

TRACTION

Annual Report 2016

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The following annual report is a translation of the Swedish version. In case of any discrepancy between the Swedish and English translation, the Swedish version shall prevail.

Traction's Net Asset Value

Holdings	Number of shares, thousands	Price per share, SEK	Proportion of capital (%)	Proportion of votes (%)	Market value, MSEK	% of total	SEK/share
Listed active holdings							
Nilörngruppen	3,590	77.75	31	61	279	11%	19
OEM International	886	151.00	4	10	134	5%	9
Softronic	11,539	7.75	22	20	89	4%	6
Hifab Group	32,744	3.13	54	55	102	4%	7
BE Group	2,586	41.70	20	20	108	4%	7
Drillcon	24,000	3.98	54	54	96	4%	7
Waterman Group	4,760	9.02	15	15	43	2%	3
Duroc	2,000	15.50	27	30	31	1%	2
Total					882	35%	60
Unlisted active holdings							
Ankarsrum Motors			100	100	65	3%	5
Other unlisted holdings					117	4%	7
Due from active holdings					38	2%	3
Total					220	9%	15
Total active holdings					1,102	44%	75
Financial investments, cash and cash equivalents							
Other listed equities					347	14%	23
Interest-bearing investments ¹					836	34%	57
Cash and cash equivalents					193	8%	13
Total					1,376	56%	93
TOTAL					2,478	100%	168

¹ Including interest-bearing investments maturing in less than one year in the amount of MSEK 468 and other net assets/liabilities in the amount of MSEK 7.

Administration Report

The Board of Directors and the CEO of AB Traction (publ), organisation number 556029-8654, hereby submit their annual accounts and consolidated financial statements for the 2016 financial year. For further information about Traction and its business, reference is made to the annual report that can be ordered or downloaded from Traction's website: www.traction.se

Business

Traction is a listed investment company with active ownership interests in listed and unlisted smaller and medium-sized companies. Traction also conducts investment activities for the purpose of obtaining a good return on the Company's capital by making financial investments mainly in other listed companies and interest-bearing assets.

Traction's role as owner is based on active and long-term engagement in close co-operation with other active owners, entrepreneurs and corporate managements. Traction has no particular focus on specific industries. Traction instead conducts development and transformation work which is applicable to all companies intending to give priority to professionalism, sustainability and sound business principles. Traction's share is traded on NASDAQ Stockholm (Mid Cap list).

The year in summary

- Profit after taxes amounted to MSEK 401 (174), distributed as follows:
 - Active holdings, listed MSEK 306 (-6)
 - Active holdings, unlisted MSEK -34 (131)
 - Financial investments MSEK 140 (51).
- Earnings per share amounted to SEK 27.09 (11.75).
- Net asset value per share increased by 18.9 (9.0) percent, adjusted for dividend paid.
- Net asset value per share amounted to SEK 168 (143).
- The return on active holdings was 40 percent.
- The return on other listed equities was 45 percent.
- Interest-bearing investments, plus cash and cash equivalents, amounted to just over SEK 1 billion.
- MSEK 30 was invested in Eitech Holding AB, equivalent to 10 percent of equity and 4 percent of the votes.
- MSEK 19 was invested in Poolia, equivalent to 8 percent of equity and 4 percent of the votes.
- The holding on Nordic Camping & Resort was sold for MSEK 70 in conjunction with a tender offer.
- The holding in Nilörngruppen was reduced to 31 percent of equity and 61 percent of the votes in connection with a sale of shares for MSEK 79.

2016 Summary

Profit after taxes amounted to MSEK 401 (174), which includes changes in value of MSEK 328 (83) and dividend income of MSEK 57 (74). Financial income amounted to MSEK 26 (19). The net asset value increased by 18.9 (9.0) percent adjusted for dividend paid.

Active holdings – listed

Active listed holdings contributed MSEK 306 (-6), of which changes in value amounted to MSEK 270 (-34) and dividend income to MSEK 36 (28). The profit on listed holdings is mainly attributable to a positive stock price development for Nilörngruppen, BE Group and Hifab Group. Nilörngruppen contributed MSEK 190, equivalent to a return of 99 percent; BE Group contributed MSEK 30 (40 percent) and Hifab Group contributed MSEK 27 (36 percent).

Investments in listed active holdings amounted to MSEK 22, of which Waterman accounted for MSEK 15 and BE Group for MSEK 5. Stocks were sold for MSEK 152, mainly attributable to Nordic Camping & Resort (MSEK 70) and Nilörngruppen (MSEK 79).

For more detailed information about the development of individual companies, reference is made to the website of each company.

Active holdings – unlisted

Active unlisted holdings burdened the result by MSEK –34 (131), of which changes in value accounted for MSEK –47 (91) and dividends for MSEK till 11 (38). Interest income was MSEK 2 (1).

Changes in value is mainly due to a revaluation of Ankarsrum Motors of MSEK –25 during the year, equivalent to 28 percent.

The revaluation is explained by the fact that one of the company's major customers is expecting lower volumes, which will have a negative effect on profitability. Investment in active unlisted holdings amounted to MSEK 30 relating to a purchase of shares for MSEK 10 and subordinated debt in the amount of MSEK 20 in Eitech Holding AB. After this transaction, Tractions owns 10 percent of the capital and 4 percent of the votes.

Financial investments

Other listed holdings contributed MSEK 140 (51), distributed on shares, MSEK 112 (50) and interest-bearing investments MSEK 28 (1). Changes in value of other listed shares amounted to MSEK 102 (42), equivalent to a return of 45 percent. The holdings in Munksjö, Aker, Storebrand, DnB and Volvo were the main contributors to the result. Dividend income amounted to MSEK 10 (8). Investments in other listed shares amounted to 279 (320), MSEK 19 of which is attributable to Poolia, relating to 1,407,000 class B shares, equivalent to 8 percent of equity and 4 percent of the votes. Shares were sold for MSEK 260 (365). The change in value of interest-bearing investments was MSEK 4 (–16) and interest income was MSEK 24 (17).

Liquidity

Traction's cash and cash equivalents amounted to MSEK 193 (542). Other interest-bearing investments amounted to MSEK 830 (369), of which investments in short-term interest-bearing investments¹ amounted to MSEK 468 (164). Holdings in other listed shares amounted to MSEK 347 (225).

Equity/Net asset value

As of December 31, 2016 equity amounted to MSEK 2,478 (2,115), equivalent to SEK 168 (143) per share. The number of shares outstanding as of 31 December 2016 was 16,000,000, of which 1,800,000 were class A shares. Not including repurchased shares (1,210,153 equivalent to 8 percent), the number of shares outstanding was 14,789,847, of which 1,800,000 were of series A.

Parent Company

AB Traction's profit for 2016 amounted to MSEK 814 (76). Cash and cash equivalents amounted to MSEK 68 (312), not including investments in interest-bearing investments¹ in the amount of MSEK 310 (164). The Parent Company's equity ratio as of 31 December stood at 100 (100) percent. The Parent Company has no external loans. An intra-group restructuring was carried out during the year resulting in a profit in the Parent Company of MSEK 585 and receivables from Group Companies increased to MSEK 638 (15). This restructuring has no effect on the Group.

¹ Short-term interest-bearing investments are defined as investments in commercial paper and similar instruments with a maturity of less than one year.

Events after the end of the period under review

- In January 2017 it was announced that associated company Duroc will acquire International Fibres Group AB (IFG) with payment in newly issued Duroc shares. The transaction was approved by the Annual General Meeting in Duroc held 15 February 2017. This means that Duroc will grow substantially, becoming a profitable group of companies with aggregate revenues of approximately SEK 2.3 billion. IFG is an internationally leading producer of polypropylene-based fibre and filament yarns. The total production is approximately 110,000 tonnes of fibre and yarns. Traction acquired 1,825,000 additional shares in Duroc in connection with the transaction, which means that Traction's ownership will be just short of 10 percent.
- The Board of Directors proposes a dividend of SEK 2.15 (2.55) per share, equivalent to MSEK 31.8 (37.7).
- The change in value, including dividend income from listed holdings, since 31 December amounts to MSEK 156 as of March 17.

Multi-year Survey					
MSEK	2016	2015	2014	2013	2012
Profit for the year, MSEK ¹	401	174	122	268	255
Net asset value, MSEK ¹	2,478	2,115	1,979	1,901	1,719
Net asset value per share, SEK	168	143	133	127	112
Earnings per share, SEK ¹	27	12	8	18	17
Market price at end of period, SEK	146	115	99	90	84
Net asset value change per share, %	19	9	7	17	17
Dividend per share, SEK ²	2.15	2.55	2.0	2.45	3.1
Dividend yield, % ²	1.5	2.2	2.0	2.7	3.7

¹⁾ According to Investment Entity Accounting. Period 2012-2013 reported pro forma.

²⁾ Dividend for 2016 refers to the proposal of the Board of Directors.

Sustainability of Traction's active holdings

Traction is an investment company with ownership interest in several companies in different industries, in varying phases of development and geographic focus. Traction's ability to influence the development of the holdings varies depending on its' ownership stake and the willingness of other shareholders to adhere to Traction's approach. However, Traction's employees, as well as the boards of directors of the project companies, are always expected to ensure that project company management groups attach great importance to the ongoing sustainability efforts that must be adapted to each respective company's situation and local conditions.

Traction's development model is based on the assumption that each respective management group and board of directors follow prevailing laws and regulations and always act ethically and in a commercially sound manner. This means that Traction expects zero tolerance of human rights violations, extortion, corruption, child labour, forced labour, discrimination, etc. Traction also expects risks to be analysed and goals to be formulated and that each company has appropriate processes in place to manage and monitor sustainability risks.

Traction avoids getting engaged in companies that are not deemed to add value for its customers or society at large, instead contributing to tragedies occurring in the form of addiction, poverty, deaths and other unnecessary suffering. Examples hereof are companies involved with drugs, tobacco, armaments, casino operations and gaming companies, whose purpose is to entice their customer to become addicted to gambling, thereby squandering their savings. Nor do certain credit-granting companies, whose existence depends on their customers' desperate need for liquidity, fit in with Traction's investment criteria.

Sometimes Traction comes in as owner after a crisis in a company related to its management, its owners or its customers. In such situations sustainability issues will often have had lower priority. A good example of what can be achieved is the Ankarsrum companies, where profitability problems in the 1990s led to routine maintenance of the companies' premises being neglected. By splitting the business into separate companies, Traction was able to identify clearly the heating cost at each production unit. This in turn led to Traction starting an energy efficiency project where energy consumption began to be measured. Inefficiencies could then be rectified one by one. By replacing old compressors, improving insulation of heating ducts and repairing leaking compressed air lines, at the same time as systems were rerouted within the premises for better utilisation of surplus heat and harmonising with today's production needs, heat production has gone from 3.7 million kWh per year before, to 1.7 million kWh per year during 2016. By halving energy consumption, heating costs have been reduced as well as the environmental impact. The energy savings project continues in 2017 to determine how modern technology can be used to find more clever solutions.

Risks and uncertainty factors

Below is a brief description of the most significant risks and uncertainty factors facing the Group and the Parent Company. Note 17 contains a description of Traction's principles applied to financial risk management.

Commercial risks

Examples of commercial risks are, for instance, to have high exposure to a certain industry, or to an individual holding. The risk level of the total portfolio is limited by the fact that it contains several investments in different industries, where Nilörngruppen, which is Traction's largest holding, accounts for 11 percent. Thirty-five percent of Traction's net asset value of MSEK 2,478 (2,115) consists of listed active holdings. Unlisted active holdings account for 7 percent. Cash and cash equivalents, including investments in commercial paper and similar instruments with a maturity of less than one year, account for 27 percent, and other financial assets for 31 percent.

Financial risks

The main financial risks to which the Traction Group is exposed are price risks, i.e. the risk for change in value of a financial instrument due to changes in either stock prices, bond prices, foreign exchange rates or interest rates. Most of the share price risk is in Traction's equity portfolio and wholly owned subsidiaries with large holdings in listed project companies. Traction carries its listed holdings at current market price, which does not reflect the correct long-term value of companies where Traction has a major holding. The value of these major holdings materialises only when the holding is sold, at which time it will be determined if the sale is made at a price higher or lower than the carrying value. However, according to Traction, current market price is the most reasonable method to value the listed holdings on an ongoing basis. There is also the risk that the valuation of unlisted holdings, performed by Traction and described in Note 18, differs from the value obtained in an external sale. Most of the interest risk is found in the bond portfolio. Other risks that arise in Traction's financial activities include liquidity, financing, currency and credit risks, as well as operational risks. These risks are regularly monitored by the organisation.

Other risks

There are also other risks pertaining to external rules, regulations and statutes, contract-related commitments, internal corporate rules and regulations not being followed, and IT security risks. Other operational risks and uncertainties are that the Board of Directors, management or other key individuals make incorrect decisions, which may have a negative effect on the Company. There is also dependency on individual key persons in several of Traction's holdings.

Uncertainty factors

The uncertainty factors affecting the business and, among other things, make evaluations of future development uncertain, are especially how currency and stock prices, the pricing situation for unlisted holdings, and how individual industries will develop.

Corporate Governance Report

AB Traction is a Swedish public company, whose class B shares are listed on NASDAQ Stockholm. Traction and the Traction Group follow the Swedish Companies Act, the regulations for issuers on NASDAQ Stockholm, other applicable laws and regulations, and applies The Swedish Code of Corporate Governance ("The Code"). The Articles of Association established by the AGM also constitutes a basis for the Company's governance. Traction's Articles of Association are available on Traction's website, traction.se, where also information about Traction's business, business philosophy, strategy, a description of active holdings, organisation, ownership policy, financial reports, etc. is available. This corporate governance report for 2016 has been reviewed by the Company's auditors.

Annual General Meeting

The General Meeting is the Company's highest decision-making body. Here, Traction's shareholders make decisions on central issues, such as adoption of income statements and balance sheets, on dividends to shareholders, the composition of the Board of Directors, discharge from liability for members of the Board of Directors and the Chief Executive Officer, election of auditor, and principles for remuneration of members of corporate management. The General Meeting must be prepared for and conducted in such a manner that shareholders can exercise their rights in an active and well-informed manner.

Shareholders whose names are entered in the share register on the record day and who apply for attendance at the General Meeting have a right to attend and vote at that meeting, either in person or via a duly authorised proxy. Every shareholder has the right to have an issue dealt with by the General Meeting.

Information about time and location for the Annual General Meeting will be available on Traction's website no later than in connection with the third quarter interim report. Also available on the website is information on what shareholders must do to have an issue dealt with by the General Meeting in accordance with ABL 7:16. The Chief Executive Officer, the Company's auditor, the Chairman of the Board of Directors and a sufficient number of directors to form a quorum must be in attendance, if possible all directors.

Election Committee

Traction's Annual General Meeting has decided that Traction is not to have an election committee. This is a deviation from The Code. The reason for this is that the ownership structure is clear, since members of the Stillström family own a majority of the votes and also that there are no other shareholders with significant ownership. However, shareholders are always welcome to comment on and/or make suggestions for the composition of the Board of Directors to Bengt Stillström (telephone +46-8-506 289 03). Bengt Stillström and his spouse are the largest shareholders in Traction in terms of capital.

The Traction share

At the AGM, each shareholder is entitled to vote for the full number of shares owned or represented without limitation as to voting right. Class A shares entitle their holders to 10 shares at the AGM and class B shares entitle their holder to one vote. The Board of Directors have received authorisation to repurchase up to one tenth of the shares outstanding before the next-following Annual General Meeting.

As of 31 December 2016, the total number of repurchased shares was 1,210,153, equivalent to 7.6 percent of the total number of shares issued by the Company. No repurchases were made during 2016. Table 1 below shows Traction's largest shareholders as of 31 December 2016. The proportion of votes and capital is based on the number of shares outstanding, a total of 14,789,847 share, of which 1,800,000 were class A shares. The number of shareholders in Traction increased to 1,724 during 2016 (976).

Table 1

December 31, 2016	Class A shares	Class B shares	Total	Proportion of capital	Proportion of votes
Ann Stillström	165,000	2,727,000	2,892,000	19.6%	14.1%
Bengt Stillström	165,000	2,724,450	2,889,450	19.5%	14.1%
Petter Stillström, including companies	1,095,000	1,677,150	2,772,150	18.7%	40.7%
Niveau Holding AB, including subsidiaries ¹	375,000	1,225,000	1,600,000	10.8%	16.1%
Hanna Kusterer		1,583,100	1,583,100	10.7%	5.1%
David Stillström		1,556,700	1,556,700	10.5%	5.0%
N.G.L Förvaltnings AB		102,900	102,900	0.7%	0.3%
Esilentio AB		100,000	100,000	0.7%	0.3%
Handelsbanken Fonder AB		78,720	78,720	0.5%	0.3%
Bengt-Arne Vedin		59,800	59,800	0.4%	0.2%
Other		1,155,027	1,155,027	7.8%	3.7%
Total	1,800,000	12,989,847	14,789,847	100.0%	100.0%

¹ Owned by members of the Stillström family.

Board of Directors

At the 2016 Annual General Meeting Anders Eriksson, Jan Kjellman, Maria Linde, Peter Malmqvist, Bengt Stillström and Petter Stillström. Bengt Stillström was elected to serve as Chairman of the Board of Directors.

Bengt Stillström, born 1943, M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO during the period 1974-2001. Director of, among other, Feelgood, Hifab Group (Chairman), Profilgruppen and Ringvägen Venture. Director since 1974. Shareholding, including wife's holding: 330,000 class A shares, 5,451,450 class B shares.

Anders Eriksson, born 1956. Founder of Softronic, CEO and principal owner since 1984. Director of, among other, Softronic and Nordic Ground Support. Director since 2011. Shareholding: 26,755 class B shares.

Jan Kjellman, born 1947, economist. Long and varied career with, among other, IKEA as CEO of IKEA of Sweden, IKEA North America and IKEA FOOD. Director of Nilörngruppen, Kobia, Abdon Mills and Vertiseit. Director of Traction since 2005. Shareholding: 6,000 class B shares.

Maria Linde, born 1966, M. Sc. (Eng.) and Executive MBA. Management consultant and CEO of FlowMotion AB. Director since 2009. Shareholding: 1,250 class B shares.

Peter Malmqvist, born 1957, B. Sc. (Business Administration). Chief Analyst at Remium, Chairman of The Swedish Society of Financial Analysts, writer for several finance magazines and teacher at the Stockholm School of Economics. Director since 2015. Shareholding: 0 shares.

Petter Stillström, M. Sc. (Business Administration), born 1972. CEO since 2001 and Director since 1997. Director of BE Group (Chairman), Nilörngruppen (Chairman), Softronic (Chairman) and OEM International Shareholding, via wholly owned company and closely related parties: 1,095,000 class A shares, 1,677,150 class B shares and part owner of Niveau Holding AB.

The Board of Directors has overall responsibility for the Company's organisation and management of the Company's affairs. The Board of Directors decides on the Group's overall objectives, strategies, acquisitions, divestitures and investments and affirms the financial reporting and makes decisions regarding the Group's financial structure. The Board of Directors is responsible for maintaining adequate control of the Company's compliance with laws and other regulations and for providing open, correct, relevant and reliable information about the Company.

The rules of procedure of the Board of Directors and the instructions for the division of duties between the Board of Directors and the Chief Executive Officer are updated and affirmed on an annual basis. Traction's Board of Directors has no committees. Instead, the Board of Directors in its entirety is responsible for all board issues. The work forms and the efficiency of the Board of Directors are evaluated on an annual basis. The Board of Directors evaluates the work of the Chief Executive Officer at least once per year. When this issue is dealt with none of the Company's executives are present. Once per year the Chairman of the Board of Directors initiates an evaluation of the work of the Board of Directors based on a questionnaire. Responses are compiled and discussed by the Board of Directors.

The Board of Directors holds five regularly scheduled meetings and one statutory meeting per year. The regularly scheduled meetings take place in conjunction with publication of interim reports and the year-end report and a separate strategy meeting. Extraordinary Board of Directors meetings are held in case of need. A proposed agenda including documentation is sent out to all directors before each meeting. Five regularly scheduled Board of Directors meetings and one statutory meeting in conjunction with the Annual General Meeting were held in 2016. Strategic issues, and the Group's financial position and development, the financial reporting and internal control, personnel and organisational issues, legal issues and trends in the financial markets were discussed at all meetings. At one of the meetings the Company's auditor was present and the audit report was presented. At one meeting the work of the Chief Executive Officer was evaluated, at one meeting the work of the Board of Directors itself was evaluated and at one meeting the Company's future strategy and goals were dealt with. All decisions during 2016 were unanimous.

2016			Presence		Independent	
Director	Elected	Fee	Regularly scheduled meetings	Statutory Board of Directors meetings	Relative to the Company and its management	Relative to major shareholders
Bengt Stillström (Chairman)	1974	-	5/5	1/1	No	No
Anders Eriksson	2011	100,000	5/5	1/1	Yes	Yes
Jan Kjellman	2005	100,000	5/5	1/1	Yes	Yes
Maria Linde	2009	100,000	4/5	1/1	Yes	Yes
Peter Malmqvist	2014	100,000	5/5	1/1	Yes	Yes
Petter Stillström	1997	- ¹	5/5	1/1	No	No

¹ The CEO receives a salary as detailed in Note 8.

The Chief Executive Officer

The Chief Executive Officer is responsible for day-to-day management and oversight of the Group's business. This includes implementing the Group's overall strategy, controlling the Group's operations, and oversight and compilation of the financial reporting, allocation of financial resources and being responsible for financing and risk management. The rules of procedure of the Board of Directors sets the division of duties between the Board of Directors and the Chief Executive Officer. The Board of Directors evaluates the work of the Chief Executive Officer once per year.

Compensation

Guidelines for remuneration to senior executives provide for reasonable conditions of employment. In addition to a fixed salary, senior executives may receive variable remuneration. Principles for 2017 are unchanged compared to what was set for 2016. Decisions regarding remuneration to the Chief Executive Officer and other terms of employment are made by the Board of Directors. Remuneration to and other terms of employment for other senior executives are negotiated by the Chief Executive Officer.

Audit

An auditor is elected by the Annual General Meeting. Mazars SET Revisionsbyrå AB was elected to serve as auditor by the 2016 Annual General Meeting with Authorised Public Accountant Anders Bergman to serve as Chief Auditor. The auditor reviews AB Traction's annual accounts, consolidated financial statements and the management by the Board of Directors and the Chief Executive Officer. The fee for the auditor is set by the Annual General Meeting. The 2016 Annual General Meeting resolved that the fee to the auditor shall be paid in accordance with approved invoice.

Audit committee

The Board of Directors has considered the issue of establishing a special audit committee, but has decided that the Board of Directors in its entirety shall handle these matters, thus constituting an audit committee. The auditor's report their findings of their review and their assessment of the Company's internal control, as well as the application of accounting policies at one Board of Directors meeting.

Internal control relative to the financial reporting

According to The Swedish Companies Act and The Swedish Code of Corporate Governance, the Board of Directors is responsible for the internal control. The rules of procedure for the Board of Directors, and the instructions for the Chief Executive Officer, ensure a clear division of roles and duties to foster efficient management of operational risks. The Board of Directors adopts a financial policy on an annual basis, describing when the Chief Executive Officer is to bring up significant issues for decision by the Board of Directors. The Chief Executive Officer reports on a regular basis to the Board of Directors on significant events and major changes in the value of the stock portfolio.

Significant guidelines of importance for the financial reporting are updated and communicated to the relevant employees of the Traction Group on a regular basis. There are both formal and informal communication channels to the Chief Executive Officer and the Board of Directors for significant information from employees. In case of need, significant valuation issues are discussed with the Company's auditor in connection with the publication of interim reports. Traction does not have a separate internal auditing function. The Board of Directors evaluates the need for such a function on an annual basis and the conclusion is that there is no need for an internal auditing function and that it is not economically justifiable. The Board of Directors evaluates the Company's internal control environment on an annual basis.

Proposal of the Board of Directors for guidelines for remuneration to senior executives

The Board of Directors proposes that the Annual General Meeting decides on guidelines for remuneration to senior executives, in principle meaning that reasonable terms of employment shall be applied for the senior executives of central Traction. The guidelines for remuneration to senior executives are unchanged compared to the year before. In addition to a fixed salary, senior executives of central Traction may receive variable remuneration. The bonus agreements have a ceiling for maximum remuneration. A mutual period of notice of a maximum of six months applies between the Company and senior executives. There are no other agreements on severance pay.

Information regarding the Traction share

Total number of class A shares outstanding at year-end	1,800,000
<u>Total number of class B shares outstanding at year-end</u>	<u>12,989,847</u>
Total number of shares outstanding at year-end	14,789,847

Class A shares entitle their holders to 10 votes and class B share entitle their holders to 1 vote. In terms of voting power, Petter Stillström is the largest owner of Traction. He owns approximately 19 percent of the capital and 41 percent of the votes and he is part owner of Niveau Holding AB. The Company is not aware of any agreements between shareholders that may inhibit the right to transfer shares. The Articles of Association contain no restrictions regarding voting rights, nor do any agreements exist that contain clauses on ownership changes.

The Company is not party to any significant agreements that takes effect, is changed or ceases to be in force if control of the Company is changed as a result of a takeover. Beyond the above mentioned mutual period of notice, there are no agreements between the Company and directors or employees providing compensation if they resign, are terminated without reasonable cause, or if their employment ceases as a consequence of a takeover.

Holding of shares in treasury

Traction holds 1,210,153 class B shares in treasury, equivalent to 7.6 percent of the number of shares outstanding. This is equivalent to a quotient value of MSEK 0.4. Repurchases of own shares are made in order to enrich the shareholders.

The 2016 Annual General Meeting authorised the Board of Directors to repurchase own shares. However, total repurchases may not exceed 10 percent of the total number of shares outstanding. The Board of Directors suggests that the Annual General Meeting again authorises the Board of Directors to repurchase own shares.

Transactions with closely related parties

There have been no transactions with closely related parties aside from intra-group transactions and what is stated in Note 22.

Dividend

The Board of Directors proposes a dividend of SEK 2.15 (2.55) per share, a total of MSEK 31.8 (37.7). In accordance with Traction's dividend policy, the dividend is dimensioned in such a way that no tax liability arises in the Parent Company for the year. Since the Parent Company has investment company status for tax purposes, such a dividend is treated as a deductible expense.

Outlook for 2017

In coming years Traction will give priority to developing its existing holdings. In addition, the ambition is to find some new medium-sized companies to engage in, where there is a good potential for revaluation and prospects for long-term stable growth. Listed as well unlisted companies are of interest, where our ownership role mainly will be exercised through the Board of Directors.

The Board of Directors shall consist of commercially active persons who sympathise with Traction's business philosophy, values and principles. Financial investments in equities and bonds will also be made, and Traction will engage in underwriting in the interest of creating a return on the Company's capital.

Statement of the Board of Directors regarding the proposed dividend

Traction's dividend policy means that the dividend is adapted to the Parent Company's revenue in such a way that no tax liability arises in the Parent Company. As stated below, the proposed dividend amounts to MSEK 32. Consolidated equity attributable to the Parent Company's equity holders amounts to MSEK 2,478 and unrestricted equity in the Parent Company amounts to MSEK 2,086. Unrestricted equity includes unrealised changes in value of MSEK 162 valued at fair value.

In view of the above, and taking into account what has otherwise come to its attention, the Board of Directors believes that the proposed dividend is justifiable in view of the demands posed by nature of the operations, its scope and the risks with respect to the size of the Company's and the Group's equity, as well as the Company's and the Group's consolidation requirements, liquidity and overall financial position.

Proposed allocation of profit

Parent Company	
SEK	2016
At the disposal of the Annual General Meeting:	
Retained earnings	1,271,814,128
Net profit for the year	813,972,598
	2,085,786,726
To be allocated as follows:	
A dividend of SEK 2.15 per share	31,798,171
To be carried forward	2,053,958,555
Total	2,085,786,726

Consolidated Income Statement

MSEK	Note	2016	2015
OPERATING REVENUE			
Dividend income	2,18	57.0	74.3
Change in value of securities	2,18	328.4	82.9
Financial income/expense	7	26.3	18.7
Other revenue		2.9	9.5
Total revenue		414.6	185.4
Operating expenses	5,6,8	-12.9	-11.2
Profit before taxes	2	401.7	174.2
Taxes	9	-1.0	-
Profit for the year and comprehensive profit		400.7	174.2
Earnings per share (SEK)	10	27.09	11.75

Consolidated Balance Sheet

MSEK	Note	2016 31-Dec	2015 31-Dec
ASSETS			
Tangible non-current assets		0.0	0.1
Listed active holdings	13,18	882.1	742.8
Unlisted active holdings	12,18	181.9	202.8
Long-term receivables	14	28.0	-
Total non-current assets		1,092.0	945.7
Other receivables	14	4.7	7.0
Financial investments	15	1,176.7	593.6
Loans	14	17.6	31.8
Cash and cash equivalents		193.0	542.5
Total current assets		1,392.0	1,174.9
TOTAL ASSETS		2,484.0	2,120.6
Equity	16		
Share capital		5.3	5.3
Other contributed capital		1.1	1.1
Retained earnings, including profit for the year		2,471.5	2,108.5
Total equity		2,477.9	2,114.9
LIABILITIES			
Other liabilities		6.1	5.7
Total liabilities		6.1	5.7
TOTAL LIABILITIES AND EQUITY		2,484.0	2,120.6

Consolidated Report of Changes in Equity

MSEK	Share capital	Other contributed capital	Retained earnings incl. profit for the year	Total
Opening equity 2015-01-01	5.3	1.1	1 972.4	1 978.8
Profit for the year			174.2	174.2
Profit for the year and comprehensive profit			174.2	174.2
Transactions with owners				
Dividend paid (SEK 2.00 per share)			-29.7	-29.7
Repurchase of own shares			-8.4	-8.4
Total transactions with owners	0.0	0.0	-38.1	-38.1
Closing equity 2015-12-31	5.3	1.1	2,108.5	2,114.9
Opening equity 2016-01-01	5.3	1.1	2,108.5	2,114.9
Net profit for the year			400.7	400.7
Profit for the year and comprehensive profit			400.7	400.7
Total transactions with owners				
Dividend paid (SEK 2.55 per share)			-37.7	-37.7
Repurchase of own shares			-	-
Total transactions with owners	0.0	0.0	-37.7	-37.7
Closing equity 2016-12-31	5.3	1.1	2,471.5	2,477.9

Consolidated Cash Flow Statement

MSEK	Note	2016	2015
Operating activities			
Consolidated profit before taxes		401.7	174.2
Adjustment for items not included in cash flow	19	-336.2	-87.9
Paid taxes		-1.0	-
Cash flow from operating activities		64.4	86.3
Change in working capital		2.8	-2.3
Cash flow from operating activities		67.2	84.0
Cash flow from investment activities			
Purchase of shares in unlisted companies		-10.0	-18.0
Sale of shares in unlisted companies		-	200.5
Purchase of shares in listed companies		-301.5	-434.9
Sale of shares in listed companies		412.3	508.1
Purchase/sale of tangible non-current assets		-	5.6
Change in other financial assets		-479.9	-253.3
Cash flow from investment activities		-379.1	8.0
Financing activities			
Dividend paid		-37.7	-29.7
Repurchase of own shares		-	-8.4
Cash flow from financing activities		-37.7	-38.1
Cash flow for the year		-349.5	53.9
Cash and cash equivalents at beginning of year		542.5	488.6
Cash and cash equivalents at end of year		193.0	542.5

Traction's management is focused mainly on listed and unlisted companies, which are reported gross in the above cash flow statement. Interest-bearing investments are also bought and sold for cash management purposes. In the cash flow statement these purchases and sales are reported net in the item "Change in other financial assets" since they are short-term in nature.

Parent Company Income Statement

MSEK	Note	2016	2015
Dividend income	18	25.4	29.3
Other operating income		-	2.5
Changes in value	18	782.5	40.6
Financial income/expense	7	7.6	4.6
Other external expenses	5,6,8	-1.6	-1.3
Profit before taxes		813.9	75.7
Taxes	9	-	-
Profit for the year and comprehensive profit		813.9	75.7

Parent Company Balance Sheet

MSEK	Note	2016 31-dec	2015 31-dec
ASSETS			
Financial non current assets			
Share in subsidiaries	11	104.5	141.6
Shares in listed active holdings	13,18	513.6	466.7
Total non-current assets		618.1	608.3
Current assets			
Due from Group companies	22	638.1	15.2
Financial investments	15	768.3	380.5
Cash and cash equivalents		67.9	312.1
Total current assets		1,474.3	707.8
TOTAL ASSETS		2,092.4	1,316.1
EQUITY AND LIABILITIES			
Equity			
Share capital		5.3	5.3
Legal reserve	4,16	1.1	1.1
Total restricted equity		6.4	6.4
Retained earnings		1,271.9	1,233.9
Net profit for the year		813.9	75.7
Total unrestricted equity		2,085.8	1,309.6
Total equity		2,092.2	1,316.0
LIABILITIES			
Current liabilities		0.2	0.1
Total current liabilities		0.2	0.1
TOTAL LIABILITIES AND EQUITY		2,092.4	1,316.1

Parent Company Report of Changes in Equity

MSEK	Share capital	Legal reserve	Retained earnings incl. profit for the year	Total
Opening equity 2015-01-01	5.3	1.1	1,272.0	1,278.4
Net profit for the year			75.7	75.7
Profit for the year and comprehensive profit			75.7	75.7
Transactions with owners				
Dividend paid (SEK 2.00 per share)			-29.7	-29.7
Repurchase of own shares			-8.4	-8.4
Total transactions with owners	0.0	0.0	-38.1	-38.1
Closing equity 2015-12-31	5.3	1.1	1,309.6	1,316.0
Opening equity 2016-01-01	5.3	1.1	1,309.6	1,316.0
Net profit for the year			813.9	813.9
Profit for the year and comprehensive profit			813.9	813.9
Transactions with owners				
Dividend paid (SEK 2.55 per share)			-37.7	-37.7
Repurchase of own shares			-	-
Total transactions with owners	0.0	0.0	-37.7	-37.7
Closing equity 2016-12-31	5.3	1.1	2,085.8	2,092.2

Parent Company Cash Flow Statement

MSEK	Note	2016	2015
Operating activities			
Profit before taxes		813.9	75.7
Adjustment for items not included in cash flow	19	-782.5	-38.7
Paid taxes		-	-
Cash flow from operating activities		31.4	37.0
Changes in operating liabilities		0.1	0.5
Cash flow from operating activities		31.5	37.5
Cash flow from investment activities			
Purchase of shares in unlisted companies		-301.3	-418.6
Purchase of shares in listed companies		322.5	515.3
Change in other financial assets		-259.1	-165.2
Cash flow from investment activities		-238.0	-68.5
Financing activities			
Change in intercompany transactions		-	9.4
Dividend paid		-37.7	-29.7
Repurchase of own shares		-	-8.4
Cash flow from financing activities		-37.7	-28.7
Cash flow for the year		-244.2	-59.7
Cash and cash equivalents at beginning of year		312.1	371.8
Cash and cash equivalents at end of year		67.9	312.1

Notes to the Financial Statements

Company information

The Annual Accounts and Consolidated Financial Statements for AB Traction for the financial year ending 31 December 2016 have been approved by the Board Directors and the Chief Executive Officer for publication 20 March 2017 and will be presented to the Annual General Meeting to be held May 4, 2017 for adoption. The Parent Company is a Swedish company (publ), domiciled in Stockholm, Sweden.

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Note 1. Accounting policies

Statement of compliance with applicable regulations

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations by International Reporting Interpretations Committee (IFRIC) as adopted by the EU. Recommendation RFR 1 Supplementary accounting rules for groups of the Swedish Financial Reporting Board have also been applied. The Parent Company applies the same accounting policies except in the cases stated below in the section on the Parent Company's accounting principles.

Basis for preparation of the financial statements

Traction carries all active holdings, also project companies that are subsidiaries, at fair value with changes in value in the results. Subsidiaries providing investment company-related services are consolidated with assets and liabilities valued at historical cost. Unless otherwise specifically stated, all amounts are given in million Swedish kronor (MSEK). The Parent Company's functional currency is Swedish kronor (SEK) and the Parent Company's and the Group's reporting currency is Swedish kronor.

Critical accounting estimates and judgments

The preparation of financial reports in accordance with IFRS requires critical accounting estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and costs. The actual outcome may differ from these estimates and judgments. The estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period the change is made if the change affects this period only, or in the period the change is made and future periods if the change affects the current period as well as future periods.

Investment entities

Traction's business is to invest the Company's capital for the purpose of generating a return in the form of growth of capital and receiving dividends. Traction's role as owner is based on active and long-term engagement in close co-operation with other active owners, entrepreneurs and management groups. All investments are evaluated based on fair value profit or loss and the return generated on each respective investment. Overall, the judgment is made that the definition of "investment entity" in IFRS 10 is a fit on Traction and that Traction therefore applies the exceptions from consolidation of subsidiaries as prescribed.

As a rule subsidiaries are instead reported at fair value via profit or loss. An exception is made for central subsidiaries providing services with a link to the investment company's investment activities. Such subsidiaries are consolidated in the same way as companies that are not investment entities consolidate their subsidiaries.

Significant accounting policies applied

With the exceptions described in greater detail below, the accounting policies described below have been applied consistently for all periods presented in the consolidated financial statements. The Group's accounting principles have also been applied consistently by all Group companies.

Basis of consolidation

Subsidiaries

Subsidiaries that are consolidated function as central consultants and in administration, or with management of securities to support the investment activities and are under the control of AB Traction. The Group controls a company when it is exposed to, has the right to, a variable return from its holding in the company and has the opportunity to affect the return via its influence on the company. Holdings in Traction's operating project companies are not consolidated, but are instead valued at fair value in accordance with the rules in IAS 39: Financial instruments: Recognition and measurement.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Receivables and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the balance sheet date. Exchange rate differences arising in such conversion are reported in the income statement.

Classifications

Non-current assets, long-term liabilities and provisions essentially consist only of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets (not including financial investments) and current liabilities essentially consist only of amounts expected to be recovered or paid within twelve months of the balance sheet date. Any deviation from this principle is reported in a note to each respective balance sheet item.

Revenue recognition

Dividend income is recognized when the right to receive payment has been determined. Interest income is recognized using the effective interest method. Capital gains/losses on sale of equities are recognized on the transaction date.

Operating leases

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Financial income and expense

Interest income on receivables and interest expense on liabilities are recognized using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts during a financial instruments expected tenor at the reported net value of the financial asset or liability. Transaction costs, including issuing costs are expensed directly since receivables or liabilities are valued at fair value via the income statement and is amortized over the term in valuation at accrued acquisition value.

Financial instruments

Financial instruments reported on the asset side of the balance sheet include shares in unlisted companies, shares in listed companies, loan receivables, short-term investments and derivative instruments. Trade payables and personnel-related liabilities are carried on the liability side.

Recognition in and removal from the balance sheet

A financial asset or financial liability is entered in the balance sheet when the Company becomes party to the instrument's contractual terms. A financial asset is removed from the balance sheet when the rights under the agreement are realized, matures or when the Company loses control over it. The same holds true for part of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same holds true for part of a financial liability. A financial asset and a financial liability is offset and reported with a net amount in the balance sheet only when a legal right to offset the amounts exists and when there is an intention to settle the items with a net amount, or to simultaneously realize the asset and settle the liability. Acquisitions and sales of financial assets are recognized on the transaction date, which is the day the Company commits to purchase or sell the instrument.

Classification and valuation

Financial instruments that are derivatives are initially recognized at cost equivalent to the instrument's fair value plus transaction costs. This principle applies to all financial instruments except those recognized at fair value via the income statement, which are recognized at fair value less transaction costs. A financial instrument is classified on initial recognition based on the purpose for which it was acquired. The classification determines how the financial instrument is measured after initial recognition as described below.

Financial assets valued at fair value via the income statement

This category consists of two sub-groups: Financial assets initially placed in this category ("Fair Value Option") and financial assets held for trading. Financial assets in this category are valued on an ongoing basis at fair value with changes in value recognized in the balance sheet.

Financial assets reported under the Fair Value Option

This group includes financial investments and shares. It also includes subsidiaries which according to rules for investment entities are measured at fair value. These assets are managed and the result is measured based on fair value in accordance with a documented risk/investment strategy. Refer to note 18 for valuation of financial instruments.

Hedge accounting

The Company's investments are mostly in SEK and only in a few cases in foreign currency, some of which are hedged with currency forwards. Currency forwards are valued at fair value taking into account current interest rates and exchange rates on the closing date. Hedge accounting is applied to reduce fluctuations in the income statement arising from hedging of currency risks. Fair value hedging means that changes in value of hedging instruments are recognized in the income statement at the same time as the result from the hedged item. To the extent that the hedging is effective changes in value of the hedging instrument are reported on the same line in the income statement as the hedged item.

Fair value is determined as follows:

Listed and unlisted holdings are valued at fair value in accordance with the rules in IFRS 13 Fair value measurement. Refer to Note 18 for a description of fair value valuation.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets which are not derivatives, with fixed or determinable payments that are not listed in an active market. These assets are measured at accrued acquisition value, assuming no impairment, which is based on the effective interest calculated at the acquisition date.

Other financial liabilities

This category includes interest-bearing and non-interest-bearing liabilities not held for trading purposes. The valuation is made at accrued acquisition value. Accrued acquisition value is determined using the effective interest rate calculated when the liability was incurred. This means that premiums and discounts are accrued over the loan period. Trade payables have a short expected maturity and are valued without discounting at the nominal amount.

Impairment

At each reporting date, an assessment is made whether there is any indication that an asset has decreased in value. If there is an indication that an asset has decreased in value, the asset's recoverable amount is calculated in accordance with IAS 36. Impairment is charged to the income statement.

Calculation of the recoverable amount

The recoverable value of assets carried at accrued acquisition value is calculated as the present value of future cash flows discounted using the effective interest rate prevailing when the asset was recognized for the first time. Assets with short maturity are not discounted. The recovery value of other assets is the higher of fair value less selling costs and the value in use. When calculating value in use future cash flows are discounted using a discount factor that takes risk-free interest into account and the risk associated with the specific asset.

Reversal of impairment charges

Impairment of other assets is reversed if a subsequent increase is indicated after the impairment was recognized. Impairment charges are reversed only to the extent the carrying value of the asset after the reversal does not exceed the carrying value the asset would have had if no impairment had been charged, taking into account the depreciation that would then have been made.

Taxes

Income taxes consist of current and deferred taxes. Temporary differences attributable to subsidiaries and associated companies not expected to be reversed within the foreseeable future are not taken into account. Deferred taxes are calculated applying the tax rates and tax regulations enacted or substantially enacted as of the balance sheet date. Deferred tax assets relating to deductible temporary differences and deficits are recognized only to the extent that it is probable that it will be possible to utilize them.

The Parent Company is taxed in accordance with the rules for investment companies. Further information is provided under the heading Parent Company.

Tangible non-current assets/depreciation

Assets are carried at cost less accumulated depreciation according to plan based on an assessment of the useful life of the assets and any impairment charges. The residual value of the assets, their useful life and the method of depreciation are reviewed annually and adjusted as necessary.

Depreciation according to plan has been effected as follows:

Equipment, tools and installations	20%
------------------------------------	-----

Share capital

Own shares held in treasury are recognized as a reduction of shareholders' equity. Purchases of own shares are reported as a deduction item against equity. Payment for sales of shares held in treasury is reported as an increase of the share capital. Any transaction costs are recognized directly in equity.

Provisions

Provisions are set aside in the amount that is the best estimate of what is required to settle existing obligations on the balance sheet date. In cases where the effect of the time when payment is made is significant, provisions are calculated by discounting expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time value of money, and if applicable, the risks associated with the liability.

Compensation to employees – Pension obligations

Short-term benefits

Short-term benefits to employees are calculated without discounting and are recognized as an expense when the related services are received. A provision is recognized for the expected cost of bonus payments when the Group has a valid obligation to make such payments as a result of services received from employees and the obligation can be estimated reliably.

Defined contribution plans

Obligations related to contributions to defined contribution plans are expensed in the income statement as incurred. The Group's salaried employees have a defined contribution pension plan, which is paid for by insurance premiums.

Information about segments

The Group applies IFRS 8 Operating Segments. Traction's segments corresponds to various financial asset classes, based on how management monitors operation. Traction splits its revenue into three types (see Note 2), but these areas are not monitored with respect to profit levels or other financial indicators. Management's monitoring of operations is based on assessment of the overall performance of the business and Traction therefore reports only one segment.

The cash flow statement

The cash flow statement has been prepared according to IAS 7 using the indirect method. This means that the cash flow has been adjusted for transactions that did not entail payments during the period.

Traction's management is mainly in listed and unlisted companies, which are reported gross in the cash flow statements. In addition, there are purchases and sales of interest-bearing instruments used as cash management tools. These purchases and sales are reported net in the cash flow statements since they are short-term in nature in accordance with IAS 7.22 (b), 23A.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence is confirmed only by one or more uncertain future events, or when a commitment that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

New IFRS and interpretations effective 2017 or later

The following new or amended standards will be applied when application thereof becomes mandatory. No early application is planned.

IFRS 9 Financial Instruments replaces IAS 39 Financial instruments: Recognition and Measurement from January 1, 2018. IFRS 9 contains a model for classification and measurement of financial instruments, a forward-looking impairment model for financial assets and a significantly revised approach to hedge accounting. The amendments issued are not expected to lead to significant amount-related changes in the consolidated accounts since a majority of the Group's financial instruments are recognized using the "fair value option".

IFRS 15 Revenue from Contracts with Customers is a new revenue standard which will replace existing standards and interpretations of revenue. The standard takes effect 1 January 2018. Amendments are not expected to lead to any significant changes as to amounts in the consolidated accounts.

IFRS 16 Leasing is a new standard that deals with rental and leasing contracts for lessors as well as lessees. The standard takes effect January 1, 2019. Amendments are not expected to lead to any significant changes as to amounts in the consolidated accounts.

The Parent Company's accounting policies

The Parent Company's financial statements are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with application of recommendation RFR 2 (Accounting for Legal Entities) issued by the Swedish Financial Reporting Board.

RFR 2 means that the Parent Company in the annual accounts for the legal entity to the greatest extent possible shall apply all the IFRS and interpretations within the scope of the Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation specifies the exceptions and additions to be made to IFRS. The formats differ between the Parent Company and the Group. Segment accounting is applied in accordance with IFRS 8 for the Group only.

Revised accounting policies in the Parent Company prompted by new or amended IFRS

Unless otherwise specifically stated, the Parent Company's accounting policies have been changed in accordance with what is stated above for the Group. The accounting policies are unchanged compared to the Annual Accounts for 2015.

Subsidiaries and associated companies

Shares in subsidiaries are recognized in the Parent Company in accordance with the acquisition cost method. Reported values are reviewed at each reporting date to determine whether there is any indication of impairment. Expenses attributable to business acquisitions will continue to be included in the acquisition value of a legal entity. Contingent consideration is valued based on the probability that additional purchase money will be paid. Any changes in the in the provision/claim increases/decreases the acquisition value. In the consolidated accounts conditional purchase considerations are measured at fair value through profit or loss.

Group contributions and shareholder contributions

Shareholder contributions are recognized directly against equity at the recipient and as shares at the donor, to the extent an impairment charge is not required. The Parent Company is taxed in accordance with the rules for investment entities, which means that the Parent Company is unable to grant or receive group contributions.

Taxes

The Parent Company is taxed in accordance with the rules for investment entities. For detailed information, refer to Note 9.

Note 2. Specification of profit

In the financial statements are presented active listed holdings, active unlisted holdings and financial investments/other to provide a specification of consolidated revenue. Active listed holdings consist of the Group's holdings of listed holdings where the ownership stake exceeds 10 percent of the votes or the capital. Active unlisted holdings consist of unlisted holdings, which are both wholly owned companies as well as companies without a controlling influence. Financial investments/other consist of financial investments in shares and interest-bearing investments and other. The significant difference between the categories is that the listed holdings are valued at a publicly listed price, whereas the unlisted holdings are valued using the valuation techniques described in Note 18.

Group 2016	Active listed holdings	Active unlisted holdings	Financial investments/other	Total
MSEK				
Dividend income	36.0	11.3	9.7	57.0
Changes in value	269.9	-47.3	105.8	328.4
Financial income		1.8	24.5	26.3
Other revenue			2.9	2.9
Operating expenses			-12.9	-12.9
Result before taxes	305.9	-34.2	130.0	401.7

Group 2015	Active listed holdings	Active unlisted holdings	Financial investments/other	Total
MSEK				
Dividend income	27.8	38.1	8.4	74.3
Changes in value	-34.1	91.4	25.6	82.9
Financial income	-	1.4	17.3	18.7
Other revenue	-	-	9.5	9.5
Operating expenses	-	-	-11.2	-11.2
Result before taxes	-6.3	130.9	49.6	174.2

Distribution – net assets	2016	2015
MSEK		
Active holdings, listed	882	743
Active holdings, unlisted	182	203
Other	1,414	1,169
Total	2,478	2,115

Note 3. Pledged assets

MSEK	Group		Parent Company	
	2016	2015	2016	2015
Pledged assets and contingent liabilities	-	75.0	-	50.0
Total	0.0	75.0	0.0	50.0

Guarantee issued to Hifab Group's bank in the amount of MSEK 50 to allow for bridge financing and a guarantee commitment in the amount of MSEK 25 in connection with Hifab's new issue. The commitment expired 28 January 2016.

Note 4. Profit allocation

PROPOSED PROFIT ALLOCATION

Parent Company	
SEK	2016
At the disposal of the Annual General Meeting:	
Retained earnings from prior years	1,271,814,128
Net profit for the year	813,972,598
	2,085,786,726
To be allocated as follows:	
Dividend of SEK 2.15 per share to the shareholders	31,798,171
To be carried forward	2,053,958,555
Total	2,085,786,726

Note 5. Remuneration of auditor

The audit assignment includes the audit of the annual accounts and the management by Board and Chief Executive Officer.

MSEK	Group		Parent Company	
	2016	2015	2016	2015
<i>Mazars SET Revisionsbyrå AB</i>				
Audit assignment	0.2	0.2	0.1	0.1
Auditing services other than the audit assignment	-	-	-	-
Total	0.2	0.2	0.1	0.1

Not 6. Leasing (rental)

MSEK	Group		Parent Company	
	2016	2015	2016	2015
Paid during the year	0.9	0.9	-	-
Fees due within 1 year	0.9	0.9	-	-
Between 1 year and 5 years	1.9	2.8	-	-
Later than in 5 years	-	-	-	-
Total future minimum leasing fees	2.8	3.7	-	-

Note 7. Net financial items

MSEK	Group		Parent Company	
	2016	2015	2016	2015
Interest income	26.8	18.0	5.9	3.9
Interest income from Group companies	-	-	1.3	0.5
Exchange rate changes	0.4	0.7	0.4	0.2
Interest expense	-0.9	-	-	-
Total	26.3	18.7	7.6	4.6

Note 8. Personnel

Number of employees	Group		Parent Company	
	2016	2015	2016	2015
Average number of employees	5	5	-	-
<i>Of whom men</i>	4	4	-	-

Salaries and other compensation	Group		Parent Company	
	2016	2015	2016	2015
Board of Directors and senior executives, 6 (6) persons	0.7	0.7	0.4	0.4
– of which bonus	-	-	-	-
Other employees	4.4	4.3	-	-
Total salaries and other compensation	5.1	5.0	0.4	0.4
Other personnel costs				-
Social benefits	1.4	1.3	0.1	0.1
Other personnel costs	0.4	0.2	-	-
Total other personnel costs	1.8	1.5	0.1	0.1
Total personnel costs	6.9	6.5	0.5	0.5

Pension costs are reported net, after indemnities from Traction's pension foundation in an amount of MSEK 0.8 (0.9).

Compensation to the Board of Directors and senior executives

Board of Directors

Pursuant to the decision of the Annual General Meeting, the fees to directors amounted to SEK 400,000 (400,000), of which to the Chairman of the Board of Directors SEK 0 and to the external directors SEK 100,000 each. Social benefits are additional. No other compensation, except reimbursement for expenses, has been paid to the Board of Directors. In his previous role of Chief Executive Officer of AB Traction, Bengt Stillström is entitled to retire at the age of 60. No pension payments have been made so far. Thereafter he will receive lifetime pension and an annual family pension. The pension commitment was made with 1993 as the base and will be raised thereafter in accordance with Alecta's standards. As of 31 December 2017 the total commitment amounts to approximately MSEK 13.5 (15.3). A full provision has for the pension exists in Traction's pension fund.

Chief Executive Officer

In 2016 the Chief Executive Officer received a salary of SEK 318,000 (321,000). The CEO's basic salary is SEK 318,000 and no bonus was paid. The pension cost totalled SEK 48,000 (48,000). Reimbursement has been made by a pension fund so that the cost is not charged to the consolidated income statement. In addition to these costs, the CEO has received director's fees from some of Traction's wholly owned subsidiaries in a total amount of SEK 1,035,000 (1,005,000). With respect to the CEO's future retirement a commitment has been accrued in 2016 in the amount of SEK 1,000,000, plus interest equivalent to the consumer price index plus 3 percent per annum starting January 1, 2017 until the amount has been disbursed.

The accumulated vested amount is MSEK 10.9 as of December 31, 2016 and is covered by the capital in Traction's pension fund. Were sufficient funds to be lacking in the pension fund in the future, Traction will allocate funds so that the commitment of the pension fund can be fulfilled. An agreement on future retirement means retirement at age 65, with a right for the CEO to call a pension after the age of 55 years. No incentive programmes in the form of allotment of financial instruments, options or such exists for the CEO. The employment contract with the CEO stipulates six months' mutual notice of termination. No agreement on severance pay exists.

Summary of Board of Directors and CEO & Senior Management compensation and pension costs for 2016

MSEK	Fixed salary	Variable salary.	Other compensation and benefits	Pension costs	Directors' fees	Total compensation	Pension obligations
Directors							
Anders Eriksson	-	-	-	-	0.1	0.1	0.0
Bengt Stillström	-	-	-	-	0.0	0.0	13.5
Jan Kjellman	-	-	-	-	0.1	0.1	0.0
Maria Linde	-	-	-	-	0.1	0.1	0.0
Peter Malmqvist	-	-	-	-	0.1	0.1	0.0
Petter Stillström	0.3	-	-	-	0.0	0.3	10.9
Summa	0.3	0.0	0.0	0.0	0.4	0.7	24.4

Summary of Board of Directors and CEO & Senior Management compensation and pension costs for 2015

MSEK	Fixed salary	Variable salary.	Other compensation and benefits	Pension costs	Directors' fees	Total compensation	Pension obligations
Directors							
Anders Eriksson	-	-	-	-	0.1	0.1	-
Bengt Stillström	-	-	-	-	-	-	15.3
Jan Kjellman	-	-	-	-	0.1	0.1	-
Maria Linde	-	-	-	-	0.1	0.1	-
Peter Malmqvist	-	-	-	-	0.1	0.1	-
Petter Stillström	0.3	-	-	-	-	0.3	9.5
Total	0.3	0	0	0	0.4	0.7	24.8

Gender distribution – Board of Directors and management	2016	2015
Board of Directors (proportion of women)	17%	17%
Other senior executives (proportion of women)	0%	0%

Pensions

The Group's salaried employees have a defined contribution pension plan. No potential future pension obligations exist in the Group beyond those for the previous Chief Executive Officer, Bengt Stillström, and the present Chief Executive Officer, Petter Stillström.

Guidelines for compensation to senior executives

The 2016 Annual General Meeting decided on unchanged guidelines for compensation to senior executives as follows: Reasonable terms of employment shall apply for corporate management.

Note 9. Taxes on the year's profit

Group		
Taxes on the year's profit		
MSEK	2016	2015
Current taxes	-	-
Deferred taxes	-	-
Other taxes	-	-
Adjustment recognized in the current year relating to current taxes for prior years	1.0	-
Total	1.0	-
Reconciliation, effective taxes, Group		
Profit before taxes	401.7	174.2
Tax according to current rate of 22%	-88.4	-38.3
Effect of special rules for investment companies	50.3	16.7
Change in loss carryforward without equivalent capitalisation of deferred taxes	-1.3	-4.7
Tax effect of non-taxable income and non-deductible expenses	40.4 ¹	26.3
Reported effective taxes	1.0	0.0

¹ Refers mainly to unrealised changes in value (tax-exempt revenue).

At Year-end 2016 accumulated loss carryforwards in the Group's companies amounted to approximately MSEK 85. These loss carryforwards can be used to reduce taxes on future profit and do not expire. If the loss carryforwards can be utilized depend on several uncertain factors, primarily if there will be opportunities for group contributions between companies with companies with fiscal deficits and companies with surpluses. The Parent Company has no significant deficits. Deficits do exist in Traction's central subsidiaries. Since the main business is conducted in Traction's Parent Company, and operations in subsidiaries are limited, uncertainty exists as to the extent to which and when the tax loss carryforwards can be utilized. The judgment has therefore been made that it is not possible to estimate when utilisation is probable. These deficits are therefore not carried as deferred tax assets.

Parent Company

The Parent Company is taxed according to the rules for investment companies. The main principles for taxation of investment companies are that:

- Interest income is taxable whereas interest expense and administrative expenses are deductible.
- Dividend income is taxable, whereas dividends paid are deductible.
- Capital gains on shares are tax-exempt. In lieu thereof there is a standard tax at a rate of 1.5 percent of the market value of the stock portfolio at the beginning of the year. Standardized income does not apply to business-related shares, defined as unlisted shares and shares listed on a market where the holding represents more than 10 percent of the votes. In order for business-related shares to be excluded from standardized income base, they must have been held for at least one year.
- The standardized income base for 2016 amounted to MSEK 5.0 (3.9).
- The dividend to shareholders is adjusted to avoid any tax expense for the Parent Company.
- The Parent Company has no significant tax loss carryforwards.

Note 10. Earnings per share

The earnings-per-share calculation for 2016 is based the profit attributable to the Parent Company's shareholders in the amount of MSEK 400.7 (174.2) and a weighted average number of shares outstanding during 2016 of 14,790 (14,821) thousand. There are no option or similar programs outstanding that would have a dilutive effect.

	Group	
	2016	2015
The year's profit attributable to the Parent Company's shareholders (MSEK)	400.7	174.2
Weighted average number of shares outstanding during the year (thousands)	14,790	14,821
Earnings per share in SEK	27.09	11.75

Note 11. Shares in subsidiaries

MSEK	Parent Company	
	2016-12-31	2015-12-31
Opening book value	141.6	149.5
Sales	-37.1	-7.9
Closing book value	104.5	141.6

Shares owned by the Parent Company

Company	Organisation number	Domicile	Number of shares	Stake	Book value	Equity
Traction Industries AB	556641-0865	Stockholm	3,000	100%	15.3	20.4
Traction Invest AB	556504-7999	Stockholm	23,600	100%	34.0	213.6
Traction IT AB	556633-6953	Stockholm	1,000	100%	15.2	79.6
Traction Konsult AB	556098-5672	Stockholm	50,000	100%	40.0	152.0
Total					104.5	465.6

Shares owned by subsidiaries and consolidated in the Traction Group

Company	Organisation number	Domicile	Stake
Traction Branding AB	556757-6318	Stockholm	100%
Traction Delta AB	556628-9749	Stockholm	100%
Edilen AB	556652-7791	Stockholm	100%
Track 57 AB	556757-6334	Stockholm	100%
Track 56 AB	556757-6326	Stockholm	100%
AB Creatum	556532-1535	Stockholm	100%
Creatum Holding AB	556757-6292	Stockholm	100%
Ankarsrum Industries AB	556215-7098	Stockholm	100%
Traction Project Management AB	556747-6345	Stockholm	100%

Note 12. Shares in unlisted active holdings

MSEK	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening book value	202.9	494.9	-	-
Purchases/shareholder contributions	10	25	-	-
Dividends	-11.3	-200.8	-	-
Reclassification	-	-207.7	-	-
Change in value	-19.7	91.4	-	-
Total	181.9	202.8	-	-

Specification of shares in unlisted companies

Company	Organisation number	Domicile	Number of shares	Proportion of capital	Proportion of votes	Parent Company	Group
Ankarsrum Die Casting AB	556628-9715	Ankarsrum	10,000	100%	100%	-	-
Ankarsrum Fastighets AB	556054-7753	Ankarsrum	10,000	100%	100%	-	7.9
Ankarsrum Kitchen AB	556757-6300	Ankarsrum	1,000	100%	100%	-	20.0
Ankarsrum Motors AB	556628-9723	Ankarsrum	10,000	100%	100%	-	65.0
Banking Automation Ltd	-	Wokingham	365,475	47%	47%	-	28.5
Eitech Holding AB	559018-2753	Umeå	25,000	10%	4%	-	10.0
Recco Holding AB	556641-0840	Stockholm	499	50%	50%	-	27.5
Sigicom AB	556207-1547	Älvsjö	348,300	23%	23%	-	23.0
Total						-	181.9

Unlisted active holdings amount to MSEK 181.9 (202.8), of which MSEK 28.5 (32.6) is attributable to companies domiciled in countries other than Sweden.

Note 13. Shares in listed active holdings

MSEK	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Opening book value	742.8	600.9	466.7	509.2
Purchases	21.6	118.4	21.4	136.4
Sales	-152.2	-150.1	-73.0	-150.1
Change in value	269.9	-34.1	98.4	-28.8
Reclassification	-	207.7	-	-
Closing carrying value	882.1	742.8	513.6	466.7

Specification of listed active holdings 2016

Company	Number of shares (thousands)	Group book value	Parent Company book value	Proportion of capital, %	Proportion of votes, %
BE Group	2,586	107.8	107.8	20.0	20.0
Drillcon	24,000	95.5	95.5	54.0	54.0
Duroc	2,000	31.0	31.0	27.0	30.0
Hifab Group	32,744	102.5	102.5	54.0	55.0
Nilörngruppen	3,590	279.1	-	31.5	61.0
OEM International	886	133.8	133.8	4.0	10.0
Softronic	11,539	89.4	-	22.0	20.0
Waterman Group	4,760	42.9	42.9	15.0	15.0
Total active holdings		882.1	513.6		

Specification of listed active holdings 2015

Company	Number of shares (thousands)	Group book value	Parent Company book value	Proportion of capital, %	Proportion of votes, %
BE Group	48,768	72.7	72.7	18.7	18.7
Drillcon	24,000	72.0	72.0	53.8	53.8
Duroc	2,000	32.0	32.0	27.3	29.8
Hifab Group	32,119	73.9	73.9	52.8	54.0
Nilörngruppen	4,685	182.7	-	41.1	66.5
Nordic Camping & Resort	2,458	51.6	51.6	25.9	25.9
OEM International	886	124.9	124.9	3.8	10.0
Softronic	11,529	93.4	-	21.9	20.3
Waterman Group	3,300	39.6	39.6	10.7	10.7
Total active holdings		742.8	466.7		

Listed active holdings amount to MSEK 882.1 (742.8), of which MSEK 42.9 (39.6) is attributable to companies domiciled in countries other than Sweden.

Note 14. Other receivables

MSEK	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Due from active holdings	37.6	31.8	-	-
Other receivables	12.7	7.0	-	2.1
Total	50.3	38.8	0.0	2.1

Note 15. Financial investments

MSEK	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Other share investments	346.8	225.3	346.8	214.8
Interest-bearing investments	829.9	368.3	421.6	165.7
Total financial investments	1 176.7	593.6	768.3	380.5

Note 16. Equity

Share capital

As of December 31, 2016 the share capital amounted to SEK 5,333,333 divided into 1,800,000 class A shares and 14,200,000 class B shares, including shares held in treasury (total number of 16,000,000) with a quotient value of SEK 1/3.

Voting rights by class of share

Class A shares entitle their holders to 10 votes and class B shares entitle their holders to one vote.

Retained earnings including profit for the year

Prior years' unrestricted equity after payment of dividend, any repurchases of shares and the year's net profit constitutes total retained earnings. In the Parent Company, retained earnings and net profit for the year constitutes unrestricted equity, i.e. the amount available for payment as dividend to the shareholders.

Repurchase of own shares

Repurchased shares includes the acquisition cost of own shares held in treasury by the Parent Company. Traction's holding of own shares was 1,210,153 class B shares, equivalent to 8 percent of the number of shares issued by the Company. Not including repurchased shares, the number of shares outstanding is 14,789,847.

Dividend

After the balance sheet date the Board of Directors has proposed a dividend per share of SEK 2.15 (2.55), equivalent to MSEK 31.8 (37.7). The dividend is subject to confirmation by the Annual General Meeting to be held May 4, 2017. A dividend of SEK 2.55 per share, equivalent to MSEK 37.7, was paid during the year.

Capital management

The Group's financial goal is to have a good financial position that contributes to maintaining the confidence of investor, creditor and market confidence, and constitutes a basis for continued development of the business, at the same time as the long-term return generated for the shareholders must be satisfactory. AB Traction's Board of Directors has a mandate from the 2016 Annual General Meeting to repurchase shares. Repurchase of own shares is carried out in order to increase shareholder value. There is no established plan for repurchasing the Company's shares. The Board of Directors proposes that the 2017 Annual General Meeting again authorises the Board of Directors to repurchase own shares. Capital is defined as total reported equity.

Note 17. Financial risk management

The types of financial risks Traction encounters in its business are primarily in the form of equity risk, and to a lesser degree other financial risk in the form of e.g. currency risk, interest risk and liquidity risk. Traction's operational risks are minimised by internal procedures for risk management in order to conduct its operations with limited and controlled risk.

Equity risk

Equity risk includes share price risk and liquidity risk. By share price risk is meant the risk of reduction in value due to change in prices in the stock market. This is the most significant risk in Traction's business.

The Group's shares in active, unlisted companies amount to MSEK 182. A change in the value by +/- 10% is equivalent to +/- MSEK 18.

The Group's shares in active, listed companies amount to MSEK 882. A change in the value by +/- 10% is equivalent to MSEK 88.

The Group's shares in other listed companies amount to MSEK 347. A change in the value by +/- 10% is equivalent to MSEK +/- 35.

Currency risk

Traction is an investment company and has no natural transactions exposure. Such exposure arises only when an investment is made in a foreign security. In addition hereto, there is indirect currency risk in the parts of the holdings with international operations, and in parts of the bond portfolio. This risk consequently affects the Company's balance sheet and income statement, which indirectly affects the valuation of the share. Currency hedging not normally done for foreign shareholdings. For the reasons cited above meaningful sensitivity analysis is not possible.

Interest risk

Interest risk is the risk that the value of a financial instrument varies due to changes in market interest rates. There are no interest-bearing liabilities in the consolidated Traction Group, which means that the interest risk relative to the Group's aggregate profit is deemed to be low. With the current investments, interest risk is primarily attributable to the Group's interest-bearing investments.

Liquidity risk

Liquidity risk is the risk of encountering difficulties in accessing funds to meet obligations associated with financial instruments. Traction's liquidity risk is limited since a significant portion of the assets consists of cash and cash equivalents, interest-bearing investments and liquid, listed shares.

Credit risk

By credit risk is meant the risk that a counterparty is unable to fulfil its obligations to Traction. Traction is exposed to credit risk primarily through investing surplus liquidity in interest-bearing securities. In order to minimize the credit risk there are set limits for exposure to counterparties. From time to time Traction also invests in high-yield interest paper with correspondingly higher risk. Such investments are made with risk diversification in several instruments and maturities. The rules of procedure for the Board of Directors govern which decisions are made by the Chief Executive Officer and the Board of Directors, respectively.

The principles taken into account when individual impairment charges are incurred against financial assets are described in Note 1.

Principles for financing and financial management

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

Traction's finance policy defines responsibility and authority activity related to the Group's financing. Among other things, this includes raising of credit, currency management, funding and liquidity management. The policy also defines processes relating to the internal control. The finance policy is reviewed annually and is approved by the Board of Directors of Traction AB.

Note 18. Financial assets and liabilities

Fair value

When determining the fair value of listed shares and securities, the official quote on the balance sheet date is used. The carrying value of short-term receivables and liabilities corresponds to fair value. Fair value for receivables and liabilities with variable interest corresponds to their carrying value. The Company's investment are mostly in SEK and in a small number of cases in foreign currency, some of which are hedged with currency forwards. Currency forwards are valued at fair value taking current interest rates and exchange rates on the balance sheet date into account. Hedge accounting is applied in accordance with the provisions in Note 1. The fair value of unlisted holdings is determined in accordance with the provisions in Note 1 Accounting policies. All assets valued at fair value via the income statement are valued according to fair value option.

Group 2016					
Financial assets and liabilities by valuation category MSEK	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total carrying value	Total fair value
Financial assets					
Shares in unlisted active companies	181.9			181.9	181.9
Shares in listed active companies	882.1			882.1	882.1
Short-term receivables		50.3		50.3	50.3
Financial investments	1,174.2		2.5	1,176.7	1,176.7
Cash and cash equivalents		193.0		193.0	193.0
Total	2,238.2	243.3	2.5	2,484.0	2,484.0

Group 2015					
Financial assets and liabilities by valuation category, MSEK	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total carrying value	Total fair value
Financial assets					
Shares in unlisted active companies	202.8			202.8	202.8
Shares in listed active companies	742.8			742.8	742.8
Short-term receivables		38.8		38.8	38.8
Financial investments	587.1		6.5	593.6	593.6
Cash and cash equivalents		542.5		542.5	542.5
Total	1,532.7	581.3	6.5	2,120.6	2,120.6

The fourth category refers to other financial liabilities valued at accrued acquisition cost. These amount to MSEK 6.1 (5.7)

Group 2016				
Result by category of financial instrument MSEK	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total
<i>Operating profit</i>				
Dividend income		57.0		57.0
Changes in value		333.5	-5.1	328.4
Financial income			26.3	26.3
Other income			2.9	2.9
Operating expenses				-12.9
Total		390.5	29.2	401.7

Group 2015				
Result by category of financial instrument	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total
MSEK				
<i>Operating profit</i>				
Dividend income	74.3			74.3
Changes in value	89.3		-6.4	82.9
Financial income		18.7		18.7
Other income		9.5		9.5
Operating expenses				-11.2
Total	163.6	28.2	-6.4	174.2

Parent Company 2016					
Financial assets and liabilities by valuation category	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total carrying value	Total fair value
MSEK					
Financial assets					
Shares in listed active companies	513.6			513.6	513.6
Short-term receivables		638.1		638.1	638.1
Financial investments	767.5		0.8	768.3	768.3
Cash and cash equivalents		67.9		67.9	67.9
Total	1,281.1	706.0	0.8	1,987.9	1,987.9

Parent Company 2015					
Financial assets and liabilities by valuation category	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total carrying value	Total fair value
MSEK					
Financial assets					
Shares in listed active companies	466.7			466.7	466.7
Short-term receivables		15.2		15.2	15.2
Financial investments	377.1		3.4	380.5	380.5
Cash and cash equivalents		312.1		312.1	312.1
Total	843.8	327.3	3.4	1,174.5	1,174.5

The fourth category refers to other financial liabilities valued at accrued acquisition cost. These amount to MSEK 0.2 (0.1)

Parent Company 2016				
Result by category of financial instrument	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total fair value
MSEK				
Dividend income	25.4			25.4
Changes in value	778.5		4.0	782.5
Other income				0.0
Financial income/expense	7.6			7.6
Other external expenses				-1.6
Total	811.5	0.0	4.0	813.9

Parent Company 2015				
Result by category of financial instrument	Fair value via the income statement	Loan and trade receivables	Derivatives used in hedge accounting	Total fair value
MSEK				
Dividend income	29.3			29.3
Changes in value	38.1		2.5	40.6
Other income				2.5
Financial income/expense		4.6		4.6
Other external expenses				-1.3
Total	67.4	4.6	2.5	75.7

The table below provides information on how fair value is determined for the financial instruments valued at fair value in the Balance sheet. There are three levels to determine fair value.

Level 1: Based on prices quoted in an active market for the same instrument.

Level 2: Based on directly or indirectly observable market data not included in Level 1.

Level 3: Based on inputs that are not observable in the market.

Group 2016				
MSEK	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	181.9	181.9
Shares in listed active holdings	882.1	-	-	882.1
Financial investments	1,167.1	9.5		1,176.6
Total	2,049.2	9.5	181.9	2,240.7

Group 2015				
MSEK	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	202.9	202.9
Shares in listed active holdings	742.7	-	-	742.7
Financial investments	593.6	-	-	593.6
Total	1,336.3		202.9	1,539.2

Change in financial assets at level 3

Group	
MSEK	
Opening carrying value	202.9
Purchases	10
Sales	-
Dividends	-11.3
Change in value	-19.7
Total	181.9

Company	Proportion of equity	Proportion of votes	Carrying value	Net revenue	Result before depreciation	Balance sheet total	Equity
Ankarsrum Die Casting AB	100%	100%	0.0	30.6	-6.4	25.2	7.1
Ankarsrum Fastighets AB	100%	100%	7.9	9.0	5.6	18.3	7.8
Ankarsrum Kitchen AB	100%	100%	20.0	53.4	4.1	18.0	8.5
Ankarsrum Motors AB	100%	100%	65.0	180.3	16.1	92.9	51.0
Banking Automation Ltd	47%	47%	28.5	97.5	10.2	48.2	38.6
Eitech Holding AB	10%	4%	10.0	1,998.1	44.3	1,005.3	130.2
Recco Holding AB	50%	50%	27.5	25.6	-2.1	48.0	44.0
Sigicom AB	23%	23%	23.0	70.0	10.9	57.1	43.2

Transfers between levels

Transfers between different levels during a period under review are presented as the value at the end of the period under review.

Valuation of financial instruments at Level 3

The valuation of unlisted holdings is based on "International Private Equity and Venture Capital Valuation Guidelines" developed and published jointly by risk capital organisations EVCA, BVCA and AFIC. For directly owned investments, an overall assessment is made to determine the valuation method that is appropriate for each specific holding. Also taken into consideration is if there has been a recent arm's length financing or other transaction. A valuation is also made by applying relevant multiples to the company's key financial performance indicators on a selected group of comparable companies, with deductions for adjustments factors such as difference in size between the company in question and the group of comparable companies. If there are other methods that better reflect the fair value of an individual holding, such methods are used, which means that individual holdings may be valued in accordance with methods other than those described above. All assets at Level 3 consist of shares in unlisted companies. They are valued using the valuation techniques below and unobservable data used to determine the carrying value. The data below represents a selection and therefore not all input data used in the valuation.

EBIT multiples:	5 - 9
Revenue multiples:	0.5 - 3.0
Net asset valuation:	Established net asset value

Most recent transaction: In the event of a recent new issue/share transaction, the price used will be taken into account. In addition, higher multiples may be used in the case of a high expected rate of growth.

Traction's unlisted holdings operate in different sectors with varying market conditions and competitiveness. Customer dependence varies, as does dependence on key personnel. The aforementioned principles are applied in the valuation of holdings, but a reader must be aware that the sensitivity of each measurement depends on which parameters and assumptions are used. It is not relevant, or even correct, to calculate sensitivity on an aggregate level based merely on changes in the discount rate used, earnings performance and other possibly used parameters since the valuation is based on an overall assessment where the importance of the parameters applied depends on prevailing circumstances and conditions. In calculating sensitivity it can be noted that a 10 percent change in value of the holdings mentioned has an earnings effect of MSEK 18, which is less than 1 percent of Traction's equity.

Ankarsrum Die Casting is valued at SEK 0, which is explained by a weak result in 2017. During 2015 and 2016 the company phased out several discontinued articles, which lowered capacity utilisation and resulted in restructuring costs. At the same time several new articles were added during 2016, for which volumes are expected to grow in 2017 and 2018. This shift creates opportunities for profitability in the longer term.

Ankarsrum Fastighets AB leases premises to the operations in Ankarsrum and is valued at book value. The company was revalued during 2016 by MSEK 3.6, including dividend received.

Ankarsrum Kitchen owns the production rights to the *Assistent Original*® appliance and is a sales company for the product designed and manufactured by Ankarsrum Motors. The product is sold mainly in Scandinavia but has international potential. The value of Ankarsrum Kitchen was reduced by MSEK -2.3, including dividend received during 2016.

The value of Ankarsrum Motors was reduced by MSEK 25 during 2016 given lower sales to two major customers. The assessment is that the company has good potential in the medium term to increase volumes to existing as well as new customers. Ankarsrum Motors made a repayment to Traction of MSEK 10 during 2016.

Transactions between the companies in Ankarsrum are at market prices. The claim on Ankarsrumbolagen amounts to MSEK 15. See Note 22.

Banking Automation did not achieve the same profitability as in 2015, which was expected as 2015 was affected in a positive direction by a single transaction. The company still showed good profitability in 2016 and the outlook is good for future growth. The value of the holding was raised by MSEK 1,2 including dividend received.

Recco Holding consists of a financially strong parent company with liquid net assets of MSEK 40. The operating company, Recco AB, reports a loss of approximately MSEK 2. The value of the holding was reduced by MSEK 4.9 during 2016.

Sigicom continued its positive development and the value of the holding was increased during 2016 by MSEK 7.6 including dividend received given a background of expected profitable growth.

Eitech offers a broad spectrum of services and products in technical installations in the fields of electricity, infrastructure and industry. The investment in Eitech was made in March 2016. The holding was not revalued during 2016.

Among Traction's unlisted holdings a common theme is the existence of shareholder agreements pre-emptive-like clauses between shareholders, by which there are limitations in the right to sell shares to outside parties.

Note 19. Cash Flow Statement

MSEK	Group		Parent Company	
	2016	2015	2016	2015
Interest income during the year	26.8	17.9	5.8	2.5
Dividend income during the year	57.0	74.3	25.4	29.3
Adjustment for items not included in cash flow				
Change in value of securities	-328.4	-82.9	-782.5	-38.7
Depreciation and amortisation	0.0	0.0	-	-
Other	-7.8	-5.0	-	-
Total	-336.2	-87.9	-782.5	-38.7

Note 20. Critical accounting estimates and judgments

Traction's financial reports are prepared in accordance with IFRS. The valuation principles applied are described in Note 1. The choice of valuation principle in some cases requires management to make judgments as to which principle gives the most accurate picture. Below are the main areas where critical judgments have been made in applying the Group's valuation policies and the key sources of uncertainty in estimates.

Unlisted holdings

Valuation principles, as described in Note 1, provides information on the methods of valuation used for unlisted holdings. Refer also to Note 18.

Active majority-owned holdings

In accordance with the rules for investment companies accounting and IAS 28p 1, active holdings are carried at fair value. There is thus no consolidation. Holdings are instead accounted for in a for investment companies more accurate manner.

Important sources of uncertainty of estimates

When valuation policies are applied assumptions and estimates are made regarding factors that are uncertain at the time the calculations are performed. Changes in assumptions may have a significant effect on the financial reports for periods when assumptions are changed. Below is a description of valuation policies that require assumptions and estimates. Unlisted holdings are valued at fair value in accordance with the methods described in Note 1. Market data is used to the greatest extent possible. When such data are not available in the market, changed assumptions can affect the reported fair value of the financial instruments. The Group applies its models in a consistent manner between periods, but estimates of fair value always require a significant degree of judgment.

Capitalization of tax loss carryforwards

Assessment of whether or not deferred tax assets resulting from tax loss carryforwards are to be recognized is subject to ongoing assessment. Refer also to Note Not 9.

Note 21. Information about the Parent Company

AB Traction is a company registered in Sweden with its domicile in Stockholm. The Parent Company's shares are listed on NASDAQ OMX Stockholm. The office address is Birger Jarlsgatan 33, Box 3314, SE-103 66 Stockholm, Sweden. The 2016 consolidated financial statements cover the Parent Company and its subsidiaries, not including active holdings, collectively termed the Group. The operative holdings are valued at fair value with changes in value in the result rather than being consolidated.

Note 22. Information about closely related parties

Beyond the dividends paid to Parent Company shareholders decided at the Annual General Meeting, no transactions between Traction and closely related parties that significantly affected the Group and the Parent Company's financial position have taken place during the year. Customary transactions between wholly and majority-owned companies in the Traction Group, including lending, interest charges, loan repayments and certain billing for services rendered, as well as the payment of directors' fees in accordance with the AGM's decision, have taken place during the year.

The Group

Claims on active holdings amounted to MSEK 38 (32), of which MSEK 15 relates to wholly-owned subsidiaries (see below). MSEK 20 relates to a claim on Eitech and MSEK 2.6 refers to estimated additional consideration from Nilörngruppen. Estimated additional consideration is non-interest-bearing and the claim has been discounted to present value. In all other cases interest is calculated on market terms. Dividend income and the net of group contributions rendered/shareholder contributions from active holdings amounted to MSEK 46 (54). Traction purchased services from Nilörngruppen during the year for MSEK 0.5 and sold services to Ankarsrumbolagen for MSEK 1.3.

Loans to subsidiaries (MSEK):

Opening balance	Net (Repayment, impairment, new lending)	Closing balance	Interest paid	Interest terms
29	-14	15	0.9	STIBOR 3M 3 % to 4 %

Transactions with principal owners or senior executives

There have been no transactions between Traction and the principal owners beyond those reported in Note 8 Personnel. Other closely related parties are members of the Board of Directors and senior management. There have been no transaction with this group other than those reported in Note 8 Personnel.

Parent Company

The Parent Company has a close relationship with its group companies and subsidiaries. See Note 11-13. No dividends have been received from Traction's consolidated subsidiaries. Interest payments among Group companies are on market terms. An intra-group restructuring was carried out during the year resulting in a gain for the Parent Company of MSEK 585.5 at the same time as claims against Group companies increased to MSEK 638.1 (15.2). The Parent Company's interest income from Group companies amounted to MSEK 1.3 (0.5).

Affirmation by the Board of Directors and the Chief Executive Officer

The consolidated financial statements and the annual accounts have been prepared in accordance with the international accounting standards referred to in European Parliament and Council Regulation (EG) no 1606/2002 dated 19 July 2002 on the application of international accounting standards and generally accepted accounting principles in Sweden and give a true and fair picture of the Group's and the Parent Company's operations, financial position and results, and describes significant risks and uncertainty factors facing the Parent Company and companies in the Group. To the extent that the three stated rules conflict with each other, they apply in the order stated above, which above all could mean a contradiction of the term true and fair picture.

Stockholm, 20 March 2017

Petter Stillström
CEO

Anders Eriksson
Director

Jan Kjellman
Director

Bengt Stillström
Chairman of
The Board of Directors

Maria Linde
Director

Peter Malmqvist
Director

Our audit report relating to these annual accounts was submitted March 20, 2017.

Mazars SET Revisionsbyrå AB

Anders Bergman
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of the shareholders of AB Traction (publ), corporate identity number 556029-8654

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB Traction (publ) for the year 2016.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of AB Traction (publ) as of December 31, 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance report has been prepared. The Administration Report and the Corporate Governance Report are consistent with the other parts of the Consolidated Financial Statements, and the Corporate Governance Report is consistent with the Swedish Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions.

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of AB Traction (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Areas of particular importance

In our professional opinion, the areas of particular importance for the audit were the audit of the Annual Report and the Consolidated Financial Statements for the period in question. These areas were dealt with in the context of the audit of, and our opinion with respect to the Annual Accounts and the Consolidated Financial Statements as a whole, but we issue no separate opinions with respect to these areas.

Holdings and the valuation of financial assets are the areas of particular importance.

As shown in the balance sheets of the Annual Accounts, The Group's assets consist mostly of financial assets valued at fair value.

We have focused on these areas since these items constitute a significant part of the financial report and includes management's judgments.

We have studied the calculation models used to establish fair value for holdings where no official quoted price is available. We have evaluated the reasonableness of the assumptions made as presented by management and which have approved by the Board of Directors.

We have obtained a listing of the Group's securities directly from account operators. Holdings as well as quoted prices have been checked against the Group's listings.

Other information than the Annual Accounts and the Consolidated Financial Statements

The Board of Directors and the President are responsible for the other information. The other information consists of an Annual Report.

Our opinion concerning the Annual Accounts and the Consolidated Financial Statements does not include this information and we issue no opinion corroborating this other information.

In connection with our audit of the Annual Accounts and the Consolidated Financial Statements it is our responsibility to read the information identified above and to consider if that information to a significant degree is inconsistent with the Annual Report or the Consolidated Financial Statements.

In the course of this review we also take into consideration intelligence gathered in other respects in the course of our audit and assess whether the information in general seems to contain material misstatements.

If we, based on the work performed with respect to this information, come to the conclusion that the other information contains a material misstatement, we are obliged to report it.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation of the annual accounts and the consolidated accounts that they give a fair presentation in accordance with the Annual Accounts Act and IFRS. The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated accounts, The Board of Directors is responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement to the effect that we have followed the relevant professional ethical standards with respect to independence, and to disclose all relationships and other circumstances that may reasonably affect our independence, and as the case may be the relevant countermeasures.

We determine which of the areas communicated with the Board of Directors have been the most important for the audit of the Annual Accounts and the Consolidated Financial Statements, including the most important assessed risks of material misstatements, and which therefore have been the most important areas for the audit. We describe these areas in the audit report unless laws or other regulations prevent information in the matter, or when, in extremely rare cases, our judgment is that an issue should not be communicated because of the negative consequences thereof of so doing would reasonably be greater than the general interest of the this communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors of AB Traction (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, 20 March 2017

Mazar SET Revisionsbyrå AB

Anders Bergman
Authorised Public Accountant