

## Period October - December

- The result after taxes amounted to MSEK -357 (-145), distributed as follows:
  - Active holdings, listed MSEK -251 (-117).
  - Active holdings, unlisted MSEK -13 (-19).
  - Financial investments MSEK -92 (-7).
- Earnings per share amounted to MSEK -24.14 (-9,83).
- The net asset value per share decreased by 12 (-5) percent.

## Period January - December

- The result after taxes amounted to MSEK -71 (304), distributed as follows:
  - Active holdings, listed MSEK -52 (277).
  - Active holdings, unlisted MSEK -20 (-33).
  - Financial investments MSEK -7 (71).
- Earnings per share amounted to MSEK -4,83 (20.58).
- The net asset value per share decreased by 3 (+12) percent, adjusted for dividend paid.
- The net asset value per share SEK 178 (186) per share.
- The return on active holdings amounted to -5 (29) percent.

## Events after the end of the period under review

- The change in value of the listed shareholdings since 31 December amounts to MSEK 100 as of 14 February.
- The Board of Directors proposes a dividend of SEK 3.60 (2.75) per share.

### Traction in brief

Traction is an investment company with active ownership interest in listed and unlisted small- and medium-sized companies. Traction is also engaged in investment activities for the purpose of obtaining a good yield on the Company's capital through financial investments, mainly in other listed companies and interest-bearing assets. Traction's role as owner is based on an active and long-term engagement in close co-operation with other active owners, entrepreneurs and corporate management groups. Traction does not focus on singular industries. Traction instead is engaged in development and transformation work applicable to all companies intending to prioritize business sense, a long-term approach and sound business principles. Traction's shares are traded on NASDAQ Stockholm (the Mid Cap list). More information is available at [www.traction.se](http://www.traction.se).

## President's statement

The global financial markets suffered weak development during the fourth quarter, with declining stock prices and growing risk aversion in general. Prices on the Stockholm Stock Exchange fell during the last quarter of the year by 14.1 percent, and by 4.6 percent for the full year 2018. The overall weak development also affected most of Traction's listed holdings negatively, and stable gains during the first three quarters were eroded, generating a deficit for the active listed holdings, as well as other listed holdings, resulting in a deficit for the full year 2018.

Traction's net asset value declined by 3 percent during 2018, with the active listed holdings losing 5 percent in 2018, and active listed holdings shedding 5 percent of their value, and other listed holdings losing approximately 3 percent, while interest-bearing investments fared reasonably well. In addition, unlisted holdings as a group had a negative effect on the net asset value due to a revaluation of Ankarsrum Industries by MSEK 29. Overall, the year's result amounted to MSEK -71, which is weak, although it may still be appropriate to recall that the profit for the two preceding years was in excess of MSEK 700.

Most of last year's losses were recovered during the first quarter of 2019, with an increase in active listed holdings, other listed holdings and interest-bearing investments with 100 MSEK, based on 13 February closing prices.

A change in the share prices of our listed holdings does not always necessarily reflect the actual development in the companies as such. One example hereof is BE Group, whose share price swooned by 28 percent during 2018, a year when the underlying gain for the operations was 42 percent and profit before taxes grew by 132 percent to MSEK 132. It is gratifying that the business, after several years of extensive

restructuring efforts, shows distinctly improved profitability.

We don't know a whole lot about the future, but it is evident that 2019 will be an exciting but challenging year. Some slowdown in the world economy is likely, but the question is to what extent? Uncertainty surrounding the interest rate policy of central banks, primarily the U.S. Federal Reserve, higher tariffs affecting world trade, Brexit or not, how and when? Also, for example, structural changes in many industries affecting customer behaviour, rules and regulations.

Then there is also the question of how the Swedish central bank will react in an environment with a weakening economy and falling home prices. So far, the Riksbank's policy, with support from a passive government failing to take the opportunity to improve the taxation treatment of borrowers versus savers and other regulations surrounding housing construction, has resulted in unnecessary real estate bubbles, also creating artificially high domestic consumption and a doped export industry thanks to lower exchange rates.

Let us hope that the central bank comes to its senses and at least adapts the interest rate level, regardless of the state of the economy, real estate prices and, particularly, their obsolete inflation calculation model. Nor can a responsible central bank relegate to the politicians to create or alter the regulatory environment that mitigates the consequences of their own highly dubious and risky interest rate policy.

Unfortunately (or perhaps for the better of Traction's holdings) it is probably more likely that an obstinate central bank continues to support asset inflation, favour export companies and their shareholders, while at the same time weakening the Swedish krona further, all to actively participating in, and being responsible for, the likelihood of an impending crash having even more dire consequences.

## Traction's Net Asset Value

Holdings	Number of shares thousands	Price per share	Percentage of capital	Percentage of votes	Market value MSEK	Percentage of total	SEK / share
<b>Noterade aktiva innehav</b>							
BE Group	2 903	35,95	22%	22%	104	4%	7
Drillcon	24 000	6,00	54%	54%	144	5%	10
Duroc	3 885	22,70	10%	10%	88	3%	6
Hifab Group	32 744	2,38	54%	55%	78	3%	5
Nilörngruppen	2 490	68,10	22%	56%	170	6%	11
OEM International	886	190,50	4%	10%	169	6%	11
Softronic	11 539	14,40	22%	20%	166	6%	11
WYG	10 970	4,90	15%	15%	54	2%	4
<b>Total</b>					<b>973</b>	<b>37%</b>	<b>66</b>
<b>Unlisted active holdings</b>							
Unlisted holdings					70	3%	5
Due from active holdings					21	1%	1
<b>Total</b>					<b>91</b>	<b>3%</b>	<b>6</b>
<b>Total active holdings</b>					<b>1 064</b>	<b>40%</b>	<b>72</b>
<b>Financial investments, and cash and cash equivalents</b>							
Other listed shares					419	16%	28
Interest-bearing investments <sup>1</sup>					1 028	39%	69
Cash and cash equivalents					128	5%	9
<b>Total</b>					<b>1 575</b>	<b>60%</b>	<b>106</b>
<b>TOTAL</b>					<b>2 638</b>	<b>100%</b>	<b>178</b>

<sup>1</sup> Including interest-bearing investments with a maturity of less than one year in the amount of MSEK 397 and other net assets/liabilities in the amount of MSEK -0,5.

KEY FINANCIAL INDICATORS	2018 Full year	2017 Full year
Change in value of net asset value per share, %	-3	12
Net asset value per share, SEK	178	186
Market price at end of period, SEK	165	175
Discount to net asset value, %	7	6

## PERIOD OCTOBER - DECEMBER

### Summary

The result after taxes was MSEK -357 (-145), which includes changes in value in the amount of MSEK -369 (-156) and dividend income of MSEK 2 (5). Financial income amounted to MSEK 12 (9).

### Active holdings - listed

Active listed holdings burdened the result by MSEK -251 (-117), equivalent to a return of -20 percent. All holdings burdened earnings, with Softronic MSEK -88, Duroc -47, BE Group MSEK -38 and Nilörngruppen MSEK -35 having the greatest impact.

DISTRIBUTION OF RESULTS	2018 Q 4
BE Group	-38
Drillcon	-5
Duroc	-47
Hifab Group	-12
Nilörngruppen	-35
OEM International	-15
Softronic	-88
WYG	-11
<b>Result, listed active holdings</b>	<b>-251</b>

During the quarter 300,000 class B shares in Nilörngruppen were sold for MSEK 25. The sale was prompted by institutional purchases interest. Ownership in BE Group increased by 100,000 shares, equivalent to an investment of MSEK 4. Ownership in WYG increased by 1,800,000 shares, equivalent an investment of just short of MSEK 9.

### Active holdings - unlisted

Active unlisted holdings burdened the result by MSEK -13 (-19), of which changes in value accounted for MSEK -13 (-23), with Ankarsrum Industries accounting for MSEK -11.

### Financial investments

Other listed holdings burdened the result by MSEK -92 (-7), distributed among shares, -88 (-10) and interest-bearing investments, -4 (3). The change in value of other listed shares amounted to MSEK -89 (-11) and dividend income amounted to MSEK 1 (1), equivalent to a negative return of about 20 percent. The change in value of interest-bearing instruments amounted to MSEK -14 (-5) and interest income was MSEK 10 (8).

Financial equity investments exceeding MSEK 30 consist of Ahlstrom-Munksjö (MSEK 48), Nordic Waterproofing (MSEK 43), Skanska (MSEK 42), Volkswagen Pref (MSEK 36), DNB ASA (MSEK 34) and Volvo (MSEK 35). These investments account for MSEK 238 of a total of MSEK 419.

Interest-bearing investments amounted to MSEK 1,028 as of 31 December (MSEK 981), MSEK 397 (436) of which consists of investments in commercial paper and similar instruments with a maturity of less than one year and MSEK 633 (544) in corporate bonds and similar instruments.

## PERIOD JANUARY - DECEMBER

### Summary

The result after taxes amounted to MSEK -71 (304), which includes changes in value of MSEK -160 (229) and dividend income of MSEK 55 (54). Financial income amounted to MSEK 41 (32). The net asset value declined by just short of 3 (+12) percent adjusted for dividends paid.

### Active holdings - listed

Active unlisted holdings burdened the result by MSEK -52 (277), equivalent to a negative return of approximately 5 percent. Changes in value amounted to MSEK -90 (244) and dividend income was MSEK 38 (33).

The result for the listed active holdings consists of a mix of positive as well as negative value performance. The holdings in Softronic and OEM International contributed MSEK 28 and MSEK 17, respectively, while BE Group and Hifab Group burdened the result by MSEK 40 and MSEK 17, respectively.

DISTRIBUTION OF RESULTS	2018
	Full year
BE Group	-40
Drillcon	-15
Duroc	-5
Hifab Group	-17
Nilörngruppen	-10
OEM International	17
Softronic	28
WYG	-11
<b>Result, active listed holdings</b>	<b>-53</b>

Ownership in BE Group increased by 22 percent during the year by way of acquisition of 316,580 shares for a total of MSEK 15.

Ownership in Nilörngruppen decreased by 300,000 class B shares (MSEK 25), following which Traction's ownership stands at 22 percent of capital and 56 percent of votes.

The British technology consultancy WYG became a new active holding during 2018 as Traction's ownership exceeded 10 percent during the third quarter. Shares for MSEK 48 were acquired during 2018 and Traction's holding as of 31 December 2018 was just short of 15 percent of capital as well as votes. WYG is listed on the AIM list of the London Stock Exchange. In all, WYG contributed MSEK 5 to Traction's result during 2018, MSEK 16 of which is included in financial investments and MSEK -11 in active listed holdings.

### Active holdings – unlisted

Active unlisted holdings burdened the result by MSEK -20 (-33), of which changes in value amounted to MSEK -22 (-44) with Ankarsrum Industries accounting for MSEK 29. MSEK 6 of change in value refers to reduction of claims offset against a capital contribution. During 2018 a net of MSEK 8 was contributed in liquid funds to the Ankarsrum Group.

The holding in Eitech, in which Traction had been a part owner since January 2018, was

sold. Purchase money received, including repayment of amounts due, amounts to approximately MSEK 50 and with a limited positive effect on results during 2018 since the holding was revalued during 2017.

During the first quarter Traction invested MSEK 6 in Mönsterås Metall AB thereby becoming a major owner (49 percent). At the same time Mönsterås Metall acquired Ankarsrum Die Casting AB at book value (MSEK 2).

The holding in Ankarsrum Industries was revalued during the year against the background of a weak economic development attributable to low capacity utilisation at the groups production lines for electric motors. The Ankarsrum Original food processor developed in-house saw a stable development prompting expansion plans for coming years with rising volumes on several export markets. After the year's negative revaluations, the Traction's carrying value of the Ankarsrum Industries Group, including claims, to just short of MSEK 23. Aggregate revenue in the Ankarsrum Industries Group amounted to just short of MSEK 130 and the operating result before taxes amounted to MSEK -7. A new CEO, Carl Sigfridsson, took office on February 5.

### Financial investments

Other listed holdings contributed MSEK 7 (71), distributed on shares, MSEK -17 (42) and interest-bearing investments MSEK 24 (29). The holding in WYG contributed MSEK 16 before being reclassified to an active holding on 26 September.

The change in value of other listed holdings amounted to MSEK -33 (30) and dividend income was MSEK 16 (12).

Changes in value of interest-bearing investments amounted to MSEK -13 (-1) and interest amounted to MSEK 37 (30).

## Liquidity

Traction's cash and cash equivalents amounted to MSEK 128 (212). Other interest-bearing investments amounted to MSEK 1,028 (981), of which in short-term interest-bearing investments<sup>1</sup> MSEK 395 (436). Holdings of other listed shares amounted to MSEK 419 (386).

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

## Equity/Net asset value

As of 31 December, equity amounted to MSEK 2,638 (2,751), equivalent to SEK 178 (186) 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 repurchased shares (1,210,153 equivalent to 8 percent), the number of shares outstanding was 14,789,847, of which 1,800,000 were class A shares.

## Proposed dividend

The Board of Directors proposes a dividend of SEK 3.60 (2.75) per share, equivalent to MSEK 53 (41). The dividend proposal is in line with the Company's dividend policy, according to which the dividend is to be adjusted so that there will be no tax expense in the Parent Company.

## Parent Company

AB Traction's result for 2018 amounted to MSEK -82 (217). Cash and cash equivalents amounted to MSEK 99 (150), not including short-term interest-bearing investments<sup>1</sup> in the amount of MSEK 330 (409). The Parent Company's equity ratio as of 31 December was 100 (100) percent. The Parent Company has no external loans.

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

## Transactions with closely related parties

Beyond the dividend to the Parent Company's shareholders decided at the Annual General Meeting, there have been no transactions between Traction and closely related parties that have significantly affected the Group's and the Parent Company's financial position during the period beyond the dividend to the Parent Company's shareholders as decided by the Annual General Meeting.

There were the usual transactions between wholly and majority owned companies in the Traction Group, including loans, interest charges, repayments and some charges for services provided and payment of director's fees in as decided by the Annual General Meeting.

## Risks and uncertainty factors

Traction'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.

In addition, 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 interim report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting and applicable rules in the Swedish Annual Accounts Act. The year-end report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act. Traction is an investment company in accordance with IFRS 10, which means that Traction applies the statutory exceptions to consolidation of subsidiaries.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applied from 1 January 2018. These new standards have had no significant effect on the Group's accounting. The Group's financial assets will continue to be recognised applying "fair value option", in accordance with IFRS 9.

On January 1, 2019, IFRS 16 comes into force. This standard specifies how rental and leasing contracts are recognised, measured and presented by lessors and lessees. The new standard will not lead to any significant changes in the Group's accounting since the amounts involved are insignificant.

In all other respects the same accounting policies and calculation methods have been applied as in the most recent annual report. Comparative data refer to the corresponding year-ago period, except in the case of balance sheet items and liquidity metrics which refer to the prior year-end.

### **Election committee**

It was decided at the Annual General Meeting that Traction shall not have an election committee, which is which is a deviation from the rules of the Swedish Code of Corporate Governance with respect to election committee. However, shareholders are always welcome to submit comments and/or suggestions on the composition of the Board of Directors to Bengt Stillström (telephone +46-8-506 289 03).

### **Annual General Meeting**

The Annual General Meeting will be held at 5:00 p.m. on Tuesday, May 9, 2019 at T-House, the Christoffer Columbus room, Engelbrektsplan 1 in Stockholm.

The Annual Report will be available at the Company's website not later than three weeks before the meeting.

### **Schedule of future information**

Publication dates for future financial information:

9 May 2019	Interim Report January-March 2019
9 May 2019	Annual General Meeting 2018, 5:00p.m. Stockholm
15 July 2019	Interim Report January-July 2019
16 Oct 2019	Interim Report January-September 2019
14 Feb 2020	Year-end Report 2019

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

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, 15 February 2019

Petter Stillström

CEO

*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 1:30 p.m., 15 February 2019.*

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## Summary Consolidated Income Statement

MSEK	2018 Q 4	2017 Q 4	2018 Full year	2017 Full year
Dividend income	1.8	5.1	54.8	53.7
Changes in value	-369.1	-156.2	-160.3	228.8
Financial income/expense	11.6	8.8	41.2	32.0
Other income	0.4	0.5	1.6	2.4
Operating expenses	-1.9	-3.6	-8.8	-12.5
<b>Result before taxes</b>	<b>-357.2</b>	<b>-145.4</b>	<b>-71.4</b>	<b>304.4</b>
Taxes	-	-	-	-
<b>Result for the period<sup>1</sup></b>	<b>-357.2</b>	<b>-145.4</b>	<b>-71.4</b>	<b>304.4</b>
Earnings per share before and after dilution <sup>2</sup> (SEK)	-24.15	-9.83	-4.83	20.58
Number of shares outstanding (thousands)	14,790	14,790	14,790	14,790
Average number of shares outstanding (thousands)	14,790	14,790	14,790	14,790

<sup>1</sup> The information on the period's profit is in the case of Traction consistent with the comprehensive result. No separate report on comprehensive result is therefore presented.

<sup>2</sup> There are no instruments outstanding that may lead to dilutive effects.

## Summary Consolidated Balance Sheet

MSEK	2018 31 Dec	2017 31 Dec
<b>ASSETS</b>		
Tangible non-current assets	0.0	0.0
Loan receivables	21.1	8.3
Equities	1,042.8	1,121.5
<b>Total non-current assets</b>	<b>1,063.9</b>	<b>1,129.8</b>
Other current assets	3.1	8.1
Financial investments	1,447.0	1,367.3
Loan receivables	-	39.5
Cash and cash equivalents	128.0	211.7
<b>Total current assets</b>	<b>1,578.1</b>	<b>1,626.6</b>
<b>TOTAL ASSETS</b>	<b>2,642.0</b>	<b>2,756.4</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Attributable to the Parent Company's equity holders	2,638.4	2,750.5
<b>Total equity</b>	<b>2,638.4</b>	<b>2,750.5</b>
Current liabilities	3.6	5.9
<b>Total liabilities</b>	<b>3.6</b>	<b>5.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,642.0</b>	<b>2,756.4</b>

## Summary Report of Changes in Consolidated Equity

MSEK	2018		2017	
	31 Dec	31 Dec	31 Dec	31 Dec
Amount attributable to the Parent Company's shareholders at the beginning of the year		2,750.5		2,477.9
Dividend to shareholders		-40.7		-31.8
Repurchase of own shares		-		-
Profit for the period		-71.4		304.4
<b>Closing balance</b>	<b>2,638.4</b>		<b>2,750.5</b>	

## Summary Consolidated Cash Flow Statement

MSEK	2018	2017	2018	2017
	Q 4	Q 4		
<b>Operating activities</b>				
Consolidated profit before taxes	-357.2	-145.4	-71.4	304.4
Adjustment for items not included in cash flow	369.1	146.0	163.9	-239.9
Paid taxes	-	-	-	-
<b>Cash flow from operating activities</b>	<b>11.9</b>	<b>0.6</b>	<b>92.4</b>	<b>64.5</b>
Change in working capital	-0.3	-2.7	2.8	-3.4
<b>Cash flow from operating activities</b>	<b>11.6</b>	<b>-2.1</b>	<b>95.2</b>	<b>61.1</b>
<b>Cash flow from investment activities</b>				
Purchase of shares in unlisted companies	-	-	-6.0	-
Sale of shares in unlisted companies	-	33.9	31.4	33.9
Purchase of shares in listed companies	-129.5	-115.1	-386.0	-385.1
Sale of shares in listed companies	61.8	154.5	264.8	494.6
Purchase/sale of tangible non-current assets	-	-	-	-
Change in other financial assets	-3.5	-103.5	-42.4	-154.0
<b>Cash flow from investment activities</b>	<b>-71.2</b>	<b>-30.2</b>	<b>-138.2</b>	<b>-10.6</b>
<b>Financing activities</b>				
Dividend paid	-	-	-40.7	-31.8
Repurchase of own shares	-	-	-	-
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-40.7</b>	<b>-31.8</b>
<b>Cash flow for the period</b>	<b>-59.6</b>	<b>-32.3</b>	<b>-83.7</b>	<b>18.7</b>
Cash and cash equivalents at beginning of period	187.7	244.0	211.7	193.0
Cash and cash equivalents at end of period	128.0	211.7	128.0	211.7

## Performance Specification

Group 2018 Q 4	Active holdings, listed	Active holdings, unlisted	Financial investments /other	Total
Dividend income	-	-	1.8	1.8
Changes in value	-251.5	-13.1	-104.9	-369.1
Financial income/expense	-	0.3	11.3	11.6
Other revenue	-		0.4	0.4
Operating expenses	-		-1.9	-1.9
<b>Profit before taxes</b>	<b>-251.5</b>	<b>-12.8</b>	<b>-93.3</b>	<b>-357.2</b>

  

Group 2017 Q 4	Active holdings, listed	Active holdings, unlisted	Financial investments /other	Total
Dividend income	-	4.0	1.1	5.1
Changes in value	-116.7	-23.4	-16.1	-156.2
Financial income/expense	-	0.5	8.2	8.7
Other revenue	-	-	0.5	0.5
Operating expenses	-	-	-3.4	-3.4
<b>Profit before taxes</b>	<b>-116.7</b>	<b>-18.9</b>	<b>-9.6</b>	<b>-145.3</b>

  

Group 2018 Full year	Active holdings, listed	Active holdings, unlisted	Financial investments /other	Total
Dividend income	38.0	1.0	15.8	54.8
Changes in value	-90.2	-21.6	-48.5	-160.2
Financial income/expense	-	1.1	40.1	41.1
Other revenue	-		1.6	1.6
Operating expenses	-		-8.4	-8.7
<b>Profit before taxes</b>	<b>-52.2</b>	<b>-19.5</b>	<b>0.6</b>	<b>-71.4</b>

  

Group 2017 Full year	Active holdings, listed	Active holdings, unlisted	Financial investments /other	Total
Dividend income	32.6	9.0	12.1	53.7
Changes in value	244.1	-43.7	28.4	228.8
Financial income/expense	-	2.0	30.0	32.0
Other revenue	-	-	2.4	2.4
Operating expenses	-	-	-12.5	-12.5
<b>Profit before taxes</b>	<b>276.7</b>	<b>-32.7</b>	<b>60.4</b>	<b>304.4</b>

## Financial Assets

Group 2018 MSEK	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted holdings	0	-	70.0	70.0
Shares in listed active holdings	972.8	-	-	972.8
Financial investments	1,447.1	-	-	1,447.1
<b>Total</b>	<b>2,419.9</b>	-	<b>70.0</b>	<b>2,489.9</b>

Group 2017 MSEK	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted holdings	-	-	113.9	113.9
Shares in listed active holdings	1,007.6	-	-	1,007.6
Financial investments	1,367.3	-	-	1,367.3
<b>Total</b>	<b>2,374.9</b>	-	<b>113.9</b>	<b>2,488.8</b>
<b>Fair value valuation of financial instruments</b>				
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.				

## Changes in Financial Assets at Level 3

Group 2018 MSEK	
Opening carrying value	113.9
Purchases	12.0
Sales	-32.6
Dividends	-1.0
Change in value	-22.3
<b>Total</b>	<b>70.0</b>

## Valuation of financial instruments at level 3

Valuation of unlisted holdings is made based on *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: 5 - 9

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 expected rapid growth.

## Summary Parent Company Income Statement

MSEK	2018	2017	2018	2017
	Q 4	Q 4	Full year	Full year
Dividend income	1.8	1.0	32.8	26.2
Changes in value	-227.3	-140.3	-129.4	176.6
Financial income/expense	0.0	-	0.0	0.5
Other external costs	-0.2	-0.4	-1.1	-1.3
<b>Operating result</b>	<b>-225.8</b>	<b>-139.6</b>	<b>-97.7</b>	<b>202.0</b>
Other interest income/expense and similar items	3.9	4.5	15.7	15.2
<b>Result after financial items</b>	<b>-221.9</b>	<b>-135.2</b>	<b>-82.0</b>	<b>217.2</b>
Taxes	-	-	-	-
<b>Result for the period <sup>1</sup></b>	<b>-221.9</b>	<b>-135.2</b>	<b>-82.0</b>	<b>217.2</b>

<sup>1</sup> The information on the period's result is in the case of Traction consistent with the comprehensive result. No separate report on comprehensive result is therefore presented.

## Summary Parent Company Balance Sheet

MSEK	2018	2017
	31 Dec	31 Dec
<b>ASSETS</b>		
Equities	757.8	772.2
<b>Total non-current assets</b>	<b>757.8</b>	<b>772.2</b>
Due from Group companies	409.5	360.6
Other receivables	0.0	0.0
Financial investments	888.5	995.1
Cash and cash equivalents	99.2	150.0
<b>Total current assets</b>	<b>1,397.2</b>	<b>1,505.7</b>
<b>TOTAL ASSETS</b>	<b>2,155.0</b>	<b>2,277.9</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	2,155.0	2,277.6
Current liabilities	0.0	0.3
<b>Total current liabilities</b>	<b>0.0</b>	<b>0.3</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,155.0</b>	<b>2,277.9</b>

## Definitions and alternative key financial indicators

The definitions and alternative key financial indicators below are significant for the understanding of Traction's operations. Only earnings per share below is defined in accordance with IFRS.

### **The Traction Group**

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

### **Financial investments**

Refers to investments in shares and interest-bearing financial instruments where Traction's ownership is less than 10 percent of the votes, or where Traction does not have an active role by being represented on the Board of Directors. Financial investments are shown in the listing of Traction's net asset value, and in the consolidated and Parent Company balance sheets in this report. A previously active listed holding is recognized as a financial investment on the day when ownership falls below 10 percent of the votes, or from the day when Traction's representative leaves the Board of Directors.

### **Listed active holdings**

Holdings in listed companies where Traction's ownership exceeds 10 percent of the votes, or where Traction has an active role by being represented on the Board of Directors. Active holdings are shown in the listing of Traction's net asset value in this report. A holding is recognized as from the day when Traction's ownership exceeds 10 percent of the votes, or from the day when Traction is represented on the Board of Directors.

### **Unlisted active holdings**

Wholly and partially owned unlisted companies where any remaining shares typically are held by one or more entrepreneurs or other active owners. Unlisted holdings are companies whose shares typically are owned by one or more entrepreneurs or other active part owners. Unlisted holdings are companies whose shares are not subject to organized daily trading, but not necessarily on a regulated market. Upon listing of an unlisted holding, or upon delisting of a listed company, the holding switches category on the day when the change occurs.

### **Dividend yield**

Dividend in percent of market rice at year-end. The proposed dividend of SEK 3.60 per share represents a dividend yield of 2.18 percent, i.e.  $3.60 \div 165 \times 100$ .

### **Equity per share/net asset value per share**

Equity at the end of the period, divided by the number of shares outstanding on the same day, i.e.  $2,638.4 \div 1,000,000 \div 14,789,847 = \text{SEK } 178$ .

### **Net asset value discount**

Traction's market value, where unlisted class A shares are given the same value as the listed class B shares at the end of the period, less the net asset value divided by the net asset value at the end of the period in percent, i.e.  $(178 - 165) \div 178 \times 100 = 7.3\%$

### **Net asset value/equity**

The net of assets and liabilities at market value, which in Traction's case is equivalent to the Traction Group's equity, i.e. MSEK 2,638 as of 31 December 2018.

**Change of net asset value per share, adjusted for dividend paid in percent / Return on equity on net asset value per share**

Earnings per share, divided by opening equity per share after deduction of dividend paid per share during the period in percent, i.e. for 2018:  $-4.83 \div (186 - 2.75) \times 100 = -2.6\%$ .

**Earnings per share**

Result for the period after dilution, divided by the average number of shares outstanding during the period, i.e. for 2108:  $-71.4 \times 1,000,000 \div 14\,789\,847 = \text{SEK } 4.83$ . The number of shares outstanding was unchanged during 2018.