



TRACTION

Annual Report 2002

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This is Traction

Traction's business is based on its own methodology for development and refinement of companies in which Traction is an owner. The primary focus of this methodology is customer relationships, cash flow and risk management. The method has evolved during Traction's almost 30-year history. Traction does not put its focus on specific sectors or industries, since the method is based on business acumen which is applicable regardless of industry affiliation. Traction's role as owner is based on an active and long-term engagement together with an entrepreneur or corporate management and other stakeholders.

Traction is currently engaged in some thirty companies, from entrepreneur-controlled companies where Traction has a minority interest, to companies in which Traction has a principal responsibility. Several of the companies are publicly traded. Traction's largest current engagements are Ankarsrum Motors, AcadeMedia, Gnosjö Plast, Haldex, JC, Know IT, Softronic and Thalamus Networks.

Traction's visible equity amounted to over MSEK 650 as of December 31, 2002. Historically, the average return on equity over the past ten years has been close to 40 percent. The Traction share is listed on the Stockholm Stock Exchange.

The Year in Brief

Result after taxes MSEK -22.5 (25.2).

Earnings per share SEK -4 (5).

Return on equity -3 (4) percent.

Svecia burdens the result by about MSEK 45.

Significant events during 2002

New Projects:	JC
Increased ownership:	Thalamus, AcadeMedia, Know IT and Duroc.
Reduced ownership:	Biophausia
Terminated projects:	Azign management, EDN Storage Technology, Jalmarsson-Thias and Maxitech

President's Statement

Dear shareholders,

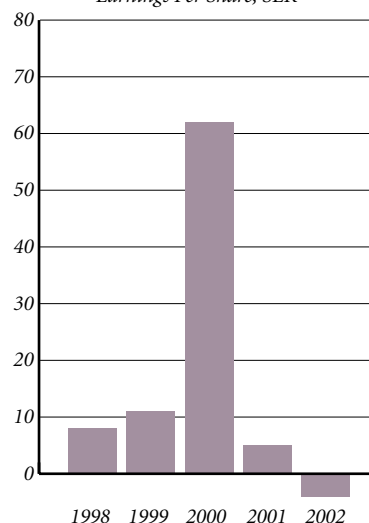
During the past year activities have been focused on creating stability and profitability in Traction's existing engagements. We became engaged in a number of new companies during the fall of 2001, which has required major efforts during the year. Profitability and stability are placed above everything else, which has also contributed to restraining us from entering into new engagements.



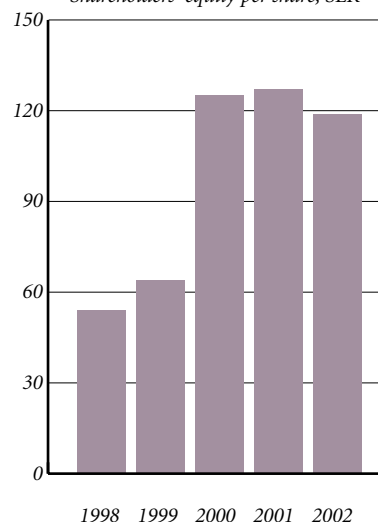
The bankruptcy in Svecia was a major burden on Traction's earnings for 2002. Traction acquired the estate in bankruptcy and participated in a re-start of Svecia. The new Svecia is a significantly smaller operation, with its own production and sale of service and spare parts. We also own a trading company in Hong Kong that was not significantly impacted by the bankruptcy (Svecia East). The wholly owned subsidiary Maxitech has put most of its personnel on notice since the company's largest customer has failed to honor an existing delivery contract. Operations will be phased out and Traction is therefore looking for a suitable buyer of the assets. Legal action is likely to be taken. Svecia and Maxitech detract from Traction's earnings with a significant amount (MSEK 61), which means that Traction will report a loss for the first time in its history. Realizing foreign exchange futures contracts in USD had a positive impact on earnings (MSEK 27). There were no other significant exits. The ownership stake in Thalamus Networks was expanded during the year from 18 percent to 35 percent.

The organization was strengthened with five new Venture Managers, which means that Traction in a better way can handle existing engagements, and also has capacity to participate in new ventures. Price expectations on new projects are still too high overall, especially in view of how listed companies are valued on the Stockholm Stock Exchange. The biggest problem, however, is the shortage of entrepreneurs/business executives with manifest selling and business acumen. The lack of such a person in the company, and if we do not have such a suitable candidate available, almost by itself means that a deal cannot be struck. Also in our existing engagements we sometimes have difficulties in locating enterprising business executives with a burning desire for their job and at the same time initiators of change and with an ability to make change happen. It is all too common that the old strategy is pursued even though it has been proven that it cannot be implemented in a profitable way. In such cases the strategy must be reconsidered – business-like conduct must always be at the forefront. Necessary action is often taken too late when companies are doing poorly. It is also a part of Traction's role as owner to take initiatives and contribute to making management react to changes in the surrounding world, and also act in anticipation, depending on the circumstances.

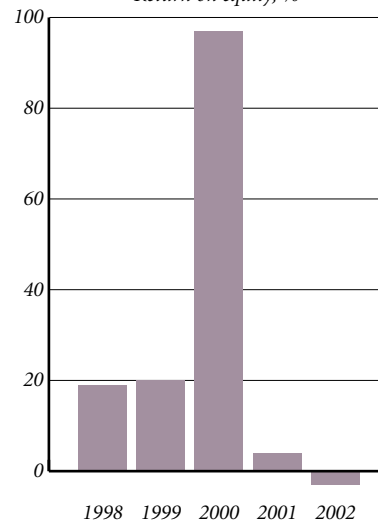
Earnings Per Share, SEK



Shareholders' equity per share, SEK



Return on equity, %



Our role is to participate in the evolution and change of companies, in the interest of creating profitability and growth. That is the service we provide. Our role is quite different depending on whether there is an entrepreneur with significant ownership, or if Traction is the principal owner and the chief executive/management is essentially hired. If there is an entrepreneur with a majority ownership stake, the entrepreneur has the biggest part of the responsibility to push for a change. In those cases where Traction is the majority owner, we obviously have full ownership responsibility and must shoulder a greater responsibility as initiator of change.

Traction's central organization today consists of an industrial group that essentially focuses on the wholly and majority-owned engagements, and one group that mainly works with the minority-owned engagements. Project manager responsibility for the listed companies varies depending on Traction's role and the situation.

A new major project during the year is JC. Traction owns 13 percent of the outstanding shares and is thereby the company's largest owner. The motive behind the investment is that we felt that JC was a company with a basically well-established position and a strong brand name. The company's earnings were depressed by significant costs for its international expansion and operation of certain concepts. At the same time the opinion was that the main business, the franchising operation, and the operation of own stores under the JC brand name, was well-managed and profitable. Properly managed, JC should therefore be able to generate higher earnings, which should warrant a revaluation of the share. The company's balance sheet was also reasonably stable. Unfortunately, however, signs emerged during the fall that the company had been mismanaged. Since August 2002, JC has a new president who is now working full tilt to turn the company around and create stability and profitability. We have now concluded that the company previously had a president who did not run the company in a business-like manner. The company's international expansion was not well balanced from a risk point of view. It appears that management and the board of directors felt that the company was larger than it actually was,

which resulted in some very costly decisions. The lack of a major owner probably meant that the board of directors and management forgot on whose mandate they work.

Traction chose to call an extra general meeting in order to get an opportunity to participate in the work of the board of directors. Since mid-January, we are represented on the board of directors. Radical changes are planned for the regularly scheduled meeting of shareholders. With a new board of directors coupled with the initiatives of the new president, possibilities are good for turning the negative development around. In our judgment JC's potential remains, but we have realized that more work and engagement is required than we initially thought.

Active owners is a commodity in short supply in Sweden. Traction is one of the few players who on a larger scale is an owner of several listed smaller and medium-sized companies. As the number of listed companies has grown, more and more energy has to be put into finding suitable directors and to drive owner issues together with other major shareholders. In today's stock market climate, interest for smaller companies is limited among major institutional players. At the same time there is only a small number of active private capitalists in Sweden. This means that Traction has an important role to fill and that creates interesting opportunities.

Profitable exits are unlikely in the current economic and stock market climate. During 2003 activities will be concentrated on the existing portfolio, but the goal is to find a few interesting new companies to become involved in during the year. The wholly owned and majority-owned engagements will also in the future require a lot of work on Traction's part. In a more extended perspective the potential in Traction's engagements is significant and I therefore hope that you shareholders have the patience to wait for future harvests.

Stockholm, February 2003

Petter Stillström

The Business

Business model

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

Business philosophy

- » We take a long-term view.
- » Traction is not out to create a conglomerate. Traction works with a number of independent companies – clients, whose increased values are to be realized in the longer term.
- » Our sphere of activity lies within the general transformation of companies. The requisite technical and industry expertise must be available in the company itself.
- » Our first objective is to sell management; financing is a secondary priority. It is the combination that is interesting.

Goals

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

Strategy

Prerequisites to achieve Traction's goals:

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

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

Exit strategy

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

Traction and the Surrounding World

Traction operates with several target groups:

Entrepreneurs who:

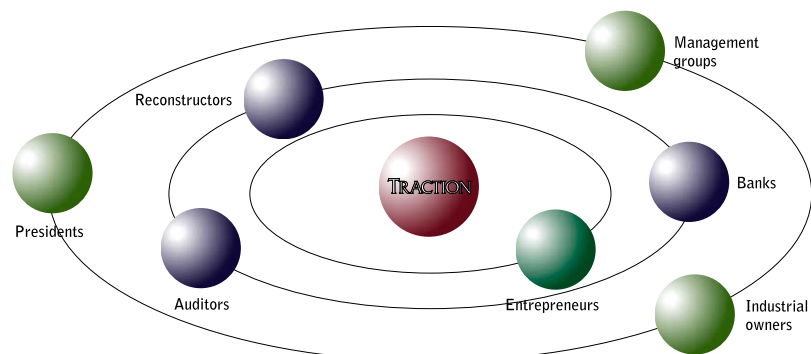
- » Possess the right properties, i.e. persons that are extremely industrious and resilient, who can get things done, but at the same time are thrifty and can get the customer to pay, be satisfied and buy again.
- » Are willing to give up strategic plans in favor of what the surrounding world (the customer)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

Management/presidents/owners who:

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

Banks, reconstruction specialists, auditors who:

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



Traction's methodology

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

The primary focus of Traction's methodology is on three main areas:



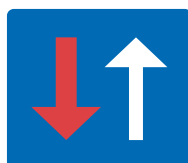
**CUSTOMER
RELATIONSHIPS**

Customer relationships

The direct contact with the company's customers gives the company information of what should be delivered and on what terms. With feedback from the customers the company can develop products that are unique and in an optimal way solve the customers' problems. When the company finds customers who benefit greatly from the products or services provided by the company, favorable prerequisites are created for achieving high and sustained profitability.

The company's business model and strategy must always be subordinated to what the customers want and are willing to pay for. The business model should be seen as a hypothesis that is verified by paying customers. Close cooperation with the customers gives the company the opportunity of quickly shifting focus to what works in the marketplace. The possibility of succeeding is the greatest when the company makes sure that it capitalizes on all business opportunities that emerge, and only continues with what the customers demand and pay for.

Most successful innovations are propelled by demanding customers in a business-like process. It is therefore important to nurse the contacts with the customer and never let middlemen take command. The company's most important resources are therefore the qualified sales representatives who are responsible for customer relationships and are able to translate the requirements to the company's other functions.



CAPITAL FLOW

Capital flow

One additional cornerstone of Traction's methodology is based on a functioning capital flow that is achieved by creating revenue before costs. By selling first and buying later the company can let revenue control the level of costs that are acceptable to the company. One condition for succeeding in this is to have the customers on your side and build confidence in the company's ability to deliver the promised product/service. A lot less capital is tied up and the need for financing can be reduced, at the same time as risks are minimized.

Frequent contact with the customers gives the company hints of how demand changes. This information works as an "early warning" system that gives the company opportunities of adapting its business and costs based on the new prerequisites.



RISK MANAGEMENT

Risk management

Taking risks is a natural part of all business activity. That doesn't make it necessary to bear all risks yourself, and there are many ways of reducing the risks to which the business is exposed. Customers, suppliers and other partners who participate in the company's success must obviously also share the risks. If they don't, one should choose other partners.

The company's core business should consist of those products and services that it is best at and can constitute a base that the company can lean on for profitability and expansion. In order to reduce the complexity of the business, products and services that are not part of the core business are placed with specialists in these areas. The total business risk will diminish if the company is focused on the products and services it is best at producing.

In a forced development the risk is increased that the company exposes itself to many different risks simultaneously. Everything new must then succeed at the same time and this puts the company's survival at jeopardy. Instead, one should take one risk at the time, thereby improving control over which risk the company should expose itself to.

When reading these principles, they appear truly simple and self-evident, but in practice they can be quite difficult to follow. There are those who shy away from following these principles when confronted with the practical difficulties. There are even those who believe that it is impossible to follow the principles. Every time capital is infused in a company, the level of risk rises and profits usually decline. The reason for this is that management's razor-sharp focus on the company's business disappears. It simply becomes less important to get money from the customers. There is a tendency to go after new ventures and costs tend to grow with a declining requirement for immediate return. The money burns a hole in your pocket, but you call it an investment. One doesn't listen as well to what the customers are willing to pay for when one has one's own money to spend. And yet, every business needs capital. But it must be infused in moderation and with great care. One of Traction's duties is to see to it that our clients nurture their use of capital, at the same time utilizing all opportunities of obtaining external capital. The most significant aspect of our methodology is that we let the companies develop according to what they have actually succeeded in selling, rather than be guided by what one believes others will buy in the future. Our heroes are the sellers who do two important things: First, they bring back money to the company and, secondly, they bring home information about what can be sold, basically how the products should be designed. The heroes of others are the people with product ideas who are aided by a large capital infusion to build a company. Of course we need ideas and inventions, but we have learned that they have to be second to what the customer will actually pay for. If that is not the case, the experimentation tends to be very expensive. But to each its own. We feel that we must emphasize, however, that the entrepreneur ends up with a larger part of the pie with our method.

Traction's methodology in brief

To create revenue before costs

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

Minimizing fixed costs

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

Controlling the crucial and unique elements of the business

- » Each business has a unique core. Guard it jealously.
- » Product control.
- » Market control.
- » Do not allow suppliers and middlemen to take over.
- » Have direct contact with end-users.
- » Guard the brand name and make sure you own it.

Avoid becoming involved in activities that others know better

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

Avoiding risk

- » Basic business – something to live off when things are sluggish.
- » Assume one risk at a time rather than many at once.
- » Combine unique elements with the conventional.
- » Let others share in the risk – customers and suppliers. Otherwise refrain.
- » Only take risks the company can afford.
- » Do not borrow for losses, only for business.

Capitalizing on opportunities

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

Traction's formula

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

Factor 1:

Asymmetric risk profile

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

Factor 2:

Growth with profitability

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

Factor 3:

Revaluation situations

Traction puts a sharp focus on realizing changes in the basis for valuation of its holdings. As examples can be mentioned:

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

- » That overcapitalized company's lose less in value than you take out of them.
- » That valuable companies hidden within other larger companies can also be helped out into the limelight and be valued higher as a consequence.

Result:

High profitability

Each of the above mentioned factors lead individually to growth in value. Traction's job is to combine all three factors, which leads to high leverage on capital infused.

Historically, Traction has proven that, together with the entrepreneurs, its methodology and skilled project leaders, it can produce a high return for an extended period of time.



Ownership policy for listed companies

Below is a summary of Traction's ownership policy for listed companies. Traction's ownership policy in companies that are not publicly traded, where we have a partner, are controlled by partnership relationship and the rules below do not apply.

- » A company is always run on behalf of its owners and to generate the greatest possible return for those owners.
 - » A principal owner has the ultimate responsibility and the authority to take initiatives for changes of the business, the business concepts, its management, the composition of its board of directors, major deals and acquisitions.
 - » The principal owner should consult with other larger owners and explain the intentions of the owners to the board of directors and to corporate management.
 - » Takeover bids, mergers and major acquisitions should in the first instance be handled by the principal owner.
 - » A principal owner must not grant favors to itself at the expense of the company, but should be reasonably compensated for its participation in the company's management.
 - » If no principal owner exists, the major shareholders should consult with each other and devise an owner steering model to compensate for the lack of a principal owner.
 - » If a principal owner, or a responsible group of major owners, does not exist, it is up to the chairman of the board of directors to fill the void to the best of his or her ability.
 - » The board of directors should be composed of persons with a large holding of shares in the company, and by other persons who can contribute to the company's development and who have the time to get actively involved.
 - » The composition of the Board of Directors should be such that it contains many different competencies, experiences and contact surfaces.
 - » Traction wants to see a business-like and active Board of Directors, that knows its company and its business environment well, that can complement and support the chief executive. The task of the Board of Directors is to make the significant decisions regarding the company's strategy, its focus, major transactions and other significant events.
 - » The Board of Directors should exert effective control over the company's finances, risks and opportunities. The Board of Directors works on behalf of the owners.
 - » As a major owner, Traction always wants to participate in formal as well as informal nomination committees.
 - » The nomination committee shall be composed solely of representatives of the owners.
 - » Traction always wants to appoint at least one director in the companies where Traction holds a major stake, and when Traction is the principal owner, also the chairman of the board.
 - » It is Traction's intention always to apply its methodology for business development in all companies.
 - » Dividends should be replaced by repurchases of own shares. With current taxation rules this is an advantage for many owners, while it is not a disadvantage for any other owners. This is not true of investment companies, for which other rules apply.
 - » The board of directors as a whole is responsible for the chief executive's terms and conditions of employment.
- Terms and conditions for chief executive should follow these principles:**
- » A reasonable basic salary and a bonus for good performance.
 - » All terms and conditions should be renegotiable, both up and down, and usually on an annual basis.
 - » Periods of notice over six months should not exist, and definitely no golden parachutes.
 - » In cases of breach of trust, gross mismanagement or economic irregularities, the chief executive shall be terminated immediately and without any compensation.
 - » The chief executive may very well be a large shareholder in the company.
 - » Pension terms should only include an annual cost for pension insurance without pension risk for the company, and obviously at a reasonable level.
 - » The chief executive should devote all of his or her time to the company and not have any other assignments. If an exception is granted, any compensation received shall be included in the chief executive's terms.

Organization

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

In addition to the Company's Venture Managers, there is a controller with a financial department and an industrial manager with overall responsibility for Traction's wholly owned and partially owned manufacturing companies. Traction's founder and director, Bengt Stillström, participates in the board-of-directors work in several of Traction's portfolio companies and is also active in Traction as a culture carrier and sounding board for Traction's staff and the portfolio company managers.



FROM LEFT TO RIGHT:

- » **Ulf Svensson**, Venture Manager, M.Sc. (Eng.). Previously consultant at Cap Gemini and product manager at HL Display.
- » **Magnus Åberg**, Venture Manager, M.Sc. (Eng.). Previously active as product manager at Plannja AB, as IT consultant at American Management Systems, Inc. and as President of media production company OTW Interactive AB.
- » **Petter Stillström**, President and CEO, M.Sc. (Econ). Former project manager at Hagströmer & Qviberg Fondkommission's corporate finance department.
- » **Lars Olof Larson**, Controller, B.Sc. (Econ.). Previously controller at John Mattson Fastighets AB.
- » **Christer Lindqvist**, Industrial Manager, mining engineer. Previously active as Deputy CEO of the STC Interfinans Group with responsibility for business development and financing issues, before then Executive Vice President of ABB Elektro Invest AB and at different positions in the ABB Group.
- » **Håkan Berntsson**, Venture Manager, M.Sc. (Econ). Previously active in sales and marketing work at the Saab Combitech Group, most recently as President of affiliated company Internoc Scandinavia AB.
- » **Mattias Håkansson**, Venture Manager, B.Sc. (Econ.) and MBA. Previously project manager and marketing manager at El Giganten AB.
- » **Ulf Ahlstrand**, Venture Manager, B.Sc. (Econ.). Previously active as CFO at GetUpdated Sweden AB, acting President GetUpdated Sweden AB and as Authorized Public Accountant at KPMG.
- » **Anders Norlin**, Venture Manager, M.Sc. (Eng.). Previously i.a. marketing manager at Svecia and project manager at Elekta.

Board of Directors



FROM LEFT TO RIGHT:

- » **Bengt Stillström**, 59, Master of Engineering and Master of Management. Founded Traction in 1974. President and CEO during the period 1974–2001. Director of a number of boards within Traction's sphere of interest, among them AcadeMedia (Chairman), Haldex and Thalamus Network (Chairman). Director since 1974. Shares owned: 310,000 class A, 3,308,150 class B.
- » **Sven-Christer Nilsson**, 58, B.A. Previously with Ericsson for 17 years, most recently as President and CEO. Founder and Director of Startup-factory, Chairman of Utfors and Director of Assa Abloy, Establish, Northstream and Parthus Ltd. Director since 2000. Shares owned: 400 class B.
- » **Mats Olsson**, 54, M.A., Chairman of the Board. Director of IAR System and Know IT (Chairman). Director since 1988. Shares owned: 0.
- » **Bengt Arne Vedin**, 62, Associate Professor, Mälardalens Högskola, Director of Högskolan i

Halmstad and Metamatic AB. Secretary General of Ruben Rausing's Fund for research relating to new businesses and innovations, member of The Royal Academy of Sciences (IVA), and the World Academy of Art and Science. Director since 1984. Shares owned: 20,400 Class B.

- » **Lars Olof Larson**, 42, Controller and Secretary of the Board of Directors, but not a Director. B.Sc. (Econ.). Active in Traction since 1997. Shares owned: 7,000 class B.
- » **Petter Stillström**, 31, President, M.Sc. (Econ). Director of Biophausia, Duroc, JC, Softronic and a number of other companies within Traction's sphere of interest. Director since 1997. Shares owned, privately and via partially owned company: 490,000 Class A, 239,820 class B.

AUDITOR

- » **Anders Roos**, 60, Authorized Public Accountant with SET Auktoriserade Revisorer, Stockholm. Auditor of Traction since 1985.

Project Presentation

Venture engagements (ownership <50%)

In Traction's venture engagements we cooperate with entrepreneurs who as a rule are majority owners. The business concept is – as partner to these entrepreneurs – to develop growth companies. With Traction as a business partner, the entrepreneur creates conditions for growth under profitability. We contribute to the development of the company and then sell our stake – preferably together with the entrepreneur and hopefully then realize a good profit. The entrepreneur thus does not make a profit when he or she "buys us in." In several of Traction's present venture engagements the companies are led by a hired chief executive since Traction's partner no longer has such an operative role.

ARVAKO SVERIGE AB

Arvako is a job placement and training company active in Stock-

holm, Göteborg, Malmö and Östersund. Arvako offers job placement services and training in the areas of warehouse/industry, office/administration and hotel/tourism. Arvako's training is conducted through its wholly owned subsidiary, Företagspoolen. Företagspoolen offers customized adult education and assignment education and training for individuals, municipalities and companies that want to help their employees with competence development and new jobs.

Further information about the company is available at www.arvako.se and www.foretagspoolen.se.

Revenue..... MSEK 105
Traction's ownership stake (votes).... 34%
Held since 2000
President..... Ingrid Kalderén



BANKING AUTOMATION LTD

Banking Automation is an English company that develops, designs and manufactures deposit machines, a kind of cash dispenser in reverse, primarily for banks, and change machines primarily for banks, but also for transportation companies, shopping malls and for similar applications. The machines are placed as free-standing units inside the banking premises and also through-the-wall out to the street, or in unmanned banking premises. Banking Automation was founded in 1984 and has an installed base of more than 8,000 units, with customers that include the leading financial institutions. Sales are through a well built-up network of agents and via subsidiaries in the United States.

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

Revenue..... MSEK 66
Traction's ownership stake (votes).... 49%
Held since 1986
President..... David Tew

BRICAD HOLDING AB

Bricad Holding is the parent company of a group of companies:

» Wholly and partially owned companies that conduct real estate management operations with properties in the north-east Stockholm region. The ambition is to have the properties revalued through extensive renovation and rental to new tenants. The total floor space is about 26,000 square meters of office and industrial space. Thanks to its good local knowledge of the market, the company has a broad network of partners.

» The largest owner of Swedish Tool AB (see separate project description).

» Bricad is also the founder and part owner of Bwell AB (ownership stake 46%)

which helps in the development of the company's staff welfare, by using firm and concrete action to improve staff overall health. Further information is available at the following home page: www.swedishtool.se and www.bwell.se.

Traction's ownership stake (votes).... 49%
Held since 1997
President..... Bo Richter



FASTIGHETS AB ORNAMENTIK

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

GEODYNAMIK AB

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

Traction's ownership stake (votes).... 20%
Held since 1983
President..... Åke Sandström



RECCO AB

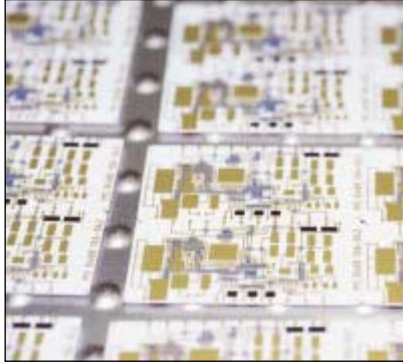
Recco markets an avalanche rescue systems and sells reflectors for same, both through sporting goods retailers and for installation in ski shoes and ski wear. The system is internationally established at about 300 leading ski resorts. Further information is available at www.recco.com.

Traction's ownership stake (votes).... 49%
Held since 1989
President..... Magnus Granhed

SIGICOM AB

Sigicom is a consulting and development company in measuring technology. The company's high-tech, quality products and software are used for solving measuring problems, primarily in the areas of vibration, sound and temperature for industry and service companies. Sigicom develops and supplies its own measuring and communications platforms and so-called OEM products. The products are permeated by platform thinking and modular thinking. Further information is available at www.sigicom.se.

Traction's ownership stake (votes).... 35%
Held since 1997
President.....Fredrik Celsing



SWEDEN TABLE TENNIS AB

Sweden Table Tennis AB (SST) manufactures and sells table tennis equipment under the STIGA® trademark – one of GGP Sweden AB (formerly Stiga AB) registered trade mark. STT is 100-percent owned by Fastighets AB Valhalla, which also owns an industrial property in Eskilstuna with about 4 600 square meters. Further information is available at www.tabletennis.se.

Revenue..... MSEK 105
Traction's ownership stake (votes).... 25%
Held since 1993
President..... Mats Bandstigen



SWEDISH TOOL AB

Swedish Tool AB markets and sells multi-operation machines, tools and accessories in the areas of cutting and forming machining for Swedish engineering industry. The company has a number of agencies for large international manufacturers. The company is also active via subsidiaries in used CNC machines and tools and machinery accessories. One of the company's significant competitive profiles is the ability to provide constructive financial solutions to customers. Further information is available at www.swedishtool.se.

Revenue..... MSEK 142
Traction's ownership stake (votes).... 28%
Held since 1997
President..... Jürgen Engelbrecht



TVÅ ÖGON AB

Två Ögon develops and sells eyeglasses. In-house designed and produced reading glasses and sunglasses are sold via a number of chains and as promotional articles for companies under the trademarks Grett and Tweyes, respectively. These products are also exported to Iceland, Norway and Finland. Två Ögon is also the Swedish agent for Boss Eyewear, Esprit Eyewear and Charmant. Further information is available at www.tvaogon.se.

Traction's ownership stake (votes).... 45%
Held since 1996
President.....Håkan Spånér



Wholly and majority owned engagements

These engagements normally require more operative work by Traction than pure venture engagements. These are often turn-around projects, reconstructions, management buy-outs, etc. Our principals can be banks, reconstructors, large corporations, "old" owners or existing management. The chief executive is typically a hired hand, but often participates in incentive programs/bonus systems. Just like other projects, our work is based on Traction's business methodology and approach to entrepreneurship. Basically, Traction uses the same model for all investments, but the relationship to management differs significantly when we have the main responsibility ourselves.

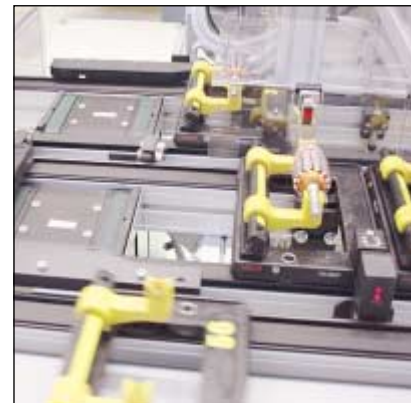
ANKARSRUM MOTORS AB

Ankarsrum Motors' business is focused on products and solutions in the areas of Universal motors and DC motors, Injection Casting (in aluminum and zinc) and Assembly. In the area of Universal motors and DC motors, Ankarsrum offers customer-unique motor and drive solutions for small household appliances and leisure machines and for industrial applications, such as welding equipment and regulators. As OEM supplier to

Electrolux, the company is responsible for development and production of Electrolux Assistent, the famous food processor and kitchen appliance.

Further information about the company is available at www.ankarsrum.com.

Revenue..... MSEK 209
Traction's ownership stake (votes).. 100%
Held since 2001
President..... Hans Alsteryd



GNOSJÖ PLAST AB

Gnosjö Plast, located in Gnosjö in Småland, is a supplier of plastic parts made with injection- molding and form-blowing technology. The largest customers are in the automobile and truck industries. Other customers are found among manufacturers of gardening machinery and in medical technology. Gnosjö Plast's strategy is to deliver products with advanced plastics technology that contribute to value-

adding solutions for its customers. The company will also live up to or exceed its customers' tough requirements for delivery security and quality. There is potential for increasing sales significantly with existing capacity.

Revenue..... MSEK 121
Traction's ownership stake (votes).... 55%
Held since 2001
President..... Anders Åhlén



SVECIA ENGINEERING AB

Since the start in 1948, Svecia has developed and manufactured printing presses and other equipment for screen print-

ing. Svecia is one of the world's leading suppliers and of a total of 16,000 manufactured screen printing machines, more than 5,000 are still in operation.

At the beginning of the year Traction was forced to reconstruct large parts of the Svecia Group due to highly negative earnings performance in the group and the Swedish production company

Traction's ownership stake (votes).. 100%
Held since 1997
President..... Peter Edman

was forced into bankruptcy in February 2002, with ensuing bankruptcies during the spring in several of the foreign subsidiaries.

Traction acquired the assets of the Swedish production company during the spring of 2002 and that made it possible to restart manufacturing of Svecia's machinery in the new company, Svecia Engineering AB and with sales via a sister company in Hong Kong, and through a new network of distributors. Further information about the company is available at www.svecia.com.



SVECIA EAST LTD.

Svecia East Ltd is an independent trading company that aside from marketing screen printing equipment from Svecia Engineering and other machinery suppliers, also sells consumables on the Chinese and South East Asia markets. Svecia East Ltd is distributor for several suppliers in Europe and sells goods to different screen printing industries, such as the circuit card, CD and general graphic industry. The company is based in Hong Kong and has 11 employees.

Traction's ownership stake (votes) .. 100%
Held since 1997
President..... Anne Tse



TOLERANS AB

Tolerans is a technology-intensive company that develops and sells high-speed rotation staplers for in-line stapling of newspapers, primarily in tabloid format (such as Metro). Each stapler is uniquely adapted to and integrated with the market's various web printing presses (Heidelberg, MAN Roland and others) and secures the stapling function at production speeds of more than 100,000 papers per hour. Sales are either directly for new printing presses or as retro-fit on existing presses. During 2002 Tolerans launched Speedliner, which is an entirely new generation of rotation staplers with improved performance and functionality. One of the first orders for Speedliner came from Sonoma in Finland, where eight staplers will be installed during 2003 for stapling of the newspaper Helsingin Sanomat and others.

Traction's ownership stake (votes) 60%
Held since 1995
President..... Michael Kron



Further information about Tolerans is available at www.tolerans.com.

BERGANOVA AB (prev. FASTIGHETS AB TOFTA)

BergaNova AB owns a property in Åkersberga. The building was constructed at the end of the 1980s and offers 2,300 square meters of rentable space in a building with exciting and fresh architecture. More information is available at www.berganova.se.

EXACTA LOGISTIK AB

Exacta Logistic is active in third-party logistics, including, among other things, taking orders, stocking and warehousing, picking and packing services and distribution. The business is located along E4 in Uppsala, in close proximity to the large flow of goods at Arlanda Airport.

KARLBERG & KARLBERG AB

Karlberg & Karlberg AB markets and sells systems solutions for treatment of digital film and video, and performs installation and training. Customers are TV, film and post-production companies, as well as video producers and companies in games development. Further information is available at www.karlberg.se.

Listed engagements

Traction's growth in recent years has provided us with the opportunity to use our capital for investments in the stock market. We invest in companies where we see significant revaluation potential and limited risk. Other deals can be that we underwrite new issues in companies that are well positioned in interesting sectors. Traction was engaged in several companies before they went public and we also participated actively in their respective processes of coming to market. Traction's ownership policy for our listed holdings is described on page seven.

ACADEMEDIA AB

AcadeMedia offers interactive knowledge solutions and training in modern media technology. Training operations are conducted in business area AcadeMedia Education, which among other things contains corporate education and vocational training in Masters of Media. In AcadeMedia Works the company delivers training solutions for labor market measures, focused on matching job seekers with job opportunities,



training of job seekers and traineeships. Consulting is offered in Gravity for interactive knowledge solutions, where the company delivers customized solutions that contribute to making customer processes more efficient, for example in product roll-outs or personnel introduction programs.

AcadeMedia Works grew strongly during the year and the program was sold to several county labor boards in Sweden. The company has also landed three very interesting frame agreements in Denmark. The consulting market for adapted solutions was difficult, however,

which has led to increased elimination of players in the industry. Thanks to its strong customer relationships, Gravity has managed to retain and secure its position in the market, although cost-containment measures were decided during the latter part of the year to lower costs in response to changing market conditions.

AcadeMedia also has a 70-percent interest in spin-off project Recall that delivers technology for distribution of electronic media. The market for, especially, Streaming Media was very weak during the year, but the company has met this with a sharp focus on costs.

AcadeMedia is traded on the O-list of the Stockholm Stock Exchange. More information is available at www.academedias.se or in the company's own published reports.

Revenue..... MSEK 89
Traction's ownership stake (votes).... 38%
Held since 1994
President.....Lars G. Mattsson

BIOPHAUSIA AB

BioPhausia conducts sales and research & development of pharmaceuticals in the areas of micro-circulation, connective tissue biology and macro molecules. Today the company has one product, RescueFlow, approved in 14 markets. RescueFlow is a resuscitation fluid given to humans who have suffered life-threatening blood losses in accidents or acts of violence. RescueFlow is administered to increase rapidly and then maintain the volume in the bloodstream. Work is in progress to increase availability of RescueFlow in the countries where the product has been approved.

Several other activities are going on at BioPhausia aimed at broadening the Company's product portfolio.

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



Revenue..... MSEK 2
Traction's ownership stake (votes)..... 2%
Held since 1999
President..... Claes Thulin

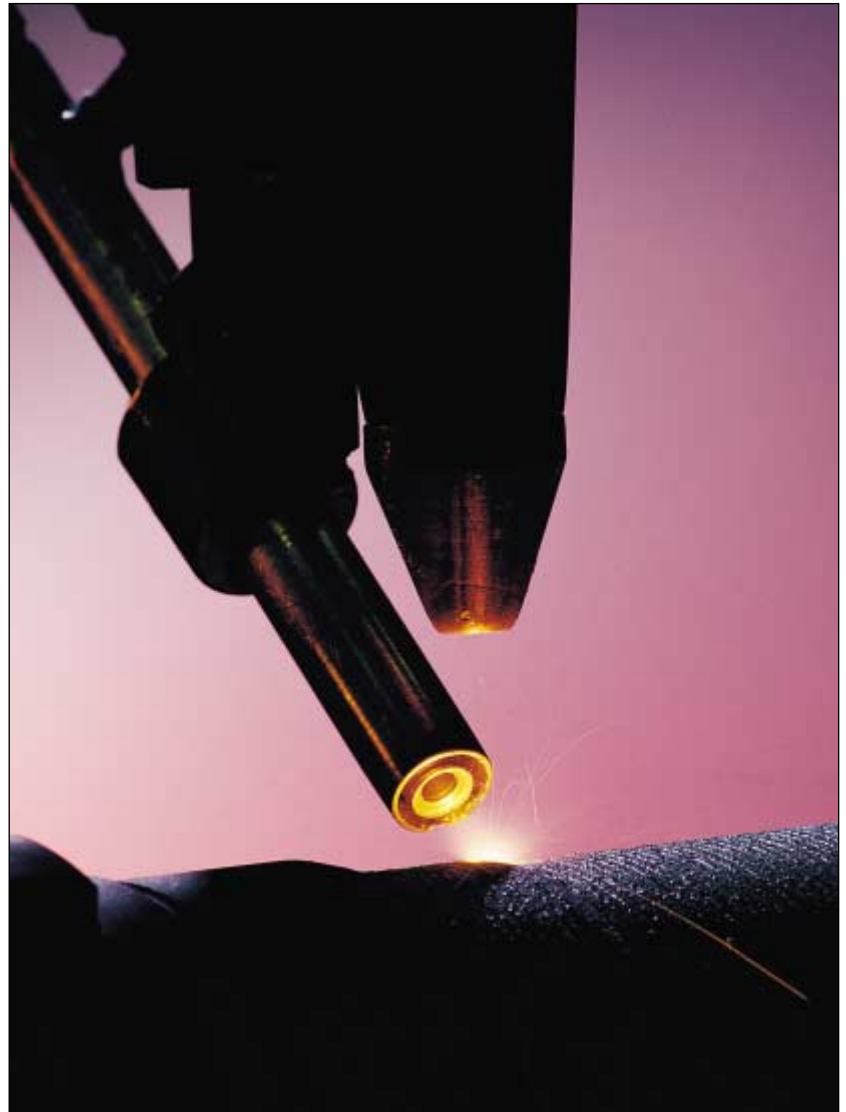
DUROC AB

Duroc owns and develops businesses whose business concept and products can be refined on the basis of the Duroc technology. The Duroc technology is a collective name for the technical and scientific areas that constitutes the basis for development and manufacture of products based on surface refinement of materials and components using laser technology and systems solutions in conjunction therewith. Duroc optimizes the performance of the metal surfaces with respect to wear, friction and corrosion.

Duroc works with exploiting the Duroc technology in a number of market segments. Duroc Energy supplies Duroc-refined products to the power and process industries. Duroc Tooling manufactures form tools for sheet metal forming. Duroc Rail delivers products and services to the railroad industry. Since 2002, Duroc owns 20 percent of German Leipzig Rail Service GmbH.

Swedish Saw Blades sells products for industrial separation, principally the sawmill industry. Products are exported to a number of countries in Europe, South America and South East Asia. Duroc owns 45 percent of Impact Coatings AB that is specialized in processes and production techniques in the area of thin-film coating.

Duroc is listed on the O-list of the Stockholm Stock Exchange. Further



information is available in the company's official annual report and at www.duroc.se.

Revenue.....	MSEK 222
Traction's ownership stake (votes)....	34%
Held since.....	1993
President.....	Lennart Bergqvist

EASY T AB

Easy T develops systems and functions for on-line sales and distribution of air travel. The company has developed its own software, Tbook™, which is sold to regional carriers and travel agencies. The Swedish travel agency business, Easy T Travel AB, was sold during the year, but subsidiary Stearmond Ltd continues to operate a travel agency in London. Easy T is traded unofficially through H&Q TechMarket. Further information is available at www.easyt.com and www.tbook.se.

Revenue.....	MSEK 94
Traction's ownership stake (votes)....	26%
Held since.....	1998
President.....	Stefan Melander



HALDEX AB

Haldex, which traces its origin to 1887, via its original business in fine mechanics and later in mechanical components for braking systems, has developed into a fast-growing supplier to the world's vehicle industry. The focus of the operations is in the strategic areas Vehicle Dynamics & Movement Control, Performance & Safety and Fuel & Environmental Economy.

Haldex delivers in-house-developed systems and components on a global basis and is active in four operating areas:

HALDEX COMMERCIAL VEHICLES SYSTEMS – *Compressed-air-based brake systems for heavy vehicles.*

The business area includes almost all sub-systems and products that make up a complete brake system and is organized in four product divisions:

- » Air Management is focused on generating and handling the system's compressed air;
- » Brake Controls is focused on the sub-systems that control the vehicle's behavior in braking situations;
- » Foundation Brake is focused on wheel brake products that perform the actual braking of the wheels;
- » Friction Products is focused on friction materials used on the brake pads.

Sales are both to OEM customers and after-market distributors through own regional sales organizations. On the



market where Haldex's product program in the braking area serves, the world market share is estimated to be about 15 percent.

HALDEX TRACTION SYSTEMS

– *All Wheel Drive for automobiles.*

Haldex was first to introduce an electronically controlled All Wheel Drive system on the market that gives better stability and therefore better safety under different driving conditions. The first deliveries were made in the fall of 1998 and Haldex has quickly achieved a leading position in the segment of electronically controlled AWD systems.

HALDEX HYDRAULIC SYSTEMS

– *Hydraulic power systems and components for off-road vehicles and trucks.*

Customers are the world's manufacturers of fork-lift trucks, off-the-road equipment, mobile work platforms and diesel engines. The market share is estimated to be about 15 percent of the market served with the current product line.

HALDEX GARPHYTTAN WIRE

– *Special spring wire for combustion engines.*

Customers are the world's manufacturers of springs for engines and certain engine manufacturers. Haldex is a leader

in this specialized niche and has a world market share of about 30 percent.

Haldex's financial goal is to grow by at least 6 percent per year and to achieve a return on capital employed of at least 15 percent over an economic cycle. During the past 10-year period (1992–2002), revenue increased by an average of 15 percent per year and the average return on capital employed was 17 percent. Haldex is aiming to generate revenue of SEK 10 billion per year by 2005.

During the 2002 operating year the acquisition of two product lines was completed, namely in brake cylinders (Anchorlok) and regulator valves (Neway), with application in the brake and suspension systems, respectively, on heavy vehicles. Continued, important orders were also received for AWD systems for the vehicle industry. Haldex is listed on the A-list of the Stockholm Stock Exchange. Further information about Haldex is available in the company's official annual report and at www.haldex.com.

Revenue.....	MSEK 6 414
Traction's ownership stake (votes)....	11%
Held since	2000
President.....	Claes Warnander

JC AB

JC develops and operates concepts for fashion stores in the Swedish and international clothing markets. The company is the fourth largest clothing company in Sweden and also has stores in Norway, Finland and Germany. JC today has four concepts, each of which has its own well-defined target group and position:

» **Jeans & Clothes**

The target group is 14–25 year-olds, market leader in jeans, accounts for 60 percent of JC's total sales.

» **Boys & Girls**

The target group is 6–13 year-olds, accounts for about 20.5 percent of JC's total sales.

» **Brothers**

The target group is men 20–45 years, accounts for 13,5 percent of JC's total sales.

» **Sisters**

The target group is women 20–45 years, accounts for 6 percent of JC's total sales.

Store operations are through fran-

chising and via company-owned stores for all concepts. This combination has created a strong revenue base, at the same time as franchising has allowed a more rapid rate of expansion for the company.

During 2002 JC continued its strategy of both establishing company-owned stores and acquiring franchising stores at strategic locations. Neither results nor sales were satisfactory during the year. An extensive action program was therefore initiated during the fall of 2002. The markets in Denmark and Germany were particular burdens for earnings during the year. The Danish operations have been completely phased out as of October 2002 and the company has also decided close unprofitable stores in Germany.

Revenue	MSEK 1 820
Traction's ownership stake (votes)	13%
Held since	2002
President.....	Thommy Nilsson



KNOW IT AB

Know IT is a company active in the IT consulting business. The business concept is to strengthen the customers' competitive power by developing and managing customer-adapted, mission-critical IT solutions. The bulk of the company's operations is in the area of systems development in several technology areas where the company's consultants possess deep competence. Assignments are normally performed on the premises of the customers, who often lead and manage the projects. Know IT also assumes functional and total responsibility of delivering solutions in accordance with the customers' needs. This means that the company in these assignments assumes responsibility for the entire project, from need definition and solution proposal to implementation and testing, at the right quality, at the right price. These projects are manned and led in their entirety by the company's consultants. With its in-depth technical competence as a foundation, Know IT also offers strategic IT advice to corporate management groups. The counseling assignments are mainly about strategy and technology investigations and quality issues.

During the year there was increased focus on functional solutions, where



Know IT assumes responsibility for entire projects. Prominent areas were Content Management in the widest sense of the term, and mobile solutions for organizations with mobile personnel, such as in retail trade and services. The market was weak during the year, but with its ability to deliver systems with apparent customer benefit and cost control, the company managed to improve its net result.

Know IT's customers are found mostly in Telecom, Bank, Finance and Insurance and in Public Sector. The

*Revenue..... MSEK 326
Traction's ownership stake (votes).... 28%
Held since 2001
President.....Ingrid Engström*

company has offices at twelve locations in Sweden, with a certain emphasis on the northern parts of the country. The largest offices are in Stockholm and Sundsvall. Know IT is listed on the O-list of the Stockholm Stock Exchange. Further information is available at www.knowit.se or in the company's own published reports.

SOFTRONIC AB

Softronic is one of Sweden's leading IT and management companies. The business concept is to be a change partner to the customers. Softronic takes an overall view of change, which means that the company can support its customers in everything from strategy and structure (organization, processes, IT) to human change.

The company consists of specialized companies, each of which strives to be the leader in their areas of competence. Examples are Consultus, who in 2003 celebrates its 30th anniversary and are experts in Change Management. Softronics' IT partner activities have 18 years of experience in delivering mission-critical IT solutions with modern technology and high quality. The business is known for assuming total responsibility, from need analysis and development of mission-critical solutions to implementation and operation. Brokerage, Insurance, Transportation, Logistics and Forwarding, Member Organizations, Retail Trade, Medical, Public Administration and School are some of the sectors in which the Softronic Group is active. Softronic is listed on the O-list of the Stockholm Stock Exchange. Further information is available in Softronic's official annual report and at www.softronic.se.



*Revenue..... MSEK 271
Traction's ownership stake (votes).... 12%
Held since 2001
President..... Anders Eriksson*

THALAMUS NETWORKS AB

Thalamus Networks offers broadband-based IT services to property and network owners and residents, thus creating a basis for intelligent living. Thalamus Networks belongs to the group of operators that has the longest experience with Internet connectivity via broadband and has the longest operating experience in Sweden.

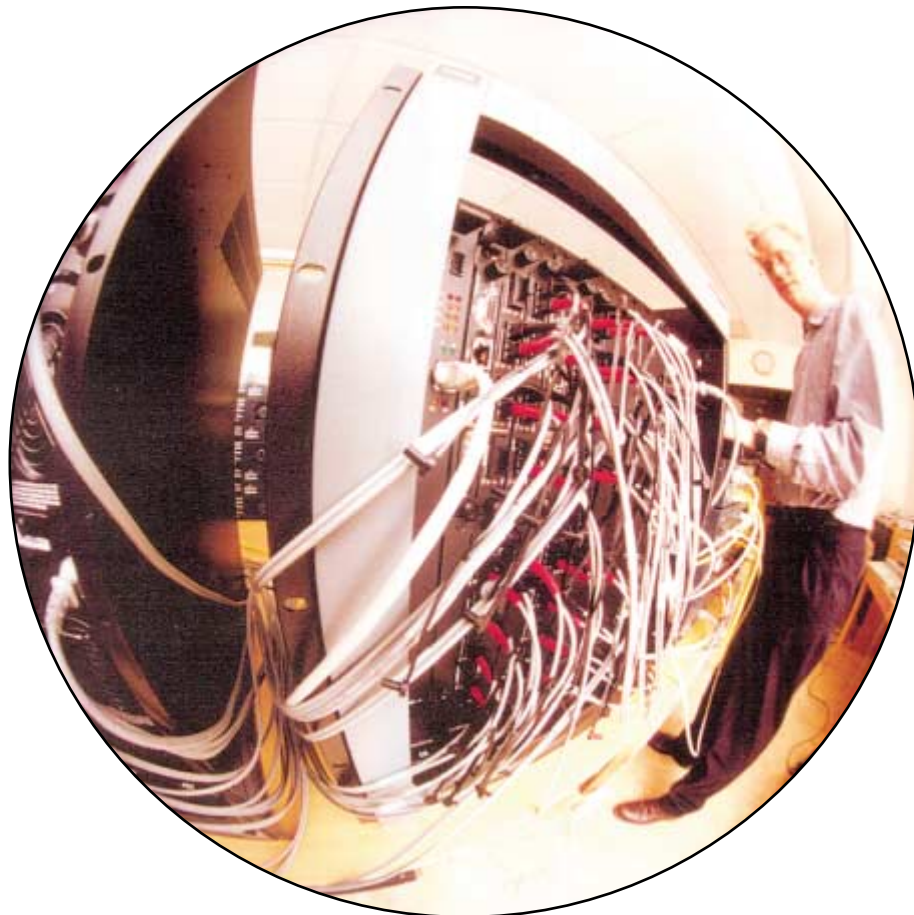
The year began with the company reaching a positive operating result

through cost control. But the big event of the year was the acquisition of Fiberdata from TurnIT. Fiberdata is active in design, installation and integration of larger networks and complements Thalamus's operator business in a good way. Fiberdata has a long history as being active in this niche and the company has a well established market position. With Fiberdata an integral part, the Thalamus Group reaches revenue of between MSEK 350 and MSEK 400 on an

annual basis. Thalamus also guaranteed TurnIT's new issue and thus became the largest owner in TurnIT, with 17 percent of the capital and 19 percent of the votes.

Thalamus is listed on the O-list of the Stockholm Stock Exchange.

<i>Revenue.....</i>	<i>MSEK 146</i>
<i>Traction's ownership stake (votes)</i>	<i>35%</i>
<i>Held since</i>	<i>1997</i>
<i>President.....</i>	<i>Jan Norman</i>



The Traction Sphere

	Number of companies	Revenues (MSEK)	Number of employees	Traction's share	
				Revenues (MSEK)	Number of employees
Wholly and majority-owned holdings	8	428	428	374	374
Minority holdings (revenues > 50 MSEK)	4	418	333	134	114
Other non-listed active holdings	6	50	30	21	12
Listed affiliated companies	5	875	778	264	243
Other listed active holdings	4	8 507	4 859	975	549
Total	27	10 278	6 428	1 768	1 292

Traction's balance sheet from an investment perspective

ASSETS	MSEK	
Wholly and majority-owned holdings*	60	
Non-listed affiliated companies**	46	
Listed affiliated companies**	140	
Other listed active holdings***	312	
Other listed passive holdings***	51	} Funds for new investments
Liquid funds	50	
Total	659	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	657	
Options issued	2	
Total	659	

Tangible assets	142
Current assets	143
Liquid funds	5
Total	290
Traction's investment	60
Risk capital under management	53
Long-term liabilities	66
Short-term liabilities	111
Total	290

*) Consolidated in the Group with respect to shares and receivables.

***) Reported according to the equity method.

***) Only dividends and capital gains are reported in the Group's income statement.

The Return on Traction

For a long time Traction has had a high return on equity relative to the companies on the Stockholm Stock Exchange overall. In spite hereof, Traction's shareholder's equity is valued at a discount. There are those who feel that our profits are not real, since formally they are capital gains. But for us, our profits are genuine and reflect the business we conduct. The return varies over time since profits arise primarily in connection with a sale and not during the time when we are working with a specific project. Those who merely try to put a value on our current portfolio will not get a true reflection of reality.

Return on visible equity, after taxes

10-year data	Annual return	Year
Most recent year	-3%	02
Worst year	-3%	02
Best year	101%	93
10-year average	40%	93-02
5-year average	27%	98-02
Worst 2-year period	1%	01-02
Worst 3-year period	25%	97-99
Best 2-year period	65%	92-93
Traction's goal	25%	Ø all years

15-Year Summary Of Traction

MSEK	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Statement of Income															
Operating revenue ¹⁾	107	188	230	112	126	111	67	167	182	400	420	465	753	480	446
NET RESULT	11	3	13	7	16	71	19	22	41	54	48	60	351	25	-23

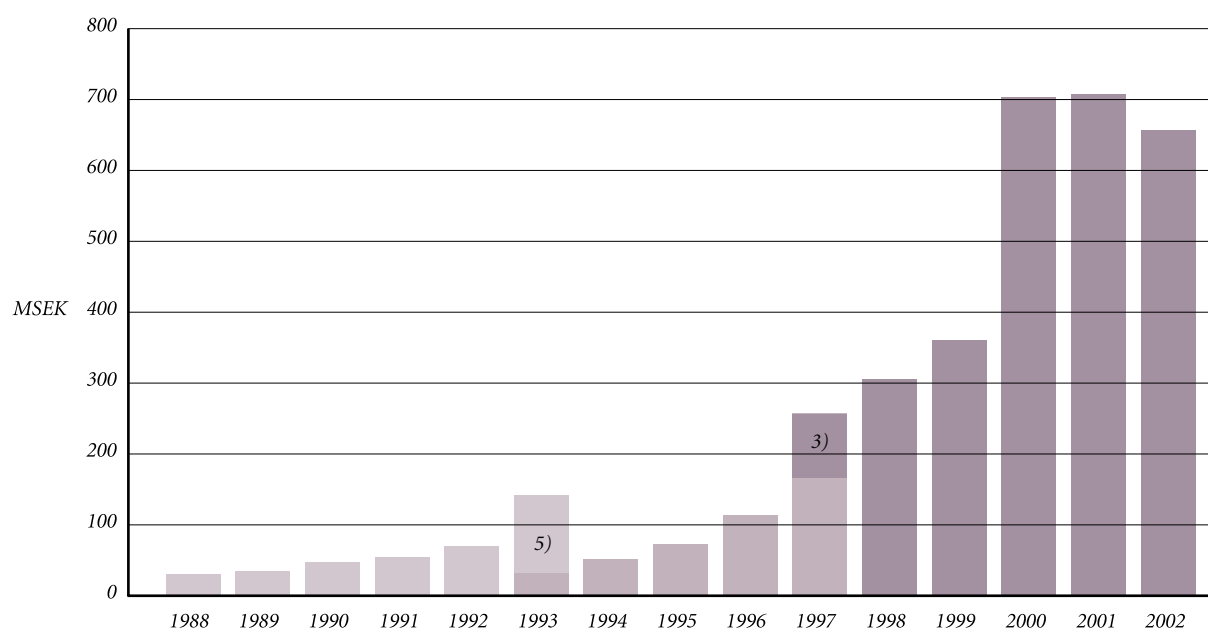
Balance Sheet

Shares	16	8	18	18	40	41	40	18	110	191	145	228	573	439	549
Other fixed assets	67	78	118	61	73	59	35	29	10	23	53	51	43	171	142
Current assets	15	95	106	76	82	47	76	56	41	173	250	223	213	270	142
Liquid funds	10	10	27	28	63	104	18	50	33	48	34	47	46	184	55
TOTAL ASSETS	108	191	269	183	258	251	169	153	194	435	482	549	875	1 064	888
Shareholders' equity	31	34	47	54	70	141	51	73	114	257 ³⁾	305	361	703	708	657
Restructuring reserve and negative goodwill	24	16	59	22	24	21	23	4	-	13	11	1	-	71	48
Venture capital under management ⁴⁾	17	19	49	47	70	24	16	5	4	7	6	6	14	13	5
Long-term liabilities	14	51	54	33	34	36	13	13	-	41	47	44	39	62	66
Current liabilities	22	71	60	27	60	29	66	58	76	117	113	137	119	210	112
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	108	191	269	183	258	251	169	153	194	435	482	549	875	1 064	888

Key Financial Indicators

Proportion of risk-bearing capital	67%	36%	58%	67%	64%	74%	54%	54%	61%	64%	67%	67%	82%	74%	80%
Equity ratio	29%	18%	17%	30%	27%	56%	30%	48%	59%	59%	63%	66%	80%	67%	74%
Equity per share, SEK	6	7	10	12	15	31	11	16	25	45	54	64	125	127	119
Earnings per share, SEK	2	1	3	2	3	16	4	5	9	11	8	11	62	5	Neg
Dividend per share, SEK	-	-	-	-	-	24	-	-	-	-	0,7	0,35	3,15	3,85	1,5
Return on equity	55%	10%	38%	15%	30%	101%	23% ²⁾	43%	56%	36%	19%	20%	97%	4%	Neg
Price/earnings ratio										8,8	6,3	7	1,7	21	Neg
Market price per share, SEK										97	53	74	106	105	79
Market price per share/equity										2,1	1	1,2	0,85	0,83	0,66
Average number of shares outstanding										5 042			5 658	5 592	5 547
Number of shares outstanding at year-end	4 600	4 600	4 600	4 600	4 600	4 600	4 600	4 600	4 600	5 670	5 670	5 670	5 616	5 589	5 515

Evolution of shareholders' equity



6) Distribution to the shareholders, MSEK:

- - - - - 110 - - - - 4 8 21 28

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

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

Definitions

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

A Small Selection of Transactions Over the Past Five Years



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

1998

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

1999

Traction turns 25. The shares in CMA were sold at a good profit. Traction guaranteed equity offerings in AcadeMedia and Duroc. Obtained additional shares in Thalamus Networks in connection with a distribution from AcadeMedia. Invested in MedMera Distribution, Hagakure Network and Berg & Hav. Received shares in KM Lab from Kjessler & Mannerstråle, which were immediately sold to the Dutch company AlControl. Completed two private placements in Easy T. Duroc acquired Swedish Saw Blades. Underwrote an issue of convertible debentures in BioPhausia; Traction subscribed for convertible debentures equivalent to 14 percent of shares outstanding after full conversion. Expanded ownership in Kjessler & Mannerstråle and Recco. The holdings in Itca Holding, Skandinaviska Salutorget and Target Games were sold. The shares in Ögonlasern were sold. More shares in Thalamus Networks were subscribed for and some shares were sold.

2000

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



MedMera Distribution and received shares in Gandalf in payment. Liquidation of Tempelman AS was begun. Fast Forward and Lobbit were closed. Became the largest owner in Haldex and one of the largest owners in Ångpanneföreningen. Traction's shares became listed on the O-list of the Stockholm Stock Exchange.

2001

Invested in azign management. Participated in an equity offering in AcadeMedia's subsidiary ReCALL. Sold the shares in Just Group Plc at a small capital loss. Phased out of the engagements in Soneruds Maskin, Berg & Hav, RealeX Communications and Hagakure Network. Sold the shares in Ångpanneföreningen to Sweco, which added considerably to profit. Petter Stillström was appointed President. Guaranteed equity offerings in Know IT and Softronic and became a major owner in both companies. Increased the stakes in AcadeMedia and Thalamus Networks by purchasing shares over the stock exchange. Affiliated company AcadeMedia acquired a small stake in industry colleague M2S with the purpose of participating in a reconstruction of the heavily indebted company. This failed and M2S was forced into bankruptcy. Affiliated company Swedish Tool grew by acquiring Vislanda Maskin, Bonthron & Ewing and Bergander Karlson Maskin. Acquired all shares outstanding in Ankarsrum Motors (the former FHP Elmotor AB) from Electrolux. Together with a number of private individuals, Traction acquired Gnosjö Plast from Lear Corporation. Acquired EDN Storage Technology and Karlberg & Karlberg from the listed company Gandalf. Significant profitability problems in Svecia had a strong negative effect on the year's result.

2002

Participated in the new issue in Biophausia. Svecia filed for bankruptcy during the spring and Traction acquired the assets from the estate in bankruptcy. The bankruptcy burdened the result with a substantial amount, which resulted in a situation where Traction for the first time reported a loss. The shares in Jalmarsson & Thias were sold. The holding in azign management and EDN Storage Technology were sold. Affiliated company Promecta filed for bankruptcy due to extensive fraud in the Polish subsidiary. Became the largest shareholder in JC through a purchase of shares in the stock market. Realized sizeable foreign exchange gains in USD. An Ericsson debenture loan due 2009 was acquired. The stakes in Academedica and Thalamus Networks were increased during the year. Affiliated company Thalamus Networks acquired Fiberdata from TurnIT. Thalamus also guaranteed a new issue in TurnIT and thus became the largest shareholder in the company. Decided to phase out the business in subsidiary Maxitech after its largest customer abandoned the company after first having refused to honor a long-term delivery contract. Bought a small holding in Ticket and became the company's third largest shareholder.

The Traction Share

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

Evolution of share capital

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

Traction has conducted business since 1974. A new parent company was created in 1994, however. There are no convertible debentures, options or other securities outstanding that could increase the number of shares outstanding. However, the Board of Directors has been authorized by the 2002 Annual General Meeting to decide, on one or more occasions, to make an equity offering of up to 1,000,000 class B shares without regard to the preferential rights of shareholders. The Board Directors also received an extension of an authorization, valid until the next-following Annual General Meeting, to acquire up to the number of shares equivalent to one tenth of all shares outstanding in the Company. The Board of Directors has proposed an extension of these authorizations to be dealt with at the Annual General Meeting to be held April 10, 2003. See table below regarding repurchase of own shares.

Repurchase of own shares

Year	Number	Amount	Percentage
2000	54 350	6 471 150	0,96%
2001	26 800	2 921 200	0,47%
2002	73 850	6 616 500	1,30%
Total	155 000	16 008 850	2,73%

Shareholders

	Number of Class A shares	Number of Class A shares	Total	Proportion of capital, %	Proportion of votes, %
Bengt Stillström	310 000	3 308 150	3 618 150	65,6%	50,4%
Creatum AB*	340 000	166 820	506 820	9,2%	28,1%
Petter Stillström m bolag	150 000	73 000	223 000	4,0%	12,4%
Småbolagsfonden		183 950	183 950	3,3%	1,4%
Claes Gyllenhammar med bolag		44 850	44 850	0,8%	0,4%
Skogby & Åberg AB		39 750	39 750	0,7%	0,3%
N.G.L. Förvaltning AB		31 000	31 000	0,6%	0,2%
Traction Noveau ABs Pensionsstiftelse		29 200	29 200	0,5%	0,2%
Bengt Månsson		26 000	26 000	0,5%	0,2%
Fredrik Craaford		25 000	25 000	0,5%	0,2%
Åke Svensson		21 000	21 000	0,4%	0,2%
Kjell Arvidsson		20 450	20 450	0,4%	0,2%
Bengt-Arne Vedin		20 400	20 400	0,4%	0,2%
Övriga aktieägare		725 430	725 430	13,1%	5,6%
Summa	800 000	4 715 000	5 515 000	100,0%	100%

*) Creatum AB is owned by the Stillström family.

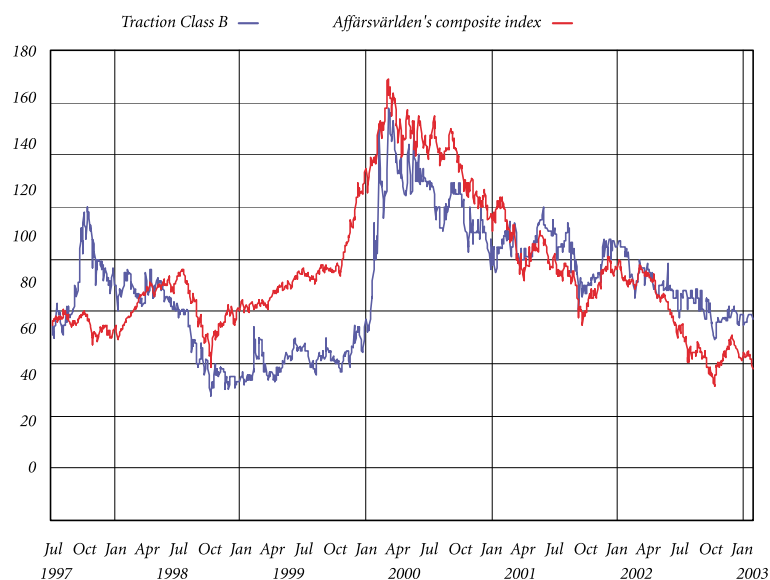
As of December 31, 2002, Traction held 155,000 shares in treasury, equivalent to about 2.7 percent of the share capital and 1.2 percent of the votes. These shares have been excluded from the list of shareholders on the preceding page.

Number of shares per shareholder

	Number of owners	Number of shares	Percentage of capital	Percentage of votes
1-500	722	151 081	2,7%	1,2%
501-1.000	100	99 624	1,8%	0,8%
1.001-5.000	91	221 515	4,0%	1,7%
5.001-20.000	25	286 060	5,2%	2,3%
20.001-100.000	9	247 800	4,5%	1,9%
100.001-1.000.000	3	890 770	16,2%	41,7%
1.000.000-	1	3 618 150	65,6%	50,4%
Total	951	5 515 000	100,0%	100,0%

Share price performance

Traction's Class B share has been listed on the O-list of the Stockholm Stock Exchange since May 24, 2000. Before that, since July 1997 the share was traded on the stock list of NGM (the former Stockholms Börsinformation (SBI)). The market price of the Traction share fell by just short of 25 percent during 2002. At year-end 2002, the latest paid quotation was SEK 79 per share. The highest bid price for the share during the year was SEK 110 and the lowest SEK 69.



Dividend policy

Traction's dividend policy is based on the premise that dividends and other distributions to the shareholders should be made in a tax-efficient manner. For purposes of the Swedish tax legislation, Traction is an investment company, the effects of which include that dividends are tax-deductible against interest income and the standard income consisting of 1,5 percent of the Company's net asset value as of December 31. With current tax rules, the dividend is adapted to the Parent Company's revenue in such a manner that no tax expense arises in the Parent Company.

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Annual Accounts

The Board of Directors and the President of AB Traction (publ), organization number 556029-8654, hereby submit their Annual Accounts and consolidated financial statements for the financial year ended December 31, 2002.

ADMINISTRATION REPORT

Business

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

Significant events during the financial year

Revenues and result

Consolidated revenue for 2002 amounted to MSEK 446 (480) ((753)), of which dividends, net capital gains and profit shares in affiliated companies accounted for MSEK 4.2 (69.9) (359.4). The result after taxes amounted to MSEK -22.5 (25.2) ((350.7)). Consolidated revenue amounted to MSEK 435.7 (390.2 ((391.9))) and was generated primarily in Ankarsrum Motors, MSEK 209.4, and the Gnosjö Plast Group, MSEK 120.1. The earnings decline compared to the year before is explained primarily by lower net capital gains and that costs in Svecia and Maxitech burden the year's result by MSEK -45 and MSEK -16, respectively, and lower dividend income, MSEK 4 (19) ((3)). The return on visible equity for the year was -3 (4) ((97)) percent; the average annual return for the past ten-year period has been 40 percent.

Liquidity, equity ratio and shareholders' equity

The Group's liquid funds amounted to MSEK 55 (184) ((46)) at year-end. In addition hereto, the Company held a liquidity reserve in the form of non-strategic holdings of publicly traded shares in an amount of MSEK 47 (11) ((80)) at year-end. The Group's balance sheet total as of year-end was MSEK 888 (1,064) ((875)) and visible shareholders' equity stood at MSEK 657 (708) ((703)). The equity ratio at year-end was 74 (67) ((80)) and the visible reserve, i.e. the difference between the book value and the market value of publicly traded affiliated companies, amounted to MSEK -95 (-3) ((-27)). Traction does not assign a market value to its holdings of not publicly traded shares. The net asset value of the Company can therefore not be computed. The proportion of risk-bearing capital at year-end was 80 (74) ((82)) percent.

Svecia

After accelerating losses, Traction was forced to reconstruct the Svecia Group. Svecia's Swedish production company filed for bankruptcy February 1, 2002 and similar action was required during the year in the foreign Svecia companies, with the exception of Svecia East Ltd. Traction and the Swedish trustee in bankruptcy looked for a buyer for the business during this period. No serious bids came in, however, so Traction acquired the estate in bankruptcy and participated in a re-start of Svecia. The new Svecia is a considerably smaller operation, with its own production, sales and service of spare parts. The group also includes the trading company in Hong Kong, Svecia East Ltd., which was not overly affected by the turbulence.

Maxitech

Maxitech has given notice to most its personnel since the company has lost its largest customer. The business will be terminated and we are therefore looking for suitable buyers for the assets.

Parent Company

A restructuring of the Group has resulted in a capital gain in the Parent Company of MSEK 105. The restructuring has not affected the Group's result.

Capital expenditures

Over MSEK 80 (74) ((384)) was invested during the year in old and new projects, primarily through purchases of shares over the stock exchange in JC (MSEK 51) and Thalamus Networks (MSEK 25). Traction's ownership stake in Thalamus increased from 18 percent to 35 percent during the year. Net purchases have also been made in certain publicly traded shares in an amount of MSEK 26.

Desinvestments

Sales were made in project companies, which has freed up MSEK 4 (168) ((415)), primarily the holding in affiliated company Jalmarsson-Thias and partial sales of shares in Biophausia. The holdings in Azign Management, Maxitech Elektronik and Track 31 were phased out and affiliated company Promecta has filed for bankruptcy.

Capital gains

The above mentioned shares had a book value MSEK 9, which generated a capital loss of MSEK -5 (48) ((308)). Sales of other publicly traded shares resulted in capital gains of 3 (15) ((24)).

Shares in profit in affiliated companies

Shares in results of affiliated companies amounted to MSEK 2.0 (-11.9) ((28.3)). Since no private placements to new owners were made during the year, now issuing gains arose, MSEK 0 (0) ((42.1)). The issuing gains are reported as shares in the result of affiliated companies.

Foreign exchange forward transactions

During 2002 Traction sold a total of USD 45 million under forward contracts, which were terminated in their entirety during 2002. The result of these forward transactions amounts to just over MSEK 28 for 2002, including the provision set aside

in the 2001 closing of the books in the amount of MSEK 7. As of year-end Traction had no foreign exchange forward contracts outstanding. Foreign exchange hedging on a small scale is done by some producing subsidiaries in the Traction Group.

Currency policy

At an investment level, Traction may take currency positions without underlying flows if Traction believes that certain currencies are fundamentally overvalued or undervalued. Such currency positions may also be taken by Traction as “insurance premiums” at a consolidated level for investment in projects, the operations and balance sheets of which are exposed to currencies. In the case of operating Group companies, large net exposures are hedged if the assessment of the value of the currency so warrants, and if it may be accomplished at a reasonable cost.

Dividend

The Board of Directors propose to the Annual General Meeting a dividend of SEK 1.50 (3.85) ((3.15)) per share for the 2002 operating year. In accordance with Traction’s dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has investment company status under Swedish tax laws, the dividend is a tax-deductible expense.

Repurchase of own shares

The Board of Directors has been authorized, until the regularly scheduled Annual General Meeting to be held in April 2003, to repurchase, at its discretion, up to 10 percent of the total number of shares outstanding in the Company. Shares may be repurchased both in the market and in the form of an offer to the shareholders. The purpose is to enrich the shareholders. During 2000, 54,350 class B shares were repurchased in the market at a price of SEK 129 per share (24,350 shares) and at a price of SEK 111 per share (30,000 shares) and in February 2001 26,800 class B shares were repurchased in the market at a price of SEK 109 per share and in May/June 2002 shares were repurchased in the market at a price of SEK 90 and 15,000 shares at a price of SEK 88. The purchase moneys have reduced unrestricted shareholders’ equity. The total number of shares thereafter outstanding is 5,515,000.

Work of the Board of Directors

Traction’s Board of Directors adopts rules of procedure annually for the Board of Directors and instructions for the President and Chief Executive Officer. These rules of procedure set forth the duties of the Board Directors, the division of responsibility, a meeting schedule and the type issues to be brought before the Board of Directors. The Board of Directors consists of five directors with no alternates. The Board of Directors has convened on six occasions during the year, at which minutes were taken. In addition, individual directors have had day-to-intermittent contact with the Company’s president. The agenda for the meetings at which minutes were taken has

included issues as set forth in the rules of procedure, such as the state of business, results and financial position in the project companies, interim reports and annual financial statements and major capital expenditure decisions. The Board of Directors is domiciled in Stockholm.

Environmental information

Several of Traction’s operating companies conduct business for which permits are required according to the Swedish Environmental Code. The permits refer to engineering industry and foundries. These activities impact the external environment by emission of dust and solvents into the air, emission of mineral oil into water, waste from metal cutting and noise pollution from these operations. Businesses requiring permits account for an overwhelming portion of the Group’s net revenues.

Expected future development of the Company

At the beginning of 2003 Traction had liquid funds of MSEK 55. In addition hereto, Traction held non-strategic publicly traded shares worth MSEK 47 and the balance sheet in the Parent Company was not leveraged. The organization has been strengthened with five new Venture Managers to allow us to better handle the existing projects and also have personnel capacity to participate in new transactions. The economy still shows no signs of a recovery, so exits should not be counted on during 2003 to any great degree. On the other hand, interesting business opportunities should present themselves, as well as opportunities to enter into new projects at reasonable cost. Strict application of the Traction methodology in the projects vouches for continued value growth and profitability.

Proposed allocation of profit (SEK thousand)

Parent company

The following amounts are available to the Annual General Meeting:

Retained earnings	635,351
Net profit for the year	61,736
	697,087

To be allocated as follows:

Dividend to the shareholders SEK 1:50 per share	8,272
To be carried forward	688,815
	697,087

Group

The Group’s unrestricted equity amounts to SEK 615,426 thousand. SEK 2,043 thousand will be transferred to statutory reserves.

The Parent Company’s and the Group’s results and financial position are presented in the following statements of income and balance sheets, cash flow statements and notes to the financial statements.

Statements of Income

Amounts in SEK thousand

	Note	GROUP			PARENT COMPANY		
		2002	2001	2000	2002	2001	2000
OPERATING REVENUE	3						
Net revenues	2	435 653	390 205	391 890	-	-	-
Other operating revenue		5 684	19 826	2 004	-	-	150
Other dividend income		3 900	18 954	2 538	3 900	9 425	2 344
Net capital gain		-1 708	62 625	332 061	104 155	55 524	314 856
Shares in profit of affiliated companies	4	2 043	-11 861	24 796	-	-	-
Total operating revenues		445 572	479 749	753 289	108 055	64 949	317 350
OPERATING EXPENSE:	3						
Raw materials and consumables		-196 181	-213 032	-220 074	-	-	-
Change in inventory of work in progress, finished goods and work in progress for others		691	4 839	2 418	-	-	-
Other external costs	5,6	-106 033	-109 301	-92 403	-5 036	-780	-1 259
Personnel expense	7,8	-169 448	-117 434	-94 499	-213	-212	-
Depreciation, amortization and writedowns		-24 224	-15 929	-9 530	-39 203	-23 020	-
Items affecting comparability		-	2 025	8 166	-	-	-
Total operating expenses		-495 195	-448 832	-405 922	-44 452	-24 012	-1 259
Operating result		-49 623	30 917	347 367	63 603	40 937	316 091
RESULT OF FINANCIAL INVESTMENTS:							
Other interest income and similar items		6 811	7 345	10 872	3 436	1 652	2 465
Foreign exchange losses		26 543	-5 446	-	-	-	-
Interest expense to Group companies		-	-	-	-5 289	-5 506	-1 707
Other interest expense and similar items		-7 168	-5 713	-5 935	-1	-3	-27
		26 186	-3 814	4 937	-1 854	-3 857	731
Result after financial items		-23 437	27 103	352 304	61 749	37 080	316 822
Taxes on the year's profit	9	-566	-1 779	-2 009	-13	-11	-
Minority interest		1 477	-136	422	-	-	-
NET PROFIT FOR THE YEAR		-22 526	25 188	350 717	61 736	37 069	316 822
Earnings per share (SEK)		-4	5	62			
Number of shares outstanding (thousands)		5 515	5 589	5 658			
Same on average (thousands)		5 547	5 592	5 616			

Balance Sheets

Amounts in SEK thousand

	Note	GROUP			PARENT COMPANY		
		2002	2001	2000	2002	2001	2000
ASSETS							
Fixed assets							
INTANGIBLE FIXED ASSETS							
Goodwill		-	523	1 853	-	-	-
		-	523	1 853	-	-	-
TANGIBLE FIXED ASSETS							
Buildings and land	10	53 953	54 573	9 257	-	-	-
Plant and machinery	11	76 962	95 421	25 544	-	-	-
Equipment, tools, fixtures and fittings	12	7 575	11 091	5 028	-	-	-
Construction in progress		3 138	1 260	-	-	-	-
		141 628	162 345	39 829	-	-	-
FINANCIAL FIXED ASSETS							
Shares in subsidiaries	13	-	-	-	71 529	171 334	189 131
Shares in affiliated companies	14	184 784	159 476	118 912	226 493	201 291	158 905
Other listed holdings	15	363 071	278 256	447 098	353 687	278 256	437 298
Other long-term securities holdings	16	931	931	7 020	931	931	7 020
Other long-term receivables		765	8 364	1 715	-	150	300
		549 551	447 027	574 745	652 640	651 962	792 654
Total fixed assets		691 179	609 895	616 427	652 640	651 962	792 654
Current assets							
INVENTORIES							
Raw materials and consumables		21 505	60 815	41 981	-	-	-
Work in progress		14 550	15 042	15 629	-	-	-
Finished products and goods for resale		26 248	37 879	20 840	-	-	-
Advance payments to suppliers		-	4 269	7 478	-	-	-
		62 303	118 005	85 928	-	-	-
SHORT-TERM RECEIVABLES							
Accounts receivable		64 222	103 402	88 451	-	-	-
Due from Group companies		-	-	-	38 599	34 532	-
Due from affiliated companies		1 125	8 199	5 991	-	-	-
Tax claim		57	-	1 175	-	-	-
Other receivables		8 219	28 914	16 980	-	4 328	-
Prepaid expenses and accrued income	17	6 383	11 754	13 963	915	-	916
		80 006	152 269	126 560	39 514	38 860	916
CASH AND BANK DEPOSITS							
		54 621	183 674	46 018	14 253	50 653	5 524
Total current assets		196 930	453 948	258 506	53 767	89 513	6 440
TOTAL ASSETS		888 109	1 063 843	874 933	706 407	741 475	799 094

Balance Sheets

Amounts in SEK thousand

	Note	GROUP			PARENT COMPANY		
		2002	2001	2000	2002	2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES							
Equity	18, 19						
RESTRICTED EQUITY							
Share capital		5 670	5 670	5 670	5 670	5 670	5 670
Premium reserve		-	-	-	-	-	88 676
Legal reserve		-	-	-	1 134	1 134	982
Restricted reserves		36 172	48 033	112 396	-	-	-
		41 842	53 703	118 066	6 804	6 804	95 328
NON-RESTRICTED EQUITY							
Non-restricted reserves		637 952	629 044	234 509	635 351	626 424	241 623
Net profit for the year		-22 526	25 188	350 717	61 736	37 069	316 822
		615 426	654 232	585 226	697 087	663 493	558 445
Total equity		657 268	707 935	703 292	703 891	670 297	653 773
Minority interest		4 931	6 408	4 208	-	-	-
		4 931	6 408	4 208	-	-	-
Provisions							
PRI pensions		-	1 277	-	-	-	-
Taxes		-	2 956	3 063	-	-	-
Negative goodwill		44 594	57 113	-	-	-	-
Restructuring reserve		3 500	13 998	-	-	-	-
		48 094	75 344	3 063	-	-	-
Long-term liabilities							
Committed credit facility	21	25 993	21 911	21 951	-	-	-
Due to credit institutions		25 223	21 863	13 520	-	-	-
Profit sharing loan		318	6 569	9 514	318	6 569	9 514
Other long-term liabilities		14 000	14 000	-	-	-	-
		65 534	64 343	44 985	318	6 569	9 514
Current liabilities							
Due to credit institutions		12 851	7 110	11 919	-	-	-
Advance payments from customers		4 982	32 692	23 310	-	-	-
Accounts payable		47 309	78 601	48 745	32	-	-
Due to Group companies		-	-	-	-	58 348	135 396
Due to affiliated companies		975	600	600	-	-	-
Tax liabilities		1 577	3 539	-	13	11	-
Other liabilities		11 177	19 902	7 008	-	2 391	-
Accrued expenses and prepaid income	22	33 411	67 369	27 803	2 153	3 859	411
		112 282	209 813	119 385	2 198	64 609	135 807
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		888 109	1 063 843	874 933	706 407	741 475	799 094
Pledged assets	23	116 200	99 100	71 318	None	None	None
Contingent liabilities	23	10 086	12 448	6 498	25 733	28 016	28 710

Statements of Cash Flow

Amounts in SEK thousand

	GROUP			PARENT COMPANY		
	2002	2001	2000	2002	2001	2000
CURRENT OPERATIONS						
INVESTMENT ACTIVITIES						
The year's sales of project companies	4 048	168 062	415 198	190 599	168 062	414 498
The year's investments in project companies	-80 338	-74 182	-383 814	-101 391	-79 352	-400 475
Net Investments in other shares	-26 052	91 750	-21 206	-26 052	84 336	-22 166
Cash flow from investment activities	-102 342	185 630	10 178	63 156	173 046	-8 143
OTHER ACTIVITIES						
Profit before financial items, not including net capital gains and shares in profit of affiliated companies	-49 958	-19 847	-13 022	-40 552	-14 587	1 384
Adjustment for items not included in cash flow						
Depreciation, amortization and writedowns	24 224	15 929	13 062	-	-	-
Net investments in other fixed assets	4 615	-143 764	2 678	150	150	-300
Reversal of other items not affecting cash flow	-40 947	70 811	-3 618	40 170	23 020	-
Cash flow from other activities before changes in working capital	-62 066	-76 871	-900	-232	8 583	1 084
Cash flow from changes in working capital	24 693	37 541	372	-63 065	-109 142	-2 750
Cash flow from other activities	-37 373	-39 330	-528	-63 297	-100 559	-1 666
Cash flow before financial items and taxes	-139 715	146 300	9 650	-141	72 487	-9 809
Financial items	26 186	-3 814	4 937	-1 854	-3 857	731
Current taxes	-566	-1 779	-1 626	-13	-11	-
Cash flow from current operations	-114 095	140 707	12 961	-2 008	68 619	-9 078
FINANCING OPERATIONS						
Loans raised and repayment of debt	13 183	17 494	-5 376	-6 251	-2 945	9 514
Repurchase of own shares	-6 624	-2 940	-6 495	-6 624	-2 940	-6 495
Dividends paid	-21 517	-17 605	-1 984	-21 517	-17 605	-1 984
Cash flow from financing activities	-14 958	-3 051	-13 855	-34 392	-23 490	1 035
Cash flow for the year	-129 053	137 656	-894	-36 400	45 129	-8 043
Liquid funds at beginning of year	183 674	46 018	46 912	50 653	5 524	13 567
Cash flow for the year	-129 053	137 656	-894	-36 400	45 129	-8 043
Liquid funds at year-end	54 621	183 674	46 018	14 253	50 653	5 524

Supplementary Information

Note 1: Principles of accounting and valuation

General information

AB Traction's Annual Accounts for 2002 are prepared in accordance with the Annual Accounts Act (1995:1554). The Company follows the recommendations of the Swedish Financial Accounting Standards Council, except as set forth under the item Exception from the recommendation of the Swedish Financial Accounting Standards Council.

Principles of consolidation

The consolidated financial statements include AB Traction and companies in which AB Traction, directly or indirectly, owns more than 50 percent of the share capital. The consolidated financial statements are compiled in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council using the purchase method of accounting. However, prior acquisitions have not been recalculated according to the latest recommendation. Under the purchase method, the assets and liabilities of the acquired company at the time of acquisition are valued to determine their acquisition value in the Group. Any difference between the purchase price and the acquisition value in the Group is reported as goodwill or negative goodwill and is amortized and reversed, respectively over five years.

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

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

Reporting of affiliated companies

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

Exception from the recommendation of the Swedish Financial Accounting Standards Council regarding reporting of affiliated companies and statement of cash flow

Traction reports shares in profit from affiliated companies that are not publicly traded on an aggregated basis out of concern for companies that are not publicly traded. For the same reason, the book values of companies that are not publicly traded are reported only in aggregated form in the Traction Group. The Statement of Cash Flow has been adjusted to better reflect Traction's operations.

Financial fixed assets

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

Tangible fixed assets/depreciation and amortization

Tangible fixed assets are reported at cost, with a due reduction for depreciation according to plan based on the economic life of the relative assets.

Depreciation/amortization is charged at the following rates:

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

Inventories

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

Other assets and liabilities

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

Principles for translating items denominated in foreign currency

For an account of the principles for translating the financial statements of foreign subsidiaries, refer to “Principles of consolidation” above. The negative exchange rate difference arising in this translation has impaired the year’s result (see note 18). Aside from this, there is one other foreign affiliate, Banking Automation Ltd. The Group’s share of the capital and profit of this company has been translated at the year-end rate of exchange and the translation difference has a negative effect of roughly SEK 900 thousand on the years result. Other receivables and liabilities in foreign currency have been translated at the year-end rate of exchange.

Principles for treatment of Ankarsrums Motors AB and Gnosjö Plast AB in the notes below

Ankarsrums Motors AB has been consolidated from November 1, 2001 and Gnosjö Plast Holding AB from December 1, 2001. In notes 2, 5, 6 and 7 below, the data for these companies have been adjusted in 2001 to account for the length of time they have been part of the Traction Group.

Amounts in the notes below are in SEK thousand unless otherwise specifically noted.

Note 2. Revenues by sales by operating segment and geographic market

Net sales by operating segment:

	2002	Group 2001	2000
Printing equipment	92 348	314 647	327 081
Electric motors (2001, 2 months)	209 434	32 512	-
Electronic components	8 318	31 508	58 718
Plastic parts (2001, 1 month)	120 094	7 005	-
Other Traction companies	5 459	4 533	6 091
	435 653	390 205	391 890

Net sales by geographic market:

	2002	Group 2001	2000
Sweden	166 563	77 143	157 466
Rest of Europe	184 657	168 581	125 833
Rest of world	84 433	144 481	108 591
	435 653	390 205	391 890

Note 3. Intra-Group sales

Of the total cost of purchases and revenue from sales, respectively, 4 percent (16) ((17)) of purchase and 5 percent (18) ((18)) of sales have been to other companies in the Group. Transfer prices are equal to market prices.

Note 4. Shares in profit of affiliated companies

	2002		2001		2000	
	Profit	Taxes	Profit	Taxes	Profit	Taxes
AcadeMedia AB (publ)	-9 525	-	-8 736	-	6 927	-
Thalamus Networks AB (publ)	8 502	-	-2 741	-	14 710	-
Duroc AB (publ)	-3 377	-	-1 206	-	587	-
Easy T AB (publ) (affiliated from Sept. 2001)	-2 664	-	-1 360	-	-	-
Soneruds Maskin AB (publ) (sold 2001)	-	-	-	-	-335	-
KnowIT (publ) (affiliated from Oct. 2001)	148	-	-2 094	-	-	-
	-6 916	-	-16 137	-	21 889	-
Other non-listed companies	8 959	-2 788	4 276	-1 501	2 907	-635
Total	2 043	-2 788	-11 861	-1 501	24 796	-635

Total goodwill in the valuation of affiliated companies amounts to SEK -12 781 (2 277) ((10 782)) thousand. Amortization of goodwill in affiliated companies amounts to SEK -2 022 (1 859) ((3 532)) thousand.

Note 5. Fees and reimbursements to auditors

	2002	2001	2000
Parent company	0	0	0
<i>Subsidiaries:</i>			
Sweden	762	498	570
Italy	-	480	479
Hong Kong	65	73	67
USA	-	137	116
Germany	-	142	131
Spain	-	80	75
France	-	424	125
Estonia	-	-	20
Group total	827	1 834	1 583
of which consultations	(100)	(880)	(519)

Note 6. Leasing costs

The Group has not entered into any financial leasing contracts of material significance. The amount for external costs includes leasing fees, including rent for rented premises in an amount of SEK 11,862 (12 778) ((11,170)) thousand. The remaining leasing fees, including rental costs, amount to a total of SEK 18 121 (17 803) thousand, falling due for payment as follows:

	2002	2001
Within 1 year	11 510	7 631
Later than 1 year but within 5 years	6 548	10 172
Later than 5 years	63	-
	18 121	17 803

Note 7. Personnel

Average number of employees

	2002		2001		2000	
	Number of employees	Male	Number of employees	Male	Number of employees	Male
Sweden	447	329	211	162	155	127
Italy	-	-	11	9	20	17
Hong Kong	12	9	16	11	15	11
USA	-	-	8	6	10	10
Germany	-	-	13	11	13	11
Spain	-	-	10	9	10	9
France	-	-	4	4	5	5
	459	338	273	212	228	190

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

Personnel expenses

	Group			Parent Company		
	2002	2001	2000	2002	2001	2000
Wages, salaries and other compensation:						
Presidents and Boards of Directors	6 340	8 418	6 746	213	212	-
Other employees	117 241	77 773	62 431	-	-	-
Total wages, salaries and other compensation	123 581	86 191	69 177	213	212	-
Other personnel, expenses:						
Social benefits	35 115	22 931	16 624	-	-	-
Pension costs*	12 416	7 013	5 298	-	-	-
Other personnel costs	4 126	1 299	3 400	-	-	-
Total other personnel costs	51 657	31 243	25 322	-	-	-
Totalt personalkostnader	175 238	117 434	94 499	213	212	
Reversal of restructuring reserve	-5 790					
	169 448					

* Of which to presidents SEK 1,577 (939) ((744)) thousand. The item pension costs above is reported net, after indemnification from Traction Noveau AB's and Traction Konsult AB's pension trusts in the amount of SEK 809 (687) ((1 122)).

Wages, salaries and other compensation by country

	2002		2001		2000	
	Board of Directors, President (of which bonus, etc.)	Other employees	Board of Directors, President (of which bonus, etc.)	Other employees	Board of Directors, President (of which bonus, etc.)	Other employees
Sweden	5 375 (493)	114 134	2 841 (0)	58 857	1 882 (45)	43 219
Italy	-	-	500 (0)	3 332	725 (0)	4 599
Hong Kong	965 (75)	3 107	1 199 (302)	3 702	1 314 (544)	3 559
Germany	-	-	866 (118)	4 957	757 (97)	4 093
USA	-	-	1 610 (0)	3 790	1 508 (0)	3 754
Spain	-	-	476 (89)	1 849	397 (0)	1 798
France	-	-	926 (212)	1 286	163 (0)	1 409
Group total	6 340 (568)	117 241	8 418 (721)	77 773	6 746 (686)	62 431

Note 8. Information about benefits of senior management

Principles for compensation to and terms for senior management

- Reasonable basic salary and bonus for good performance.
- Terms are negotiable both upward and downward.
- No golden parachutes.
- In the event of breach of trust, severe mismanagement or economic irregularities, the member of senior management can be dismissed immediately without compensation.
- Terms for pension should only include an annual expense for pension insurance without pension risk for the employer and at a reasonable level.

Compensation, terms of employment and severance payment for the President and CEO

Salary costs for the President and CEO during 2002 amounted to SEK 318 thousand, which has been charged to consolidated income, and the cost of ITP according to plan amounting to SEK 17 thousand, with credit from a pension fund so that the cost does not burden the consolidated income statement. In addition to these costs, the President and CEO has received compensation from assignment as Director in certain of Traction's partially owned companies in a total amount of SEK 184 thousand. For future retirement of the President and CEO, a commitment was drawn up during 2002 in the amount of SEK 200 thousand plus interest, equivalent to the consumer price index + 3% p.a. from January 1, 2003 until the amount is paid out. The amount has been set aside in one of Traction's pension funds. In the event sufficient assets are not available at some future date in the pension fund, Traction is obliged to set aside funds to allow the pension fund to meet its obligations.

There are no incentive programs in the form of award of financial instruments, options or similar for the President and CEO. The President and CEO has a period of notice of one week, during which an obligation to work applies. The same principles apply if the President and CEO is terminated at the initiative of the Company. There are no agreements for severance pay. Regarding the former President and CEO, pension shall be paid by Traction to the former President and CEO, who had the right to retire at age 55 and receive SEK 490 thousand per year between the age of 55 and 65. Thereafter a pension for life is payable and an annual family pension in a lesser amount. The pension commitment is issued with 1993 as a base and shall be raised thereafter according to the standards of Alecta. Full provision exists for the pension in Traction Konsult AB's pension fund.

Compensation to the Parent Company's Board of Directors

The external directors received a total of SEK 160 thousand during 2002 in directors' fees, of which the Chairman was paid SEK 80 thousand. No compensation was paid in addition to these fees to the members of the Board of Directors or to companies closely related to the members of the Board of Directors.

Compensation to the subsidiary Boards of Directors

No Directors' fees were paid by the subsidiaries.

In one subsidiary an external Director has received SEK 200 in salary for services performed and another external Director has invoiced the company SEK 226 thousand for other services performed. In another subsidiary one external Director has received SEK 20 thousand in salary for other services performed.

Compensation and terms for other members of senior management

To other members of senior management, seven subsidiary CEOs and two persons in central Traction, a total of nine persons, compensation has been paid in the form of salary and benefits during 2002 in an amount of SEK 6 070 thousand plus SEK 568 thousand in a variable portion. Costs for pension insurance amounted to SEK 1 636 thousand. These costs have been charged to the consolidated income statement, with the exception of SEK 96 thousand in pension cost, where credit was obtained from a pension fund.

There are no incentive programs in the form of award of financial instruments, options or similar for this group. The variable compensation parts are tied to the companies and individual performance.

In the event of termination at the initiative of members of senior management, the period of notice varies from three to six months. In the event of dismissal at the initiative of the companies, the period of notice varies from three to twelve months, in certain cases with obligation to work. Dismissal with immediate effect without compensation during the period of notice and at the initiative of the company may take place if the member of senior management grossly neglects his or her duties to his or her employer. There are no agreements for severance pay.

Pension benefits are paid in most cases equivalent to the ITP plan, or in percent of compensation. One member of senior management has the right to retire at age 60 with pension benefits as if paid from age 65.

Forms of decisions

Compensation to the President of the Parent Company is decided by the Parent Company's Board of Directors. Compensation and terms for other members of senior management is, when it comes to subsidiary Presidents, decided by the Chairman of subsidiaries in consultation with the Parent Company's President, and when it comes to other members of senior management in the Parent Company's operations, by the President of the Parent Company.

Note 9. Taxes

For tax purposes, the Parent Company is an investment company and is therefore liable for taxes on gains on sales of shares and securities treated similarly for tax purposes. Capital losses are not tax-deductible. But for investment companies, a standard taxable increment of 2 percent is added to the taxable base for such securities. This percentage rate has been lowered to 1.5 percent from the 2003 year of assessment according to a resolution by the Riksdag. Normal tax rules apply to operating companies in the Traction Group. Group contributions, where the terms and conditions for such are fulfilled, can be rendered and received among Traction's subsidiaries. The table below shows the components of Traction's tax expense.

	Group			Parent Company		
	2002	2001	2000	2002	2000	2000
Current taxes	566	1 779	1 626	13	11	-
Deferred taxes	0	0	383	-	-	-
	566	1 779	2 009	13	11	-

Accumulated tax loss carryforwards in the Group's Swedish companies amounted to MSEK 160 as of year-end 2002. These tax loss carryforwards can be utilized to reduce taxes on future profits. Since there is uncertainty as to how long these carryforwards can be utilized, they have not been capitalized as a deferred tax claim. Renewed evaluations as to the accounting for deferred tax claims for tax loss carryforwards will be made on an ongoing basis.

Note 10. Buildings and land

Buildings	12/31/2002	Group	
		12/31/2001	12/31/2000
Opening balance, cost	57 043	9 291	9 291
Via corporate acquisitions, etc.	-	47 752	-
Purchases	1 474	0	
Closing accumulated cost	58 517	57 043	9 291
Opening depreciation	-7 425	-2 219	-1 847
Via corporate acquisitions, etc.	-	-4 625	-
Year's depreciation	-2 095	-581	-372
Closing accumulated depreciation	-9 520	-7 425	-2 219
Residual value according to plan, buildings	48 997	49 618	7 072
Book value, Land	4 956	4 955	2 185
Book value, buildings and land	53 953	54 573	9 257
Tax assessment values			
Buildings	28 025	25 394	4 600
Land	5 794	8 418	2 721

Note 11. Plant and machinery

	12/31/2002	Group	
		12/31/2001	12/31/2000
Opening balance, cost	202 231	84 757	87 182
Via corporate acquisitions, etc.	-	187 459	-
Purchases	6 282	801	926
Sales	-28 374	-70 786	-3 351
Closing accumulated cost	180 139	202 231	84 757
Opening depreciation	-106 810	-59 213	-53 922
Via corporate acquisitions, etc.	-	-93 311	-
Sales/restructuring, etc.	23 289	51 791	1 644
Year's depreciation	-19 656	-6 077	-6 935
Closing accumulated amortization	-103 177	-106 810	-59 213
Residual value according to plan	76 962	95 421	25 544

Note 12. Equipment, tools, fixtures and fittings

	12/31/2002	Group 12/31/2001	12/31/2000
Opening balance, cost	32 249	10 344	8 850
Via corporate acquisitions, etc.	-	21 608	-
Purchases	2 161	2 317	2 624
Sales/restructuring, etc.	-6 141	-2 020	-1 130
Closing accumulated cost	28 269	32 249	10 344
Opening depreciation	-21 158	-5 316	-4 145
Via corporate acquisitions, etc.	-	-14 940	-
Sales/restructuring, etc.	3 357	1 392	737
Year's depreciation	-2 893	-2 294	-1 908
Closing accumulated depreciation	-20 694	-21 158	-5 316
Closing residual value according to plan	7 575	11 091	5 028

Note 13. Shares in subsidiaries

	12/31/2002	12/31/2001
Opening book value	171 334	189 131
Purchases/shareholders contribution	21 398	5 223
Sales	-82 000	-
Writedowns	-39 203	-23 020
Closing book value	71 529	171 334

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

Shares owned by the Parent Company

Company	Company No.	Domicile	Number of shares	Proportion of capital	Book value in Parent Company
Traction Konsult AB	556098-5672	Stockholm	1 000	100%	40 000
Tempelman AS	-	Tallinn	2 095 400	86%	14 795
Tolerans Holding AB	556504-7999	Stockholm	14 160	60%	6 299
BergaNova AB	556132-1901	Stockholm	5 000	100%	6 000
Gnosjö Plast Holding AB	556606-9026	Stockholm	550	55%	2 890
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1 000	100%	1 050
Traction Development AB	556215-7098	Stockholm	1 000	100%	200
Förvaltnings AB Vita	556234-7285	Stockholm	1 250	100%	150
Track 38 AB	556628-9749	Stockholm	1 000	100%	100
SSAF Saffron & Spices Flavours AB	556402-6440	Stockholm	666	67%	45
Svecia Engineering AB	556025-3493	Stockholm	900 000	100%	-
Traction Management Ltd	-	Oxford	1	100%	-
Total shares owned by the Parent Company					71 529

Shares owned by subsidiaries

Company	Company No.	Registered office	Number of shares	Proportion of capital
Traction Konsult AB				
Traction Nouveau AB	556302-0832	Stockholm	1 000	100%
Traction Trading AB	556136-6682	Stockholm	1 000	100%
AB Traction Finans	556113-6838	Stockholm	460 000	100%
Svecia East Ltd.	-	Hong Kong	99 999	100%
Svecia Spares & Services AB	556330-3634	Stockholm	1 000	100%
Exacta Logistik AB	556618-5194	Stockholm	1 000	100%
Traction Development AB				
Ankarsrum Motors AB	556054-7753	Ankarsrum	250 000	100%
Gnosjö Plast Holding AB				
Gnosjö Plast AB	556575-2358	Stockholm	1 000	100%
Gnosjö Plast Fastighets AB	556606-9042	Stockholm	1 000	100%
Tolerans Holding AB				
Tolerans AB	556504-7981	Stockholm	5 000	100%
Speedliner AB	556504-7973	Stockholm	5 000	100%

Note 14. Shares in affiliated companies

	12/31/2002	12/31/2001
ACCUMULATED COST		
Opening book value	201 291	158 905
Purchases	29 756	47 260
Sales	-4 525	-11 570
Reclassification	-29	6 696
Total	226 493	201 291
ACCUMULATED SHARES IN PROFIT		
Opening book value	-41 815	-39 993
Sales	842	4 686
Reclassification	9	6 854
Year's share in result of affiliated company	2 043	-11 861
Year's tax cost in shares in profit	-2 788	-1 501
Total	-41 709	-41 815
Book value at year-end	184 784	159 476

Specification of shares in affiliated companies

Company/Company No.	Registered office	Number of shares	Proportion of capital	Other voting right	Book value Parent Company	Book value Group	Market value
Listed affiliated companies							
Duroc AB (publ) – 556446-4286	Umeå	733 888	14%	(34%)	58 769	18 299	11 008
AcadeMedia AB (publ) – 556057-2850	Sthlm	1 110 197	35% ¹⁾	(38%)	52 780	24 447	14 544
Thalamus Networks AB (publ) – 556394-1987	Ängelholm	3 217 133	35%	(35%)	50 560	71 052	57 908
Know IT AB (publ) – 556391-0354	Stockholm	2 756 031	28%	-	23 308	21 363	15 158
Easy T AB (publ) – 556549-1650	Stockholm	2 087 860	26%	-	1 648	4 478	2 088
Total listed affiliated companies					187 065	139 639	100 706
Other affiliated companies							
Banking Automation Ltd	Reading	1 288 572	49%	-	10 000	-	-
Bricad Holding AB – 556264-6298	Österåker	17 900	47%	-	8 800	-	-
Arvako Sverige AB – 556606-9059	Stockholm	212 501	17%	34%	5 048	-	-
Fastighets AB Valhalla – 556216-6347	Eskilstuna	3 000	25%	-	5 000	-	-
Recco AB – 556154-6101	Stockholm	499	49%	-	3 508	-	-
Swedish Tool AB – 556282-7633	Stockholm	875	29%	-	2 800	-	-
Två Ögon AB – 556039-8777	Stockholm	450	45%	-	1 724	-	-
Geodynamik HT AB (publ) – 556189-0871	Stockholm	100 000	20%	-	1 000	-	-
Sigicom AB – 556207-1547	Botkyrka	209 900	35%	-	803	-	-
Fastighets AB Ornamentik – 556225-3004	Eskilstuna	500	35%	-	700	-	-
Fastighets AB BIBAS – 556579-3527	Stockholm	350	35%	-	37	-	-
MSS Data AB – 556267-3185	Stockholm	250	25%	-	8	-	-
Total other affiliated companies					39 428	45 145	Not estimated
Total affiliated companies					226 493	184 784	

Note 15. Other listed holdings

	Group		Parent Company	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
Opening cost	278 256	447 098	278 256	437 298
Reclassification/writedown	-1 262	-8 502	-1 262	-1 648
Purchases	107 003	50 692	97 619	50 692
Sales	-20 926	-211 032	-20 926	-208 086
Closing accumulated cost	363 071	278 256	353 687	278 256

Specification of Other listed holdings

Company	Number of shares	Book value	Market value	Proportion of capital
Haldex	2 512 268	232 932	195 957	11%
JC	1 226 492	50 882	40 474	13%
Softronic, serie B	9 198 688	18 048	18 397	20%
Avesta Sheffield (ongoing compulsory purchase procedure)	305 000	10 167	10 167	-
Biophausia, convertible debenture * (nom)	9 026 310	8 956	5 416	(10%)
Biophausia, serie A**	397 215	1 145	795	(2%)
Lundberg B	30 000	5 138	5 850	-
Volvo B	25 700	3 942	3 649	-
Teligent	246 600	3 934	2 145	1%
Ticket	666 000	3 333	3 530	4%
Ballingslöv	50 000	3 200	2 750	-
Bilia	36 800	3 152	3 202	-
Viking Telecom	549 100	2 570	1 861	3%
Ångpanneföreningen B	15 400	1 893	1 417	-
Frontec B	456 000	1 783	2 006	1%
Diffchamb	46 500	1 491	1 256	1%
JLT Mobile Computers	129 500	1 121	363	-
Total other holdings, Parent Company		353 687	299 235	
Ericsson Debenture loan USD 2009-05-20 (nom)	1 500 000	9 384	8 945	-
Total other holdings, Group		363 071	308 180	

* Equivalent to 2,507,308 shares upon full conversion. Conversion price: SEK 3.60/share. Proportion of capital is 10 percent upon full conversion.

** The shareholding is two thirds financed by a conditional loan.

Note 16. Other long-term securities holdings

Company	Number of shares	Book value	Market value	Proportion of capital	Other voting right
Rekall AB	1 301	911	-	9%	9%
Grafikens Hus AB	4	20	-	-	-
Group total		931	-		

Note 17. Prepaid expenses and accrued income

	Group			Parent Company		
	12/31/2002	12/31/2001	12/31/2000	12/31/2002	12/31/2001	12/31/2000
Prepaid expenses	4 084	9 652	5 801	-	-	-
Accrued income	2 299	2 102	8 162	915	-	916
	6 383	11 754	13 963	915	-	916

Note 18. Shareholders' equity – Group

	Share capital	Restricted reserves	Non-restricted equity
Opening balance	5 670	48 033	654 232
Dividend			-21 517
Repurchase of shares			-6 624
Transfer between restricted and non-restricted capital		-11 861	11 861
Net profit for the year			-22 526
Closing balance	5 670	36 172	615 426

An exchange rate loss has arisen in translation of the income statements and balance sheets of foreign subsidiaries in the amount of SEK –1 575 (1 461) thousand. Since the size of the item is small relative to total capital and the Hong Kong dollar (in which the loss arose) is tied to the U.S. dollar, where the currency gains during the year amounted to over MSEK 28, the item has been carried to the income statement, thus impairing the year's result.

Note 19. Shareholders' equity – Parent Company

As of December 31, 2002, the share capital amounted to SEK 5,670,000 divided into 800,000 class A shares and 4,870,000 class B shares (total number 5,670,000) of SEK 1.00 par value each. A total of 155,000 class B shares have been repurchased (54,350 year 2000, 26,800 year 2001 and 73,850 in 2002). At year-end 2002, 5,515,000 shares were thus outstanding.

	Share capital	Legal reserve	Non-restricted equity
Opening balance	5 670	1 134	663 492
Dividend			-21 517
Repurchase of own shares			-6 624
Transfer to non-restricted reserves pursuant to Annual General Meeting resolution			
Net profit for the year			61 736
Closing balance	5 670	1 134	697 087

Note 20. Long-term liabilities

0 (0) ((0)) of the long-term liabilities fall due for payment later than five years from year-end 2002.

Note 21. Committed credit facility

The approved limit for the Group amounts to SEK 40 100 (31,180) ((29,523)). Parent Company 0 (0) ((0)).

Note 22. Accrued expenses and prepaid income

	Group			Parent Company		
	12/31/2002	12/31/2001	12/31/2000	12/31/2002	12/31/2001	12/31/2000
Prepaid expenses	31 005	63 210	15 301	16	-	-
Accrued income	2 406	4 159	12 502	2 137	3 859	411
	33 411	67 369	27 803	2 153	3 859	411

Note 23. Pledged assets, contingent liabilities

Pledged assets

	Group			Parent Company		
	2002	2001	2000	2002	2001	2000
For liabilities to credit institutions						
Corporate mortgages	83 500	58 973	54 000	-	-	-
Real estate mortgages	19 500	19 500	5 500	-	-	-
Letter of Credit	5 500	-	-	-	-	-
For pension liability and other liabilities						
Corporate mortgages	4 200	3 600	1 150	-	-	-
For supplier guaranty						
Corporate mortgages	3 500	7 027	10 668	-	-	-
For foreign exchange forward contract						
Corporate mortgages		10 000	-	-	-	-
	116 200	99 100	71 318	-	-	-

Contingent liabilities

	Group			Parent Company		
	2002	2001	2000	2002	2001	2000
Guaranties	6 013	1 888	3 288	25 733	28 016	28 710
Sureties	3 160	-	2 835	-	-	-
Contingent liability for foreign exchange forward contract	-	10 560	-	-	-	-
Advance settlement in bankruptcy and disputes	-	-	375	-	-	-
Pension liability	913	-	-	-	-	-
	10 086	12 448	6 498	25 733	28 016	28 710

Stockholm, February 15, 2003

Petter Stillström
President and CEO

Sven-Christer Nilsson

Mats Olsson
Chairman

Bengt Stillström

Bengt-Arne Vedin

My audit report with respect to this Annual Report was submitted February 15, 2003.

Anders Roos
Authorized Public Accountant

Audit Report

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

I have examined the Annual Accounts, the consolidated financial statements, the accounting records and the management by the Board of Directors and the President of AB Traction for the financial year ending December 31, 2002. Responsibility for the accounting records and management rests with the Board of Directors and the President. My responsibility is to render my opinion on the Annual Accounts, the consolidated financial statements and the management based on my audit.

The audit has been performed in accordance with generally accepted auditing standards in Sweden. This means that I have planned and performed the audit in such a way as to get reasonable assurance that the Annual Accounts and the consolidated financial statements contain no material errors. The audit procedure includes examination of a sample of supporting documentation for amounts and other information in the accounting records. An audit also includes a test of the accounting principles, and the Board of Director's and the management's application thereof, and forming an opinion of the aggregate information contained in the Annual Accounts and the consolidated financial statements. I have also examined significant decisions, actions and circumstances in the company to allow me to form an opinion as to whether any Director or the President is liable for damages to the company, or in any other way has acted contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. I am of the opinion that my audit gives me a reasonable ground for my statements below.

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

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

Stockholm, February 15, 2003

Anders Roos
Authorized Public Accountant

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Financial information 2003

Date of publication of planned financial information:

- » May 15, 2003 Quarterly report for the period January – March
- » August 19, 2003 Quarterly report for the period January – June
- » November 5, 2003 Quarterly report for the period January – September
- » February 11, 2004 Financial report for 2003

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

Shareholder information

Annual General Meeting

The regularly scheduled Annual General Meeting of AB Traction (publ) will be held at 3:00 p.m., April 10, 2003 at Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm, Sweden.

Participation

Notice of participation in the proceedings of the Annual General Meeting shall be made to Traction AB, P.O. Box 3314, SE-103 66 Stockholm, Sweden, telephone +46-8-506 289 00, telefax +46-8-506 289 30, or by e-mail to post@traction.se. The deadline for giving notice of participation is before 4:00 p.m., April 4, 2003.

Participation in the proceedings of the Annual General Meeting is reserved for shareholders who are registered in the share register maintained by Värdepapperscentralen VPC AB not later than March 31, 2003. Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name well in advance of that date in order to participate in the proceedings of the Annual General Meeting.

Dividend

The Board of Directors propose a dividend of SEK 1.50 per share. The Board of Directors has proposed April 15, 2003 as record date. The dividend is expected to be remitted by VPC April 22, 2003.

The art of driving

First of all you have to have a car. You should probably also have some driving experience. Perhaps you should have attended driving school and gotten your license. If you have never driven before, and your nose barely reaches over the steering wheel, the drive will be perilous. You really must be aware that there are a lot of cars out there, many of which are driven by experienced and good drivers, and others by reckless madmen. The traffic can be heavy and dangerous, and if you don't know the traffic rules, it will be even worse. If you drive too fast, it's easy to run off the road, or to take a wrong turn and end up somewhere you didn't intend to. The detour can be long. The car can break down and you may run out of gas. Small, crooked roads and off-the-road trips require a certain style of driving, while driving down the highway calls for a different approach. Drivers and cars are not always a good match.



Traction Venture Management

Driving school, car rental, service, repairs, car wash, gas, maps, garage, buy and sell new and used.

