

TRACTION

Traction's operations are based on our 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. At present, Traction is involved in more than 20 wholly owned and partially owned companies, including Haldex, JC, Ankarsrum Industries, Gnosjö Plast and Know IT. Traction's share is traded on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange). Read more about Traction at www.traction.se

Year-end financial report for 2004

Fourth quarter

- **Profit after taxes amounted to MSEK 46.2 (–8.9).**
- **Earnings per share amounted to SEK 8.38 (–1.61).**
- **Net capital gains amounted to MSEK –0.1 (2.8).**
- **The reserve in listed holdings increased by MSEK 90 during the quarter.**
- **Consolidated revenues amounted to MSEK 114.4 (101.6).**

January–December

- **Profit after taxes amounted to MSEK 82.5 (–38.2).**
- **Earnings per share amounted to SEK 14.96 (–6.92).**
- **Profit after taxes according to IFRS amounts to MSEK 192.5.**
- **Net capital gains amounted to MSEK 21.7 (20.1).**
- **The reserve in listed holdings increased by MSEK 127.**
- **Shareholders' equity per share after adjustment for hidden reserve in the portfolio of listed shares increased to MSEK 151.**
- **The Board of Directors proposes a dividend of SEK 2.80 (2.40) per share.**
- **Consolidated revenues amounted to MSEK 387.1 (433.7).**

After the end of the period under review

- **Shares in JC, AcadeMedia and Know IT were sold for MSEK 143.**

Operations

For the fourth quarter Traction reports a profit after net financial items of MSEK 22.2 (–10.7). The improvement in results is attributable primarily to the listed associated companies. The price performance of the listed holdings was very good and the net increase in value of the holdings was MSEK 90, equivalent to an increase of approximately 17 percent. No significant changes were made in the listed holdings during the quarter.

During 2004 several of Traction's listed holdings showed a positive development; the value of Traction's stock portfolio increased by 27 percent. Stockholmsbörsen's SAX

index rose during 2004 by 18 percent. The price performance of Traction's active holdings (value > MSEK 15) and the change in value, based on Traction's holdings as of December 31, 2004, i.e. without taking purchases and sales during the year into account, is shown below. The dividends from Thalamus of SEK 2 per share, Know IT of 0.75 per share, Softronic of SEK 0.10 per share and Haldex of SEK 1.75 per share, a total of MSEK 13, are not reflected in the table below.

Company	Price performance, %	Change in value, MSEK
AcadeMedia	+448	23.3
JC	+157	59.4
Know IT	+93	24.8
Haldex	+14	37.3
Softronic	-16	-4.0
Thalamus	+13	0.8
Other		13.7
Total	+27	155.3

Events after the end of the period under review

The ownership stake in JC was reduced to 2.9 percent of capital and votes through a sale of 911,000 shares. The ownership stake in AcadeMedia was reduced to 7 percent of capital and 21 percent of votes through a sale of 885,513 class B shares. In addition, Traction sold 200,000 shares in Know IT. Total proceeds of these sales amounted to MSEK 143.

Outlook for 2005

The combination of sales of shares during January and February, with continued strong price performance by several of Traction's listed holdings, mean that prerequisites for a positive 2005 are excellent. Further action will be required in Ankarsrum Industries and in Gnosjö Plast in order to create stability and profitable growth. A strong liquid position means that Traction should be able to identify a number of companies in need of restructuring, as well as companies in need of a change of generations, or new, active and engaged owners. However, an ample supply of venture capital means that it is difficult for us to locate interesting objects on reasonable terms and conditions. If the terms and conditions offered are not sufficiently attractive, we abstain from investing sizable amounts in competition with other players with access to larger pools of risk capital.

Accounting

Traction's portfolio of companies consists of a mix of smaller entrepreneur-controlled companies, a subsidiary group where Traction is the sole or a majority owner and a number of listed companies where Traction is a significant owner. Some of the companies are profitable growth companies, others find themselves in a situation where measures have been taken and are being taken to reduce costs and increase sales. In an effort to show more clearly the effect of the various businesses on the result of the Traction Group, we are showing below the result before taxes, including exit results and dividends, by business.

Result analysis	2004	2003
Result after financial items	Jan.–Dec.	Jan.–Dec.
Subsidiaries	2.9	-41.8
Listed associated companies	25.3	-17.1
Associated companies not publicly listed	11.1	5.2
Other listed active holdings	6.1	4.0
Other listed passive holdings	16.9	9.7
Central net	-4.0	-2.2
Result after financial items	58.3	-42.2
See definitions on page 7		

Finances

Fourth quarter

Revenues in the group of subsidiaries increased during the quarter by MSEK 12.8 from MSEK 101.6 to MSEK 114.4. Adjusted for the sale of Silva Plastic Center, revenues increased by MSEK 29.8. Consolidated profit before taxes increased to MSEK 22.2 (–10.7).

Period January–December

Consolidated revenues declined from MSEK 433.7 to MSEK 387.1. Adjusted for the sale of Silva Plastic Center, revenues declined by MSEK 6.6. Profit before taxes rose to MSEK 58.3 (–42.2), primarily due to sharply improved results in subsidiaries and associated companies. Subsidiary Tolerans shows a positive result for 2004 in an amount of MSEK 6.7 before taxes, which is an improvement over 2003, when the company reported a loss of SEK –8.7. This positive development is a result of action programs implemented and, in particular, intense sales activity, which generated good results. Earnings in Ankarsrum Industries and Gnosjö are not satisfactory and further action will be required to increase sales and lower overhead. The weakening of the dollar during the autumn of 2004, in combination with rising raw materials prices, had a negative effect on the results of the Ankarsrum companies.

All remaining negative goodwill was reversed during the period in an amount of MSEK 16.9 (27.7), attributable to Ankarsrum and Gnosjö.

Capital expenditures and disposals

During the fourth quarter 500,000 additional shares in Nextlink AB were acquired. Traction's ownership stake at year-end stood at 12 percent. Net investments in listed shares amounted to MSEK 1.7 during the quarter.

The ownership stake in Gnosjö Plast Holding AB increased in December to 100 percent when the minority's shares were taken over, the acquisition of a claim on the group's real estate company and through a capital contribution from Traction. Settlement was effected during 2005.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 27.6 (81.1). In addition thereto, the Group held non-strategic listed shares and other securities worth MSEK 53 (35) and part of an unutilized credit facility of MSEK 84. Liquid funds in the central companies amounted to MSEK 14. Cash flow for the fourth quarter amounted to MSEK –3.1 (3.2). The accumulated cash flow for the year amounted to MSEK –53.5 (26.5). The Parent Company's equity ratio stood at 97 percent.

Shareholders' equity including hidden reserve in the portfolio of listed shares

Traction's shareholders' equity after adjustment for hidden reserve in the portfolio of listed shares amounted to MSEK 833 (637), equivalent to SEK 151 (115) per share. The change during the fourth quarter was MSEK 135 (37). This change includes a consolidated result of MSEK 45 (–9) and a surplus value in the portfolio of listed shares of MSEK 90 (46). No shares were repurchased during the year and the total number of repurchased shares held in treasury as of December 31, 2004 was 155,000.

Proposed dividend

The Board of Directors proposes a dividend of SEK 2.80 (2.40) per share. The proposed dividend is in line with the Company's dividend policy.

Accounting principles and principles of evaluation This interim report has been prepared in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council. In all other respects the same accounting principles and methods of calculation have been used in the interim report as were used in the most recent annual report. Recommendation RR 29 Compensation to employees of the Swedish Financial Accounting Standards Council has been applied since the beginning of 2004. The introduction of this recommendation had no effect on earnings or shareholders' equity for 2004 or prior periods.

Starting 1 January 2005, Traction will compile its financial statements in accordance with IFRS. The expected impact of the transition to IFRS on Traction's financial reporting is set forth at the end of this report.

Annual General Meeting

The Annual General Meeting will be held at 5:00 p.m., 12 May 2005, at Sveavägen 118.

Annual Report

The Annual Report is expected to be distributed to the shareholders during the week of 25 April 2005 and will be available at Traction's office at Saltmätargatan 7 from the week of 25 April 2005.

This report has been reviewed by the Company's auditor.

Financial information

Publication dates for financial information:

Annual General Meeting	12 May 2005
First quarter report for 2005	12 May 2005
Second quarter report for 2005	25 August 2005
Third quarter report for 2005	10 November 2005
Year-end report for 2005	23 February 2006

Stockholm, 23 February 2005

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AB TRACTION (publ)**STATEMENTS OF INCOME**

Amounts in MSEK

GROUP	Fourth quarter		Full year	
	2004	2003	2004	2003
OPERATING REVENUE				
Net revenue (Note 1)	114.4	101.6	387.1	433.7
Other operating revenue	-0.3	-1.0	2.9	0.6
Total operating revenue	114.1	100.6	390.0	434.3
OPERATING EXPENSES				
Raw materials and supplies	-49.8	-38.1	-180.2	-196.6
Change in inventories, products in progress, finished goods, etc.	-9.4	-11.9	-1.3	-8.7
Other external costs	-25.6	-13.4	-68.2	-65.1
Personnel costs	-27.5	-34.8	-127.3	-167.3
Depreciation, amortisation and write-downs	-4.7	-9.5	-21.6	-27.0
Other operating expenses	3.4	-7.1	1.3	-19.1
Total operating expenses	-113.6	-114.8	-397.3	-483.8
Shares in profit of associated companies	16.0	1.5	34.6	-13.9
Net capital gains	-0.1	2.8	21.7	20.1
Operating result (Note 2)	16.4	-9.9	49.0	-43.3
RESULT FROM FINANCIAL INVESTMENTS				
Interest income and similar items	5.8	1.1	4.0	3.9
Dividends	-	-	5.3	4.1
Interest expense and similar items	-	-1.9	-	-6.9
Total financial items	5.8	-0.8	9.3	1.1
Result after financial items	22.2	-10.7	58.3	-42.2
Taxes	24,6	3,4	24,2	1,8
Minority interest	-0,6	-1,6	0,0	2,2
Net result for the period	46,2	-8,9	82,5	-38,2
Earnings per share (SEK)	8.38	-1.61	14.96	-6.92
Earnings per share, fully diluted basis (SEK)	8.38	-1.61	14.96	-6.92
Number of shares outstanding (thousands)	5 515	5 515	5 515	5 515
Average number of shares outstanding (thousands)	5 515	5 515	5 515	5 515

Key financial indicators	Fourth quarter		Full year	
	2004	2003	2004	2003
Return on equity, %	7	Neg.	13	Neg.
Shareholders' equity per share, SEK	123	110	123	110
Shareholders' equity per share, after adjustment, SEK *	151	115	151	115
Market price of share at end of period, SEK	112	81	112	81
Market price of share/Shareholders' equity, after adjustment, % *	74	70	74	70
Equity ratio, %	79	73	79	73
Equity ratio, after adjustment, % *	82	74	82	74

* Including hidden reserve in portfolio of listed shares.

AB TRACTION (publ)**BALANCE SHEETS**

Amounts in MSEK

GROUP	12-31-2004	12-31-2003
ASSETS		
Tangible fixed assets	103.1	128.1
Shares, etc.* (Note 3)	565.6	486.1
Long-term receivables	7.6	6.0
Total fixed assets	676.3	620.2
Inventories	51.7	54.9
Other current assets	103.9	71.6
Liquid funds	27.6	81.1
Total current assets	183.2	207.6
TOTAL ASSETS	859.5	827.8
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	677.4	608.5
Minority interest	–	2.5
Provisions**	5.0	22.8
Long-term liabilities***	14.7	14.9
Current liabilities***	162.4	179.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	859.5	827.8
* Reserve for market fluctuation of the listed portion of the portfolio	155.3	28.4
** Of which negative goodwill	–	16.9
*** Of which interest-bearing liabilities	75.1	97.2

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY	Full year	
	2004	2003
Opening balance	608.5	657.3
Translation difference	–0.4	–2.3
Dividend to shareholders	–13.2	–8.3
Net result for the period	82.5	–38.2
Closing balance	677.4	608.5

AB TRACTION (publ)**STATEMENTS OF CASH FLOW**

Amounts in MSEK

GROUP	Fourth quarter		Accumulated	
	2004	2003	2004	2003
<i>Current operations</i>				
Consolidated result before taxes	21.6	-12.2	58.3	-0.0
Adjustment for items not included in cash flow	-11.1	5.8	-44.4	20.8
Current taxes	-	-0.0	-	-0.0
Cash flow from current operations before changes in working capital	10.5	-6.4	13.9	-19.2
Changes in working capital	-4.0	-6.4	-16.9	-20.1
Cash flow from current operations	6.5	-12.8	-3.0	-39.3
<i>Cash flow from investment operations</i>				
Acquisition of subsidiaries	-	-	-	1.8
Sale of subsidiaries	-	-	-0.7	-1.2
Purchase of shares in project companies	-1.0	-	-10.1	-1.7
Sale of shares in project companies	-	-	21.0	14.6
Net investment in other shares	-1.7	16.7	-21.3	55.0
Purchase/sale of tangible fixed assets	-1.9	-5.0	-4.1	6.0
Change in other financial assets	0.1	-	0.1	-8.5
Cash flow from investment operations	-4.5	11.7	-15.1	66.0
<i>Financing operations</i>				
Loans raised	16.2	4.3	16.2	16.3
Repayment of debt	-21.3	-	-38.4	-8.2
Repurchase of own shares	-	-	-	-
Dividend paid	-	-	-13.2	-8.3
Cash flow from financing operations	-5.1	4.3	-35.4	-0.2
Period's cash flow	-3.1	3.2	-53.5	26.5
Liquid funds at beginning of period	30.7	77.9	81.1	54.6
Liquid funds at end of period	27.6	81.1	27.6	81.1

Definitions**Subsidiaries**

Includes holdings where the ownership is 50 percent or more of the votes, but not including central subsidiaries. The result includes reversal of negative goodwill.

Listed associated companies and associated companies that are not listed

Includes holdings where ownership exceeds 20 percent of the votes, but is less than 50 percent. The result refers to Traction's share in profit and capital gains/losses.

Other listed active holdings

Includes listed holdings where Traction exercises active ownership and where the ownership is less than 25 percent of the votes. The result includes dividends and capital gains/losses.

Other listed passive holdings

Includes other listed holdings. The result includes dividends and capital gains/losses.

Central net

Refers to other revenue and costs in Traction's central companies, such as consulting income, net interest income, the net of foreign exchange transactions, personnel costs and other administration, etc.

AB TRACTION (publ)

(Note 1)

Net revenues by segment

	Fourth quarter		Accumulated	
	2004	2003	2004	2003
Electric motors	52.9	34.9	164.7	159.3
Plastic parts	27.1	50.0	128.5	172.5
Printing equipment	30.6	14.0	88.1	88.3
Other, including consolidation eliminations	3.8	2.7	5.8	13.6
Total	114.4	101.6	387.1	433.7

(Not 2)

Operating result by segment *

	Fourth quarter		Accumulated	
	2004	2003	2004	2003
Electric motors	2.6	1.9	2.1	3.0
Electronic components	-	-4.1	-	-13.1
Plastic parts	-4.5	6.9	-3.6	-0.8
Printing equipment	2.5	-20.1	3.2	-26.3
Group common costs	-0.1	1.2	-9.0	-12.3
Total	0.5	-14.2	-7.3	-49.5
Share in results of associated companies	16.0	1.5	34.6	-13.9
Net capital gains	-0.1	2.8	21.7	20.1
Operating result	16.4	-9.9	49.0	-43.3

* Including reversal of negative goodwill.

(Note 3)

Shares, etc. as of 31 December 2004

Company	Number of shares in thousands	Market price (SEK)	Stake in company (capital)	Stake in Company (votes)	Market value (MSEK)	Book value (MSEK)
<u>Listed associated companies*</u>						
AcadeMedia	1 110	48	35%	38%	54	32
Duroc	906	16	17%	34%	14	23
KnowIT	2 497	26	25%	25%	65	27
Thalamus Networks	3 072	22	33%	27%	69	75
Sub-total:					202	157
<u>Other listed active holdings</u>						
HalDEX	2 512	116	11%	11%	293	233
JC	1 177	81	13%	13%	95	48
Nextlink	1 237	9	12%	12%	11	10
Softronic	8 209	2	18%	11%	18	16
Sub-total:					417	307
<u>Other listed passive holdings</u>						
Biophausia, incl. conv. loan,**	3 545	1	5%	5%	4	5
Billerud	303	119			36	35
Other listed shares					13	13
Sub-total:					53	53
Total listed investments:					672	517
Other not publicly traded investments***					N.A.	49
Grand total:					N.A.	566

* These companies are reported according to the equity method.

** The convertible is restated to number of shares at conversion price SEK 1.30 per share.

*** Of which MSEK 48 is reported according to the equity method.

Reporting according to IFRS from 2005

From 2005, the accounting principles applied by the Group will be adapted to International Financial Reporting Standards, IFRS, according to the requirements adopted by the European Commission (EC). The report for Q 1, 2005 will be Traction's first report according to IFRS. The transition effects are described below.

The consolidated financial statements, which previously have been compiled in accordance with Swedish consolidated accounting principles, will be restated to comply with IFRS requirements. The interim report for Q1 2005 will contain a complete account of the transitional effects. A brief summary is provided below, however, in the notes and tables below of the expected and most significant effects on consolidated equity and the Group's earnings as a consequence of the transition to IFRS.

Restated consolidated equity

		Equity	Preliminary equity
IFRS adjustments	1-1-2004	31-12-2004	1-1-2005
Closing balance, Swedish accounting	609	677	677
Minority interest, Note 1	2	–	–
Negative goodwill, Note 2	17	–	–
IAS 39, Note 3			165
Total IFRS adjustments	19	–	
Closing balance, IFRS accounting	628	677	842

Note 1. Minority interest

According to IAS 1, "Design of financial reports" the minority interest in equity must be reported under a separate heading. In the income statement the amount is included in the year's net profit, which in a note is distributed among shareholders and the minority.

Note 2. Negative goodwill

According to IFRS 3, "Corporate acquisitions", negative goodwill that remains after revaluation of acquired net assets to actual value should be carried immediately to the income statement.

Note 3. IAS 39

According to IAS 39 all financial assets should be assigned market value. The difference between book value 2004 and market value is carried to opening shareholders' equity.

Transitional rules

The effects of the transition to IFRS should be reported according to IFRS 1, "Application of IFRS for the first time." In principle, this means that a company must determine which of the accounting principles will affect. These accounting principles must then be applied retroactively in order to make it possible to determine the opening balance according to IFRS. The opening balance is established as of 1 January 2004. The Traction Group has elected to apply IFRS 3 "Corporate acquisitions" going forward from 1 January 2004 and IAS 39 "Financial instruments" from 1 January 2005, which are permitted exceptions according to IFRS. No other permitted exceptions from the recommendation have been applied.

This summary information regarding the transitional effects are based on those IFRSs that are expected to be applicable as of 31 December 2005. Since the approval process in EC is not yet finalised, there may be changes to IFRS, however, which could potentially have consequences for the information set forth above.

Analysis of the consequences for Traction of IAS 39 Financial instruments

Traction will, after the transition to IFRS as of January 1 2005, report equity-related investments at net realizable value with changes in value in the income statement. In accordance with IAS 28, item 1, shares in associated companies will also be reported in this manner. Consolidation according to the equity method will thus no longer be performed and associated companies will be carried at for investment companies more realistic values. As before, subsidiaries will be consolidated. Listed publicly traded shares will be valued based on current market values and holdings which are not listed will be valued based on a valuation model appropriate in each individual case.

Since changes in the actual value of holdings will be reported in the formal statement of income and balance sheet under IFRS, earnings volatility will increase compared to the situation before.

Financial statement 2004 restated according to IFRS

GROUP	Note	2004	According to financial statements according to IFRS	Adjusted
OPERATING REVENUE				
Net revenue		387.1	–	387.1
Other operating revenue		2.9	–	2.9
Total operating revenue		390.0	–	390.0
OPERATING EXPENSES				
Raw materials and supplies		–180.2	–	–180.2
Change in inventories, products in progress, finished goods, etc.		–1.3	–	–1.3
Other external costs		–68.2	–	–68.2
Personnel costs	1	–127.3	–16.9	–144.2
Depreciation, amortisation and write-downs		–21.6	–	–21.6
Other operating expenses		1.3	–	1.3
Total operating expenses		–397.3	–16.9	–414.2
Shares in profit of associated companies	2	34.6	–34.6	–
Net capital gains	3	21.7	–21.7	–
Change in value of shares	4	–	205.3	205.3
Operating profit		49.0	132.1	181.1
RESULT FROM FINANCIAL INVESTMENTS				
Interest income and similar items		4.0	–	4.0
Dividends		5.3	–	5.3
Total net financial items		9.3	–	9.3
Profit after financial items		58.3	132.1	190.4
Taxes		24.2	–22.1	2.1
Net result for the period		82.5	110.0	192.5

Note 1. Reversal of negative goodwill in personnel expenses

According to IFRS 3, "Corporate acquisitions," any negative goodwill remaining after revaluation of acquired net assets to actual value should be carried immediately to the income statement. This adjustment should be made in the opening balance for 2004.

Note 2. With reference to IAS 28, item 1, consolidation of associated companies will no longer take place, which was required under previous rules.

Note 3. According to 2004 accounting rules, the result of share transactions was reported as the difference between proceeds of sales and the original acquisition cost of the shares. According to IFRS, the earnings effect of a listed share sold is considered to be the difference in market value since the beginning of the most recent accounting period until the time of sale. In the income statement the changes in value are classified as Change in value of shares, which means that no differentiation is made between change in value of shares sold and change in value for the remaining portfolio of listed shares (see Note 4).

Note 4. Change in the market value of listed shares is reported together with changes in value of shares sold as a separate item in the income statement.