a very interesting example of the market's erroneous valuation. Haldex contains an interesting growth company, Haldex Traction Systems, which has successfully launched a four-wheel-drive system for passenger cars.

So far, the project has cost Haldex about MSEK 100 per year for a few years. Since the product obviously

has succeeded in the market, this burden should be turned into a major surplus within two to three years.

Once Haldex succeeds in demonstrating this to the market, the valuation of the share should also change radically. This can happen in many ways, for example in the form of selling off a minority interest in the subsidiary, or no later than when the result has been manifested.

By becoming Haldex's largest owner, we are counting on gaining a hearing for our views as owners. It should be noted that we regard the company as being very well managed!

Ångpanneföreningen

Ångpanneföreningen is another example of the market's erroneous valuation. The market disregards a major overcapitalization, which finances a real estate portfolio and large claims on SPP. The other alternative is that the market disregards a very interesting consulting operation, which, correctly managed, can become very profitable and expansive.

Stockholm, February 2001

Bengt Stillström

The Business

Business concept

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

Business philosophy

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

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

Goals

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

Strategy

Prerequisites to achieve Traction's goals:

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

- ▶ Project managers with varying expertise and different backgrounds to cover the varying needs our companies may have.
- ▶ Project managers with ability to step in as transitional corporate managers in restructuring situations, often until a new management has been appointed.

Exit strategy

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

Traction's methodology for successful business

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

Traction's methodology has its primary focus on customer relationships, capital flows and risk mana-

gement, and is summarized in the box on the next page. When reading these principles, they appear truly simple and self-evident, but in practice they can be quite difficult to follow. There are those who shy away from following these principles when confronted with the practical difficulties. There are even those who believe that it is impossible to follow the principles.

Every time capital is infused in a company, the level of risk rises and profits usually decline. The reason for this is that management's razor-sharp focus on the company's business disappears. It simply becomes less important to get money from the customers. There is a tendency to go after new ventures and costs tend to grow with a declining requirement for immediate return. The money burns a hole in your pocket, but you call it an investment. One doesn't listen to what the customers are willing to pay for when one has one's own money to spend. And yet, every business needs capital. But it must be infused in moderation and with great care.

One of Traction's duties is to see to it that our clients nurture their use of capital, at the same time utilizing all opportunities of obtaining external capital.

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

Traction's methodology in brief

Create Revenue Before Costs

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

Minimizing Fixed Costs

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

Controlling the Crucial and Unique Elements of the Business

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

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

Avoid Becoming Involved in Activities that Others Know Better

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

Avoiding Risk

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

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

Capitalizing on Opportunities

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

Traction's formula

The key to Traction's historically very high return is a combination of a number of different profitability factors. Each factor in itself increases the value and/or minimizes the risk exposure in Traction's holdings. If you succeed in combining all factors, the return on capital infused can be very high. Traction's goal is to see to it systematically that the three most important factors, all components of the model for return below, perform well individually, but above all to create the sought-after combination of factors.

Factor 1: Asymmetric risk profile

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

Factor 2: Growth with profitability

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

Factor 3: Revaluation situations

Traction puts a sharp focus on realizing changes in

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

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

Result: High profitability

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



Traction and the Surrounding World

Traction operates with several target groups:

Entrepreneurs who:

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

Management/presidents/owners who:

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

Banks, reconstruction specialists, auditors who:

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

Organization

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

entrepreneurship. Seven of Traction's eleven Venture Managers have been presidents, five are graduate engineers and four are MBA's. In addition, Traction has a corporate counsel and a controller, both of whom possess specialist knowledge in their respective areas.



Back, from left: Claes Thulin, Lars Olof Larson, Petter Stillström, Ulf Svensson och Håkan Berntsson

Middle, from left: Tomas Karlsson, Erik Salén och Erik Albinsson.

In front: Bengt Stillström.

Absent when the picture was taken:

Joakim Lindén, Alex Budny (Traction UK) and Maria Lamm (Corporate Counsel)

The names of managers of subsidiaries and affiliated companies are given in the list of addresses at the end of the Annual Report.

Styrelse

Mats Olsson, 52, ▶

Chairman of the Board. Director of IAR, System Kipling KnowIT, Modig Machine Tools and TurnIT. Director since 1998.



Sven-Christer Nilsson, 56, ▼

B.A. Previously with Ericsson for 17 years, most recently as President and CEO. Founder and Director of Startupfactory, Chairman of Utfors and Director of Establish, Northstream and Parthus Ltd. Director since 2000. Shares owned: 400 class B.



Rickard Björklund, 39, ▲

founder and former President of Matteus Fondkommission. Director since 2000. Shares owned, including family: 3,000 class B.



◀ **Bengt-Arne Vedin, 60**, Associate Professor, Mälardalens Högskola, Director of Metamatic and Sällskapet Riksdagsmän och Forskare and the presiding committee of Bild och Ord Akademien. Secretary General of Ruben Rausing's Fund for research relating to new businesses and innovations, member of The Royal Academy of Sciences (IVA), and the World Academy of Art and Science. Director since 1984. Shares owned: 20,200 class B.



Petter Stillström, 29, ▶

M.Sc. (Econ.). Director of Duroc and a number of other companies in Traction's sphere of interest. Director since 1997. Shares owned, privately and via partially owned company: 340,000 class A, 172,770 class B.



Lars Olof Larson, 41, ▲

Controller and Secretary of the Board of Directors. B.Sc. (Econ.). Active in Traction since 1997. Shares owned: 5,000 class B, and 10,000 options for class B shares.

Bengt Stillström, 57, ▲

Managing Director, M.Sc. (Eng.) and Masters of Management. Founder, CEO and board member of Traction since 1974. Director of a large number of companies in Traction's sphere of interest, i.e. AcadeMedia (chairm.), Easy T and Thalamus Networks (chairm.). Shares owned class A: 660,000; class B: 3,158,150.

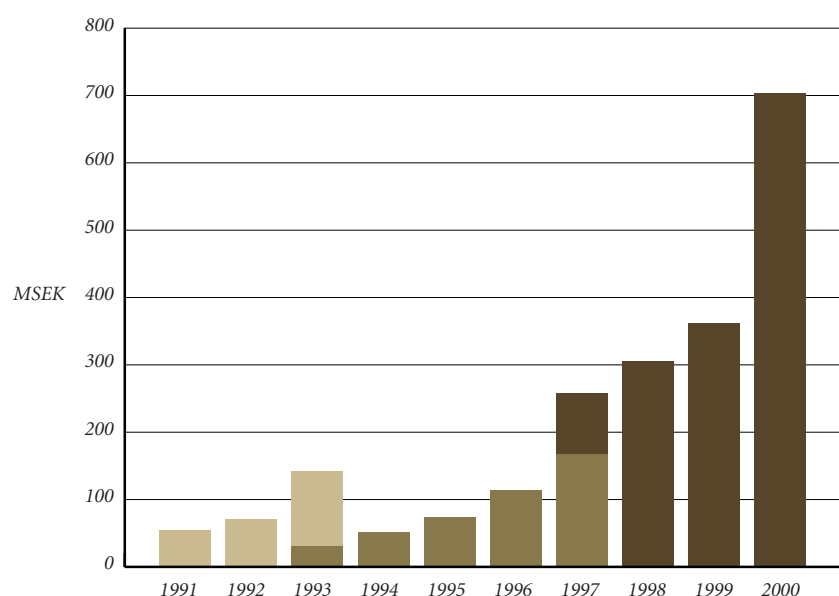
Auditor

Anders Roos, 57, Authorized Public Accountant with SET Auktoriserade Revisorer, Stockholm. Auditor of Traction since 1985.

10-Year Summary Of Traction

MSEK	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Statement of Income										
Operating revenue	112	126	111	67	167	182	400	420	471	757
NET PROFIT	7	16	71	19	22	41	54	48	60	351
Balance Sheet										
Fixed assets	69	105	93	57	46	120	185	197	234	616
Current assets	86	90	54	94	57	41	202	251	268	213
Liquid funds	28	63	104	18	50	33	48	34	47	46
TOTAL ASSETS	183	258	251	169	153	194	435	482	549	875
Shareholders' equity	54	70	141	51	73	114	257 ³⁾	305	361	703
Restructuring reserve	22	24	21	23	4	-	13	11	1	-
Venture capital under management	47	70	24	16	5	4	7 ⁴⁾	6 ⁴⁾	6 ⁴⁾	14
Long-term liabilities	33	34	36	13	13	-	41	47	44	39
Current liabilities	27	60	29	66	58	76	117	113	137	119
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	183	258	251	169	153	194	435	482	549	875
Financial Highlights										
Proportion of risk-bearing capital	67%	64%	74%	54%	54%	61%	64%	67%	67%	82%
Equity ratio	30%	27%	56%	30%	48%	59%	59%	63%	66%	80%
Equity per share, SEK	12	15	31	11	16	25	45	54	64	125
Earnings per share, SEK	2	3	16	4	5	9	11	8	11	62
Dividend per share, SEK	-	-	24	-	-	-	-	0.70	0.35	3.15
Return on equity	15%	30%	101%	23%	43% ²⁾	56%	36%	19%	20%	97%
Price/earnings ratio							8.8	6.3	7.0	1.7
Market price per share, SEK							97	53	74	106
Market price per share/equity							2.1	1.0	1.2	0.85
Average number of shares outstanding	4 600	4 600	4 600	4 600	4 600	4 600	5 042	5 670	5 670	5 658
Number of shares outstanding at year-end							5 670			5 616

Evolution of shareholders' equity



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

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

Definitions

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

A Small Selection of Transactions Over the Past Five Years

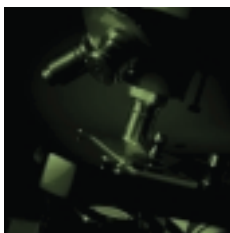


A small selection of events during the past several years. In reality, there are many, many other events, some of which may later prove to be very important.



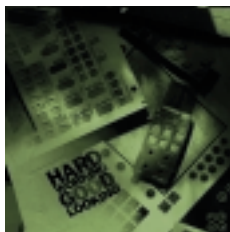
1996

About 20 percent of the shares in JP Bank were acquired. AcadeMedia acquired MacMeckarna, Engine Interactive was started and InnoGraphic was phased out. Equity offerings were made allowing the employees to become part owners. AcadeMedia became an affiliated company after having been a subsidiary. Soneruds became a new affiliated company. Duroc made two equity offerings and became listed on the SBI-list. The business in Standard Radio was sold to Raytheon Inc., USA and Styrkonsult Drives was sold to Controle Techniques PLC, England. Maxitech's production capacity was doubled through a new investment.



1997

Equity offering in Duroc. Before the offering, Traction sold some shares and subscription rights in Duroc, and then participated in the offering, which was also partially underwritten by Traction. Equity offering and market listing of Soneruds. Executive Entertainment was started together with an entrepreneur. We invested in Bricad Holding and Signalknik. Traction participated in the financial reconstruction of Svecia Screen Printing System, went in as a majority owner and guaranteed financing.



AcadeMedia acquired Thalamus Networks and arranged equity financing and wider ownership. We purchased additional shares in JP Bank and issued an option for all shares held. Completed a private placement of shares in Target Games. Purchased 13 percent of the shares in Kjessler & Mannerstråle, and shares in Epic Multimedia. TOTAB Totalentreprenad was sold to BPA. Traction made a public offering and the stock was listed on the SBI-list. In a secondary offering, shares were sold to major investors. Shares were issued for a total of MSEK 90 and the Company got about 2,000 new shareholders.

1998

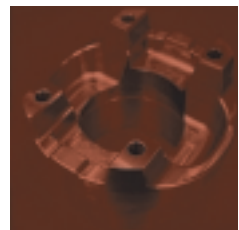
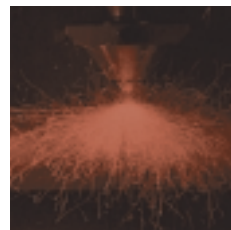
The shares in JP Bank were sold to Sparbanken Finn och Gripen. Participated in a private placement in Thalamus Networks. Became shareholder in CMI again, a company Traction had been involved with in 1980. CMA sold its system integration and PC business to Merkantildata. Invested in Easy T, Itca Holding,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

1999

Traction turns 25. The shares in CMA were sold at a good profit. Traction guaranteed equity offerings in AcadeMedia and Duroc. Obtained additional shares in Thalamus Networks in connection with a distribution from AcadeMedia. Invested in MedMera Distribution, Hagakure Network and Berg & Hav. Received shares in KM Lab from Kjessler & Mannerstråle, which were immediately sold to Dutch company AlControl. Completed two private placements in Easy T. Duroc acquired Swedish Saw Blades. Underwrote an issue of convertible debentures in BioPhausia; Traction subscribed for convertible debentures equivalent to 14 percent of shares outstanding after full conversion. Expanded ownership in Kjessler & Mannerstråle and Recco. The holdings in Itca Holding, Skandinaviska Salutorget and Target Games were sold. The shares in Ögonlaseren were sold. More shares in Thalamus Networks were subscribed for and some shares were sold. The Board of Directors was strengthened as Sven-Christer Nilsson, former President and CEO of Ericsson, and Rickard Björklund, founder and former President and CEO of Matteus Fondkommission, since the fall of 1999 participated in the work of the Board of Directors and will be elected in connection with the year 2000 Annual General Meeting. Traction UK was formed.

2000

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



The Return on Traction

Traction has the highest return on the OM Stockholm Stock Exchange and the lowest valuation of that return.

The reason for this is that the market is either unable to do the arithmetic, or believes that we will squander the money. We know that there are those who feel that our profits are not real, since formally they are capital gains. But for us, our profits are genuine and reflect the business we conduct. Traction's business is to acquire companies with low valuations that we can help grow and then sell. While we own the business, our engagement often generates a loss on our books. During the past five-year period, our capital gains have amounted to over MSEK 500.

Those who merely try to put a value on our current portfolio will not get a true reflection of reality.

Return on visible equity, after taxes

10-year data	Annual return	Year
Most recent year	97%	00
Worst year	15%	91
Best year	101%	93
10-year average	44%	91–00
5-year average	45%	96–00
Worst 2-year period	20%	98–99
Worst 3-year period	25%	97–99
Best 2-year period	65%	92–93
Traction's goal	25%	Ø all years

If Traction were to achieve its goal for year 2001, that would mean earnings per share of SEK 30 and that the share at a market price of SEK 120 is valued at a P/E of four and at visible equity. With a 25 percent annual return, equity is doubled in three years; at 40 annual return equity is doubled in two years.

The Traction Share

Share capital

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

Evolution of share capital

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

Traction has conducted business since 1974. A new parent company was created in 1994, however. There are no convertible debentures, options or other securities outstanding that could increase the number of shares outstanding. However, the Board of Directors has been authorized by the 2000 Annual General Meeting to decide, on one or more occasions, to make an equity offering of up to 1,000,000 class B shares without regard to the preferential rights of shareholders. The Board Directors also received an extension of an authorization, valid until the next-following Annual General Meeting, to acquire up to the number of shares equivalent to one tenth of all shares outstanding in the Company. As of December 31, 2001, 54,350 shares had been repurchased for about MSEK 6.5. An additional 26,800 shares were repurchased in February 2001 for MSEK 2.9. The Board of Directors has proposed an extension of these authorizations to be dealt with at the upcoming Annual General Meeting to be held April 5, 2001.

Shareholders

	Number of class A shares	Number of class B shares	Proportion of capital, %	Proportion of votes, %
Bengt Stillström	460 000	3 358 150	68.0	62.1
Creatum AB	340 000	166 820	9.0	27.8
Småbolagsfonden		147 900	2.6	1.2
Claes Gyllenhammar with companies		81 650	1.4	0.6
Traction Nouveau AB's Pensionsstiftelse		53 600	1.0	0.4
Matteus Fondkommission AB		39 494	0.7	0.3
N.G.L. Förvaltning AB		36 000	0.6	0.3
Traction's foundation for Science and Innovation		26 900	0.5	0.2
Skogby & Åberg AB		25 750	0.5	0.2
Fredrik Crafoord		25 000	0.4	0.2
Lexis Invest		23 750	0.4	0.2
Åke Svensson		21 000	0.4	0.2
Bengt-Arne Vedin		20 200	0.4	0.2
Other shareholders		789 436	16.2	6.1
Total	800 000	4 815 650	100.0	100.0

As of December 31, 2000, Traction held 54,350 share in treasury, equivalent to about 1 percent of the share capital and 0.4 percent of the votes. These shares have been excluded from the list of shareholders on the preceding page.

Number of shares per shareholder

	Number of owners	Number of shares	Percentage of capital	Percentage of votes
1-500	791	165 461	2.9	1.3
501-1 000	132	119 200	2.1	0.9
1 001-5 000	98	249 175	4.4	1.9
5 001-20 000	25	267 450	4.8	2.1
20 001-100 000	10	341 494	6.1	2.7
100 001-1 000 000	2	654 720	11.7	29.0
1 000 001-	1	3 818 150	68.0	62.1
Total	1 059	5 615 650	100.0	100.0

Share price performance

Traction's class B share has been listed on the O-list of the OM Stockholm Stock Exchange since July 1997, previously having been traded on the stock list of Stockholms Börsinformation (SBI). The Traction share gained in value during 2000 by 38 percent. At year-end 2000, the latest paid quotation was SEK 106 per share. The highest bid price for the share during the year was SEK 161 and the lowest SEK 72.



Dividend policy

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

PROJECT PRESENTATION

ACADEMEDIA AB

AcadeMedia's business is conducted in two operative units: Gravity, which is a consulting company that produces e-learning learning and dissemination of knowledge for companies and organizations who thereby can make their own business more efficient. New Media Learning is an education company that uses e-learning and new media technology for training and is comprised of Masters of Media, MacMeckarna and AcadeMedia World.

Masters of Media offers a two-year university program in media technology. Masters of Media is a source of competence support for the entire AcadeMedia Group and has grown during year 2000. Growth is expected to continue in 2001.

Training portal AcadeMedia World is ready to operate since the end of December. AcadeMedia World makes it possible for advertising agencies, web bureaus and the printing industry to obtain competence assurance for their employees. The know-how of MacMeckarna was published on the Net during the year, to be sold as modular training under the direction of AcadeMedia World. The market for media training in Europe is worth SEK 20 billion and AcadeMedia has as its ambition to be one of the leading suppliers of web-based training in this market.

AcadeMedia had 164 employees at year-end. Sales in 2000 amounted to MSEK 84.

AcadeMedia is listed on NGM Equity Market, Stockholm. Further information is available at www.academedia.se and in the company's official annual report for 2000.



ARVAKO FÖRETAGSPOOLEN AB

Arvako is a job placement company active in the following areas: warehouse/industry, office/administration and hotel/tourism. Arvako also offers training through its wholly owned subsidiary, Företagspoolen. Arvako and Företagspoolen are since March 2000 part of the same corporate group, at which time Traction also came in as a minority owner and active partner to the company's three entrepreneurs.

Företagspoolen offers customized adult education and assignment training to, among others, the Swedish County Labor Board, the education push and medium-sized and larger companies. The intention behind the merger is for Arvako, aided by Företagspoolen's educational programs, to ensure the quality and good access to personnel, at the same time as Företagspoolen's course participants can be offered employment in the job placement business.

Arvako is represented in Stockholm, Göteborg, Malmö and Östersund. During 2000, revenues amounted to just short of MSEK 90. Further information is available at www.arvako.se.



AZIGN MANAGEMENT

azign management is a company in the business of manager-for-hire and management consulting. The company's circle of owners consists of the various consultants, who work through the company and Traction. azign management was started during the first quarter of 2001 and today consists of 12 experienced consultants with varying backgrounds and competence profiles.



BANKING AUTOMATION LTD

Banking Automation is an English company that manufactures deposit machines, a kind of cash dispenser in reverse, primarily for banks, but also for transportation companies, shopping centers and for similar applications. End customers are found among private individuals and smaller companies.

Banking Automation developed new products during the year in the area of change machines. These machines are used primarily by small companies to make change.

The machines are placed as free-standing units inside the banking premises and also through the wall out to the street, or in unmanned banking premises. England, Germany, France, Holland, Belgium and Ireland are the largest markets.

Banking Automation had sales of approximately MSEK 42 during 2000.

Further information is available at www.banking-automation.com.

BioPhausia

BIOPHAUSIA AB

BioPhausia conducts sales and research & development of pharmaceuticals in the areas of micro-circulation. The company's first product, RescueFlow®, is today sold in a number of markets in and outside EU. RescueFlow® is a unique medication in the indication of trauma. The company is working on expansion of the indication to include surgery as well.

In connection with Traction's entry into BioPhausia, focus shifted from research to an effort in sales. In June, BioPhausia opened a sales office in Germany, which meant that access was gained to the largest pharmaceutical market in Europe. One month earlier, in May, an agreement was concluded for sales of RescueFlow® in France with Laboratories Belamont, part of the Cider Santé Group. In addition to France, the agreement covers 24 French-speaking countries in Africa and territories under French rule (Dom Tom). Additional distribution agreements have been concluded with companies in England, South Africa and Israel. Negotiations for distribution and licensing agreements are in progress continually with a number of companies within as well as outside of EU.

Traction has worked actively to change BioPhausia's orientation. One sign hereof is the BioPhausia has been split into a marketing company and a number of project companies.

MEDISAN, which is the name of the marketing company, will sell RescueFlow® as well as pharmaceuticals from other companies. Today the company is working hard at identifying suitable product lines to include in MEDISAN's product portfolio.

BioPhausia is listed on the O-list of the OM Stockholm Stock Exchange. Further information is available at www.biophausia.se and in the company's official annual report for 2000.

BRICAD HOLDING AB

Bricad is a real estate company with four wholly or partially owned properties in the Stockholm region. The intention is to bring about a revaluation of the properties by actively seeking new tenants and by increasing the rentable space by reallocating space and by upgrading premises. Bricad Holding also owns 47.5 percent of Swedish Tool AB. See below.



DUROC AB

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



Application

Division Application is responsible for development and sales of the core operation, i.e. surface refinement of materials and components using laser technology and systems solutions in conjunction therewith. Laser technology can be combined with additives in the form of ceramic materials and alloys in the form of powder material, with which unique material and product properties can be obtained. Application's sales are to external clients, but also internally to the subsidiaries.

Duroc Rail

Duroc Rail is a division, the business concept of which is based on Duroc's technology for the purpose of creating longer life for railway wheels, more efficient wheel maintenance, less noise and lower costs for wheel maintenance per transport kilometer. Duroc Rail operates a facility for wheel maintenance in Notviken, Luleå.

Duroc Tooling AB

Duroc Tooling is a division, the business concept of which to utilize Duroc's technology for the purpose of achieving lower costs for the users of form tools for sheet metal and plastics forming, and forging and injection casting. Duroc Tooling has operations in Västerås and Robertsfors.

Swedish Saw Blades AB

Swedish Saw Blades in Laholm manufactures and sells saw-blades.

Impact Coatings AB

During 2000, 45 percent of high-tech company Impact Coatings in Linköping was acquired. Much like Duroc, this company is based on surface refinement, but with PVD technology, a so-called thin-film technology best suited for electronics, mobile telephony and automotive components.

Duroc increased sales in 2000 by 44 percent to MSEK 222.

Duroc is listed on the O-list of the OM Stockholm Stock Exchange. Further information about Duroc is available at www.duroc.se and in the company's annual report for 2000.



EASY T AB

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

The business is divided into two parts:

► **Easy T Travel**, which includes the travel agency business. Easy T Travel (Sverige) has continued to develop with strong sales growth. Travel is located at www.easyt.se and www.billigtfly.com.

In July, Steamond Ltd, a full-service travel agency in London, was acquired. Starting in October, Steamond (Easy T Ltd) also has functioning sales of airline tickets and can be reached at www.easyticket.com.

► **Easy T Software**, which includes systems sales and further development of the T-Book system, an Internet-based system for airline reservations and other travel-related products and services.

Easy T's sales increased during 2000 by 200 percent to MSEK 68.

Easy T's share is traded unofficially on the HQ Tech Market.

Further information about Easy T is available at www.easyt.com and in the company's official annual report for 2000.

FASTIGHETS AB ORNAMENTIK

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

FASTIGHETS AB TOFTA

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



GEODYNAMIK AB

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

HAGAKURE NETWORK AB

Hagakure Network is a company engaged in head hunting of key persons. The company's success concept is based on an interactive tool developed in-house for recruitment, where the candidate goes through a questionnaire customized for each position to be filled. Customers are found among well-established companies as well as fast-growing players, primarily in IT and media. Further information is available at www.hagakure.com.



HALDEX AB

Haldex is an international supplier to the vehicle industry with leading market positions in several product niches. Operations are conducted in four divisions:

- ▶ **Brake Systems:** Air-based brake and suspension systems for commercial vehicles.
- ▶ **Barnes Hydraulics:** Hydraulic control and lifting systems for industrial and commercial vehicles.
- ▶ **Garphyttan Wire:** Special spring wire products for combustion engines for cars, commercial vehicles and industrial vehicles.
- ▶ **Traction Systems:** Adjustable AWD systems for cars.

Haldex's sales amounted to MSEK 6,194 in 2000 (5,798) and operating profit was MSEK 338 (369). Traction's investment in Haldex is commented upon on page 3, President's Statement.

Haldex is listed on the A-list of the OM Stockholm Stock Exchange. Further information is available at www.haldex.com and in the company's official annual report for 2000.



JALMARSON-THIAS AB

Jalmarson-Thias produces, markets and sells bite valves for animal stalls. Most of the production is exported. Operations are conducted in Eskilstuna with six employees. A wholly owned subsidiary, Alcometaller AB, processes and sells propeller blades and rotor blades, primarily to customers in the Nordic region. Operations are conducted at the company's own premises in Örebro with about 18 employees. Further information is available at www.jalmarson-thiasab.se.

MAXITECH ELEKTRONIK AB

Maxitech Elektronik, located in Åkersberga outside Stockholm, manufactures customer-specific thick-film and hybrid circuits. Thick-film circuits is a type of circuit board where certain components are printed right onto the carrier. Thick film technique means that a wiring pattern and resistors are printed onto a carrier, typically a ceramic wafer, via a screen-printing technique. The printed pattern is then dried and sintered (burned) onto the carrier at high temperature. Several layers can be printed and the resistors can be tuned to exact values with laser equipment. Some of the advantages of thick film technology over regular circuit boards are the high heat transfer rate, large packing density and high reliability. The ceramic is also suitable as carrier for certain high-frequency applications.



Typical applications for thick film technology can be power products, such as transformers where heat resistance is critical, and control computers in tough environments, such as engine rooms in cars. The principal customers are found in the telecom and automotive industries. Maxitech's sells mainly mass-produced circuits to customers in Sweden as well as abroad.

In cooperation with customers and suppliers, Maxitech has built unique competence in the production of thick-film circuits for the electronics industry. Maxitech has a very modern assembly of machinery with a high degree of automation. Further investments were made during the year, including investment in new and more environmentally friendly washing equipment and in a printing line for increased capacity.

The organization has been strengthened with a technician specializing in process and production control. The board of directors has been strengthened by two external directors with extensive industry knowledge.

During the year, Maxitech concluded a long-term cooperation agreement with Ericsson Microelectronics AB. Read more about thick-film technology at www.maxitech.se.

MSS DATA AB

MSS Data is a company that develops software for accounting, invoicing, etc. in a PC environment.

—PROMECTA—

PROMECTA FOOTWEAR AB

Promecta is a fast-growing company in the shoe industry. Via subsidiaries in Estonia, Lithuania and Poland, the company sells ladies' and men's shoes under its own brand names. Promecta also designs and manufactures shoes under the Dahlin brand name. The company is currently involved in a venture to establish its own chain of stores in Poland and Estonia under the ZIP name.



REALEX COMMUNICATIONS AB

Through its subsidiary MK-CES AB, RealeX Communications is active in manning IT training with good pedagogic competence. The traditional IT training companies are large customers, to which RealeX supplies teachers, but also services in the area of training packaging, teaching media production and sales training. IT training as well as the job placement industry is currently in a growth phase.

More information is available at www.mk-ces.se.



RECCO AB

Recco markets an avalanche rescue systems and sells reflectors for same, both through sporting goods retailers and for installation in ski shoes and ski wear. The system is internationally established at about 250 leading ski resorts.

Further information is available at www.recco.com.

REKALL AB

Rekall AB is a spin-off project from AcadeMedia. The company is active in installing and operating technical infrastructure for distribution of streaming and other heavy media in data networks. The company's complete and partially patented distribution platform makes it possible for companies, content suppliers and network operators to distribute media efficiently over data networks, such as the Internet, without overburdening the network's bandwidth with many simultaneous users. The solution is based on open standards and also makes it possible to offer innovative supplementary services, such as Rekall.gs, a solution where for example the voices at a press conference can be streamed out on the Internet from a regular GSM telephone. More information is available at www.rekall.se.



SIGICOM AB

Sigicom is a consulting and development company in the electronics and data technology industry. The company's specialty is high-tech, quality products developed in-house for solving measuring problems, primarily in the areas of vibration, sound and temperature for industrial and service companies. Sigicom's products are permeated by platform and modular thinking. A number of new platforms were developed during the year in cooperation with Sigicom's customers. The company has a strong product portfolio now entering a more intense marketing phase. MSEK 4 was infused in the company as a private placement during May/June. Further information is available at www.sigicom.se.



SVECIA INTERNATIONAL EQUIPMENT AB

Since the start in 1948, Svecia has developed and manufactured printing presses and other equipment for screen printing. Svecia's customers are found in the graphic area, manufacturing industry and the glass industry. Svecia has achieved a position as one of the world's leading suppliers. The Svecia Group has about 180 employees all over the world and is a wholly owned subsidiary of Traction.

Svecia's equipment is manufactured at its own plants in Sweden, Italy and Spain, and sales are via company-owned sales companies in Germany, France, Spain, Hong Kong, the United States and Italy, and via a global network of distributors. The year was marked by continued rationalization and streamlining of production within the European organization.

The sales organization around equipment for printing on glass has been centralized to the company's head office. Svecia intends to increase its share of this market based on support from its subsidiaries, agents and partners.

For 2001, Svecia's sales organization has been strengthened in Europe, the United States and Asia. The company will also widen its network of agents in areas where the company's market shares are too low.

During 2000, Svecia initiated cooperation with one of the world's largest suppliers of digital printing presses, NUR, and also sales cooperation with Larese relating to the markets in Brazil and the United States.

Svecia enjoyed a good flow of new orders during the year. In the United States, the company had continued success during 2000, especially with its Multicolor Line, SAM X. Read more about Svecia at www.svecia.com.



SWEDEN TABLE TENNIS AB



SWEDEN TABLE TENNIS AB

Sweden Table Tennis AB (SST) manufactures and sells table tennis equipment under the brand names of STIGA and Banda. STIGA® is a registered trade mark owned by Stiga AB. STT is 100-percent owned by Fastighets AB Valhalla, which also owns an industrial property in Eskilstuna. SST had sales of just over MSEK 70 for 2000. Further information is available at www.tabletennis.se.

SWEDISH TOOL AB

Swedish Tool AB markets and sells multi-operation machine tools, CNC lathes, tool grinding machines, etc. to Swedish industry. The company has a number of agencies for large international manufacturers. The company is also active in used, modern CNC machines. One of the company's important competitive profiles is its ability to assist customers with innovative financial solutions. The company had 2000 sales of approximately MSEK 75, not including intermediated business.

Read more about Swedish tool at www.swedishtool.se.



THALAMUS NETWORKS AB

With its Thalamus product line, Thalamus Networks sells a complete range of services to owners of access networks, such as property owners and cable-TV operators. Services offered include differentiated Internet access, a broadband portal for local access, telephony and energy systems for property operators. All services are based on Thalamus Network's reliable technology developed since 1996, when the company provided Internet access to the first tenants via the cable-TV network.

Traction has been involved in the company for several years. When Traction first got involved, Thalamus Networks was a local company, for all intents and purposes dependent on the entrepreneurs that had started the company. Until the spring of 1999, the company was subsidiary of AcadeMedia, at which time the shares were distributed to AcadeMedia's shareholders. Today, Thalamus Networks is an independent company listed on the O-list of the OM Stockholm Stock Exchange. Further information is available at www.thalamus.se and in the official annual report for 2000.



TOLERANS INGOL HOLDING AB

Tolerans Ingol is a technology-intensive company that develops and sells high-speed rotation stickers for printing plants. The products are sold via printing press manufacturers and via a broad network of agents.

During 2000, Tolerans secured its position as a world-leader in its field. To meet increased demand for its products, Tolerans has recruited cutting-edge competence in technology and production development and further strengthened its marketing function.

A very important development project was initiated during the year for the purpose of cutting lead times sharply. The project is estimated to be completed by the latter part of 2001. Further information is available at www.toleransingol.se.

TVÅ ÖGON AB

Två Ögon develops and sells eyeglasses. In-house designed and produced reading glasses and sunglasses are sold via a number of chains and as promotional articles for companies. These products are also exported to Iceland, Norway and Finland. Två Ögon also has obtained agencies for eyeglass frames and sun glasses under the trade names Hugo Boss, Elle, Esprit, Aristar and Charmant in Sweden. These eyeglasses are sold via opticians.



AB ÅNGPANNEFÖRENINGEN

Ångpanneföreningen (ÅF) is one of Sweden's largest technical consulting firms, with about 2,200 employees in Sweden and other European countries. ÅF offers advanced services for Swedish industry, commerce and public administration in the following business areas:

- ▶ 4 Electricity & Instruments
- ▶ Energy, Environment & Process
- ▶ Water, Heating and Plumbing
- ▶ Data, Electronics & Mechanics
- ▶ Training & Management

ÅF had revenues of MSEK 1,747 in 2000 (1,620) and operating profit of MSEK 339, MSEK 240 of which consisted of surplus funds from SPP (49).

Traction's investment on ÅF is commented upon on page 3, President's Statement.

ÅF is listed on the A-list of the OM Stockholm Stock Exchange. Further information about ÅF is available at www.af.se and in the company's official annual report for 2000.



ANNUAL ACCOUNTS

The Board of Directors and the President of AB Traction (publ), organization number 556029-8654, hereby submit their Annual Accounts and consolidated financial statements for the financial year ended December 31, 2000.

ADMINISTRATION REPORT

Business

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

Significant events during the financial year

Revenue and results

Consolidated revenue for 2000 amounted to MSEK 757 (471) ((421)), of which dividends, net capital gains and profit shares in affiliated companies accounted for MSEK 362.9 (78.9) ((48.0)). Profit after taxes amounted to MSEK 350.7 (59.9) ((47.7)). Consolidated revenue amounted to MSEK 391.9 (388.3) ((366.4)) and was generated primarily in the Svecia Group, MSEK 291.4, Maxitech Elektronik AB, MSEK 58.7, and the Tolrans Group, MSEK 35.7. Profit after taxes amounted to MSEK 350.7 (59.9) ((47.7)). The return on visible equity for the year was 97 (20) ((19)) percent; the average annual return for the past ten-year period has been 44 percent.

Liquidity, equity ratio and shareholders' equity

The Group's liquid funds amounted to MSEK 46 (47) ((34)) at year-end. In addition hereto, the Company held a liquidity reserve in the form of non-strategic holdings of publicly traded shares in an amount of MSEK 80 at year-end. The Group's balance sheet total as of year-end was MSEK 875 (549) ((482)) and visible shareholders' equity stood at MSEK 703 (361)

((305)). The equity ratio at year-end was 80 (65) ((63)) and the visible reserve, i.e. the difference between the book value and the market value of publicly traded affiliated companies declined to MSEK -27 (270) ((56)). Traction does not assign a market value to its holdings of shares not publicly traded shares. The net asset value of the Company can therefore not be computed.

Capital expenditures

More than MSEK 384 (86) ((75)) was invested in old and new projects, primarily in Haldex, MSEK 233, and in Ångpanneföretagen, MSEK 92, Kjessler & Mannerstråle (KM), MSEK 22, Biophausia, MSEK 10, and Arvako Företagspoolen AB, MSEK 7. In addition, investments were made in Fastforward AB, Lobbit AB, RealeX Communications AB and Swedish Tool AB, and supplementary investments were made in AcadeMedia, Bricad Holding AB, Thalamus Networks, Mediakey Plc, Sigicom AB and Hagakure Network AB. In addition hereto, net investments have been made in other publicly traded shares in an amount of MSEK 21 (44) ((29)).

Desinvestments

Sales were made in project companies, which has freed up almost MSEK 415 (105) ((134)) in equity, primarily in Thalamus Networks, MSEK 212 (partial sale), KM, MSEK 173, and AcadeMedia, MSEK 14 (partial sale). Additional sales have been made in Duroc (partial sale), PC Card International AB, Target Games, Mobilsystem AB and Executive Entertainment AB. Shares in MedMera Distribution AB were disposed of in an exchange for shares in Gandalf (listed on the O-list of the OM Stockholm Stock Exchange).

Capital gains

Shares sold as detailed above had a book value of MSEK 107, which generated capital gains of MSEK 308 (70) ((54)). Most capital gains were generated in the sales of Thalamus Networks, KM and AcadeMedia. Sales of other publicly traded shares resulted in capital gains of 24 (1) ((-1.7)).

Shares in profit in affiliated companies

Shares in profit of affiliated companies amounted to MSEK 28.3 (8.3) ((1.0)), with the largest contributions emanating from Thalamus Networks, MSEK 15.5, and AcadeMedia, MSEK 9.1. Due to private placements to new owners in, primarily, AcadeMedia and Thalamus Networks, issuing gains arose in an amount of MSEK 42.1 (7.9) ((0)). The issuing gains are reported as shares in the result of affiliated companies.

Allocation of SPP funds/pension reserves

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

Dividend

The Board of Directors propose to the Annual General Meeting a dividend of SEK 3.15 (0.35) ((0.70)) per share for the 2000 operating year. In accordance with Traction's dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has investment company status under Swedish tax laws, the dividend is a tax-deductible expense.

Repurchase of own shares

The Board of Directors has been authorized, until the regularly scheduled Annual General Meeting to be held in April 2001, to repurchase, at its discretion, up to 10 percent of the total number of shares outstanding in the Company. Shares may be repurchased both in the market and in the form of an offer to the shareholders. The purpose is to enrich the shareholders. In September, 24,350 class B shares were repurchased in the market at a price of SEK 129 per share and in December 30,000 class B shares were repurchased at a price of SEK 111 per share. The total number of shares thereafter outstanding is 5,615,650.

Work of the Board of Directors

Traction's Board of Directors annually adopts rules of procedure for the Board of Directors and instructions for the President and Chief Executive Officer. The rules of procedure sets forth the duties, the division of responsibility, a meeting schedule and the type issues to be brought before the Board of Directors. The Board of Directors consists of six directors with no alternates. The Board of Directors has convened on six occasions during the year, at which minutes were taken. In addition, individual directors have had day-to-intermittent contact with the Company's president. The agenda for the meetings at which minutes were taken has included issues as set forth in the rules of procedure, such as the state of business, results and financial position in the project companies, interim reports and annual financial statements and major capital expenditure decisions. The Board of Directors is domiciled in Stockholm.

Significant events after financial year-end

Repurchase of own shares

In February, an additional 26,800 class B shares were repurchased at a price of SEK 109 per share. The number of shares thereafter outstanding is 5,588,850.

Expected future development of the Company

The value performance of the portfolio of publicly traded shares, together with the capital freed up in possible exits, provides the financial freedom of action required for continued successful work to fill the project portfolio and for further development of existing projects. Demand for Traction's services is bound to increase in the future as the new economy cools off and as focus is again trained on fundamental factors. Strict application of the Traction methodology vouches for continued value growth and profitability.

Proposed allocation of profit (SEK thousand)

Parent Company

The following amounts are available to the Annual General Meeting:

Retained earnings	241 623
Net profit for the year	<u>316 822</u>
	558 445

To be allocated as follows:

Dividend to the shareholders SEK 3,15 per share	17 605
To be carried forward	<u>540 840</u>
	558 445

Group

The Group's unrestricted equity amounts to SEK 585,224 thousand. SEK 24,161 thousand will be transferred to statutory reserves. The Parent Company's and the Group's results and financial position are presented in the following statements of income and balance sheets, cash flow statements and notes to the financial statements.

STATEMENTS OF INCOME

Amounts in SEK thousand

	Note	2000	Group		Parent Company		
		2000	1999	1998	2000	1999	1998
OPERATING REVENUE	3						
Net revenues	2	391 890	388 296	366 388	-	-	2
Other operating revenue		2 004	4 010	6 892	150	-	-
Other dividend income		2 538	-	223	2 344	-	223
Net capital gains		332 061	70 633	46 827	314 856	65 284	8 689
Shares in profit of affiliated companies	4	28 328	8 268	993	-	-	-
Total operating revenues		756 821	471 207	421 323	317 350	65 284	8 914
OPERATING EXPENSE	3						
Raw materials and consumables		-220 074	-245 639	-132 907	-	-	-
Goods for resale		-	-152	-20 110	-	-	-
Change in inventory of work in progress, finished goods and work in progress for others		2 418	807	-16 498	-	-	-
Other external costs	5, 6	-91 308	-45 981	-90 265	-1 259	-561	-485
Personnel expense	7, 8	-94 499	-101 853	-106 074	-	-	-
Depreciation, amortization		-13 062	-16 297	-9 669	-	-29 500	-22 000
Items affecting comparability	9	8 166	-	-	-	-	-
Other operating expenses		-1 095	-1 074	-617	-	-	-26
Total operating expenses		-409 454	-410 189	-376 140	-1 259	-30 061	-22 511
Operating profit		347 367	61 018	45 183	316 091	35 223	-13 597
RESULT OF FINANCIAL INVESTMENTS							
Other interest income and similar items		10 872	5 151	6 263	2 465	81	1 190
Interest expense to Group companies		-	-	-	-1 707	-6 933	-6 517
Other interest expense and similar items		-5 935	-5 202	-2 773	-27	-	-
		4 937	-51	3 490	731	-6 852	-5 327
Profit after financial items		352 304	60 967	48 673	316 822	28 371	-18 924
Taxes on the year's profit	10	-2 009	-675	-1 100	-	-	-
Minority interest		422	-434	107	-	-	-
NET PROFIT FOR THE YEAR		350 717	59 858	47 680	316 822	28 371	-18 924

BALANCE SHEETS

Amounts in SEK thousand

	Note	2000	Group		Parent Company		
			1999	1998	2000	1999	1998
ASSETS							
Fixed assets							
INTANGIBLE FIXED ASSETS							
Goodwill		1 853	2 168	924	-	-	-
		1 853	2 168	924	-	-	-
TANGIBLE FIXED ASSETS							
Buildings and land	11	9 257	9 629	10 000	-	-	-
Plant and machinery	12	25 544	33 260	37 739	-	-	-
Equipment, tools, fixtures and fittings	13	5 028	4 705	2 223	-	-	-
		39 829	47 594	49 962	-	-	-
FINANCIAL FIXED ASSETS							
Shares in subsidiaries	14	-	-	-	189 131	172 512	161 843
Shares in affiliated companies	15	118 912	163 243	107 316	158 905	234 246	194 830
Other listed holdings	16	447 098	59 846	20 620	437 298	62 726	26 203
Other long-term securities holdings	17	7 020	4 852	16 640	7 020	20	12 132
Other long-term receivables		1 715	991	2 196	300	-	-
		574 745	228 932	146 772	792 654	469 504	395 008
Total fixed assets		616 427	278 694	197 658	792 654	469 504	395 008
Current assets							
INVENTORIES							
Raw materials and consumables		41 981	33 508	21 280	-	-	-
Work in progress		15 629	12 719	33 262	-	-	-
Finished products and goods for resale		20 840	34 659	39 833	-	-	-
Advance payments to suppliers		7 478	3 858	7 885	-	-	-
		85 928	84 744	102 260	-	-	-
SHORT-TERM RECEIVABLES							
Accounts receivable		88 451	99 449	88 456	-	-	-
Due from Group companies		-	-	-	-	100	-
Due from affiliated companies		5 991	9 512	36 328	-	95	-
Tax claim		1 175	213	3 500	-	-	-
Other receivables		16 980	16 386	12 467	-	3 421	1 898
Prepaid expenses and accrued income	18	13 963	12 595	7 882	916	-	669
		126 560	138 155	148 633	916	3 616	2 567
CASH AND BANK DEPOSITS							
		46 018	46 912	33 594	5 524	13 567	1 711
Total current assets		258 506	269 811	284 487	6 440	17 183	4 278
TOTAL ASSETS		874 933	548 505	482 145	799 094	486 687	399 286

BALANCE SHEETS

Amounts in SEK thousand

			Group		Parent Company		
	Note	2000	1999	1998	2000	1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES							
Equity	19, 20						
RESTRICTED EQUITY							
Share capital		5 670	5 670	5 670	5 670	5 670	5 670
Premium reserve		-	-	-	88 676	88 676	88 676
Legal reserve		-	-	-	982	982	982
Restricted reserves		112 396	110 922	110 922	-	-	-
		118 066	116 592	116 592	95 328	95 328	95 328
NON-RESTRICTED EQUITY							
Non-restricted reserves		234 509	184 604	140 893	241 623	221 731	244 624
Net profit for the year		350 717	59 858	47 680	316 822	28 371	-18 924
		585 226	244 462	188 573	558 445	250 102	225 700
Total equity		703 292	361 054	305 165	653 773	345 430	321 028
Minority interest		4 208	5 569	2 128	-	-	-
		4 208	5 569	2 128	-	-	-
Provisions							
Taxes		3 063	1 095	2 095	-	-	-
Restructuring reserve		-	1 000	11 002	-	-	-
		3 063	2 095	13 097	-	-	-
Long-term liabilities							
Committed credit facility	21	21 951	29 715	24 727	-	-	-
Due to credit institutions		13 520	12 912	18 945	-	-	-
Profit sharing loan		9 514	144	4 140	9 514	-	-
Other long-term liabilities		-	-	750	-	-	-
		44 985	42 771	48 562	9 514	-	-
Current liabilities							
Due to credit institutions		11 919	20 109	12 085	-	-	-
Advance payments from customers		23 310	19 198	25 293	-	-	-
Accounts payable		48 745	48 085	48 714	-	-	-
Due to Group companies		-	-	-	135 396	127 241	78 258
Due to affiliated companies		600	300	705	-	216	-
Other liabilities		7 008	27 180	11 056	-	13 800	-
Accrued expenses and prepaid income	22	27 803	22 144	15 340	411	-	-
		119 385	137 016	113 193	135 807	141 257	78 258
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES							
		874 933	548 505	482 145	799 094	486 687	399 286
Pledged assets	23	71 318	69 806	57 436	Inga	Inga	Inga
Contingent liabilities	23	6 498	51 978	61 494	28 710	33 195	23 195

STATEMENTS OF CASH FLOW

Amounts in SEK thousand

	Group			Parent Company		
	2000	1999	1998	2000	1999	1998
CURRENT OPERATIONS						
INVESTMENT ACTIVITIES						
The year's sales of project companies	415 198	104 803	133 932	414 498	104 694	132 776
The year's investments in project companies	-383 814	-86 358	-75 438	-400 475	-95 702	-85 438
Net Investments in other shares	-21 206	-44 824	29 526	-22 166	-47 704	29 526
Cash flow from investment activities	10 178	-26 379	88 020	-8 143	-38 712	76 864
OTHER ACTIVITIES						
Profit before financial items, not including net capital gains and shares in profit of affiliated companies	-13 022	-17 883	-2 637	1 384	-30 061	-22 286
Adjustment for items not included in cash flow						
Depreciation, amortization and write-downs	13 062	16 297	9 669	-	29 500	22 000
Net investments in other fixed assets	2 678	-8 093	-37 873	300	-	-
Reversal of other items not affecting cash flow	-3 618	8 989	1 378	-	-	-
Cash flow from other activities before changes in working capital	-900	-690	-29 463	1 084	-561	-286
Cash flow from changes in working capital	372	43 793	-90 029	-2 750	61 950	-94 671
Cash flow from other activities	-528	43 103	-119 492	-1 666	61 389	-94 957
Cash flow before financial items and taxes	9 650	16 724	-31 472	-9 809	22 677	-18 093
Financial items	4 937	-51	3 490	731	-6 852	-5 327
Current taxes	-1 626	-1 619	-1 136	-	-	-
Cash flow from current operations	12 961	15 054	-29 118	-9 078	15 825	-23 420
FINANSIERINGSVERKSAMHETEN						
Loans raised and repayment of debt	-5 376	2 233	14 051	9 514	-	-
Repurchase of own shares	-6 495	-	-	-6 495	-	-
Dividends paid	-1 984	-3 969	-	-1 984	-3 969	-
Cash flow from financing activities	-13 855	-1 736	14 051	1 035	-3 969	-
Cash flow for the year	-894	13 318	-15 067	-8 043	11 856	-23 420
Liquid funds at beginning of year	46 912	33 594	48 661	13 567	1 711	25 131
Cash flow for the year	-894	13 318	-15 067	-8 043	11 856	-23 420
Liquid funds at year-end	46 018	46 912	33 594	5 524	13 567	1 711

SUPPLEMENTARY INFORMATION

Note 1: Principles of accounting and valuation

General information

AB Traction's Annual Accounts for 2000 are prepared in accordance with the Annual Accounts Act (1995:1554). The Company follows the recommendations of the Swedish Financial Accounting Standards Council, except as set forth under the item Exception from the recommendations of the Swedish Financial Accounting Standards Council.

Principles of consolidation

The consolidated financial statements include AB Traction and companies in which AB Traction, directly or indirectly, own more than 50 percent of the share capital. The consolidated financial statements are compiled in accordance with recommendation RR1:96 of the Swedish Financial Accounting Standards Council using the purchase method of accounting. Under that method, the assets and liabilities of the acquired company at the time of acquisition are valued to determine their acquisition value in the Group. Any difference between the purchase price and the acquisition value in the Group is reported as goodwill.

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

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

Reporting of affiliated companies

Shares in affiliated companies, i.e. companies in which the Group owns more than 20 percent and up to 50 percent of the votes, and the ownership is deemed to be of a long-term nature, are reported according to the equity method in the consolidated financial statements. Application of the equity method means that the book value of affiliated companies as reported in the Group corresponds to the Group's share of equity in the affiliated company, plus any goodwill and less any negative goodwill. When affiliated companies are acquired, an estimate is made of the amount of positive or negative goodwill in acquired affiliated companies. Such goodwill is amortized over a period of five years against the share in profit from the affiliated company. The shares in profit in affiliated companies are reported on a gross basis in the Group, not including amortization of the affiliated company share, which is reported in the income statement's item for consolidated depreciation and amortization. The Group's share in the tax expense of affiliated companies is reported as part of the Group's tax expense. Profit shares not paid out as dividends are included in consolidated restricted reserves. Share holdings previously reported as affiliated companies, but where the ownership stake has been reduced to less than 20 percent of the votes, are reported according to the acquisition value method. The value in the Group reported according to the equity method at the time the holding ceases to be an affiliated company is used as cost basis (acquisition value) in the transition to the acquisition value method.

Exception from the recommendations of the Swedish Financial Accounting Standards Council

Traction reports shares in profit from affiliated companies on a gross basis, not including depreciation of shares in affiliated companies, which are reported in the income statement's item for consolidated depreciation and amortization. This differs from the coming recommendation of the Swedish Financial Accounting Standards Council for reporting of affiliated companies. Traction reports shares in profit from affiliated companies that are not publicly traded only in aggregated form out of concern for these companies that are not publicly traded. For the same reason, the book values of companies that are not publicly traded are reported only in aggregated form in the Traction Group.

Reclassification of previously reported short-term investments

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

Financial fixed assets

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

below book value by a significant amount, that value is written down.

Fixed assets/depreciation and amortization

Fixed assets are reported at cost with a due reduction for depreciation based on the economic life of the relative assets.

Depreciation/amortization is charged at the following rates:

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

Inventories

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

Other assets and liabilities

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

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

Net sales by operating segment:

	Group		
	2000	1999	1998
Printing equipment	327 081	300 336	292 521
Electronic components	58 718	71 922	62 778
Other Traction companies	6 091	16 038	11 089
	391 890	388 296	366 388

Net sales by geographic market:

	Group		
	2000	1999	1998
Sweden	157 466	120 062	135 111
Rest of Europe	125 833	182 086	113 376
Rest of world	108 591	86 148	117 901
	391 890	388 296	366 388

Note 3. Intra-Group sales

Of the total cost of purchases and revenue from sales, respectively, 17 percent (17) ((16)) of purchase and 18 percent (17) ((11)) of sales have been to other companies in the Group. Transfer prices are equal to market prices.

Note 4. Shares in profit of affiliated companies

	2000		1999		1998	
	Profit	Taxes	Profit	Taxes	Profit	Taxes
AcadeMedia AB (publ)	9 148	-	3 184	-	2 500	-
Thalamus Networks AB (publ)	15 455	-	-1 406	-	-	-
Duroc AB (publ)	743	-	177	-	263	-
Easy T AB (publ) (not affiliated company from 2000)	-	-	7 221	-	-301	-
Kjessler & Mannerstråle AB (publ) (sold 2000)	-	-	0	-	-	-
Soneruds Maskin AB (publ)	-275	-	356	-	-507	-
Tempelman AS (subsidiary from 1999)	-	-	-	-	-3 797	-
	25 071	-	8 820	-	-1 842	-
Other non-listed companies	3 257	-635	-552	-919	2 835	-1 053
Total	28 328	-635	8 268	-919	993	-1 053

Shares in profit of affiliated companies are reported gross, not including amortization of goodwill on shares in affiliated companies. Amortization of goodwill on shares in affiliated companies amounts to SEK 3,532 (5,875) ((1,769)) thousand and is reported in the statement of income as amortization.

Note 5. Fees and reimbursements to auditors

	<u>2000</u>	<u>1999</u>
Parent company	0	0
Subsidiaries:		
Sweden	570	428
Italy	479	90
Hong Kong	67	57
USA	116	100
Germany	131	167
Spain	75	77
France	125	48
Estonia	20	88
Group total	1 583	1 055

Note 6. Leasing costs

The Group has not entered into any financial leasing contracts of material significance. The amount for external costs includes leasing fees, including rent for rented premises in an amount of SEK 11,170 (previous year, SEK 11,651) thousand.

These payments are due:

Within 1 year	11 364
Later than 1 year but within 5 years	18 971
Later than 5 years	-
Total	30 335

Note 7. Personnel

Average number of employees

	2000		1999		1998	
	Number of employees	Male	Number of employees	Male	Number of employees	Male
Sweden	155	127	174	143	183	148
Italy	20	17	25	20	28	22
Hong Kong	15	11	18	11	16	9
USA	10	10	15	12	24	21
Germany	13	11	12	10	13	11
Spain	10	9	8	7	8	7
France	5	5	8	6	7	6
	228	190	260	209	279	224

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

Personnel expenses

	Group			Parent Company		
	2000	1999	1998	2000	1999	1998
WAGES, SALARIES AND OTHER COMPENSATION						
Presidents and Boards of Directors	6 746	7 443	6 854	-	-	-
Other employees	62 431	68 777	71 478	-	-	-
Total wages, salaries and other compensation	69 177	76 220	78 332	-	-	-
OTHER PERSONNEL, EXPENSES						
Social benefits	16 624	21 120	19 201	-	-	-
Pension costs*	5 298	2 608	5 097	-	-	-
Other personnel costs	3 400	1 905	3 444	-	-	-
Total other personnel costs	25 322	25 633	27 742	-	-	-
Total personnel costs	94 499	101 853	106 074			

* Of which to presidents SEK 744,000 (63,000) ((265, 000)). The item pension costs above is reported net, after indemnification from Traction Noveau AB's and Traction Konsult AB's pension trusts in the amount of SEK 1,122,000 (820,000) ((519,000)).

Wages, salaries and other compensation by country

	2000			1999		
	Board of Directors, President (of which bonus, etc.)		Other employees	Board of Directors, President (of which bonus, etc.)		Other employees
Sweden	1 882	(45)	43 219	2 051	(33)	46 968
Italy	725	(0)	4 599	1 503	(0)	6 129
Hong Kong	1 314	(544)	3 559	732	(312)	2 903
Germany	757	(97)	4 093	685	(146)	4 096
USA	1 508	(0)	3 754	1 601	(0)	5 687
Spain	397	(0)	1 798	370	(0)	1 278
France	163	(0)	1 409	501	(0)	1 716
Group total	6 746	(686)	62 431	7 443	(491)	68 777

Note 8. Benefits of senior management

Pension costs and liabilities

Pensions benefits are within the limits of the ITP plan. Full provisions have been made through pension funds and insurance. The Parent Company's President has no salary, but will enjoy pension benefits from the Company. The President has the right to retire at age 60 and to receive a pension in the amount of MSEK 490,000 annually between the age of 60 and 65. An annual family pension in a lower amount is paid thereafter for life. The pension commitment has been made with year 1993 as a base and will be raised thereafter in accordance with the standards of SPP. Full provisions for this have been made to Traction Konsult AB's pension fund. The Parent Company's Board of Directors receive no compensation.

Severance payments

No agreements for severance payments exist.

Note 9. Items affecting comparability

Refers to allocated SPP funds.

Note 10. Taxes

For tax purposes, the Parent Company is an investment company and is therefore liable for taxes on gains on sales of shares and securities treated similarly for tax purposes. Capital losses are not tax-deductible. But for investment companies, a standard taxable increment of 2 percent is added to the taxable base for such securities.

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

	Group			Parent Company		
	2000	1999	1998	2000	1999	1998
Current taxes	1 626	1 619	1 136	-	-	-
Deferred taxes	383	-944	-36	-	-	-
	2 009	675	1 100	-	-	-

Note 11 Buildings and land

	Group		
	2000-12-31	1999-12-31	1998-12-31
Buildings			
Opening balance, cost	9 291	9 291	9 291
Purchases	-	-	-
Closing accumulated cost	9 291	9 291	9 291
Opening depreciation	-1 847	-1 476	-1 104
Year's depreciation	-372	-371	-372
Closing accumulated depreciation	-2 219	-1 847	-1 476
Residual value according to plan, buildings	7 072	7 444	7 815
Book value, land	2 185	2 185	2 185
Book value, buildings and land	9 257	9 629	10 000
Tax assessment values			
Buildings	4 600	7 292	7 292
Land	2 721	2 131	2 131

Note 12. Plant and machinery

	2000-12-31	Group 1999-12-31	1998-12-31
Opening balance, cost	87 182	84 248	17 365
Via acquisitions, etc.	-	-	83 625
Purchases	926	4 073	70
Sales	-3 351	-1 139	-16 812
Closing accumulated cost	84 757	87 182	84 248
Opening depreciation	-53 922	-46 509	-13 235
Via acquisitions, etc.	-	-	-42 816
Sales/restructuring, etc.	1 644	890	13 926
Year's depreciation	-6 935	-8 303	-4 384
Closing accumulated amortization	-59 213	-53 922	-46 509
Residual value according to plan	25 544	33 260	37 739

Note 13. Equipment, tools, fixtures and fittings

	2000-12-31	Group 1999-12-31	1998-12-31
Opening balance, cost	8 850	5 059	20 859
Via acquisitions, etc.	-	651	796
Purchases	2 624	3 790	1 841
Sales/restructuring, etc.	-1 130	-650	-18 437
Closing accumulated cost	10 344	8 850	5 059
Opening depreciation	-4 145	-2 836	-14 582
Via acquisitions, etc.	-	-315	-361
Sales/restructuring, etc.	737	434	12 792
Year's depreciation	-1 908	-1 428	-685
Closing accumulated depreciation	-5 316	-4 145	-2 836
Closing residual value according to plan	5 028	4 705	2 223

Note 14. Shares in subsidiaries

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

Shares owned by the Parent Company

Company	Company No.	Domicile	Number of shares	Proportion of capital	Book value in Parent Company
AB Traction Finans	556113-6838	Stockholm	460 000	100%	82 000
Traction Konsult AB	556098-5672	Stockholm	1 000	100%	40 000
Förvaltnings AB Vita	556234-7285	Stockholm	1 250	100%	18 500
Svecia International Equipment AB	556106-8254	Botkyrka	1 000	100%	22 950
Fastighets AB Tofta	556132-1901	Stockholm	5 000	100%	5 800
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1 000	100%	1 050
Traction Management Ltd	-	Oxford	1	100%	-
Tempelman AS	-	Tallinn	1 697 800	77%	12 463
Tolerans Ingol Holding AB	556504-7999	Stockholm	14 160	60%	6 298
FastForward AB	556579-3535	Stockholm	700	100%	70
Exacta Logistik AB	556025-3493	Stockholm	900 000	100%	0
Total shares owned by the Parent Company					189 131

Shares owned by subsidiaries

Company	Company No.	Domicile	Number of shares	Proportion of capital
AB Traction Finans				
Traction Development AB	556215-7098	Stockholm	550	100%
Traction Konsult AB				
Traction Nouveau AB	556302-0832	Stockholm	1 000	100%
Förvaltnings AB Vita				
Maxitech Elektronik AB	556215-7346	Stockholm	30 000	100%
Svecia International Equipment AB				
Svecia Screen Printing AB	556536-8676	Stockholm	10 000	100%
Svecia Siebdrucktechnik GmbH	-	Germany	300 000	100%
Svecia France S.A.R.L.	-	France	1 000 000	100%
Svecia Industrial System S.R.L.	-	Italy	190 000 000	100%
Svecia Espana S.A.	-	Spain	10 000 000	100%
Svecia Siebdruckmaschinen A.G.	-	Switzerland	50	100%
Svecia East Ltd.	-	Hong Kong	99 999	100%
Svecia USA Inc.	-	USA	100	100%

Note 15. Shares in affiliated companies

Company/Company No	Domicile	Number of shares	Proportion of capital	Other Voting Right	Book value Parent Company	Book value Group (SEK thousand)	Market Value (SEK thousand)
Listed affiliated companies							
Duroc AB (publ) – 556446-4286	Umeå	700 588	13%	(34%)	63 908	24 569	63 404
AcadeMedia AB(publ) – 556057-2850	Stockholm	803 897	25% *	(30%)	45 180	35 108	31 352
Thalamus Networks AB (publ) – 556394-1987	Ängelholm	757 249	8%	(21%)	8 250	22 981	19 991
Soneruds Maskin AB (publ) – 556066-5530	Hudiksvall	21 900	22%	(30%)	1 599	1 166	657
Total listed affiliated companies					118 937	83 824	115 404
Other affiliated companies							
Banking Automation Ltd	Reading	1 288 572	49%	-	10 000	-	-
Bricad Holding AB – 556264-6298	Österåker	17 900	47%	-	8 800	-	-
Fastighets AB Valhalla – 556216-6347	Eskilstuna	3 000	25%	-	5 000	-	-
Recco AB – 556154-6101	Stockholm	349	49%	-	3 508	-	-
Swedish Tool AB – 556282-7633	Stockholm	875	29%	-	2 800	-	-
Jalmarsson-Thias AB – 556253-3231	Eskilstuna	375	25%	-	2 500	-	-
Promecta Footwear AB – 556446-3759	Stockholm	2 000	40%	-	1 925	-	-
Två Ögon AB – 556039-8777	Stockholm	1 000	100% **	-	1 694	-	-
Geodynamik HT AB (publ) – 556189-0871	Stockholm	100 000	20%	-	1 000	-	-
Fastighets AB Ornamentik – 556225-3004	Eskilstuna	500	35%	-	700	-	-
Sigicom AB – 556207-1547	Botkyrka	209 900	35%	-	803	-	-
Hagakure Network AB – 556562-8426	Stockholm	1 000	100% ***	-	580	-	-
Berg & Hav AB – 556298-2560	Stockholm	2 000	40%	-	384	-	-
RealeX Communications AB – 556586-8378	Stockholm	4 280	27%	-	200	-	-
Fastighets AB DIBAB – 556579-3527	Stockholm	350	35%	-	37	-	-
SSAF Saffron Spices & Flavours AB – 556524-6815	Stockholm	333	33%	-	29	-	-
MSS Data AB – 556267-3185	Stockholm	250	25%	-	8	-	-
Total other affiliated companies					39 968	35 088	Not estimated
Total affiliated companies					158 905	118 912	

* 105,000 call options for class B shares have been issued, primarily to members of senior management in AcadeMedia AB.

** A call option equivalent to 55 percent of the company has been issued to the company's entrepreneur and President. The option was exercised in the beginning of 2001.

*** A call option equivalent to 70 percent of the company has been issued to the company's entrepreneur and President. The option was exercised in the beginning of 2001

Note 16: Other listed holdings

Company	Number of shares	Number of shares Group	Book value	Book value Group	Market value Group	Proportion of capital
Haldex	2 512 268	2 512 268	232 932	232 932	174 603	11%
Ångpanneföreningen, serie B	752 400	752 400	92 058	92 058	92 169	13%
Volvo, serie B	125 000	140 500	23 529	26 274	21 989	-
SCA, serie B	100 000	100 000	18 901	18 901	20 050	-
Trelleborg, serie B	260 000	260 000	16 172	16 172	17 680	-
Avesta Sheffield	305 000	311 500	10 167	10 367	8 037	-
Mediakey Plc	11 021 201	11 021 201	9 303	9 303	4 629	-
Biophausia, konv.lån * (nom)	9 006 480	9 006 480	9 344	9 344	13 474	(12%)
Biophausia, serie A**	1 051 510	1 051 510	8 962	8 962	6 309	(6%)
Easy T	1 582 860	1 582 860	1 023	7 877	8 706	20%
Matteus	500 000	500 000	7 313	7 314	7 250	-
JM, serie B	20 000	20 000	4 208	4 208	4 180	-
Assidomän, inlösenaktier	10 000	10 000	1 335	1 335	1 900	-
Gandalf	126 500	126 500	1 100	1 100	607	-
SWECO, serie B	18 000	18 000	951	951	1 044	-
Total other holdings			437 298	447 098	382 627	

* Equivalent to 2,186,000 shares upon full conversion. Conversion price: SEK 4.12/share. Proportion of capital is 12 percent upon full conversion.

** The shareholding is financed by a conditional loan. 300,000 call options for class A shares have been issued to members of senior management of Biophausia AB.

Note 17. Other long-term securities holdings

Company	Number of shares	Book value	Market value	Proportion of capital	Other voting right
Arvako Företagspoolen AB	175 001	7 000	-	14%	20%
Grafikens Hus AB	4	20	-	-	-
Group total		7 020			

Note 18. Prepaid expenses and accrued income

	Group			Parent Company		
	2000-12-31	1999-12-31	1998-12-31	2000-12-31	1999-12-31	1998-12-31
Prepaid expenses	5 801	3 612	6 669	-	-	-
Accrued income	8 162	8 983	1 213	916	-	669
	13 963	12 595	7 882	916	-	669

Note 19. Shareholders' equity – Group

	Share capital	Restricted reserves	Non-restricted equity
Opening balance	5 670	110 922	244 462
Dividend			-1 984
Repurchase of shares			-6 495
Transfer between restricted and non-restricted capital		1 474	-1 474
Net profit for the year			350 717
Closing balance	5 670	112 396	585 226

Note 20. Shareholders' equity – Parent Company

As of December 31, 2000, the share capital amounted to SEK 5,670,000 divided into 800,000 class A shares and 4,870,000 class B shares (total number 5,670,000) of SEK 1.00 par value each. 54,350 class B shares were repurchased during the year. At year-end 2000, 5,615,650 shares were thus outstanding.

	Share capital	Premium reserve	Legal reserve	Non-restricted equity
Opening balance	5 670	88 676	982	250 102
Dividend				-1 984
Repurchase of own shares				-6 495
Net profit for the year				316 822
Closing balance	5 670	88 676	982	558 445

Note 21. Committed credit facility

The approved limit for the Group amounts to SEK 29,523,000 (35,628,000) ((33,911,000)). Parent Company 0 (0) ((0)).

Note 22. Accrued expenses and prepaid income

	Group			Parent Company		
	12/31/2000	12/31/1999	12/31/1998	12/31/2000	12/31/1999	12/31/1998
Prepaid expenses	15 301	16 116	15 282	-	-	-
Accrued income	12 502	6 028	58	411	-	-
	27 803	22 144	15 340	411	-	-

Note 23. Pledged assets, contingent liabilities

Pledged assets

	2000	Group 1999	1998	2000	Parent Company 1999	1998
For liabilities to credit institutions						
Corporate mortgages	54 000	45 110	49 856	-	-	-
Real estate mortgages	5 500	5 500	5 500	-	-	-
Deposits	-	-	1 530	-	-	-
Letter of Credit	-	10 000	-	-	-	-
For pension liability and other liabilities						
Corporate mortgages	1 150	550	550	-	-	-
For supplier guaranty						
Corporate mortgages	10 668	8 646	-	-	-	-
Escrow funds	-	-	-	-	-	-
	71 318	69 806	57 436	-	-	-

Contingent liabilities

	2000	Group 1999	1998	2000	Parent Company 1999	1998
Guaranties	3 288	3 588	3 401	28 710	33 195	23 195
Sureties	2 835	1 772	-	-	-	-
Advance settlement in bankruptcy and disputes	375	46 618	58 093	-	-	-
	6 498	51 978	61 494	28 710	33 195	23 195

Stockholm, February 27, 2001

Bengt Stillström
President and CEO

Sven-Christer Nilsson

Mats Olsson
Styrelseordförande

Bengt-Arne Vedin

Rickard Björklund

Petter Stillström

My audit report with respect to this Annual Report was submitted February 28, 2001.

Anders Roos
Authorized Public Accountant

AUDIT REPORT

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

I have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of AB Traction for the financial year ending December 31, 2000. Responsibility for the accounting records and management rests with the Board of Directors and the President. My responsibility is to render my opinion on the Annual Accounts, the consolidated financial statements and the management based on my audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit in such a way as to get reasonable assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Director's and the management's application thereof, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements.

I have also examined significant decisions, actions and circumstances in the company to allow me to form an opinion as to whether any Director or the President is liable for damages to the company, or in any other way has acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

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

I recommend that the Annual General Meeting adopts the Statement of Income and the Balance Sheet for the Parent Company and the Group, deals with the profit in the Parent Company in accordance with the recommendation contained in the Administration Report and that the members of the Board of Directors and the President be granted discharge from liability for the financial year.

Stockholm, February 27, 2001

Anders Roos
Authorized Public Accountant

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