

# TRACTION

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

## Year-end Report January - December 2014

### **Period October - December**

- The result after taxes amounted to MSEK 16 (178), of which from:
  - Active holdings, listed MSEK -37 (52)
  - Active holdings, unlisted MSEK 77 (86)
  - Financial investments MSEK -7 (41)
- Reposting of deferred tax assets resulted in a tax expense of MSEK 14.7 with no effect on cash flow.
- Earnings per share amounted to SEK 1.10 (11.55).
- The net asset value per share as of 31 December amounted to SEK 133 (127).

### **Period January - December**

- The result after taxes amounted to MSEK 122 (268), of which from:
  - Active holdings, listed MSEK -9 (61)
  - Active holdings, unlisted MSEK 139 (149)
  - Financial investments MSEK 11 (60)
- Earnings per share amounted to SEK 8.18 (17.44)
- The net asset value per share increased during 2014 by 8 (16) percent adjusted for dividend paid.
- Dividend income amounted to MSEK 118 (96)
- Listed shares were sold for a net amount of MSEK 245 (-34).
- The Board of Directors proposes a dividend of SEK 2.00 (2.45) per share, a total of MSEK 30.

### **Events during the quarter**

- Ownership in Drillcon increased to 53.1 (49.9) percent of capital and votes.
- Ownership in Hifab Group increased to 52.8 (49.5) percent of capital and 54.0 (51.3) percent of votes.
- Ownership in PartnerTech increased to 23.3 (18.6) percent of capital and votes.

### **Events after the end of the period under review**

- The change in value of listed securities since 31 December amounts to MSEK 39 as of 6 February.

## **PRESIDENT'S STATEMENT**

The current market climate, with extremely low interest rates and historically high asset prices, is challenging for Traction and other investors who prefer not to operate with high leverage.

In the absence of alternatives, capital has gravitated towards the stock and bond markets, gradually building up a valuation bubble, which if it bursts will have dire consequences for the real economy. In a short-term perspective there is nothing to indicate that interest rates will start to rise anytime soon, so there is still reason to maintain some kind of exposure to the stock market, not least in order to partially offset the risk that the value of money is further inflated in lockstep with the monetary activities (experimentation) conducted by ECB, and soon perhaps by Sweden's Riksbank as well.

Many macro-economists seem unwilling to accept that the world has changed as prices fall as a consequence of eliminated intermediaries and increasing competition, as well as the launch of new products and services, where there is no historical data on what they would have cost before. These economists also disregard sharply rising asset prices when calculating inflation, but they do include the effects of lower interest rates and a falling price of oil, both of which have a negative effect on inflation. It is quite clear that many political economists build their models on incomplete parameters, therefore drawing the wrong conclusions regarding the real world. Somewhat naively they believe that companies will invest more if the current low interest rates are lowered further, but most people realize that that is not going to happen to any measurable extent. Instead the activities contribute to creating financial bubble, increased indebtedness and, at times, unsound consumption behaviour. The stimulus may also contribute to delaying necessary structural reform.

Overall, it is somewhat absurd that money in some philosophical sense does not have any value, since the price thereon now is zero, or even negative.

During 2014 Traction maintained high liquid preparedness, which has had the effect of lowering the return on equity, which amounted to 8 percent, adjusted for dividend paid. The return varies, however, between the different holdings. Unlisted holdings had an overall return of 31 percent, OEM International returned 44 percent, and Nordic Camping as much as 59 percent. The largest disappointment is BE Group's -45 percent. Firm action will be required here to lift profitability.

BE Group has recently announced that the company will float a rights issue during spring to strengthen equity, which is not surprising given the weak development during 2014. In retrospect we have to acknowledge that we should have become even more engaged in the operations of the company. This is our intention going forward.

Nilörngruppen's growth of 20 percent is gratifying and the company generated stable earnings. Even though Ankarsrum Motors had a weaker year compared to a record 2013, favourable prerequisites exist for continued positive development, in part aided by the strong US Dollar.

Going forward, we will give priority to the development of our existing holdings and promote structural changes in these entities as well as activities to increase profitability and accelerate growth where such is lacking or is mediocre.

## **PERIOD OCTOBER - DECEMBER**

### **Summary**

Profit after taxes amounted to MSEK 16 (178), which includes changes in value of MSEK 1 (159) and dividend income of MSEK 29 (18). Financial income amounted to MSEK 2 (2). A tax expense of MSEK was charged to income in the amount of MSEK 14.7 (0), as explained below.

### **Active holdings – listed**

Active listed holdings contributed MSEK –37 (52). BE Group accounted for MSEK –43, Hifab for MSEK –19, and OEM International for MSEK +21. At the end of the period the market value of active listed holdings amounted to MSEK 601, equivalent to 30 percent of net asset value.

### **Active holdings – unlisted**

Active unlisted holdings contributed MSEK 77 (86), of which the change in value was MSEK 48 (68) and dividends/group contributions accounted for MSEK 29 (18). Nilörngruppen contributed MSEK 44 and Ankarsrum Motors for MSEK 17. See below under the period January - December for comments by each respective company. At the end of the period active listed holdings amounted to MSEK 495, equivalent to 25 percent of net asset value.

### **Financial investments, cash and cash equivalents, and other assets**

Financial investments, cash and cash equivalents and other assets amounted to a total of MSEK 883, equivalent to 45 percent of net asset value. Listed shares amounted to MSEK 225, while cash and cash equivalents and interest-bearing investments amounted to MSEK 589. The amount due from active listed holdings amounted to MSEK 60. Financial investments contributed MSEK –7 (41). Petroleum-related holdings were a drag on earnings.

### **Capital expenditures and disposals**

Investments in listed shares amounted to MSEK 78 (21), MSEK 22 of which in active listed holdings. Sale amounted to MSEK 152 (27), referring to other listed shares in investment operations, among which shares in Swedbank for MSEK 68. Corporate bonds and other financial assets were purchased in a net amount of MSEK 10 (net sales of MSEK 23).

### **Taxes**

A tax expense of MSEK 14.7 was charged to earnings. The explanation is that parts of the Group's deferred tax assets have been shifted to the wholly owned operating companies, with the bulk thereof going to Ankarsrum Motors. Deferred tax assets in central Traction companies thereafter amount to approximately MSEK 100. These assets are therefore not carried in the balance sheet.

## Traction's net asset value

Reported below is Traction's net asset value divided into active holdings (listed and unlisted), financial investments, cash and cash equivalents and other assets.

Holdings	Number of shares, thousands	Percentage of capital		Total return in %		Market value MSEK	% of total	SEK/share
		votes	Oct - Dec	Jan - Dec				
<b>Listed active holdings</b>								
BE Group	12,882	17	17	-38	-45	71	3%	5
Drillcon	23,689	53	53	10	6	73	4%	5
Duroc	2,000	27	30	3	-6	21	1%	1
Hifab Group	16,060	53	54	-17	-20	98	5%	7
Nordic Camping & Resort	2,531	30	30	-13	59	46	2%	3
OEM International	913	4	10	26	44	100	5%	7
PartnerTech	2,937	23	23	16	-1	74	4%	5
Softronic	11,529	22	20	-7	1	74	4%	5
Switchcore	10,371	28	22	-6	8	23	1%	1
Waterman Group	3,300	11	11	0	6	21	1%	1
<b>Total</b>				<b>-6</b>	<b>-4</b>	<b>601</b>	<b>30%</b>	<b>40</b>
<b>Unlisted active holdings</b>								
Ankarsrum Motors	100	100	100	19	31	113	6%	8
Ankarsrum Kitchen	100	100	100	40	56	24	1%	1
Banking Automation	47	47	47	16	59	26	1%	2
Nilörngruppen	69	60	60	19	38	270	14%	18
Recco Holding	50	50	50	3	3	35	2%	2
Other unlisted holdings				12	16	27	1%	2
<b>Total</b>				<b>17</b>	<b>31</b>	<b>495</b>	<b>25%</b>	<b>33</b>
<b>Total active holdings</b>				<b>4</b>	<b>10</b>	<b>1,096</b>	<b>55%</b>	<b>73</b>
<b>Financial investments, cash and cash equivalents and other assets</b>								
SCA	500			-2	-12	84	4%	6
Other listed shares				-5	-3	141	7%	9
Due from active holdings				-	-	60	3%	4
Interest-bearing investment				-	-	100	5%	7
Cash and cash equivalents				-	-	489	25%	33
Other assets				-	-	9	1%	1
<b>Total</b>						<b>883</b>	<b>45%</b>	<b>60</b>
<b>TOTAL</b>				<b>1</b>	<b>8</b>	<b>1,979</b>	<b>100%</b>	<b>133</b>

NYCKELTAL	Full year	
	2014	2013
Change in net asset value per share, %	8	19
Net asset value per share, SEK	133	127
Market price per share at end of period, SEK	99.25	89.75
Discount to net asset value, %	25	29
Equity ratio, %	100	99

## **PERIOD JANUARY - DECEMBER**

### **Summary**

Profit amounted to MSEK 122 (268), which includes changes in value in the amount of MSEK 10 (160) and dividend income of MSEK 118 (96). Financial income amounted to MSEK 13 (14).

### **Active holdings - listed**

Active listed holdings contributed MSEK -9 (61), of which the change in value amounted to MSEK -26 (39) and dividend income to MSEK 16 (22). OEM International contributed MSEK 35, BE Group -58, and Hifab Group MSEK -26.

### **Active holdings - unlisted**

Active unlisted holdings contributed MSEK 139 (149), of which change in value amounted to MSEK 50 (86) and dividend income/group contributions to MSEK 89 (63).

Nilörngruppen recorded an increase in revenue of 20 percent to MSEK 457 (382) and operating profit of MSEK 52 (44). Order bookings grew by 16 percent. Nilörngruppen contributed MSEK 81, of which MSEK 24 in the form of dividend income and MSEK 57 as a consequence of revaluation.

Ankarsrum Motors recorded revenue of MSEK 208 (238) and operating profit of MSEK 19 (31). During the year Ankarsrum Motors contributed MSEK 31 in the form of dividend income and revaluation. Ankarsrum Motors has several important customers in the United States, which means that the company's competitive power has increased as a result of the strengthening of the US Dollar.

The aggregate operating profit for Ankarsrum Motors, Kitchen and Diecasting amounted to MSEK 29 for 2014 (32). During 2014 these companies repaid MSEK 16 of their debt to central Traction. The amount due to Traction from these companies amounted to MSEK 51 at year-end (18). The increase is explained by group contributions/dividend income received. The interest-bearing net liability, in addition to liabilities to Traction, is limited and amounted to MSEK 5.

### **Financial investments**

Other listed holdings contributed MSEK 11 (60), of which dividends amounted to MSEK 13 (12). Net interest income amounted to MSEK 13 (13).

### **Investments and disposals**

Investments in listed shares amounted to MSEK 207 (187), of which active holdings accounted for MSEK 65. Shares were sold in an amount of MSEK 453 (153), of which active holdings amounted to MSEK 211, of which OEM International accounted for MSEK 109. Corporate bonds and other financial assets were purchased in a net amount of MSEK 52 (2).

### **Liquidity**

Traction's cash and cash equivalents amounted to MSEK 489 (216). In addition, there are financial investments in the amount of MSEK 325 in the form of listed shares and interest-bearing investments, a total of MSEK 814.

### **Equity/Net asset value**

Equity amounted to MSEK 1,979 as of 31 December (1,901), equivalent to SEK 133 (127) per share. The number of shares outstanding as of 31 December was 16,000,000, of which 1,800,000 were of Class A. Not including shares held in treasury (1,535,000, of which 74,695 were repurchased during 2014), the number of shares outstanding was 14,865,000, 1,800,000 are of Class A.

## ***Parent Company***

AB Traction's profit amounted to MSEK 9 (108). As of 31 December cash and cash equivalents amounted to MSEK 372 (139). As of 31 December the Parent Company's equity ratio was 100 (100) percent. The Parent Company has no external loans.

## ***Risks and uncertainty factors***

The Group's and the Parent Company's significant risk and uncertainty factors include business risks in the form of exposure to certain industries, or an individual holding, as well as dependency on individual key persons in the Companies in which Traction is involved or has an ownership interest. Then there are financial risks, which primarily consist of price risks, i.e. the risk of a change in value of a financial instrument due to changes in share prices, foreign exchange rates or interest rates. In addition to the risks described in Traction's Annual Report in general by reason of the Company's business orientation, specific reference can be made to the Report of the Board of Directors and accompanying notes for a more detailed discussion of the Group's and the Parent Company's risk exposure and risk management procedures. Beyond that, no additional significant risks are deemed to have been added.

## ***Accounting policies***

This summary interim report has been prepared for the Group in accordance with IAS 34 and applicable rules in the Swedish Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance the Swedish Annual Accounts Act. Effective as of 1 January 2014, Traction applies the new rules for investment companies, which means that holdings in operative subsidiaries are valued at fair value with the change in value reported in profit and loss rather than being consolidated. All other Central Traction companies are consolidated as before. In all other respects this report has been prepared in accordance with the same accounting policies and using the same calculation methods as set out in the most recent Annual Report.

Below is a brief description of the accounting policies of vital importance in compiling Traction's financial reports. Comparative data refer to the corresponding year-ago period, except in the case of balance sheet items and liquidity metrics referring to the prior year-end.

### **Changed accounting policy – investment companies**

IASB (International Accounting Standards Board) has issued rules for investment companies. The rules are mostly part of IFRS 10 Consolidated accounting and IAS 27 Consolidated and Separate Financial Statements. According to the definition in IFRS 10, an investment company is a company the operations of which are to make investments for the account of investors in order to obtain a return in the form of appreciation and/or dividend yield. Such companies must value essentially all of its investments at fair value. If the criteria for an investment company are fulfilled holdings in subsidiaries are valued at fair value with changes in value in the result rather than being consolidated. The rules for investment companies are applied from 1 January 2014.

The Group's comparative data have been recalculated, which means that the Group's opening equity for 2013 has increased by MSEK 160 to MSEK 1,719. The increase relates to revaluation of previously consolidated subsidiaries to fair value. For a more detailed account, reference is made to the report for the first quarter.

## ***Proposed dividend***

The Board of Directors proposes a dividend of SEK 2.00 (2.45) per share, equivalent to MSEK 29.7 (36.6). The proposed dividend is in line with the Company's dividend policy according to which the dividend is adjusted in such a way that there is no tax cost for the Parent Company. During 2014 Traction distributed a total of MSEK 44.3 to the shareholders in the form of dividend and buyback of shares.

## ***Election committee***

At the 2014 Annual General Meeting it was resolved that Traction shall no longer have an election committee. However, shareholders are always welcome with comments and/or suggestions regarding the composition of the Board of Directors to Bengt Stillström (telephone +46-8-506 289 03).

## ***Annual General Meeting***

The 2014 Annual General Meeting will be held at 5:00 p.m., 28 April 2015 kl. At Hotell Kung Carl, Birger Jarlsgatan 21 in Stockholm. The Annual Report will be available at the Company's website no later than one week before the Annual General Meeting.

## ***Schedule of future information***

Publication dates for future financial information:

28 April 2015	Interim Report January-March 2015
28 April 2015	Annual General Meeting 2014, 5:00 p.m. in Stockholm
14 July 2015	Interim Report January-2015
19 October 2015	Interim Report January-September 2015
17 February 2016	Year-end Report January-December 2015

The information in this Interim Report is of the type Traction is under obligation to publish in accordance with the Securities Markets Act. The information herein was provided for publication at 12:00 p.m., 9 February 2015.

The President hereby confirms that this interim report provides a fair overview of the operations of the Company's and the Group's operations, financial position and results, and describes significant risks and factors of uncertainty facing the Company and the companies in the Group.

Stockholm, 9 February 2015

Petter Stillström  
President & CEO

This year-end report has not been subject to review by the Company's auditor.

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## SUMMARY CONSOLIDATED INCOME STATEMENT

MSEK	Oct - Dec		Full year	
	2014	2013	2014	2013
OPERATING REVENUE				
Dividend income	29.3	18.0	117.5	96.4
Change in value of securities	1.0	159.4	9.7	159.5
Financial income	1.9	1.5	12.8	13.6
Other revenue	0.7	0.9	5.4	8.6
Operating expenses	-1.8	-3.6	-9.0	-11.7
<b>Profit before taxes</b>	<b>31.1</b>	<b>176.2</b>	<b>136.4</b>	<b>266.4</b>
Taxes	-14.7	1.3	-14.7	1.3
<b>Profit and comprehensive result for the period</b>	<b>16.4</b>	<b>177.5</b>	<b>121.7</b>	<b>267.7</b>
Earnings per share (SEK)	1.10	11.55	8.18	17.44
Number of shares outstanding (thousands)	14,865	15,364	14,865	14,940
Average number of shares outstanding (thousands)	14,865	15,364	14,869	15,350

## SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	2014		2013	
	31/12	31/12	31/12	31/12
<b>ASSETS</b>				
Tangible non-current assets	5.7	6.7	6.7	6.7
Shares, etc.	1,095.8	1,219.6	1,219.6	1,219.6
Deferred tax asset	-	14.7	14.7	14.7
<b>Total non-current assets</b>	<b>1,101.5</b>	<b>1,241.0</b>	<b>1,241.0</b>	<b>1,241.0</b>
Other non-current assets	10.4	6.4	6.4	6.4
Financial investments in active management	324.8	404.5	404.5	404.5
Loan receivables	60.3	48.7	48.7	48.7
Cash and cash equivalents	488.6	216.2	216.2	216.2
<b>Total non-current assets</b>	<b>884.1</b>	<b>675.8</b>	<b>675.8</b>	<b>675.8</b>
<b>TOTAL ASSETS</b>	<b>1,985.6</b>	<b>1,916.8</b>	<b>1,916.8</b>	<b>1,916.8</b>
<b>EQUITY AND LIABILITIES</b>				
Equity				
Attributable to the Parent Company's equity holders	1,978.8	1,901.3	1,901.3	1,901.3
<b>Total equity</b>	<b>1,978.8</b>	<b>1,901.3</b>	<b>1,901.3</b>	<b>1,901.3</b>
Current liabilities	6.8	15.5	15.5	15.5
<b>Total liabilities</b>	<b>6.8</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,985.6</b>	<b>1,916.8</b>	<b>1,916.8</b>	<b>1,916.8</b>

For other financial instruments, such as trade receivables, loan receivables, and long-term and current liabilities the carrying value is a reasonable approximation of fair value.

**Summary Report of Changes in Consolidated Equity****MSEK**

	<b>2014</b>	<b>2013</b>
	<b>31/12</b>	<b>31/12</b>
Amount attributable to the Parent Company's shareholders at beginning of year	1,676.3	1,559.4
Effect of change of accounting policy	225.0	160.0
Adjusted opening balance	1,901.3	1,719.4
Dividend to shareholders	-36.4	-47.6
Repurchase of own shares	-7.8	-38.2
Comprehensive result for the period	121.7	267.7
<b>Closing balance</b>	<b>1,978.8</b>	<b>1,901.3</b>

**SUMMARY CONSOLIDATED CASH FLOW STATEMENT**

	Oct - Dec		Full year	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>MSEK</b>				
<i>Operating activities</i>				
Consolidated result before taxes	31.0	176.2	136.3	266.4
Adjustment for items not included in cash flow	6.8	-129.8	-1.8	-129.7
Taxes paid	-	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>37.8</b>	<b>46.4</b>	<b>134.5</b>	<b>136.7</b>
Change in working capital	-5.0	4.8	-9.7	2.9
<b>Cash flow from operating activities</b>	<b>32.8</b>	<b>51.2</b>	<b>124.8</b>	<b>139.6</b>
<i>Cash flow from investment activities</i>				
Purchase of shares in unlisted companies	-	-	-3.4	-13.2
Sale of shares in unlisted companies	0.3	-0.3	0.3	10.1
Purchase of shares in listed companies	-78.0	-21.3	-207.4	-186.8
Sale of shares in listed companies	151.9	26.6	452.8	152.6
Purchase/sale of tangible non-current assets	-	-5.9	1.0	-6.7
Change in other financial assets	-9.8	22.9	-51.6	-2.4
<b>Cash flow from investment activities</b>	<b>64.4</b>	<b>22.0</b>	<b>191.7</b>	<b>-46.4</b>
<i>Financing activities</i>				
Dividend paid	-	-	-36.4	-47.6
Repurchase of own shares	-	-38.2	-7.7	-38.2
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>-38.2</b>	<b>-44.2</b>	<b>-85.8</b>
<b>Cash flow for the period</b>	<b>97.2</b>	<b>35.0</b>	<b>272.4</b>	<b>7.4</b>
Cash and cash equivalents at beginning of period	391.4	181.2	216.2	208.8
Cash and cash equivalents at end of period	488.6	216.2	488.6	216.2

(Note 1)

Group 2014

Period October - December	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	-	28.7	0.6	29.3
Changes in value	-37.2	47.9	-9.7	1.0
Financial income	-	-	1.9	1.9
Other income	-	-	0.7	0.7
<b>Operating expenses</b>	<b>-</b>	<b>-</b>	<b>-1.8</b>	<b>-1.8</b>
Result before taxes	-37.2	76.6	-8.3	31.1

Group 2013

Period October - December	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	-	18.0	-	18.0
Changes in value	51.8	68.2	39.4	159.4
Financial income	-	-	1.5	1.5
Other income	-	-	0.9	0.9
<b>Operating expenses</b>	<b>-</b>	<b>-</b>	<b>-3.6</b>	<b>-3.6</b>
Result before taxes	51.8	86.2	38.2	176.2

Group 2014

Period January - December	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	16.3	88.6	12.6	117.5
Changes in value	-25.7	50.1	-14.7	9.7
Financial income	-	-	12.8	12.8
Other income	-	-	5.4	5.4
<b>Operating expenses</b>	<b>-</b>	<b>-</b>	<b>-9.0</b>	<b>-9.0</b>
Result before taxes	-9.4	138.7	7.1	136.4

Group 2013

Period January - December	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	22.0	62.6	11.8	96.4
Changes in value	39.3	85.9	34.3	159.5
Financial income	-	-	13.6	13.6
Other income	-	-	8.6	8.6
<b>Operating expenses</b>	<b>-</b>	<b>-</b>	<b>-11.7</b>	<b>-11.7</b>
Result before taxes	61.3	148.5	56.6	266.4

### Valuation of financial assets

Level 1: According to prices quoted in active markets for the same instrument  
 Level 2: Based on directly or indirectly observable market data not included in level 1.  
 Level 3: Based on input data not observable in the market.

Group 2014	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted companies	-	-	494.9	494.9
Shares in listed active holdings	600.9	-	-	600.9
Financial investments	324.8	-	-	324.8
<b>Total</b>	<b>925.7</b>		<b>494.9</b>	<b>1,420.6</b>
Group 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted companies	-	-	444.9	444.9
Shares in listed active holdings	774.7	-	-	774.7
Financial investments	404.5	-	-	404.5
<b>Total</b>	<b>1,179.2</b>		<b>444.9</b>	<b>1,624.1</b>

### Change in financial assets in level 3

Group	
Open carrying value	444.9
Purchases/shareholder contributions	3.4
Sales/redemption	-0.3
Reclassification	-3.2
Change in value	50.1
<b>Total</b>	<b>494.9</b>

### Transfers between levels

Transfers between different levels effected during a reporting period should be presented with the value at the end of the reporting period. No transfers were made from one level to another during the period under review. The increase in assets at level 3 in relation to the annual accounts refers to subsidiaries no longer consolidated but value at fair value.

### Valuation of financial instruments at level 3

Valuation of unlisted holdings is made on the basis of *International Private Equity and Venture Capital Valuation Guidelines* as developed and published jointly by risk capital organisations EVCA, BVCA and AFIC. For directly owned investments, an overall assessment is made to determine which valuation method is appropriate for each individual holding. Taken into account will be whether any financing or transaction "at arms-length distance" has been made and an evaluation is also made by applying relevant multiples to the company's key financial indicators from a selected group of similar companies, less an adjustment for, for instance, difference in size between the company in question and the group of comparable companies. In cases where there are other methods that better reflect the fair value of an individual holding, such methods are used which means that individual holdings may be valued by other than the methods described above.

All level 3 assets consist of shares in unlisted companies and are valued in accordance with the following valuation methods and non-observable data used for determining the carrying value. The data in the table below represent a selection and is therefore not all input data used in the valuation.

EBIT-multiples:	4 - 10
Revenue multiples:	0.5 – 3.0
Net asset valuation:	Established net asset value.
Most recent transaction:	In the case of recently floated new issue/share offering, the price thereon is taken into account. Higher multiples may also be applied in cases of rapid growth.

**SUMMARY PARENT COMPANY INCOME STATEMENT****MSEK**

	Jan - December	
	2014	2013
Dividend income	23.0	27.2
Change in value of securities	-14.7	78.5
Financial income/expense	2.2	3.9
Other external expenses	-1.3	-1.4
<b>Profit before taxes</b>	<b>9.2</b>	<b>108.2</b>
Taxes	-	-
<b>Profit and comprehensive result for the period</b>	<b>9.2</b>	<b>108.2</b>

**SUMMARY PARENT COMPANY BALANCE SHEET****MSEK**

	2014	2013
	31/12	31/12
ASSETS		
Equities	658.7	822.6
<b>Total non-current assets</b>	<b>658.7</b>	<b>822.6</b>
Due from Group companies	21.6	26.6
Other receivables	8.3	0.6
Financial investments	218.6	324.8
Cash and cash equivalents	371.8	138.8
<b>Total non-current assets</b>	<b>620.3</b>	<b>490.8</b>
<b>TOTAL ASSETS</b>	<b>1,279.0</b>	<b>1,313.4</b>
EQUITY AND LIABILITIES		
<b>Equity</b>	<b>1,278.4</b>	<b>1,313.4</b>
Current liabilities	0.6	-
<b>Total current liabilities</b>	<b>0.6</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 279.0</b>	<b>1 313.4</b>
Pledged assets	None	None

**DEFINITIONS****Return on equity**

Result for the period after taxes in percent of equity at the beginning of the year adjusted for repurchased shares and dividends.

**Central Traction**

Aside from the AB Traction parent company, Central Traction includes wholly owned subsidiaries managing securities, providing lending, underwriting and consultancy services, mainly to Traction's wholly and partially owned holdings.

**Equity per share and Net asset value per share**

Equity at the end of the period divided by average number of shares outstanding.

**Financial investments**

Refers to equity and interest-bearing investments in companies where Traction is not an active owner.

**Listed active holdings**

Holdings where Traction's ownership exceeds 10 percent of the votes in each respective company.

**Unlisted active holdings**

Holdings where Traction's ownership is less than 50 percent of the votes and where the remaining shares are usually owned by one or more entrepreneurs or other active partners.

**Net asset value discount**

Traction's market value, where unlisted Class A shares are valued the same as the listed Class B share at the end of the period, less the net asset value discount, divided by the net asset value at the end of the period.

**Equity ratio**

Equity in percent of balance-sheet total.

**Earnings per share**

Profit for the period after dilution divided by average number of shares outstanding during the year.

**Change in net asset value of per share**

Change of the net asset value during the period under, including dividend paid.