

TRACTION

Annual Report 2003

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Traction in brief

Traction's operations are based on our own methodology for developing and refining the companies in which Traction is an owner. The primary focus of this methodology is customer relationships, capital flows and risk management. The method has evolved over the almost 30 years that Traction has been in business. Traction does not focus on specific industries, because our 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.

Business concept

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

Business philosophy:

- We take a long-term view.
- We are not seeking to build up a corporate group: we work with a number of independent companies - clients, whose value increase will be realised in the longer term.
- Our sphere of activity lies within the general transformation of companies. The requisite technical and industry expertise must be present in the company.
- Our primary objective is to sell management; financing is a secondary priority. It is the combination that is interesting.

Goals

- To achieve average annual growth in equity of at least 25 per cent.
- To create profitable growth in our wholly owned and partially owned companies.
- To minimise the risk and increase the return on our projects.

Strategy

To achieve Traction's goals, the following are required:

- The ability to choose the right projects, in reality, the right partner - corporate managers.
- 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 backgrounds to cover the varying needs of our companies.
- Project Managers with the ability to step in, when necessary, as corporate managers during transitional periods, until a new manager has been appointed.
- Sufficient financial resources to enter into interesting projects.
- Consistent application of our methodology to minimise risk and raise the return on investment.

Exit philosophy

It is important to Traction that our companies display long-term growth. We make our money, not on dividends from the companies, but on the capital gains we make when we sell equity. Our basic premises is always 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. We define a better owner as a company that is able to do more for the company than Traction can.

2003 in brief

- Result after taxes, –SEK 38.2 million (–SEK19.2 m).
- Restructuring costs totalling SEK 31 million have been charged to the result.
- The reserve in listed holdings has increased during 2003 by SEK 123 million, from –SEK 95 million to +SEK 28 million.
- The Board of Directors proposes that the dividend is raised to SEK 2.40 (SEK 1.50).

New projects:

- Silva Plastic Center
- Bombus

Increased proprietary share:

- Tolerans

Exits:

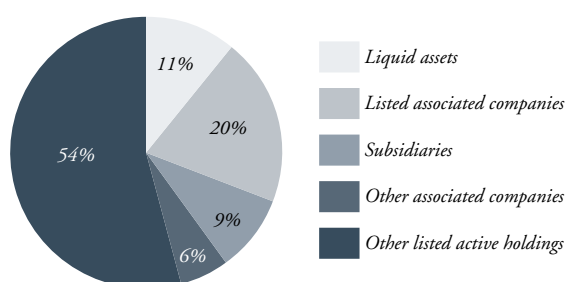
- Sweden Table Tennis, Berganova's property

Key ratios

SEK m	2003	2002
Equity per share, SEK	110	119
Equity per share after adjustment per share, SEK *	115	102
Equity ratio, %	74	74
Earnings per share, SEK	-7	-3
Dividend per share, SEK	2.40	1.50
Dividend yield, %	3	1.9
Market price at year-end, SEK	81	79

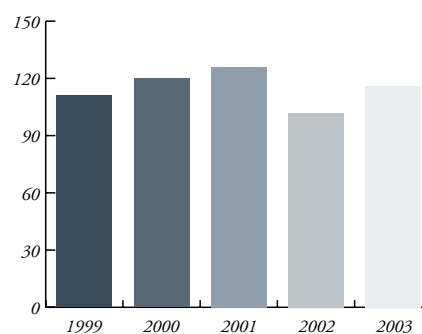
*) Including hidden reserve in stock market portfolio

Allocation of Traction's adjusted equity*



*) Including hidden reserve in stock market portfolio

Adjusted equity/share*



PRESIDENT'S STATEMENT



Dear shareholders,

2003 was another year with a weak economic climate and low levels of capacity utilisation in industry. Expectations of an impending economic upturn, both in Sweden and elsewhere, were, however, reflected in sharply rising share prices. The Stockholm Stock Exchange rose by just over 30 per cent during the year, which means that the stock market has already discounted an imminent economic upturn. Ericsson's share price alone rose by 111 per cent, increasing investors' appetite for risks and boosting the valuations of other companies. The stock market's interest in smaller and medium-sized companies has also revived after a period of no interest whatsoever, and this trend has continued in 2004.

Traction reported a loss for 2003 of -SEK 38 million, attributable to extensive restructuring costs in the wholly and partially owned companies (SEK 31 million), a negative result by these companies, and a weak result in the listed associated companies. A few profitable exits do not outweigh these substantial costs, which have generated a negative result.

Traction's reported results include shares in the profits of associated companies, but only include dividends from the listed holdings where we own less than 20% of the votes. Traction's investments in this area comprised just over SEK 350 million at the turn of the year, corresponding to just over 50% of equity. Capital gains or losses are only reported in conjunction with sales. If the year's accounts had included a revaluation at market price, Traction would have reported a profit for the year of SEK 85 million. We have not attempted any valuation at market price of the wholly and partially owned unlisted companies. We have always been of the opinion that the result should be reported when a transaction is completed, and that future profits should not be included in advance. This is not, however, the modern view and now that the regulatory bodies

have actually stated that future profits are not only permitted, but that they should be included, we will be forced to alter our reporting practices in future.

Despite our intensive focus on the wholly and partially owned companies, it is apparent that additional measures are needed if the trend is to be reversed. Capacity utilisation is unsatisfactory in both Ankarsrum Industries and our plastics companies (Gnosjö Plast and Silva Plastic Center); sales can be increased without the need for substantial investments. Sales activities have been intensified during the year and I hope to see the results of these efforts in the year ahead in the form of new customers. The strengthening of the Swedish krona against the US dollar has also contributed to the weak result, as have the winding up of the Maxitech machine park and the restructuring of Svecia Engineering's production in Norsborg. On the plus side, however, the minority owned companies in Traction Venture are proving profitable at an aggregate level and the value of the listed part of the portfolio has increased.

Traction engaged in two new companies in 2003, namely Silva Plastic Center where we own 55%, and the software company, Bombus (34%). Please see the project description section of this Annual Report for a more detailed description of the companies. The holding in FAB Valhalla, with its wholly owned subsidiary, Sweden Table Tennis, was sold for just under SEK 12 million. Traction became a joint owner of Sweden Table Tennis in the mid-1990s in conjunction with the reconstruction of its operations. Since then, the company has grown substantially, both in terms of turnover and of profit. The company was sold to its American joint owner. The Berganova subsidiary's property in Åkersberga outside Stockholm was sold, yielding a capital gain of just under SEK 7 million.

A major lot (approx. 6%) was acquired in Semcon during the year. We aimed to acquire even more shares, but when the

share price went through the roof, we decided, in February 2004, to sell all of our shares in the company. The associated company, Thalamus Networks, became the biggest owner of the Proact IT Group during the year, with just over 10% of the shares. The lot was sold in its entirety in January 2004 at a healthy profit. Thalamus Networks has successfully invested some of its surplus liquidity in listed shares during the year, and the company's cash item and listed holdings totalled just over SEK 150 million at the turn of the year, offering considerable commercial potential for the future.

AcadeMedia, Duroc, Softronic, Thalamus Networks and JC reported negative operating results for 2003, along with considerable restructuring and winding up costs. It is my hope that the measures we have taken in these companies will yield a considerable improvement in the result in 2004. Know IT, however, unlike most of the other listed IT consultancy firms on the Stockholm Stock Exchange, reported a positive result, even after depreciation of goodwill, and must be regarded as a job very well done indeed in the current market climate.

Haldex, which is Traction's biggest investment, concluded a number of new four-wheel drive deals and won a breakthrough order for the newly developed disk brake system for trucks. Not only has the market situation improved, but Haldex is also facing an exciting future where the results of many years of development work will be converted into increased sales and results, and the confirmation of the company's strong market positions.

Improved tax situation for Traction and other Swedish investment companies

New rules governing the taxation of capital gains and losses in Swedish limited companies came into force on 1st July 2003. No tax is levied on dividends from and sales of unlisted shares or listed shares if the company owns more than 10% of the votes

and has held the shares for in excess of one year. This means an end to the multiple taxation of corporate profits in the corporate sector, but natural persons resident in Sweden still incur double taxation. It also means that Swedish limited companies are excellent candidates for investment companies. For Traction, it means that as of 2004, we can collect tax-free dividends from our unlisted companies and from all 10% holdings in listed companies. As an investment company, we will also achieve a considerably lower standard income taxation on our holdings, because the tax is only levied on listed holdings under 10%, and as a consequence, will not be forced to pay dividends for tax-related reasons. Another consequence is that we have decided to change our policy on dividends from our holdings and will henceforth welcome dividends.

The future

Traction works to change and develop companies, from loss-making to profitability and growth. Accordingly, we must expect to suffer some initial losses as a part of a turnaround project, but the focus must always be on sales and working up customers, whilst simultaneously adapting the cost structure to current business volumes. Additional measures are being taken to secure the future of Traction's wholly and majority owned companies.

Our focus is on implementing Traction's business philosophy in our companies. We know that most people accept our philosophy in theory, but that only a few succeed in converting it into reality. This may, from time to time, be due to difficulties in changing habitual behavioural patterns in a company or entire industry, or - and this is far worse - to laziness and an unwillingness to work in accordance with Traction's philosophy, which presupposes ongoing reviews of business concepts and a sensitivity to what the customer is willing to pay for. When income is insufficient to cover costs, adjustments must be made in line with

reality, whilst simultaneously prioritising sales activities. Traction's business concept involves providing in-depth involvement and when necessary, the financing needed for an expansion, not financing for losses.

We are actively looking for new companies in which to engage ourselves, and above all, for selling and industrious entrepreneurs who are looking for an active partner. Our aim for 2004 is to enter into a number of new projects of this kind and to participate in structural deals within the context of our existing engagements.

We are also currently evaluating whether Traction has the potential to acquire a medium-sized company with sustainable, stable profitability. This would act as a complement to the stock market portfolio and the other operations, where results primarily come in conjunction with an exit. Potential acquisition situations include in conjunction with a generation shift or when an industrial owner wishes to divest a peripheral operation. The purpose of an acquisition of this kind would be to create a stable cash flow and, of course, to increase the return on Traction's equity.

Stockholm, March 2004

Petter Stillström

Traction's methodology

The common denominator for Traction's business is that we apply our own corporate development methodology to all the companies in which we become involved. This means that customers, investors, partners and personnel must, of necessity, sympathise with our philosophy and our approach to business. Because it is our methodology that we are selling, that generates our income, and is the commodity that our clients buy. But it's axiomatic - if you don't want it, then you shouldn't have to buy it. We try to be very explicit on this point, because many of those who approach us are ignorant of this fact and have entirely different preconceived ideas. Uncorrected, 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 are pulling in different directions.

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

Customer relationships

The direct contact with the company's customers



tells the company what it needs to deliver and on what terms. Feedback from the customers enables the company to develop products that are unique and which provide optimum solutions to the customers' problems. Identifying customers who could benefit greatly from the products or services provided by the company generates the preconditions required for achieving high levels of 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 an hypothesis that is verified by paying customers. Close cooperation with the customers creates the potential for the company to shift focus quickly to what actually works in the marketplace. The possibility of success is greatest when the company ensures that it capitalises on every emerging business opportunity and only proceeds with the services and products that customers demand and are

willing to pay for.

Most successful innovations are driven by demanding customers as part of a commercial process. It is, therefore, important to nurture contacts with the customer and never to let the middlemen take command. The company's most important resources are, therefore, the skilled sales representatives who are responsible for customer relationships and who can translate customer demands for the company's other functions.

Capital flow

The foundation of another cornerstone of Traction's methodology is a functioning capital flow achieved by creating revenue before costs. By selling first and buying later, the company can let revenue control the level of costs acceptable to



the company. The support of customers and the building of confidence in the company's ability to deliver the promised product/service is a prerequisite of success in this area. Capital tied up is substantially reduced and the need for financing can also be reduced, at the same time as risks are minimised.

Frequent contact with the customers gives the company pointers to changes in demand. This information functions as an "early warning system" affording the company the opportunity to adapt its business and body of costs in line with the new preconditions.

Risk management

Taking risks is a natural part of all business activity. Which doesn't mean that a company needs to bear all the risks by itself, and there are many ways in which the risks to which the business is exposed can be reduced. Customers, suppliers and other partners who participate in the company's success should naturally also share the risks, or they should be replaced.



The company's core business should comprise those products and services where the company excels and which can form a basis of support for the company's profitability and expansion. Products and services not part of the core business operations should be outsourced to specialists in these areas, with the aim of reducing operational complexity. If the company is focusing on the products and services at which it excels, the total business risk will diminish to reasonable levels.

In a forced development process, the risk of the company exposing itself to too many risks simultaneously increases, the simultaneous success of every single innovation becomes a necessity, and the company's survival is jeopardised thereby. The preferred option is to take one risk at a time, thereby improving control over the risk level to which the company should expose itself.

Reading these principles, they appear reasonably simple and self-evident, but in practice, they can be quite difficult to follow. Equally, some people are unwilling to follow these principles when they discover the practical difficulties involved. Many believe that it is impossible to follow the principles. Every time capital is injected into a company, the level of risk rises and profits usually decline. The reason for this is that management's rock solid focus on the company's business disappears. It simply becomes less important to get money from the customers. Companies splash out on new ventures and on developing the body of costs, whilst allowing the requirement for immediate returns to decline. The money burns a hole in their pocket, but they call it an investment. Companies are less good at listening to what the customers are willing to pay for when they have their own money to spend. All the same, companies need capital. But it must be injected in moderation and with care. Traction's job is to ensure that our clients nurture their capital usage whilst simultaneously exploiting the potential for obtaining external capital.

The most significant aspect of our methodology is that we let the companies develop on the basis of what they have actually succeeded in selling, rather than investing personally on what they believe others will buy in the future. Our heroes are the sales representatives who achieve two key things: they bring money into the company, and they gather information on what is saleable - in principle, on how the products should be developed and designed. Other people's heroes are the people with product ideas who build a company with the aid of a large capital injection. We are not denying that we need ideas and inventions, but we have learned that they have to take second place to the things that the customer will actually pay for. When they don't, the experimentation tends to be very expensive. But as we said, each to their own. We feel that we must emphasise, however, that the entrepreneur ends up with a larger slice of the pie using our method.

Traction' methodology in brief

To create income before expenses

- Sell first, buy later.
- Let revenue control costs.
- Cease activities when funds are low.
- Let customers and suppliers finance development.

To minimise fixed costs

- Cover fixed costs with orders.
- Convert fixed costs into variable ones.
- Do not invest without secure orders.
- Do not recruit without secure orders.
- Outsource and use consultants.

To control and execute the critical and unique aspects of the business

- Every business has a unique core - guard it jealously.
- Product control
- Market control
- Do not allow suppliers and middlemen to take control.

- Stay in direct contact with the end-customers.
- Nurture the brandname and ensure you own it.

To avoid involvement in those parts of the business where others have more expertise

- All businesses include numerous conventional services and skills: there are always other people who specialise in these areas - use them. But use people who know their business and are strong partners.
- Reduce the scope of the business to a core business and expand it later, if possible.

To avoid risks

- Basic activities - something to live on when business is sluggish.
- Take one risk at a time, rather than several simultaneously.

- Combine a unique aspect with the conventional ones.
- Let others share the risks - customers and suppliers. Or refrain.
- Only take the risks that the company can afford.
- Borrow for business, not losses.

To make the most of opportunities

- Sell to one customer, then two, then four - not to everyone at once.
- Find customers who will derive massive benefits from the new product and customers who want to try something new - known as "early adopters".
- Try lots of different approaches, continue with what works and quickly stop whatever doesn't work.
- Let the customer's wishes and willingness to pay determine what the company does.

Traction's formula

The key to Traction's historically good returns is a combination of a number of different profitability factors. Each factor in itself increases the value and/or minimises the risk exposure in Traction's holdings. If all of these factors are successfully combined, the return on capital injected can be very high. Traction's goal is to systematically ensure that the three most important factors, which are components of the model for return shown below, perform well individually, but above all, to create the sought-after combination of factors.

Factor 1:

Asymmetric risk profile

Traction's capital injection 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 the implementation of Traction's capital-extensive business methodology in the portfolio companies. This results in a relatively small capital injection in each respective project, which in turn means a limited risk, at the same time as a small capital base gives rise to a higher return. All we stand to lose is our stake - but the profit can be many times that stake.

Factor 2:

Growth with profitability

When Traction is a company's partner, the goal is always to achieve growth while maintaining profitability. With Traction's participation, it is often possible to accelerate the rate of growth because the entrepreneur/company management has a strong and competent partner at their side - a partner who, in addition to management support, will bring to the company its experience of different types of cooperation, internationalisation, corporate acquisitions etc.

Factor 3:

Revaluation situations

Traction focuses heavily on realising changes in the basis for the valuation of its holdings. Examples include:

- If a company becomes an attractive buy-out target for an industrial investor, the value can be multiplied several times.
- If a company is listed in a marketplace, the value can be multiplied several times whilst simultaneously enabling additional capital to be acquired, and this, coupled with Traction's methodology, increases the chances of long-term growth.
- When a company suffers acute profitability and liquidity problems, its value falls drastically. The revaluation profits to be made by those with the courage to accept the challenge of successful reconstruction work are both very rapid and massive.
- The value of under-capitalised companies with a competent management and interesting projects increases if they are given additional capital. And if it is subsequently possible to steer the company to a higher level, the returns can be extreme.

- The fall in value of over-capitalised companies is less than the amount taken out of them.
- Valuable companies hidden within other larger companies can also be helped to emerge into the spotlight and their value thereby increased.

Result:

High profitability

Each of the above-mentioned factors leads to a growth in value. Traction's job is to ensure that all three factors are combined, leading to a very high return on the capital invested.

Historically, Traction has demonstrated its ability to combine its work alongside the entrepreneurs with its methodology and its skilled Project Managers to achieve a consistently high return over an extended period of time.



Traction's universe

Traction concentrates on several target groups.

Entrepreneurs who:

- Possess the right characteristics, i.e. people who are extremely industrious and resilient, who can get things done, who are simultaneously thrifty and ensure that the customer pays, is satisfied and buys again.
- Are willing to abandon strategic plans in favour of what their external universe (the customer) is willing to pay for, and who are always willing to review their business concept and adapt it on an ongoing basis.
- Believe in our methodology and are willing to work in accordance with its dictates.

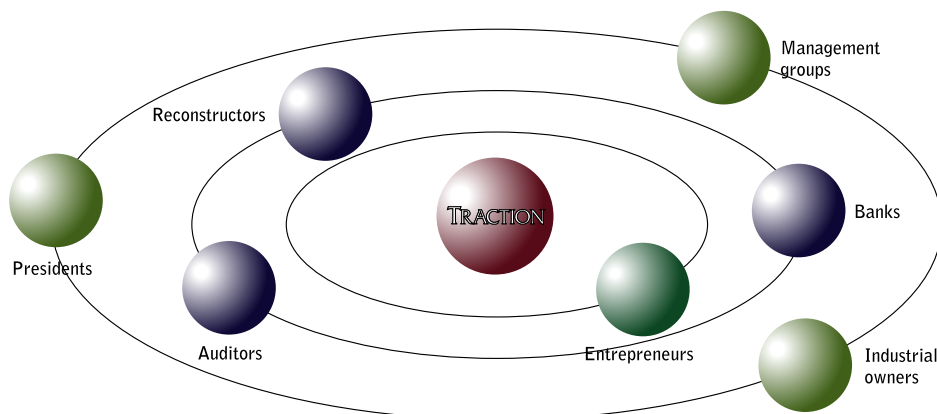
- Run or are planning to start companies with the prerequisites for expansion.

Company managements/ Company Presidents/owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out, winding up sale or acquisition of operations, or generation shift.
- Otherwise need a financially strong owner in conjunction with a major transaction.
- Believe in our methodology and are willing to work in accordance with its dictates.

Banks, reconstruction specialists, auditors etc., who:

- Need support in specific situations when urgent operational measures are needed to reconstruction operations in critical phases of their existence.
- Are looking for a partner with the ability to provide a reconstruction loan to save a business from financial collapse.
- Need a partner with the financial resources needed to enter into a major project.



Business organisation

Traction's business consists of actively participating in the development of our portfolio companies and assisting them in every kind of situation. The focus is on developing and refining companies, using Traction's business philosophy and view of entrepreneurship. Traction's central organisation comprises a group of Venture Managers/Project Managers who are responsible for a number of engagements and who are also tasked with finding new projects. The company has, in addition to its Venture Managers, a smaller finance department. A group of people who work mainly with owner-led companies, i.e. companies in which Traction has a partner who is involved in the operations and who is the major owner in the company, work within the organisation under the banner of Traction Venture.

When necessary, Traction's Venture Managers assume operational responsibility for operation of the portfolio companies in conjunction with management changes or in conjunction with the implementation of change in management projects. Some of Traction's Venture Managers are employed by Traction, whilst others work on a consultancy basis on behalf of Traction. All of Traction's Venture Managers, however, have a broad competence base and Traction is hence able to offer expertise in the fields of sales, marketing, organisation, financial control, legal issues etc. Traction's aim is for each Venture Manager to charge or otherwise generate income for Traction that covers the company's central salary overheads.



Petter Stillström

President and CEO, born 1972, M.Sc. (Business Administration). Worked at Traction since 1999, President and CEO since 2001. Previously worked in Corporate Finance.



Klas Åström

Financial manager, born 1959, B.Sc. (Business Administration). Worked at Traction since 2003. Previously worked in senior positions in accounting and finance.



Claes Gyllenhammar

Senior advisor, born 1945. (LL.B.), worked for Traction since 1983.



Klas Gustafsson

Venture Manager and Head of Traction Venture, born 1966, B.Sc. (Business Administration) and MBA. Worked for Traction since 1998. Previously worked as a business development consultant.



Jan Tidelius

Venture Manager and Executive Chairman of the Board of Ankarsrum Industries, born 1958, Market economist, worked at Traction since 2004. Previously worked in senior positions in IT and telecoms.



Christer Lindqvist

Senior advisor, born 1956, M.Sc (Eng). Worked at Traction since 2002. Previously worked in senior positions in industry and finance.



Ulf Svensson

Venture Manager, born 1968, M.Sc. (Eng.). Worked at Traction since 1998. Previously worked in IT and Project Management.



Anders Norlin

Venture Manager and President and CEO of Svecia Engineering, born 1965, M.Sc. (Eng.). Worked at Traction since 2002. Previously worked in sales and marketing issues in the medical technology sector and the graphics industry.



Magnus Åberg

Venture Manager, born 1970, M.Sc. (Eng.). Worked at Traction since 2002. Previously worked in IT/telecoms, the media and engineering industry.



Håkan Berntsson

Venture Manager, born 1972, M.Sc. (Business Administration). Worked at Traction since 2000. Previously worked in IT and Systems Development.



Mattias Håkansson

Venture Manager, born 1971, B.Sc. (Business Administration) and MBA. Worked at Traction since 2002. Previously worked with sales and marketing issues in the retail trade.



Anders Ekberg

Commercial lawyer, born 1968, LL.B. Worked at Traction since 2004. Previously worked for legal firms.

Project presentation

Traction Venture (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. Traction’s involvement as a business partner enables the entrepreneur to generate the preconditions for profitable growth. We contribute to the development of the company and then sell our stake - preferably together with the entrepreneur - and then - hopefully - realise a healthy profit. The entrepreneur consequently does not make a profit when we move in - they “buy” us in. Several of the companies involved in Traction’s current venture engagements are led by a hired CEO, because Traction’s partner no longer has an operative role of this nature.

ARVAKO SVERIGE AB

Arvako is a successful staffing services company operating in the warehousing, industry, office and administration sectors with branches in Stockholm, Gothenburg and Malmö, offering staffing, recruitment support and contracting services. A constant focus on reliable delivery of the services offered has enabled Arvako to take considerable market shares in 2003 in an otherwise declining market.

The wholly owned subsidiary, Företagspoolen, offers vocational training in the fields of administration, service and tourism, and these courses are offered through the municipal adult education system or as customised company training courses. The Win-Win operating model

offers rehabilitation support for sick-listed individuals, enabling them to return to work through measures that boost their skill levels. The partnership with the National Social Insurance Office in this area has been intensified in 2003 and demand for these services is increasing as the public debate about long-term sick listing grows. For additional information, please see www.arvako.se and www.foretagspoolen.se.



KEY DATA 2003

Turnover	SEK 95 million
Traction’s capital share	17% (votes 34%)
Held since	2000
CEO	Kaj Böving

BANKING AUTOMATION LTD

Banking Automation is a British company that develops, designs and manufactures self-service deposit machines - a sort of reverse ATM - and cash exchange machines, primarily for banks but also for transport companies, shopping malls and the like. The machines are located both as free-standing units within the bank’s premises and as “in the wall” machines that open on to the street, and in unmanned bank branch offices. Banking Automation was founded in 1984 and has an installed base of over 8,000 units with clients that include the leading financial institutions. Sales are via a well-developed network of agents and subsidiaries in the USA. For further information on the company, please see www.banking-automation.com.

KEY DATA 2003

Turnover	SEK 50 million
Traction’s capital share	49%
Held since	1986
CEO	David Tew



BRICAD HOLDING AB

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

- Wholly and partially owned companies involved in real estate management, with properties primarily in the northern Stockholm area. The focus is on bringing about a revaluation of the properties through extensive renovation and leasing to new tenants. The total floor space is around 26,000m². The company's biggest project is VaTellus AB i Vallentuna, which has completed site sales and major rebuilding work projects for new tenants in 2003.
- The biggest owner of Swedish Tool, with approximately 45% (see separate project description).
- Bricad is also the founder and joint owner of BWell AB (46% holding),

which helps to develop companies' staff welfare schemes. For further information, please see the following websites: www.bricad.se, www.swedishtool.se and www.bwell.se.

KEY DATA 2003

Traction's capital share 47%
 Held since 1997
 CEO Bo Richter



SWEDISH TOOL AB

Swedish Tool AB markets and sells machinery, tools and accessories in the fields of machining and reshaping processing in the Swedish engineering industry. The company has a number of agencies for major international brands. The Group also trades in second-hand modern CNC machines and in tool and machinery accessories, via subsidiaries. One of the Group's major competitive profiles lies in its additional ability to provide customers with constructive financial solutions, such as operational leasing. Despite a reduced turnover, the company has successfully increased its market shares in 2003 and is now one of the five biggest tool and machine suppliers in Sweden. For further information, please see www.swedishtool.se.

KEY DATA 2003

Turnover SEK 106 million
 Traction's capital share 29%
 Held since 1997
 CEO Jürgen Engelbrecht

BOMBUS AB

Bombus develops and sells software for editorial multichannel publication - Bombus Headline. The company's target group is newspapers and publishing companies, but it also targets trade and industry as a whole. Bombus Headline gives the customer the professional publicist's ability to update their website or produce their customer magazine. All in the same software package.

Bombus' customers include: Helsingborgs Dagblad, Nya Wermlandstidningen, IDG förlag, Mora local authority, ALMI Företagspartner etc.

Traction has been a joint owner since 2003. For further information on the company, please see www.bombus.se.

GEODYNAMIK AB

Geodynamik develops and markets machine-integrated systems that control the compaction of soil and asphalt surfaces. The compaction process is faster, simpler and more efficient, and the result is documented to enable quality to be assured. Traction has been a joint owner since 1983. For further information, please see www.geodynamik.se.

RECCO AB

Recco markets an avalanche rescue system and sells associated reflectors, both to the sporting goods retail trade, and for inclusion in ski boots and skiwear. The system is internationally established at around 300 leading ski resorts.

Traction has been a joint owner since 1998. For further information, please see www.recco.com.

SIGICOM AB

Sigicom is a consultancy and development company in the field of monitoring technology. The company's hi-tech quality products and software are used to solve monitoring technology problems, mainly in the areas of vibration, sound and temperature, for industrial and service companies. Sigicom develops and supplies its own monitoring and communication platforms, and OEM products. The products are characterised by a platform-based approach and modular concepts.

Traction has been a joint owner since 1997. For further information, please see www.sigicom.com.

TBOOK HOLDING AB

Easy T AB changed its name during the year to TBook Holding AB, which is the parent company of TBook Software AB. TBook Software develops systems and functions for the online sale and distribution of flight tickets. The company has developed its own software, such as TBook™ and TRes™, which is sold to regional airlines and travel agencies. The UK-based travel agency operations of the Steamond Ltd subsidiary were sold during the year as part of the process of streamlining the company. TBook Holding AB is traded unofficially through BeQuoted.

Traction has been a joint owner since 1998. For further information on the company, please see www.tbook.se.

TVÅ ÖGON AB

Två Ögon markets and sells eye-glasses. In-house designed and manufactured reading glasses are sold via various store chains and opticians under the Grett brandname. The products are also exported to the Netherlands, Iceland, Norway and Finland. Två Ögon is the Swedish agent for Hugo Boss Eyewear, HUGO, Aristar and Esprit Eyewear, whose products are sold mainly through opticians in Sweden.

Traction has been a joint owner since 1996. For further information, please see www.tvaogon.se.

Wholly and majority owned engagements

These engagements normally require more operational work by Traction than out and out venture engagements. They are often turn-around projects, reconstructions, management buy-outs, buy-ins etc. Our principals may be banks, reconstructors, large corporations, "old" owners or management. The chief executive is usually an employee, but often participates in incentive programmes/bonus systems. Precisely as with other projects, our work is based on Traction's business methodology and approach to entrepreneurship. Essentially, Traction uses the same model for all investments, but the relationship with the corporate management differs significantly when the primary responsibility lies with us.



ANKARSRUM INDUSTRIES AB

Ankarsrum Industries AB is the parent company of the Ankarsrum Group that was formed during the year through the incorporation of Ankarsrum Motors AB. The incorporation gives Ankarsrum's various business areas, namely Universal motors, DC motors and Subcontracted Die Casting, an identity of their own and hence the ability to market their products and services more clearly to their customers than was previously the case.

The Group is now one of the leading independent European producers of medium-sized electrical motors, and develops, markets and produces universal and DC motors in the outdoor products, household appliances, actuator and welding equipment application fields. The Group is

also Electrolux's OEM supplier of the Electrolux Assistant food processor.

The sales capacity of the universal motor company has been substantially reinforced during the year. This has taken the form of, inter alia, a new Sales Director and a Sales Engineer based in the USA. The aim being to boost the marketing of the Group's high quality universal motors and the expert applications know-how that the Ankarsrum Group can offer.

The Group's DC motor company has reported a stable profit performance during the year, with good levels of demand for its welding machinery application products. Marketing during the year has focused on efforts to extend the customer base to new industrial applications. The Group's die casting company, which is primarily a

subcontractor for customers in the Swedish market, has concentrated its activities during the year on increasing external sales.

For further information on the Group, please see www.ankarsrum.com.

KEY DATA 2003

Turnover	SEK 159 million
Traction's capital share	100%
Held since	2001
CEO	Hans Alsteryd

GNOSJÖ PLAST AB

Gnosjö Plast, located in the Småland town of Gnosjö, supplies plastic components made using injection moulding and blow moulding techniques. The biggest customers are the automobile industry, but other major customers include manufacturers of garden machinery and medical technology.

Gnosjö Plast suffered a fall in volumes during the year as a result of the general market downturn, leading to a volume-driven deterioration in the company's results. Measures designed to adapt the body of costs to the current income level have been approved and are currently being implemented. The company has also

changed its executive management during the year and the focus is now on making constant improvements in the productivity of the production process.

There is good potential for substantial growth in the company using existing capacity, and the company gained a major blow moulding operations order for a gardening segment customer during the year. At the end of the year, the company gained a further major order for another company in the gardening segment for both blow moulding and injection moulding work.

The company currently has interesting outstanding quotations in both the Automotive segment and other industrial sectors.



KEY DATA 2003

Turnover	SEK 117 million
Traction's capital share	55%
Held since	2001
CEO	Bengt Forsmann

SILVA PLASTIC CENTER AB

The company, which was acquired from Silva Sweden AB during the year, is a flexible supplier of injection moulded plastic components with stringent finishing requirements to Swedish white goods producers, manufacturers of protective equipment, store décor suppliers, instrument manufacturers, etc.

The company also has an assembly department that supplies complete assembled store display modules. The company's operations also include tool production activities, which have plenty of work in hand. These operations are important if the company is to be able to function as a turnkey supplier of the company's customers.

A new executive management has been appointed in conjunction with the acquisition and sales efforts have been intensified. This has resulted in a number of orders, albeit small scale ones. The number of

outstanding quotations has increased during the year and includes various larger scale business opportunities.

The company's marketing and technology profile complements that of Gnosjö Plast, and the companies are increasingly striving to coordinate their resources in the fields of administration and sales.

For further information on Silva Plastic Center, please see www.spc.se.

KEY DATA 2003

Turnover	SEK 56 million *
Traction's capital share	55%
Held since	2003
CEO	Peter Friedrichsen

*) 9 months



SVECIA EAST Ltd

Svecia East Ltd is an independent trading company that markets both the Svecia brand-name and other machine product suppliers of screen printing equipment, and which sells consumables in the Chinese and south east Asian markets. Svecia East Ltd is a distributor for several European suppliers and sells products to various screen printing industries, such as the circuit board, CD and general graphics industries. The company is based in Hong Kong and has 9 employees.



SVECIA ENGINEERING AB

Svecia has developed and manufactured printing presses and other screen printing equipment ever since its foundation in 1948. Svecia’s customers come from the graphics, manufacturing industry and glass industry sectors. Svecia is one of the world’s leading suppliers of this equipment and over 5,000 of the total of 16,000 screen printing machines supplied are still in operation.

The global market for screen printing presses has declined sharply during the year under strong pricing pressure, and the company consequently decided during the year to wind up its own press manufacturing operations in Sweden in 2004 and to seek production alternatives in low-cost countries through closer cooperation with its sister company, Svecia East Ltd.



TOLERANS AB

Tolerans is a market-leading company that develops and manufactures high speed rotation staplers for newspaper and bookhouses. The company continued with its new generation of staplers, Speedliner, during the year, attracting considerable attention in the market. Sales are made globally via printing presses, such as Heidelberg and MAN Roland, and via an extensive international network of agents. The market for staples is steadily growing, in that newspaper printers worldwide are increasingly going over to or complementing their newspaper production with tabloid format publications. The success of

free newspapers in recent years have also boosted the growth in the staples market. For further information on Tolerans, please see www.tolerans.com.



KEY DATA 2003	
Turnover	SEK 52 million
Traction’s capital share	100%
Held since	1995
CEO	Michael Kroon

Ownership policy for listed companies

The following points summarise Traction's ownership policy for listed companies. Traction's ownership policy in unlisted companies, where we have a partner, is controlled by a partnership relationship, in which context the following rules are not applicable.

- A company shall always be run on behalf of its owners and to afford the maximum possible return for those owners.
 - A principal owner has the ultimate responsibility and the authority to initiate changes to operations, business concepts, the company's management, the composition of the Board, major transactions and acquisitions.
 - A principal owner should consult with other major owners and explain the owners' intentions to the Board of Directors and corporate management, and ensure that proposal of new board members are presented to the Board.
 - The Board of Directors and management shall also gather and take on board the intentions of the owner and work in line with the specified orientation.
 - Takeover bids, mergers and major acquisitions should primarily be handled by the principal owner.
 - A principal owner may not favour him or herself at the expense of the company, but shall be entitled to reasonable compensation for his participation in the management of the company.
 - In the absence of a principal owner, the major owners should consult and formulate a form of corporate governance to compensate for the lack of a principal owner.
 - In the absence of a principal owner or group of major owners who take responsibility, it shall be incumbent upon the Chairman of the Board, with the aid of the Board of Directors, to compensate for the lack to the best of his or her ability.
 - The Board of Directors should comprise persons with large personal shareholdings and other persons who can contribute to the development of the company, and who have the time to be actively involved.
 - The composition of the Board of Directors should be such that it includes numerous different skills, experiences and contact interfaces.
 - Traction wishes to see a business-like and active Board of Directors, that knows its company and its business environment well, and that can complement and support the Chief Executive. The Board of Directors shall take critical decisions regarding the company's strategies, orientation, major transactions and other significant events.
 - The Board of Directors shall exercise proper control over the company's finances, risks and opportunities. The Board of Directors works on behalf of the owners.
 - Traction wishes, at all times, as a major owner, to participate in both formal and informal nomination committees.
 - The nomination committee shall be composed solely of representatives of the owners. If ownership ceases, the representative in question should immediately resign from the nomination committee.
 - Traction wishes at all times to appoint at least one Member of the Board to companies in which Traction has a major shareholding, and, when Traction is the principal owner, the Chairman of the Board.
 - Traction intends, at all times and in all companies, to implement Traction's business development methodology and expects other Board Members and corporate managers to work along the same lines.
 - The Board of Directors in its entirety is responsible for the terms and conditions under which the CEO is employed.
 - The company shall have zero tolerance for unlawful actions.
- The CEO's terms and conditions of employment should adhere to these principles**
- A reasonable basic salary and bonuses for a good performance.
 - Terms and conditions should be negotiable, both upwards and downwards, usually on an annual basis.
 - Notice periods should not exceed six months and golden parachutes should definitely not exist.
 - In the event of breaches of trust, gross mismanagement or other financial improprieties, the CEO shall be dismissed with immediate effect and with no compensation.
 - The CEO should preferably be a major joint owner of the company.
 - Pension terms and conditions should only amount to an annual cost for pension insurance, without any pension risk to the company, and should, of course, be reasonable in scale.
 - The CEO should devote all of his or her working hours to the company and should not hold other positions. If an exception is granted, any compensation shall be deducted from the CEO's contractual remuneration from the company.

Listed holdings

Associated companies

Traction's expansion has also afforded us the opportunity, in recent years, to use our capital for share investments in the stock market. We invest in companies where we can see substantial revaluation potential and a limited risk. Other deals may involve our underwriting new share issues in companies that are well-positioned in interesting industries. Traction was already involved in many of the following companies before their public listing, and we were also actively involved in their respective listing processes.

ACADEMEDIA AB

AcadeMedia provides interactive know-how solutions and training in the field of modern media technology. The training activities are conducted under the umbrella of the AcadeMedia Education business area, whose product offering includes corporate training, KomVux municipal adult education, and vocational training within Masters of Media. Through AcadeMedia NextWork, the company supplies training solutions to labour market measures, focusing on achieving matches between job seekers and job opportunities, job seeker training, and practical work experience. AcadeMedia Learning Consulting engages in consultancy operations for interactive know-how solutions, supplying customised solutions that help boost the efficiency of the customers' processes, e.g.

in connection with product launches or personnel introduction programmes.

AcadeMedia also has a 70% holding in the spin-off project, Recall, which supplies technology for the distribution of digital media. The market, primarily for Streaming Media, has been very weak in 2003, but the company has countered this with a strong focus on costs.

The company has implemented extensive cost-cutting measures during the year, primarily in the field of staff overheads, but also by cutting premises-related costs. The market has weakened in the corporate sector during the year, whilst the operations focusing on public sector financed training has grown. Overall, the company has reported a poor result for the year, but the result did improve significantly towards the end of the year. AcadeMedia is traded on the O-list of



the Stockholm Stock Exchange. For further information, please see www.academedias.se or the company's own published reports.

KEY DATA 2003

Turnover	SEK 82 million
Traction's capital share 35% (votes: 38%)	
Held since	1994
CEO	Lars G Mattsson



KEY DATA 2003

Turnover	SEK 1.5 million
Traction's capital share (convertible)	
..... 10% upon full conversion	
Held since	1999
CEO	Claes Thulin

BIOPHAUSIA AB

BioPhausia is a "Speciality Pharmaceuticals" company. The marketing company, BMM, operates in three business areas: Niche Products, Generic Pharmaceuticals and Original Pharmaceuticals. The Niche Products category includes products intended for use in specialist hospital care. General Pharmaceuticals refers to alternative pharmaceutical products to original pharmaceuticals, often with a clear price advantage. The Original Pharmaceutical business area includes the company's own and licensed in products.

BioPhausia's growth strategy is based on the continued licensing in of pharmaceuticals for marketing and sale in the Nordic region, and on the establishment of partnerships with biotechnology compa-

nies in order to develop new original products. The company conducts no research of its own.

The marketing company, BMM, has signed agreements with several manufacturers of generic pharmaceuticals in 2003. Work is proceeding on the licensing in of additional identified products. A new share issues, which yielded just under SEK 40 million for the company, was also implemented in 2003, and the outstanding convertible debenture loan has been refinanced, involving the postponement of the conversion date to January 2007 and the adjustment of the conversion rate.

BioPhausia is listed on the O-list of the Stockholm Stock Exchange. For further information, please see www.biophausia.se or the company's published reports.

DUROC AB

Duroc owns and develops businesses whose business concept and products can be refined using Duroc technology. Duroc technology is a collective name for the technical and scientific areas that form the basis for the development and manufacture of products based on the surface refinement of materials and components with the aid of laser technology and associated system solutions. Duroc optimises the performance of metal surfaces with regard to wear, friction and corrosion.

Duroc exploits Duroc technology in a number of market segments. Duroc Energy supplies Duroc-refined products for the power and processing industry. Duroc Tooling develops and manufactures sheet-forming tools. Duroc Rail supplies the railway industry with goods and services, and has owned 20% of the German firm, Leipzig Rail Service GmbH, since 2002.

The wholly owned subsidiary, Swedish Saw Blades, produces and sells saw blades.

KNOW IT AB

Know IT AB is a company operating in the IT consultancy industry. The business concept entails strengthening the customers' competitiveness by developing and managing customised, business-critical IT solutions. The company's operations largely comprise system development and system management in a number of technology spheres where the company's consultants have in-depth competence. Assignments are usually carried out on the premises of the customer, who often lead and control the project. Know IT also accepts functionality undertakings or turnkey responsibility for delivering solutions that meet the customer's requirements. This means that for these assignments, the company takes responsibility

KEY DATA 2003

Turnover	SEK 295 million
Traction's capital share	28%
Held since	2001
CEO	Anders Nilsson



Products are exported to a number of European countries and to South America and South East Asia. Duroc owns 45% of Impact Coatings AB, which has specialised in the development of processes and production technology in the field of thin-film coatings.

Duroc is listed on the O-list of the Stockholm Stock Exchange. For further information on Duroc, please see the

company's official Annual Report and its website, www.duroc.se.

KEY DATA 2003

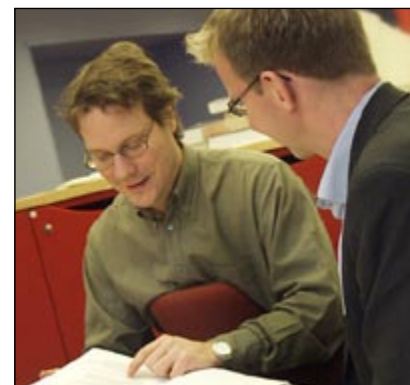
Turnover	SEK 213 million
Traction's capital share	14% (votes: 34%)
Held since	1993
CEO	Erik Albinsson

for implementing the entire project, from requirement definition and draft solutions, through implementation and testing, to delivering the right quality at the right time. These projects are staffed and led in their entirety by the company's consultants. Know IT also offers strategic IT consultancy to corporate managements, on the basis of its in-depth technical competence. The consultancy assignments generally entail strategic and technical investigations and quality and architecture-related issues.

The company has acquired a new CEO during the year in the form of Anders Nilsson, formerly a Business Area Manager within the company. The market has continued to be weak during the year, but their ability to deliver systems with clear customer benefit plus cost control have enabled the company to improve its results still further and to increase its profitability. In this difficult market, customers are increasingly focusing on framework agreements, and Know IT has signed a number

of framework agreements with major organisations during the year.

Know IT's customers usually come from the Telecoms, Banking, Finance and Insurance sectors and the Public Sector. The company has eleven regional offices in Sweden, with some emphasis on the northern part of the country. The biggest offices are in Stockholm and Sundsvall, Know IT is listed on the O-list of the Stockholm Stock Exchange. For further information, please see www.knowit.se or the company's own published reports.





THALAMUS NETWORKS AB

Thalamus Networks offers, through cooperation with specialists, communication solutions and services that meet stringent performance and safety requirements, thereby laying the foundations for intelligent living. Thalamus Networks is amongst the operators with the most in-depth experience of Internet connection via broadband and has the longest-term operating experience in Sweden.

Market development during the year was considerably weaker than anticipated. The Fiberdata organisation has been adapted in line with the new conditions, and 35 or so people have consequently left the Group. The Thalamus and Fiberdata operations have also, with effect from the fourth quarter, been integrated into a new regional organisation with clear profit responsibility and decentralised decision-making powers. Fiberdata has been operating as a system integrator for 21 years now and has a well-established market position. The holding in TurnIT was substantially reduced this year and investments were made in the ProAct IT Group. The holding in ProAct has been divested completely in 2004.

Thalamus is traded on the O-list of the Stockholm Stock Exchange. For further information, please see www.thalamus.se or the company's own published reports.

KEY DATA 2003

Turnover	SEK 255 million
Traction's capital share	35%
Held since	1997
CEO	Jan Norman

Listed holdings – Other active holdings

HALDEX AB

Haldex, whose roots go back to 1887, has developed, via its original precision mechanics operation and subsequent production of mechanical components for brake systems, into an innovative and rapidly growing supplier of the world's automotive industry. The operations focus on vehicular products that improve the vehicle's safety, the environment, and driving characteristics.

Haldex supplies in-house developed systems and components world-wide and operates within four technology and operational areas:

HALDEX COMMERCIAL VEHICLE SYSTEMS – *Compressed air braking and suspension systems for commercial vehicles.*

The operating sphere includes virtually all subsystems and products that make up a complete braking system, and is organised into four product divisions:

- Air Management focuses on generating and managing the system's compressed air;
- Brake Controls concentrates on the subsystems that regulate the vehicle's behaviour in braking situations;
- Foundation Brake specialises in wheel brake products that achieve the actual wheel braking effect;
- Friction Products, which works with the friction materials that coat the brake pads.

The Division sells to both OEM customers and aftermarket distributors through its own regional sales organisations. The global market share in this subsidiary market that can be served by Haldex's combined product programme in the brakes field, is estimated at approximately 15%.

HALDEX TRACTION SYSTEMS – *All Wheel Drive systems for cars.*

Haldex was the first to introduce an electronically controlled all wheel drive system on to the market, providing better stability and hence increased safety in various driving situations. The first deliveries began in the



autumn of 1998 and Haldex has rapidly achieved a leading position in the electronically controlled all wheel drive system segment.

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

Customers comprise the world's various manufacturers of forklift trucks, construction equipment, mobile work platforms, trucks and diesel engines. The market share of the market served, given the current product programme, is estimated at approximately 15%.

HALDEX GARPHYTTAN WIRE – *Special spring wire for combustion engines.*

Customers comprise the world's manufacturers of springs for engines and certain engine manufacturers. Haldex is the market leader in this specialised niche, with a market share of approximately 30%.

Haldex's financial goal is to grow by at least 6% per annum, and to achieve an average return on capital employed over an economic cycle of at least 15%. Turnover increased during the most recent 10-year cycle (1993-2003) by an average of 12% per annum, and the average return on capi-

tal invested was 16%.

A breakthrough order for disc brakes was won from Volvo Trucks/Renault in 2003. Land Rover chose Haldex's all wheel drive system and supplementary orders were received from Volvo Cars and VW. Haldex is listed on the A-list of the Stockholm Stock Exchange. For further information on Haldex, please see the company's official Annual Report and its website, www.haldex.com.



KEY DATA 2003

Turnover	SEK 6 036 million
Traction's capital share	11%
Held since	2001
CEO	Claes Warnander

JC AB

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

Jeans & Clothes

Target group, aged 14-25, market leader for jeans, accounts for approx. 60% of JC's total turnover.

Boys & Girls

Target group aged 6-13, accounts for approximately 20% of JC's total turnover.

Brothers

Target group, men aged 20-45, accounts for approximately 15% of JC's total turnover.

Sisters

Target group, women aged 20-45, accounts for approximately 5% of JC's total turnover.

Store operations entail both franchising and the company's own stores for all

SOFTRONIC AB

Softronic is one of Sweden's leading IT and management companies. The business concept entails being a change partner for its customers. Softronic takes an holistic view of change, which means that the company can support its customers in everything from strategy and structure (organisation, processes, and IT) to human change. The Group comprises specialist companies, each of which strives to be the leader in its sphere of competence. Consultus, who are experts in Change Management, are a prime example of this. Softronic's IT partner operations have 18 years' experience of supplying business critical IT solutions using modern techno-



concepts. This combination has created a strong underlying income stream, whilst franchising has enabled the company to expand more rapidly than would otherwise have been possible.

An ongoing costs action programme has been implemented during 2003 and there has been a continued focus on the product and product range side of the busi-

ness, together with test launches of new store concepts.

KEY DATA 2003

Turnover	SEK 1 719 million
Traction's capital share	13%
Held since	2002
CEO	Thommy Nilsson



logy and of a high standard. The business is known for taking turnkey responsibility, from requirement analysis and development of business critical solutions, to implementation and operation. Investment funds and insurance, Transport, logistics

KEY DATA 2003

Turnover	SEK 231 million
Traction's capital share	19% (votes: 12%)
Held since	2001
CEO	Anders Eriksson

and forwarding, Membership organisations, the Retail trade, Medical, Public sector administration, and Schools are just some of the areas in which the Softronic Group operates. Softronic is listed on the O-list of the Stockholm Stock Exchange. For further information on Softronic, please see the company's official Annual Report at its website, www.softronic.se.

Traction from an investor's perspective

Traction's share of turnover and the number of employees in our holdings breaks down as shown in the table below.

	No. companies	Turnover (SEK m)	No. employees	Traction's share	
				Turnover (SEK m)	No. employees
Wholly and majority owned holdings	6	421	458	343	371
Minority owned holdings (turnover > SEK 50 m)	3	251	280	70	62
Other unlisted shareholdings	7	46	28	20	11
Listed associated companies	4	845	727	230	196
Other listed shareholdings	3	7 986	4 920	931	569
TOTAL	23	9 549	6 413	1 594	1 209

Equity including hidden reserve in listed holdings

	Value, SEK m	% of total	SEK per share
<i>Subsidiaries</i>			
Ankarsrum Industries			
Gnosjö Plast			
Silva Plastic			
Tolerans			
The Svecia companies			
Total, subsidiaries	57¹	9,0%	10,34
<i>Listed associated companies</i>			
Academedial	10	1,6%	1,81
Duroc	9	1,4%	1,63
KnowIT	37	5,8%	6,71
Thalamus Networks	64	10,1%	11,60
Total, listed associated companies	120	18,9%	21,76
<i>Other listed shareholdings</i>			
Haldex	256	40,3%	46,42
JC	39	6,1%	7,07
Softronic	24	3,8%	4,35
Total, other listed active holdings	319	50,1%	57,84
Other listed shares	33	5,2%	5,98
<i>Other unlisted associated companies</i>			
Arvako Sverige			
Banking Automation			
Bricad Holding			
Swedish Tool			
TBook Holding			
Total, other unlisted associated companies	32¹	5,0%	5,80
Associated companies as per acquisition value	7 ^{1,2}	1,1%	1,27
Liquid assets, central companies	68	10,7%	12,33
TOTAL	636	100,0%	115,32

1) Not market-valued holdings, only booked at book value.

2) The acquisition value method does not reflect Traction's initial investment - see Accounting Principles

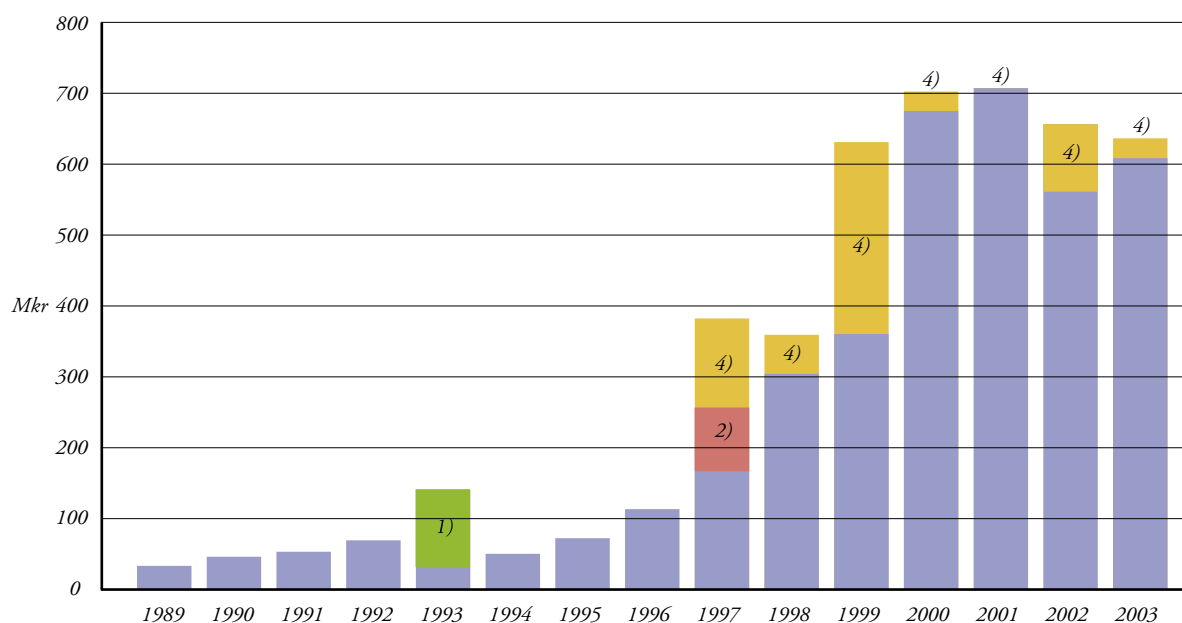
Traction's return

Traction has generated a high return on equity in relation to the Stockholm Stock Exchange's other companies. Traction's equity is, however, valued at a discount. It has been said by some that our profits are disliked because, formally speaking, they constitute capital gains. But for us, our profits are genuine and comprise the business in which we are engaged. The return varies over time, as the result primarily occurs in conjunction with a sale and not during the period when we are working with a specific project. Anyone attempting to value our existing portfolio will not obtain a true picture of the state of affairs.

Return on visible equity, after tax

10-year data	Annual return	Year
Worst year	-6%	03
Best year	101%	93
10-year average	29%	94-03
5-year average	22%	99-03
Traction's goal	25%	Ø all years

Equity performance



3) Distribution to shareholders, SEK m:

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

4) Hidden reserve, SEK m:

- - - - - - - 128 55 270 -27 -3 -95 28

1) Dividend paid, 1994.

2) A new share issue occurred in 1997, yielding just under SEK 90 million in equity for the company.

3) The term, distribution to shareholders, refers to dividends paid on and buy-back of the company's own shares.

4) The term, hidden reserve, refers to the difference between the book value and the market value of listed holdings..

15-year overview of Traction

SEK m	1989	1990	1991	1992	1993	1994
Income Statement						
Operating income	188	230	112	126	111	67
NET RESULT	3	13	7	16	71	19
Balance Sheet						
Shares and participations	8	18	18	40	41	40
Other fixed assets	78	118	61	73	59	35
Current assets	95	106	76	82	47	76
Liquid assets	10	27	28	63	104	18
TOTAL ASSETS	191	269	183	258	251	169
Shareholders' equity	34	47	54	70	141	51
Restructuring reserve and negative goodwill	16	59	22	24	21	23
Managed venture capital ³	19	49	47	70	24	16
Long-term liabilities	51	54	33	34	36	13
Current liabilities	71	60	27	60	29	66
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	191	269	183	258	251	169
Key ratios						
Percentage venture capital, %	36	58	67	64	74	54
Equity/assets ratio %	18	17	30	27	56	30
Return on equity, %	10	38	15	30	101	23 ¹
Equity per share, SEK	7	10	12	15	31	11
Earnings per share, SEK	1	3	2	3	16	4
Dividend per share, SEK	-	-	-	-	24,00	-
Dividend yield, %						
P/E ratio, multiple						
Market price at year-end, SEK						
Market price/equity, multiple						
No. shares at year-end, 1,000	4 600	4 600	4 600	4 600	4 600	4 600
Average no. shares, 1,000	4 600	4 600	4 600	4 600	4 600	4 600

Internal restructuring has been taken into account in the above summary.

Fotnoter

- 1) A dividend payment of SEK 110 million made in the middle of the year has been taken into account when calculating the return on equity for 1994 (23%).
- 2) A new share issue occurred in 1997, yielding just under SEK 90 million in equity for the company.
- 3) The item includes loans on shares in profits and minority holdings.

1995	1996	1997	1998	1999	2000	2001	2002	2003
143	143	351	373	392	394	410	441	434
22	41	54	48	60	351	23	-19	-38
18	110	191	145	228	573	439	549	486
29	10	23	53	51	43	171	141	134
56	41	173	250	223	213	270	142	127
50	33	48	34	47	46	184	55	81
153	194	435	482	549	875	1064	887	828
73	114	257 ²	305	361	703	708	657	609
4	-	13	11	1	-	71	48	23
5	4	7	6	6	14	13	5	3
13	-	41	47	44	39	62	69	48
58	76	117	113	137	119	210	108	145
153	194	435	482	549	875	1064	887	828
54	61	64	67	67	82	74	80	76
48	59	59	63	66	80	67	74	74
43	56	36	19	20	97	3	-3	-6
16	25	45	54	64	125	127	119	110
5	9	11	8	11	62	4	-3	-7
-	-	-	0,70	0,35	3,15	3,85	1,50	2,40
			1,3	0,5	3,0	3,7	1,9	3,0
		9	6	7	2	21	Neg	Neg
		97	53	74	106	105	79	81
		2,16	0,98	1,16	0,85	0,83	0,66	0,74
4 600	4 600	5 670	5 670	5 670	5 616	5 589	5 515	5 515
4 600	4 600	5 042	5 670	5 670	5 658	5 592	5 547	5 515

DEFINITIONS

Percentage venture capital	The sum of equity, the restructuring reserve, negative goodwill and managed venture capital as a percentage of the Balance Sheet total.
Equity/assets ratio	Equity as a percentage of the Balance Sheet total, excluding minority interests.
Earnings per share	Net result divided by the average number of shares during the year.
Equity per share	Equity at the year-end divided by the number of outstanding shares at the year-end.
P/E ratio	Price divided by earnings per share.
Return on equity	Net result as a percentage of equity at the beginning of the year.

A small selection of transactions over the past five years

A small selection of events in recent years. In reality, there are also numerous smaller events, some of which may subsequently prove to be very important.



1999 Traction turns 25. The shares in CMA were sold at a good profit. Traction underwrote equity offerings in AcadeMedia and Duroc. Obtained additional shares in Thalamus Networks in conjunction with a withdrawal 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 a convertible debenture issue in Biophausia, in which context Traction subscribed for convertible debentures corresponding to 14% of shares after full conversion. Augmented holding in Kjessler & Mannerstråle and Recco. Holdings in Itca Holding, Skandinaviska Salutorget and Target Games were divested. The shares in Ögonlasern were sold. More shares in Thalamus Networks were subscribed for and a smaller lot was sold.

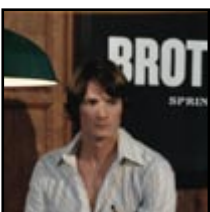


2000 AcadeMedia bought BIG, Business Intelligence Group, sold its holding in Epic Multimedia, yielding a huge capital gain, and implemented a rights issue for SEK 100 million. The holdings in PC Card International, Executive Entertainment and Mobilsystem were sold. A receivable was converted to shares in Biophausia. Reduced the holding in Thalamus Networks, yielding a substantial capital gain. Thalamus Networks made an equity offering for SEK 250 million and was listed on the O-list of the Stockholm Stock Exchange. Invested in Arvako Företagspoolen and RealeX Communications. A bid was made for all outstanding shares in Kjessler & Mannerstråle, but the bid was withdrawn when it was rejected by KM's second largest owner. Subsequently accepted a cash bid from J&W, which contributed to the year's good results. Increased the holding in Bricad Holding. Sigicom implemented a private placement. Participated in a new share issue in Swedish Tool ahead of an acquisition in January 2001. Sold the shares in MedMera Distribution and received shares in Gandalf (JLT Mobile) in payment. Liquidation of Tempelman AS began. Wound up Fast Forward and Lobbit. Became the largest shareholder in Haldex and one of the biggest owners of Ångpanneföreningen. Traction's share is 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, yielding a minor capital loss. Wound up the engagements in Sone-ruds Maskin, Berg & Hav, RealeX Communications and Hagakure Network. Sold the shares in Ångpanneföreningen to Sweco, boosting the profits considerably. Petter Stillström was appointed CEO. Underwrote new share issues in Know IT and Softronic and became a major owner in both companies. Increased the holdings in AcadeMedia and Thalamus Networks by buying shares on the Stock Exchange. The associated company, AcadeMedia, acquired a small holding in its industry





colleague, M2S, in an attempt to participate in a reconstruction of the heavily indebted company. This failed and M2S was declared bankrupt. The associated company, Swedish Tool, grew through the acquisition of Vislanda Maskin, Bonthron & Ewing and Bergander Karlson Maskin. Acquired all shares in Ankarsrum Motors (formerly known as FHP Elmotor AB) from Electrolux. Acquired Gnosjö Plast from the Lear Corporation in partnership with a group of private individuals. Acquired EDN Storage Technology and Karlberg & Karlberg from the listed company, Gandalf (JLT Mobile). Substantial profitability problems in Svecia had a strongly negative effect on the result for the year.

2002 Participated in a new share issue in Biophausia. Svecia was declared bankrupt during the spring and Traction acquired the assets from the official receiver in bankruptcy. The bankruptcy had a strongly negative effect on the result, and Traction consequently reported a loss. Sold the shares in Jalmarsson & Thias. Wound up the holdings in azign Management and EDN Storage Technology. The associated company, Promecta, was declared bankrupt due to extensive fraud in the Polish subsidiary. Became the biggest shareholder in JC through the purchase of shares on the Stock Exchange. Realised substantial exchange rate profits in USD. An Ericsson debenture loan due in 2009 was acquired. The holdings in Academedia and Thalamus Networks increased during the year. The associated company, Thalamus Networks, acquired Fiberdata from Turn IT. Thalamus also underwrote a new share issue in Turn IT and thereby became the biggest owner in the company. Decided to wind up the operations of the subsidiary, Maxitech, after its largest customer abandoned the company after first refusing to honour a long-term delivery contract. Bought a small holding in Ticket and became the company's third largest owner.

2003 Acquired, together with other private partners in the Gnosjö plastics group, Silva Plastic Center from Silva Sweden AB. Acquired a large holding in Semcon. Sold the holding in FAB Valhalla, together with the wholly owned subsidiary, Sweden Table Tennis (STT), at a good profit. The associated company, Thalamus Networks, acquired a major shareholding in ProAct and sold the majority of its shares in TurnIT. The subsidiary, Berganova AB, sold a property in Åkersberga with a capital gain of SEK 7 million. Sold the shareholding in Ticket. Improved the terms of the convertible loan to Biophausia. Became a joint owner of Bombus. The reserve in listed holdings increased during the year by SEK 123 million. Substantial restructuring costs in the wholly and majority owned companies had a negative effect on the result.

The Traction share

The share capital in Traction totals SEK 5,670,000, spread over 5,670,000 shares, 800,000 and 4,870,000 of which are class A and class B shares, respectively. One full lot corresponds to 100 shares. Every share has a nominal value of SEK 1. Every share grants equal entitlement to the company's assets and profits. Class A and class B shares grant entitlement to 10 votes and 1 vote, respectively, at general meetings of the company. Every person entitled to vote at general meetings of the company may do so for the full number of shares owned and represented by him or her, with no limitation on the voting rights.

Evolution of the share capital

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

Traction has conducted business since 1974. A new parent company was, however, created in 1994. There are no convertible debentures, warrants or other outstanding securities that could result in an increase in the number of shares. The Board of Directors has, however, been authorised by the 2003 General Meeting of the company to decide, on one or more occasions, to make an equity offering of a maximum of 1,000,000 class B shares, without regard to the preferential rights of shareholders. The Board was also authorised, for the period up to the next Annual General Meeting of the company, to acquire a maximum of the number of shares that would correspond to one tenth of all shares in the company. The Board has proposed that these authorisations be extended, which matter will be dealt with at the Annual General Meeting to be held on 29th April 2004. See the table below for details of the buyback of the company's own shares.

Buyback of the company's 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%
2003	–	–	–
Total	155 000	16 008 850	2,73%

Shareholders

	Class A shares	Class B shares	Total	Percentage of capital, %	Percentage of votes, %
Ann Stillström	155 000	1 659 000	1 814 000	32,9%	25,2%
Bengt Stillström	155 000	1 658 150	1 813 150	32,9%	25,2%
Nivå Två AB *	340 000	166 820	506 820	9,2%	28,1%
Länsförsäkringar Småbolagsfonden		231 550	231 550	4,2%	1,8%
Petter Stillström and companies	150 000	73 000	223 000	4,0%	12,4%
Claes Gyllenhammar and companies		44 850	44 850	0,8%	0,4%
Skogby & Åberg AB		36 350	36 350	0,7%	0,3%
N.G.L. Förvaltning AB		32 300	32 300	0,6%	0,3%
Bengt Månsson		29 450	29 450	0,5%	0,2%
Traction Nouveau ABs Pensionsstiftelse		28 700	28 700	0,5%	0,2%
Hanna Stillström		27 700	27 700	0,5%	0,2%
Fredrik Craaford		25 000	25 000	0,5%	0,2%
Spiltan & Pelaro Aktiefond		24 300	24 300	0,4%	0,2%
Åke Svensson		21 000	21 000	0,4%	0,2%
Bengt-Arne Vedin		20 400	20 400	0,4%	0,2%
Other shareholders		636 430	636 430	11,5%	4,9%
Summa	800 000	4 715 000	5 515 000	100,0%	100,0%

*) Nivå Två AB is owned by the Stillström family.

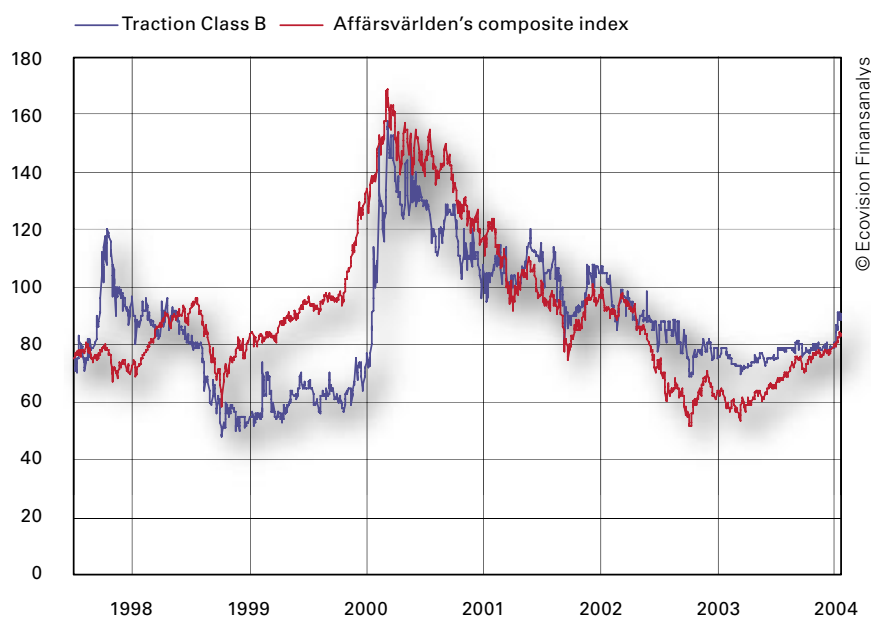
On 31st December 2003, Traction owned 155,000 shares, corresponding to approximately 2.7% of the share capital and 1.2% of the votes. These shares have been excluded from the list of shareholders on the preceding page and the table below.

No. shares per shareholder

	Number of owners	Number of shares	Percentage of capital, %	Percentage of votes, %
1-500	699	142 594	2,6%	1,1%
501-1,000	95	84 311	1,5%	0,7%
1,001-5,000	89	222 740	4,0%	1,7%
5,001-20,000	21	219 635	4,0%	1,7%
20,001-100,000	10	280 200	5,1%	2,2%
100,001-1,000,000	3	938 370	17,0%	42,1%
1,000,000-	2	3 627 150	65,8%	50,5%
Total	919	5 515 000	100,0%	100,0%

Traction's share price

Traction's class B share has been listed on the O-list of the Stockholm Stock Exchange, Reuters code TRAC-B, since 24th May 2000. The Market maker is Remium FK. Previously, since July 1997, the share was traded on NGM's share list (the former Stockholm Börsinformation (SBI)). Traction's share price rose by just under 3% in 2003. At the end of 2003, the latest price paid was SEK 81 per share. The highest and lowest prices noted for the share were SEK 83 and SEK 69.50, respectively.



Dividend and distribution policy

Traction's basic policy is that dividends and other transfers of assets to the shareholders shall be effected in a tax-efficient manner. For the purposes of Swedish tax legislation, Traction is an investment company, which means, inter alia, that dividends are deductible against interest income and the standard income, which comprises 1.5% of the company's capital value as of 31st December. In the light of current tax regulations, the dividend is adapted in line with the parent company's income, to ensure that no tax cost arises in the parent company. New rules apply to the calculation of standard income, as of 1st July 2003. Standard income taxation will, in future, not be payable on listed holdings where the percentage of votes exceeds 10%. Dividends from such holdings will, furthermore, be tax-free and not require further payment as dividends. For Traction, this means that the dividend will be reduced and that it will become possible to reinvest more of the company's capital in the business. Buyback of the company's own shares occurs when it is deemed attractive for the shareholders.

The Board of Directors



Bengt Stillström

Aged 60. M.Sc. (Eng) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO between 1974 and 2001. Member of the Board of, inter alia, AcadeMedia (Chairman), Haldex and Thalamus Network (Chairman). Board Member since 1974. Shareholding, including wife's holdings: 310,000 class A, 3,317,150 class B.



Bengt-Arne Vedin

Aged 63. Visiting Professor, Mälardalen University, Member of the Boards of Halmstad University and Metamatic AB. Secretary General of the Ruben Rausing Fund for research into new businesses and innovations, Member of the Royal Swedish Academy of Engineering Sciences (IVA), the Swedish Academy of Verbovisual Communication and the World Academy of Art and Science. Board Member since 1984. Shareholding: 20,400 class B.



Lars Olof Larson

Aged 44. B.Sc. (Business Administration). Financial Manager of John Mattson Fastighets AB. Shareholding: 7,000 class B.

Revisor

Anders Roos

61 år, auktoriserad revisor hos SET
Auktoriserade Revisorer, Stockholm. Revisor i Traction sedan 1985.



Mats Olsson

Aged 55. M.Sc. (Pol.). Member of the Boards of Fenix Outdoor, IARSystem and KnowIT (Chairman). Board Member since 1988. Shareholding: 0.



Petter Stillström

Aged 32. CEO. M.Sc. (Business Administration) Member of the Boards of JC and Softronic and a number of other companies in Traction's sphere of interest. Board Member since 1997. Shareholding, privately and via wholly/partially owned companies: 490,000 class A, 237,770 class B.

Annual Report

The Board of Directors and the President of AB Traction (publ), company registration number 556029-8654, hereby submit the Annual Report and Consolidated Accounts for the financial year from 1st January 2003 until 31st December 2003.

ADMINISTRATION REPORT

Operations

The Group's operations comprise the development and refining of companies, which are acquired either wholly or in part. Traction has developed its own business development methodology, which is characterised by a strong focus on customer relationships, organising the operations such that the capital requirement is reduced, and on seeking out opportunities and minimising risks. The parent company is an investment company, with a portfolio of wholly owned and partially owned companies and investments in other companies. The parent company is listed on the O-list of the Stockholm Stock Exchange.

Significant events during the financial year

Turnover and results

The Group's income in 2003 totalled SEK 434 million (SEK 441 m) ((SEK 410 m)). The result after tax was -SEK 38 million (-SEK 19 m) ((-SEK 23 m)). The operating result for the subsidiaries was -SEK 50 million (-SEK 54 m) ((-SEK 39m)). The net total for release of negative goodwill and restructuring reserves in the operating result was SEK 31 million (SEK 23 m) ((SEK 15 m)). Net capital gains total SEK 20 million (-SEK 2 m) ((SEK 63 m)). The operating result includes restructuring and winding up costs of SEK 31 million, attributable primarily to the restructuring of Svecia Engineering's production in Norsborg and to the winding up of the Maxitech machine park.

Liquidity, equity/assets ratio, shareholders' equity and venture capital

The Group's liquid assets at the year-end totalled SEK 81 million (SEK 55 m) ((SEK 184 m)). There are additional liquidity reserves in non-strategic shareholdings in publicly traded shares that totalled SEK 35 million (SEK 47 m) ((SEK 11 m)) at the year-end. The Group's Balance Sheet total at the year end was SEK 828 million (SEK 888 m) ((SEK 1,064 m)) and the visible shareholders' equity totalled SEK 608 million (SEK 657 m) ((SEK 708 m)). The equity/assets ratio at the year end was 73% (74%) ((67%)) and the visible reserve, i.e. the difference between the book value and the market value of listing holdings was SEK 28 million (-SEK 95 m) ((-SEK 3 m)). Traction does not assign a market value to its unlisted holdings and hence no net worth can be calculated for the company. The percentage of venture capital at the year end was 76% (80%) ((74%)).

Ankarsrum

The Ankarsrum operations were incorporated during the year. The various businesses have been divided up into three separate companies: Ankarsrum Motors AB, Ankarsrum Die Casting AB and Ankarsrum Production AB. A support company has also been formed. The purpose of the incorporation is to increase the commercial focus of the respective business areas. Substantial staff cuts have been implemented during the year, and the body of costs adapted in line with lower manufacturing volumes. The companies' focus on new sales has been intensified during the year. The biggest market for the company's products is the USA, where the weaker dollar exchange rate has had a negative effect on the company. Turnover fell during the year by SEK 50 million to SEK 159 million (SEK 209 m) and the operating result before release of negative goodwill and restructuring reserves fell to -SEK 10 million (-SEK 5 m).

Gnosjöplast

The heavily negative profit performance during the year in Gnosjöplast triggered the recruitment of a new CEO and a vigorous savings programme, designed to make the company profitable in 2004. Turnover totalled SEK 116 million (SEK 122 m) and the operating result before the release of negative goodwill was -SEK 19 million (-SEK 4 m).

Silva Plastic Center

The newly acquired Silva reported a turnover of SEK 56 million for the nine months during which the company was part of the Group, and an operating result before release of restructuring reserves of -SEK 3 million.

Tolerans

2003 saw the launch by Tolerans of a new product, that was well received by the market with substantial new sales. The company's turnover rose to SEK 52 million (SEK 46 m). The operating result was heavily negative at -SEK 8 million (-SEK 2 m), largely due to stock depreciation of old product generations and costs in connection with the launch of the new generation of staples.

Svecia

Traction acquired the assets of the Swedish production company in conjunction with Svecia's bankruptcy in 2002, and the manufacturing of Svecia's screen printing machinery could hence be restarted in the new Svecia company. The scale of the new company's operations is considerably smaller than those of the old one, and includes in-house production and sales of servicing work and spare parts. The Group also includes the Svecia East Ltd. general partnership in Hong Kong. A decision to wind up in-house production in Norsborg, outside Stockholm, was taken in the autumn of 2003, and the cost has been charged to the 2003 result.

Restructuring costs

Maxitech Elektronik, which manufactured thick film and hybrid circuits, was wound up in 2002. The machine park used at Maxitech was sold off during 2003, and the capital loss and other closure costs, together with the restructuring of production at Svecia, have been charged to the operating result in the sum of SEK 31 million.

The parent company

AB Traction's result totalled -SEK 96 million (SEK 62 m) ((SEK 37 m)), and includes depreciation totalling SEK 112 million (SEK 39 m). The shares in AcadeMedia, Duroc and in unlisted associated companies have been depreciated by SEK 42 million, SEK 50 million and SEK 3 million, respectively. Subsidiary company shares have also been depreciated by SEK 22 million in conjunction with shareholders' contributions. Liquid assets on 31st December 2003 totalled SEK 41 million (SEK 14 m) ((SEK 51 m)) and the visible shareholders' equity, SEK 600 million (SEK 704 m) ((SEK 670 m)), whilst external liabilities totalled SEK 0 million (SEK 0 m) ((SEK 0 m)). The parent company's equity/assets ratio, as of 31st December 2003, was 98% (100%) ((90%)). The parent company had no employees during the year.

Investments

SEK 2 million (SEK 80 m) ((SEK 74 m)) was invested in old and new projects during the year. New projects for the year include Silva Plastic Center (55% holding) and Bombus (35%). The holding in Tolerans increased to 100% during the year.

Divestments

Divestments of shares in project companies have released SEK 15 million (SEK 4 m) ((SEK 168 m)), primarily through the sale of the shareholding in the associated company, Fastighets AB Valhalla. The company also reported a net sale of publicly traded shares for SEK 55 million. The property of the subsidiary company, Berganova, in Åkersberga was sold for SEK 14 million.

Capital gains

The above-mentioned shares had a book value of SEK 10 million, yielding a capital gain of SEK 5 million (-SEK 5 m) ((SEK 48 m)). The sale of other publicly traded shares resulted in capital gains of SEK 8 million (SEK 3 m) ((SEK 15 m)). The capital gain on the Åkersberga property totalled SEK 7 million.

Shares in the profits of associated companies

The share in the profits of associated companies totalled -SEK 14 million (SEK 4 m) ((SEK 12 m)). The deterioration in the result is primarily attributable to the listed associated companies, AcadeMedia and Thalamus Networks. The unlisted associated companies made a positive contribution to the result.

Dividend

The Board of Directors proposes to the Annual General Meeting of the company that a share dividend of SEK 2:40 (SEK 1:50) ((SEK 3:85)) per share be paid for the 2003 financial year. The dividend is, in accordance with Traction's dividend policy, dimensioned such that no tax cost arises in the parent company for the year. The investment company status for tax purposes of the parent company means that the dividend constitutes a tax deductible overhead.

Buyback of the company's own shares

The Board of Directors has been authorised, for the period up to the Annual General Meeting of the company to be held in April 2004, to buy back up to 10% of the total number of shares in the company, at the discretion of the Board. The buyback of shares may be effected both on the stock market and through bids made to the shareholders. The aim is to enrich the shareholders. A total of 54,300 class B shares were bought back in the market during 2000 at a price of SEK 129:- (24,350 shares) and of SEK 111:- (30,000 shares). 26,800 class B shares were bought back in the market in February 2001 at a price of SEK 90:- and a further 15,000 class B shares at a price of SEK 88:-. The purchase prices have reduced the non-restricted shareholders' equity. There were a total of 5,515,000 shares still outstanding at the end of the year.

The duties of the Board of Directors

Traction's Board of Directors adopts rules of procedure for the Board and instructions for the President and CEO on an annual basis. The rules of procedure specify, inter alia, the duties of the Board of Directors, the division of responsibility, the meeting schedule and the matters to be discussed by the Board. The Board comprises five Members and no Deputy Members. The Board of Directors of the company has held six minuted Board Meetings during the year. The Board Members have also maintained ongoing contacts with the President and CEO of the company. The matters specified by the rules of procedure, such as the commercial situation of the project companies, results and position, Interim Reports and annual financial statements, and major investment decisions have been discussed at the minuted Meetings. The registered office of the company is in Stockholm.

Transition to reporting in accordance with IFRS

Traction will, in accordance with the requirements that will be made of listed companies within the EU, go over to reporting in accordance with IFRS (International Financial Reporting Standards) in 2005.

The process of adaptation to IFRS was begun in 2003. The areas that affect Traction have been analysed during the year and proposed adaptation measures have been drafted in the most significant areas. The most important change between current

accounting principles and the impending IFRS principles, as they are currently known, refers to IAS 39, which entails a market valuation of financial assets. This will increase the volatility of Traction's reported result.

The company's financial reports will also be affected by changed requirements with regard to classification and information under IFRS. These changes will probably affect the key ratios. The company has Note, however, to date made sufficient progress on the introduction of IFRS that these differences can be quantified.

New accounting principles for 2004

The recommendation of the Swedish Financial Accounting Standards Council, RR 29, Remuneration to employees, has been introduced as of 1st January 2004. The recommendation will affect the accounting of pensions, but the effect on the Group's equity is adjudged to be negligible.

Environmental information

Several of Traction's operating companies conduct business for which permits are required, pursuant to the Swedish Environmental Code. The permits refer to the engineering and plastics industries and to foundries. These businesses affect the external environment through the emission of dust and solvents into the air, the emission of mineral oils into the water, through waste from metal processing, and through the noise generated by the operations. The operations that require permits are responsible for an overwhelming percentage of the Groups' net turnover.

Events after the end of the financial year

Traction's aim was to acquire a substantial shareholding in Semcon, but when this aim failed, we decided, instead, to sell all shares in the company. The sale of the holding yielded a healthy profit. This, in combination with the sale of other shares, yielded a net capital gain for the company, as of 9th February, of SEK 17 million.

Outlook for 2004

Substantial cost-cutting measures were implemented in Traction's subsidiaries in 2003. This, coupled with the improvement in the industrial economic climate, generates the preconditions for an improved result in 2004. The new business potential has also improved since the end of last year, and our ambition is to complete a number of new deals in 2004.

Proposed allocation of profits (SEK k)

The parent company

The following amounts are at the disposal of the Annual General Meeting:

Profits brought forward from last year	688 815
Net result for the year	<u>-96 087</u>
	592 728

To be allocated as follows:

A dividend of SEK 2:40 per share to be paid to shareholders	13 236
carried forward	<u>579 492</u>
	592 728

The Group

The Group's non-restricted equity totals SEK 550.8 million. SEK 0.0 million is transferred to restricted reserves.

The results and position of the Group and parent company are otherwise reported in the following financial reports, containing the Income Statements and Balance Sheets, details of changes in shareholders' equity, Cash Flow Analyses and Notes to the Accounts.

Income Statements

SEK m	Note	THE GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
	1						
Operating income	3						
Net turnover	2	433.7	435.7	390.2	-	-	-
Other operating income		0.6	5.7	19.8	0.2	-	-
Total operating income		434.3	441.4	410.0	0.2	-	-
Operating expenses	2, 3						
Raw materials and consumables		-196.6	-196.2	-213.0	-	-	-
Changes in stock of finished goods and work in progress		-8.5	0.6	4.8	-	-	-
Other external costs	5, 6	-65.8	-64.5	-107.9	-1.2	-5.1	-0.8
Staff overheads	8	-166.7	-169.4	-117.4	-0.2	-0.2	-0.2
Depreciation and write downs	2	-27.0	-24.2	-15.9	-112.4	-39.2	-23.0
Other operating expenses		-19.2	-41.5	0.6	-0.7	-	-
Total operating expenses		-483.8	-495.2	-448.8	-114.5	-44.5	-24.0
Shares in profits of associated companies	4	-13.9	3.7	-12.4	-	-	-
Net capital gains	7	20.1	-1.7	62.6	11.4	104.2	55.5
Operating result		-43.3	-51.8	11.4	-102.9	59.7	31.5
Result of financial investments:							
Other interest income and similar P&L items		3.9	6.8	7.3	1.7	3.4	1.7
Other dividends		4.1	3.9	19.0	5.1	3.9	9.4
Exchange rate profits/losses		-	28.1	-7.0	-	-	-
Interest expenses to Group companies		-	-	-	-	-5.3	-5.5
Other interest expenses and similar P&L items		-6.9	-7.1	-5.7	-	-	-
Total net financial items		1.1	31.7	13.6	6.8	2.0	5.6
Result after financial items		-42.2	-20.1	25.0	-96.1	61.7	37.1
Tax on the result for the year	9	1.8	-0.6	-1.8	-	-0.0	-0.0
Minority interests		2.2	1.5	-0.1	-	-	-
Net result for the year		-38.2	-19.2	23.1	-96.1	61.7	37.1
Earnings per share (SEK)		-6.92	-3.46	4.41			
Number of shares (1,000)		5 515	5 515	5 589			
Average number of shares (1,000)		5 515	5 547	5 592			

Cash Flow Analyses

SEK m	Note	THE GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
	1						
Operating activities							
Result before tax		-40.0	-18.6	24.9	-96.1	61.7	37.1
Adjustment for items not included in the cash flow	31	20.8	-5.1	-31.2	101.8	-63.9	-32.6
Tax paid		-0.0	-0.6	-1.8	-	-0.0	-0.0
Cash flow from operating activities before changes in operating capital		-19.2	-24.3	-8.1	5.7	-2.2	4.5
<i>Cash flow from changes in operating capital</i>							
Change in inventories		5.8	-11.2	10.9	-	-	-
Change in operating receivables		27.2	30.1	35.2	8.4	-0.7	-37.9
Change in operating liabilities		-53.1	12.8	12.1	9.2	-62.4	-71.2
Cash flow from operating activities		-39.3	7.4	50.1	23.3	-65.3	-104.6
<i>Investment activities</i>							
Acquisition of subsidiaries	32	1.8	-	-1.3	-38.8	-	-5.2
Sale of subsidiaries	32	-1.2	-14.6	-	-	-	-
Purchase of shares in project companies*		-1.7	-80.3	-74.2	-0.4	-101.4	-74.1
Sale of shares in project companies*		14.6	4.0	168.1	15.2	190.6	168.1
Net investments in other shares		55.0	-35.6	91.8	43.7	-26.1	84.3
Purchase/sale of tangible fixed assets		6.0	-7.5	-11.0	-	-	-
Net investments in other financial assets		-8.5	-0.6	-0.6	-8.0	0.2	0.2
Cash flow from investment activities		66.0	-134.6	172.8	11.7	63.3	173.3
<i>Financing activities</i>							
Loans raised		16.3	61.0	-	-	-	-
Amortisation of liabilities		-8.2	-34.8	-64.7	-0.3	-6.3	-3.0
Buyback of own shares		-	-6.6	-2.9	-	-6.6	-2.9
Dividend to shareholders		-8.3	-21.5	-17.6	-8.3	-21.5	-17.6
Cash flow from financing activities		-0.2	-1.9	-85.2	-8.6	-34.4	-23.5
Cash flow for the year		26.5	-129.1	137.7	26.4	-36.4	45.2
Opening liquid assets		54.6	183.7	46.0	14.3	50.7	5.5
Closing liquid assets		81.1	54.6	183.7	40.7	14.3	50.7
Interest received during the year		3.0	5.9	7.1	0.8	2.5	1.7
Interest paid during the year		-6.9	-7.1	-5.7	-	-5.3	-5.5

*The term, project company, refers to associated companies and other holdings.

Balance Sheets

SEK m	Note	THE GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
ASSETS	1						
Fixed assets							
<i>Intangible fixed assets</i>							
<i>Goodwill</i>	10	-	-	0.5	-	-	-
		-	-	0.5	-	-	-
<i>Tangible fixed assets</i>							
Buildings and land	11	45.9	53.9	54.6	-	-	-
Machines and other technical facilities	12	74.0	77.0	95.4	-	-	-
Inventories, tools and installations	13	4.4	7.6	11.1	-	-	-
New construction work in progress	14	3.8	3.1	1.3	-	-	-
		128.1	141.6	162.4	-	-	-
<i>Financial fixed assets</i>							
Shares in subsidiaries	15	-	-	-	80.4	71.5	171.3
Shares and participations in associated companies	16	161.5	184.8	159.5	125.1	226.5	201.3
Other listed holdings	17	324.4	363.1	278.2	324.4	353.7	278.3
Other securities holdings	18	0.2	0.9	0.9	0.2	0.9	0.9
Other long-term receivables	19	6.0	0.8	8.4	5.5	-	0.2
		492.1	549.6	447.0	535.6	652.6	652.0
Total fixed assets		620.2	691.2	609.9	535.6	652.6	652.0
Current assets							
<i>Inventories</i>							
Raw materials and consumables		19.1	21.5	60.8	-	-	-
Work on goods in progress		1.8	14.6	15.0	-	-	-
Finished goods and commercial articles		34.0	26.2	37.9	-	-	-
Advances to suppliers		-	-	4.3	-	-	-
		54.9	62.3	118.0	-	-	-
<i>Current receivables</i>							
Accounts receivable		53.7	64.2	103.4	-	-	-
Receivables from Group companies		-	-	-	30.2	38.6	34.5
Receivables from associated companies		0.2	1.1	8.2	-	-	-
Tax receivable		0.2	0.1	-	-	-	-
Other receivables		8.8	8.2	28.9	3.2	-	4.4
Prepaid costs and accrued income	20	8.7	6.4	11.7	0.9	0.9	-
		71.6	80.0	152.2	34.3	39.5	38.9
Cash and bank deposits		81.1	54.6	183.7	40.7	14.3	50.6
Total current assets		207.6	196.9	453.9	75.0	53.8	89.5
TOTAL ASSETS		827.8	888.1	1 063.8	610.6	706.4	741.5

SEK m	Note	THE GROUP			PARENT COMPANY		
		2003	2002	2001	2003	2002	2001
SHAREHOLDERS' EQUITY & LIABILITIES							
Shareholders' equity							
<i>Restricted equity</i>							
Share capital		5.7	5.7	5.7	5.7	5.7	5.7
Premium reserve		-	-	-	1.1	1.1	1.1
Restricted reserves		52.0	36.2	48.0	-	-	-
Total restricted shareholders' equity		57.7	41.9	53.7	6.8	6.8	6.8
<i>Non-restricted equity</i>							
Non-restricted reserves		589.0	634.6	631.1	688.8	635.4	626.4
Net result for the year		-38.2	-19.2	23.1	-96.1	61.7	37.1
Total non-restricted shareholders' equity		550.8	615.4	654.2	592.7	697.1	663.5
Total shareholders' equity		608.5	657.3	707.9	599.5	703.9	670.3
Minority interests		2.5	4.9	6.4	-	-	-
Provisions							
Pensions	22	-	-	1.2	-	-	-
Taxes	23	-	-	3.0	-	-	-
Negative goodwill	24	16.9	44.6	57.1	-	-	-
Restructuring reserve	25	5.2	3.5	14.0	-	-	-
Allocation to guarantee reserve	26	0.7	-	-	-	-	-
Total provisions		22.8	48.1	75.3	-	-	-
Long-term liabilities							
Liabilities to credit institutions	27	14.9	25.2	21.9	-	-	-
Participating loan		-	0.3	6.6	-	0.3	6.6
Other long-term liabilities		-	14.0	14.0	-	-	-
Total long-term liabilities		14.9	39.5	42.5	-	0.3	6.6
Current liabilities							
Liabilities to credit institutions		49.0	12.9	7.1	-	-	-
Overdraft facility	28	33.3	26.0	21.9	-	-	-
Advances from customers		3.5	5.0	32.7	-	-	-
Accounts payable		47.6	47.3	78.6	-	0.0	-
Liabilities to Group companies		-	-	-	6.0	-	58.3
Liabilities to associated companies		0.0	1.0	0.6	-	-	-
Tax liabilities		0.2	1.6	3.5	-	0.0	0.0
Other liabilities		9.2	11.1	19.9	0.8	-	2.4
Accrued costs and prepaid income	29	36.3	33.4	67.4	4.3	2.2	3.9
Total current liabilities		179.1	138.3	231.7	11.1	2.2	64.6
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		827.8	888.1	1 063.8	610.6	706.4	741.5
Pledged assets	30	146.6	116.2	99.1	None	None	None
Contingent liabilities	30	1.7	10.1	12.4	21.7	25.7	28.0

Changes in shareholders' equity

SEK m, Note 1	Aktiekapital	Bundna reserver	Fritt eget kapital	Total
THE GROUP				
Opening amount, 2001	5.7	112.4	585.2	703.3
Dividend			-17.6	-17.6
Buyback of own shares			-2.9	-2.9
Translation difference		-0.1	2.1	2.0
Transfer between restricted and non-restricted shareholders' equity		24.2	-24.2	
Transfer to non-restricted reserves. as per AGM resolution		-88.5	88.5	
Net result for the year			23.1	23.1
Closing amount. 2001	5.7	48.0	654.2	707.9
Opening amount. 2002	5.7	48.0	654.2	707.9
Dividend			-21.5	-21.5
Buyback of own shares			-6.6	-6.6
Translation difference		-0.9	-2.4	-3.3
Transfer between restricted and non-restricted shareholders' equity		-10.9	10.9	
Net result for the year			-19.2	-19.2
Closing amount. 2002	5.7	36.2	615.4	657.3
Opening amount. 2003	5.7	36.2	615.4	657.3
Dividend			-8.3	-8.3
Buyback of own shares				
Translation difference		-0.9	-1.4	-2.3
Transfer between restricted and non-restricted shareholders' equity		16.7	-16.7	
Net result for the year			-38.2	-38.2
Closing amount. 2003	5.7	52.0	550.8	608.5

Accumulated translation differences total -SEK 3.6 (-SEK 1.3)/(SEK 2.0)).

	Share capital	Premium reserve	Statutory reserve	Non-restricted equity	Total
PARENT COMPANY					
Opening amount. 2001	5.7	88.7	0.9	558.4	653.7
Dividend				-17.6	-17.6
Buyback of own shares				-2.9	-2.9
Transfer to non-restricted reserves. as per AGM resolution		-88.7	0.2	88.5	
Net result for the year				37.1	37.1
Closing amount. 2001	5.7	-	1.1	663.5	670.3
Opening amount. 2002	5.7		1.1	663.5	670.3
Dividend				-21.5	-21.5
Buyback of own shares				-6.6	-6.6
Net result for the year				61.7	61.7
Closing amount. 2002	5.7		1.1	697.1	703.9
Opening amount. 2003	5.7		1.1	697.1	703.9
Dividend				-8.3	-8.3
Buyback of own shares					
Net result for the year				-96.1	-96.1
Closing amount. 2003	5.7		1.1	592.7	599.5

Supplementary information

Note 1. Accounting and valuation principles

General information

The Annual Report has been compiled in accordance with the provisions of the Swedish Annual Report Act and the recommendations and statements of the Swedish Financial Accounting Standards Council.

The deviations of previous years from the recommendations of the Swedish Financial Accounting Standards Council with regard to the translation of foreign subsidiaries' results and the cash flow analysis have been corrected and the comparison figures amended. The adjustment has not materially affected previously reported periods.

A number of new recommendations came into force on 1st January 2003:

- RR 22 Formulation of financial reports. The Formulation of Financial Reports recommendation has affected Traction in that the overdraft facility utilised has been reclassified and is now reported as a current liability.
- RR 24 Buildings held for investment purposes
- RR 25 Reporting for segments, lines of business and geographical areas: an adaptation has been made in line with the augmented information requirements.
- RR 26 Events after the closing date.
- RR 27 Financial instruments: information and classification.
- RR 28 State subsidies

The implementation of these recommendations has had no effect on shareholders' equity. The accounting principles otherwise remain unchanged from those applied in previous years.

The parent company is taxed in accordance with the rules applied to investment companies, and the recommendation of the Swedish Financial Accounting Standards Council with regard to income tax hence has no effect on the parent company's accounts. Traction's consolidated tax cost thus consists, virtually exclusively, of the tax payable by associated and subsidiary companies.

Consolidated Accounts

The Consolidated Accounts comprise AB Traction (publ) and the companies in which Traction, at the year-end, either directly or indirectly, owned the right to vote for in excess of 50 per cent of the total number of votes, or otherwise had a decisive influence. The Consolidated Accounts have been compiled in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council, using the acquisition method. Under the acquisition method of accounting, subsidiaries' shareholder's equity at the time of acquisition, determined as the difference between the true values of the assets and liabilities, is eliminated in its entirety. The Group's shareholders' equity thus only includes that part of the subsidiaries' equity that has arisen since the acquisition. If the consolidated value of the shares exceeds/falls below the value of the company's net assets reported in the acquisition analysis, the difference is reported as consolidated goodwill or negative goodwill. Companies acquired or sold during the year are included in the Consolidated Accounts for the part of the year during which the company belonged to the Group.

The equity share of untaxed reserves is reported in the Consolidated Accounts as restricted shareholders' equity. The tax part of untaxed reserves is reported as deferred tax and classified as a provision.

Foreign subsidiaries

All foreign subsidiaries have been classified as independent units and hence the Income Statements and Balance Sheets for these companies are converted to Swedish kronor using the current method, whereby foreign subsidiaries' assets and liabilities are converted at the closing day rate. All items in the Income Statement are converted at the average rate for the year. Translation differences are booked directly to the Group's shareholders' equity. If the parent company or other Group company in the Traction Group has raised currency loans to balance and provide protection against exchange rate differences on the net investment in foreign subsidiaries, the exchange rate difference is booked directly to the Group's shareholders' equity.

Reporting of associated companies

The Group normally uses the equity method for the reporting of associated companies for those companies in which Traction has a significant influence, which translates as a holding corresponding to a minimum of 20% and a maximum of 50% of the total number of votes, and where the ownership is regarded as long-term. Traction Venture makes numerous small investments in small entrepreneur-owned companies. These companies often lack the administrative resources to provide detailed financial information within the timeframes

requested by Traction. These investments are reported using the acquisition value method, by which the consolidated acquisition value is reported at SEK 6.9 million, i.e. less than 1% of Traction's total assets.

Under the equity method, the book value of the shares in associated companies in the Group corresponds to the Group's share of the associated companies' shareholders' equity, consolidated surplus or deficit values, and the percentage of unrealised internal profits owned. In the Consolidated Income Statement, the Group's share in associated companies' results after financial income and expenses, adjusted for depreciation/release of acquired surplus or deficit values, is reported as "Results from associated companies". The Group's share in associated companies' reported tax costs is included in the Group's tax cost. Shares in profits earned after the acquisitions of the associated companies and which are, as yet, unrealised through dividends, are reported in the equity reserve. The equity reserve constitutes part of the Group's restricted shareholders' equity.

Shareholdings are, as before, reported as associated companies, but where Traction's significant influence has ceased to obtain, they are reported using the acquisition value method. The consolidated value reported using the equity method at the time when the holding ceases to be an associated company is used as the acquisition value in conjunction with the transition to the acquisition value method.

Classifications

Fixed assets, long-term liabilities and provisions comprise, in every significant respect, amounts that the Group expects to recover or pay after a period of more than twelve months from the closing date. Current assets and current liabilities comprise, in every significant respect, amounts that the Group expects to recover or pay within twelve months of the closing date. Any deviation from this principle is reported in the Note to the respective Balance Sheet item.

Income

The Group's net turnover comprises the sale of goods. Sales of goods are reported in conjunction with deliveries to the customer, in accordance with the conditions of the sale. The sale is reported net after VAT, discounts and exchange rate differences in conjunction with sales in foreign currencies. Intra-Group sales are eliminated in the Consolidated Accounts.

Taxes

The Swedish Financial Accounting Standards Council Recommendation RR 9, Reporting of current tax and deferred tax, is applied to the reporting of income taxes. Combined taxes are thus reported in the Income Statement for items reported in the Income Statement. For items reported directly to shareholders' equity, tax is equally reported directly to shareholders' equity. Deferred tax is calculated using the Balance sheet method for all significant temporary differences. A temporary difference arises when the book value of an asset or liability differs from the taxable value. A difference of this kind may arise, e.g. in conjunction with an appreciation or depreciation of an asset, or when accounting principles applied differ between the accounting of individual Group companies and the Consolidated Accounts.

Financial fixed assets

The parent company's shareholdings in subsidiaries, associated companies, other companies and convertible debentures, are of a long-term nature and are reported under the heading of financial fixed assets.

Holdings in listed companies are reported in accordance with recommendation no. 12 of the Swedish Institute of Authorized Public Accountants, and valuation is hence effected collectively, in that the holdings are regarded as a portfolio, at whichever is the lower of the acquisition value and the true value. The true value is determined on the basis of the respective holding's share price on the final trading day of the result period.

Unlisted holdings are valued at the acquisition cost less deductions for any depreciation. The valuation and any depreciation is effected quarterly on the basis of how well the respective holding has performed in relation to plan and budget.

Tangible fixed assets/depreciation

Assets are reported at the acquisition cost less deductions for depreciation according to plan, based on an assessment of the assets' useful life.

Depreciation according to plan has been effected as follows:

Intangible assets	20%
Buildings	4%
Machines and other technical facilities	10-20%
Inventories, tools and installations	20%

Inventories

Inventories are valued in accordance with recommendation RR 2:02 of the Swedish Financial Accounting Standards Council, i.e. using the FIFO principle, at whichever is the lower of the acquisition value and the true (net sale value) on the closing date.

Receivables

Receivables are booked in the amount that they are expected to yield.

Liquid assets

Liquid assets include only bank deposits and depository balances with stockbrokers.

Provisions

Provisions are reported when the Group has, or may be deemed to have an obligation as a result of events that have occurred, and it is liable that disbursements will be required to fulfil the obligation. A further prerequisite is that a reliable estimate can be made of the amount to be disbursed.

Negative goodwill

This provision is released against the companies' anticipated losses for a maximum period of 5 years.

Restructuring reserve

A provision is reported when a detailed restructuring plan has been adopted and restructuring has either begun or been publicly announced.

Guarantee reserve

A provision is reported when the underlying product or service has been sold. The guarantee provision is calculated on the basis of previous years' guarantee expenses and an estimated future guarantee risk.

Receivables and liabilities in foreign currencies

Receivables, liabilities and provisions in foreign currencies in the individual companies have been converted at the closing day rate. Once the pay rate has been hedged through futures transactions, the futures contract's rate is used.

Loan costs

Loan costs are charged to the result for the period to which they refer, irrespective of the way in which the funds borrowed have been used.

Leasing

Leased assets are attributable to both financial leasing and operational leasing. The former assets are reported in the Consolidated Accounts as fixed assets and are depreciated in accordance with the principles otherwise applicable for tangible fixed assets. Future leasing charges in respect of these assets are reported as liabilities. Ongoing leasing charges reduce, after deductions for interest, the reported liability.

Reporting for segments

The primary basis for the breakdown of the Group's segment is the following business areas: Printing equipment, Electrical motors (only in comparison figures), Plastic components, and Other operations. The internal reporting system is based on the corresponding basis for breakdown. No segment reporting based on geographical areas has been effected as it is difficult to establish a basis for breakdown that provides meaningful information. Nor are geographical areas used for internal monitoring objectives.

Traction's business comprises both majority-owned companies and a portfolio of jointly owned companies. In terms of value, the listed jointly owned companies account for the majority of Traction's total assets. A detailed account of the respective holdings can be ordered from the companies in question. The segment reporting contains only the majority-owned holdings.

Cash flow analysis

The cash flow analysis has been compiled in accordance with recommendation number RR 7 of the Swedish Financial Accounting Stan-

dards Council, in which context the indirect method has been used. The cash flow has consequently been adjusted for transactions that have entailed the flow of monies in or out of the operations during the period. Liquid assets includes cash and bank deposits.

Details of related parties

No transactions have occurred between AB Traction and the principal owners, with the exception of those reported under Note 8, Personnel. Other related parties comprise the Board of Directors and management, and no transactions have occurred with these individuals, with the exception of those reported under Note 8, Personnel.

Financial risks

Currency policy

At investment level, Traction can take currency positions without underlying flows if Traction's assessment is that certain currencies are fundamentally over- or under-valued. These currency positions can also be taken by Traction as "insurance premiums" at an overall level for investments in projects whose operations and Balance Sheets entail currency exposure. Large net currency exposures in operating Group companies are hedged if an assessment of the currency's valuation so demands and if this can be achieved at a reasonable cost.

Currency future transactions

Traction had only a few currency future contracts at the year-end, all of which referred to sales in USD. The currency futures have been purchased to hedge Traction's US dollar receivables obtained in conjunction with the sale of the associated company, Valhalla. The receivable is booked at the futures rate.

Commercial currency exposure

The commercial currency exposure in the Traction Group is primarily related to US dollars in respect of motor deliveries to the USA from the Ankarsrum Group. Some of the forecast net flow has been currency hedged for the next 6 months.

Financial currency exposure

No currency hedging of the shareholders' equity in foreign subsidiaries or associated companies is effected. The exposure is currently limited to Hong Kong dollars and UK pounds. Traction's biggest shareholding, Haldex, has a clear exposure to the US dollar.

Interest risk

The Group's borrowing is primarily through the use of overdraft facilities and invoice factoring. All interest rates are variable. The Group's net debt (liquid assets - interest-bearing liabilities) at the turn of the year was SEK 16.1 million (SEK 23.8 m) ((-SEK 112.2 m)). The parent company had no interest-bearing liabilities at the turn of the year.

Amounts reported are in SEK million, unless otherwise specified, in the following Notes.

Note 2. Segment reporting

Segment	Sales			Operating result		
	2003	2002	2001	2003	2002	2001
Printing equipment	88.3	92.3	314.6	-26.3	-46.8	-45.3
Electric motors (2001, 2 months)	159.3	209.4	32.5	3.0	1.9	2.5
Electronic components	-	8.3	31.5	-13.1	-10.3	-9.8
Plastic components (2001, 1 month)	172.5	120.1	7.0	-0.8	9.3	0.4
Other	17.0	9.8	8.6	-13.9	-6.8	15.3
Consolidated adjustments	-3.4	-4.4	-4.1	1.6	-1.1	-1.9
Total	433.7	435.7	390.2	-49.5	-53.8	-38.8

Andel intressebolagens resultat				-13.9	3.7	-12.4
Realisationsvinstnetto				20.1	-1.7	62.6
Consolidated operating result				-43.3	-51.8	11.4

Other information

Segment	Assets			Liabilities		
	2003	2002	2001	2003	2002	2001
Printing equipment	43.5	58.3	180.8	30.7	44.5	203.5
Electric motors	110.0	119.7	147.3	87.4	93.8	110.9
Electronic components	-	16.9	29.6	-	12.9	26.2
Plastic components	107.8	89.9	91.7	92.2	57.8	52.0
Other	724.6	831.7	759.5	87.0	86.4	16.6
Consolidated adjustments	-158.1	-228.4	-145.1	-103.3	-117.6	-135.0
Total	827.8	888.1	1063.8	194.0	177.8	274.2

Segment	Investments			Depreciation		
	2003	2002	2001	2003	2002	2001
Printing equipment	0.3	1.5	2.2	-1.6	-1.2	-3.6
Electric motors (2001, 2 months)	3.4	6.2	-	-15.8	-14.1	-3.8
Electronic components	-	-	0.5	-1.1	-2.2	-6.1
Plastic components (2001, 1 month)	1.6	0.9	-	-7.7	-4.7	-0.4
Other	0.4	1.4	0.4	-0.4	-2.1	-1.0
Consolidated adjustments	-	-	-	-0.4	0.1	-1.0
Total	5.7	10.0	3.1	-27.0	-24.2	-15.9

Segment	Release of Negative goodwill			Release of Restructuring reserve		
	2003	2002	2001	2003	2002	2001
Printing equipment	-	-	-	-	-	-
Electric motors (2001, 2 months)	13.0	6.3	1.1	0.5	1.0	5.5
Electronic components	-	-	-	-	-	-
Plastic components (2001, 1 month)	12.8	6.2	0.4	2.7	9.5	7.9
Other	1.9	-	-	-	-	-
Consolidated adjustments	-	-	-	-	-	-
Total	27.7	12.5	1.5	3.2	10.5	13.4

Note 3. Intra-Group sales

Of the total purchasing costs and sales income for the year, 1% (4%) ((16%)) of purchases have come from and 1% (5%) ((18%)) of sales have been made to other companies within the Group. Transactions have been priced at the market price. All intra-Group transactions have been eliminated in the Consolidated Accounts.

Note 4. Shares in the profits of associated companies

	2003		2002		2001	
	Share in profit before tax	Share in - profit before tax	Share in profit before tax	Share in profit before tax	Share in profit before tax	Share in profit before tax
Listed associated companies						
AcadeMedia AB (publ)	-13.1	-	-9.5	-	-8.7	-
Duroc AB (publ)	-3.0	-	-3.4	-	-1.2	-
Know IT AB (publ) (from Oct. 2001)	3.6	-	0.2	-	-2.1	-
Thalamus Networks AB (publ)	-2.9	3.3	8.5	-	-2.7	-
Total listed associated companies	-15.4	3.3	-4.2	-	-14.7	-
Other associated companies						
Arvako Sverige AB (from Dec. 2001)	0.0	-0.1	0.7	-0.4	-	-
Banking Automation Ltd	2.0	-0.3	2.3	-0.6	0.5	-0.2
Bricad Holding AB	2.9	-0.9	1.6	-0.5	1.5	-0.6
TBook Holding AB (publ) (from Sept. 2001)	-3.7	-	-2.7	-	-1.4	-
Swedish Tool AB	0.6	-0.1	1.1	-0.3	-0.6	-
Fastighets AB Valhalla (sold 2003)	-	-	2.8	-0.8	1.9	-0.5
Other companies	-0.3	-	2.1	-0.2	0.4	-0.2
Total other associated companies	1.5	-1.4	7.9	-2.8	2.3	-1.5
Total share in profits of associated companies	-13.9	1.9	3.7	-2.8	-12.4	-1.5

The valuation of the shares in the profits of associated companies includes net goodwill/negative goodwill in the sum of -SEK 10.0 million (-SEK 12.8 m) ((SEK 2.3 m)). Depreciation of goodwill and release of negative goodwill in the results of associated companies before tax total SEK 2.6 million (SEK 2.0 m) ((-SEK 1.9 m)).

Note 5. Fees and disbursements to Auditors

The term, audit assignment, refers to the auditing of the Annual Report and bookkeeping, and of the administration by the Board of Directors and the President and CEO, together with any other duties whose execution is incumbent upon the company's auditors, and the provision of advice or other assistance occasioned by observations in conjunction with such audits or the execution of such other duties. All other activities come under the heading of Other assignments.

	THE GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Audit						
SET Revisionsbyrå	0.6	0.6	0.4	-	-	-
Other	0.2	0.1	0.5	-	-	-
Other assignments						
SET Revisionsbyrå	0.0	0.1	-	-	-	-
Other	-	-	0.9	-	-	-
Total	0.8	0.8	1.8			

Note 6. Leasing

The Group has a few financial leasing agreements in respect of company cars and office inventories. The combined amount is not material, and they are hence reported as operational leasing costs. One of Traction's subsidiaries has acquired a number of machines that are financed through financial leasing - see Note 12 for further details. Operational leasing costs are reported in the Income Statement under the external costs item.

Operational leasing agreements	2003	2002	2001
Leasing charges paid during the year	11.2	11.9	12.8
<i>Nominal value of agreed future leasing charges:</i>			
Within 1 year	8.6	11.5	7.6
Later than 1 year but before 5 years	14.3	6.5	10.2
Later than 5 years	0.4	0.1	-
Total	23.3	18.1	17.8

SEK 14.9 million of future leasing charges refers to premises.

Note 7. Net capital gains

	The Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Capital gains on shares	16.5	5.2	70.6	18.8	108.7	64.5
Capital losses on shares	-3.1	-6.9	-8.0	-7.4	-4.5	-9.0
Capital gains on real estate	6.7	-	-	-	-	-
Total net capital gains	20.1	-1.7	62.6	11.4	104.2	55.5

Note 8. Personnel

Average no. employees	2003		2002		2001	
	No. employees	Of whom men	No. employees	Of whom men	No. employees	Of whom men
Parent Company	0	0	0	0	0	0
<i>Subsidiaries:</i>						
Sweden	458	330	447	329	211	162
Hong Kong	9	6	12	9	16	11
France	-	-	-	-	4	4
Italy	-	-	-	-	11	9
Spain	-	-	-	-	10	9
Germany	-	-	-	-	13	11
USA	-	-	-	-	8	6
Total	467	336	459	338	273	212

Salaries and other remunerations:	The Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Presidents and CEOs, and Boards of Directors	5.6	6.3	8.4	0.2	0.2	0.2
Other employees	120.2	117.3	77.8	-	-	-
Total salaries and other remunerations	125.8	123.6	86.2	0.2	0.2	0.2

Other staff overheads:

Social security contributions	41.8	35.1	22.9	-	-	-
Pension costs*	9.8	12.4	7.0	-	-	-
Other staff overheads:	1.8	4.1	1.3	-	-	-
Total other staff overheads	53.4	51.6	31.2	-	-	-

Total staff overheads	179.2	175.2	117.4	0.2	0.2	0.2
Release of restructuring reserve	-	-5.8	-	-	-	-
Release of negative goodwill	-12.5	-	-	-	-	-
Total net staff overheads	166.7	169.4	117.4	0.2	0.2	0.2

* Of which SEK 1.4 million (SEK 1.6 m) ((SEK 0.9 m)) to Presidents and CEOs. The pension costs item above is reported net, after indemnification from Traction Nouveau AB's and Traction Konsult AB's Pension Funds comprising SEK 1.4 thousand (SEK 0.8 k) ((SEK 0.7 k)).

Salaries and other remunerations by country

	2003		2002		2001	
	Board, CEO (of which bonuses etc.)	Other employees	Board, CEO (of which bonuses etc.)	Other employees	Board, CEO (of which bonuses etc.)	Other employees
Sweden	5.0 (-)	118.6	5.4 (0.5)	114.1	2.8 (0)	58.9
Hong Kong	0.8 (0.1)	1.9	0.9 (0.1)	3.1	1.2 (0.3)	3.7
Other countries	- (-)	-	- (-)	-	4.4 (0.4)	15.2
Group total	5.8 (0.1)	120.5	6.3 (0.6)	117.2	8.4 (0.7)	77.8

Absence due to sickness

AB Traction has no employees and hence no statistics for absence due to sickness are reported for the parent company. Absence due to sickness in other Swedish Group companies is reported in the respective companies' Annual Reports.

Remuneration to the Board of Directors and senior executives**The Board of Directors**

Directors' fees in accordance with resolution of the Annual General Meeting totalled SEK 160 thousand (SEK 160 k). A fee of SEK 150 thousand has been paid to the Board of Directors, of which the Chairman of the Board received SEK 0 thousand, plus social security contributions. No other remunerations, other than reimbursement for expenses, have been paid to the Board of Directors. Three external Members have each received SEK 50 thousand.

A pension is payable to Bengt Stillström in the capacity of his former role as President and CEO of AB Traction, who was entitled to retire at the age of 55 and to receive SEK 490 thousand per annum between the ages of 55 and 65. A lifelong pension is then payable, together with an annual family pension, in lower amounts. The pension undertaking was issued with 1993 as the base year and shall be increased thereafter in accordance with Alecta's norms. Full provision for the pension has been made in Traction Konsult AB's Pension Fund.

President and CEO

In 2003, the President and CEO received a salary totalling SEK 318 thousand (SEK 318 k). The President and CEO's basic salary is SEK 318 thousand per annum and no bonus has been paid. The pension cost, in accordance with the ITP plan (supplementary pension for employees in industry and commerce), totalled SEK 18 thousand, and indemnification has occurred from the pension fund to ensure that the cost has not been charged to the Group's Income Statement. Over and above these costs, the President and CEO has received remuneration for directorships in some of Traction's partially owned companies totalling SEK 150 thousand.

An undertaking in respect of the future retirement of the President and CEO for SEK 200 thousand and interest, corresponding to the retail price index plus three per cent per annum from 1st January 2004 until the amount is paid, was updated in 2003. The accumulated

earned amount was SEK 410 thousand, as of 31st December 2003, for which amount provision has been made in one of Traction's pension funds. In the event of the requisite assets being lacking in the pension fund in the future, Traction shall allocate funds to ensure that the pension fund's undertaking can be fulfilled. Future pension agreements entail retirement at the age of 65, with the President and CEO entitled to realise the pension after the age of 55.

There are no incentive programmes in the form of the allocation of financial instruments, options etc., for the President and CEO.

The President and CEO has a period of notice of one week, during which time an obligation to work exists. The same principle applies if the President and CEO has been dismissed by the company. There is no severance pay agreement.

Remuneration to subsidiary companies' Boards of Directors

No directors' fees have been paid in the subsidiaries. An external Member of the Board has received SEK 83 thousand in salary for other duties carried out in one of the subsidiaries, and has invoiced the company for SEK 133 thousand for other services carried out, whilst another external Member of the Board has invoiced the company for SEK 240 thousand for other duties carried out.

Remuneration to and conditions of employment for other senior executives

The group of other senior executives comprises eight individuals, six Presidents and CEOs of subsidiaries, and 2 people within central Traction. Remuneration totalling SEK 6,266 thousand plus SEK 63 thousand in variable payments has been paid to these individuals in 2003 in the form of salaries and bonuses. Pension insurance costs have totalled SEK 1,680 thousand. These costs have been charged to the Consolidated Income Statement, with the exception of SEK 385 thousand in pension costs when indemnification has occurred from pension funds.

There are no incentive programmes in the form of the allocation of financial instruments, options etc., for this group. The variable parts of the salaries above are linked to corporate and individual performance. The bonus agreements include a ceiling with regard to maximum remuneration.

The maximum period of notice in the event of termination on the initiative of the senior executives is six months. The maximum period of notice in the event of dismissal by the company is twelve months, during which period an obligation to work exists in some cases. There are no other severance pay agreements.

Pension benefits are paid in the majority of cases in accordance with the ITP plan (supplementary pension for employees in industry and commerce) or as a percentage of the salary cost. The retirement age is 65.

Summary of the corporate management's remunerations and pension costs for 2003

SEK m	Fixed salary	Variable portion	Other benefits	Total remunerations	Pension costs
President and CEO	0.3	-	-	0.3	0.2
Other corporate management	6.1	0.1	0.2	6.4	1.7
Total	6.4	0.1	0.2	6.7	1.9

Presentation of gender breakdown in the Board of Directors and corporate management

Percentage of women, 31st Dec. 2003, %	The Group	Parent Company
Board of Directors	0	0
Other senior executives	13	0

Pensions

The majority of the Group's salaried employees have a defined benefit pension in accordance with the ITP plan (supplementary pension for employees in industry and commerce). The premium is paid in to Alecta on an ongoing basis. Alecta is currently unable to provide details of the size of the pension undertaking and pensions have consequently been classified as defined contribution pensions this year.

Decision-making forms

The remuneration and terms of employment of the President and CEO of the parent company are determined by the Board of Directors of the Parent Company. Remunerations and conditions of employment for other senior executives are determined, with regard to the Presidents and CEOs of subsidiaries, by the Chairmen of the Boards of the subsidiaries in consultation with the parent company's President and CEO and, with regard to other senior executives within central Traction's operations, by the President and CEO of the parent company.

Note 9. Taxes

The Group

	2003	2002	2001
Current tax	-0.1	-0.0	-0.3
Deferred tax	-	2.2	-
Share in taxes of associated companies	1.9	-2.8	-1.5
	1.8	-0.6	-1.8

Reconciliation of effective tax. Group

Result before tax	-42.2	-20.1	25.0
Less:			
Results of associated companies	13.9	-3.7	-12.4
	-28.3	-23.8	37.4
Tax at applicable tax rate of 28%	7.9	6.7	-10.5
Effect of special tax rules for investment companies			
Investmentbolag	4.6	1.0	10.4
Increase in deficit deduction without corresponding booking as assets of deferred tax	-17.6	-8.6	-3.3
Utilisation of previously deficit deductions previously not booked as assets	1.7	-	2.8
Tax effect of non-deductible costs	-4.5	-	-
Tax effect of consolidated goodwill	7.8	3.1	0.3
Tax in associated companies	1.9	-2.8	-1.5
Reported effective tax	1.8	-0.6	-1.8

Accumulated deficit deductions in the Group's Swedish companies at the turn of the year totalled just over SEK 200 million. These deficit deductions can be used to reduce the tax on future profits. Given the uncertainty that exists with regard to the space of time within which these deficits may be used, they have not been booked as assets under the heading of deferred tax receivables. A new assessment is continuously being made of whether deferred tax receivables for deficit deductions shall be reported.

The Parent Company

The parent company is taxed in accordance with the rules governing investment companies, whereby capital gains are not liable for taxation. In return, the investment companies shall include a standard income of 1.5% of the market value of the shares held at the beginning of the year in their tax declaration. This standard income totalled SEK 7.7 million for 2003. Dividends received are liable for taxation, whilst dividends paid are deductible. Net interest items and overheads are deductible.

Note 10. Goodwill

The Group	2003	2002	2001
Opening acquisition value	1.0	1.0	2.6
Purchases/Acquisitions	0.4	-	-
Sales/restructuring etc.	-	-	-1.6
Closing accumulated acquisition values	1.4	1.0	1.0
Opening depreciation	-1.0	-0.5	-0.4
Sales/restructuring etc.	-	-	0.2
Depreciation for the year	-0.4	-0.5	-0.3
Closing accumulated depreciation	1.4	-1.0	-0.5
Closing reported value	0	0	0.5

Note 11. Buildings and land

The Group	2003	2002	2001
Buildings			
Opening acquisition value	58.5	57.0	9.3
Via corporate acquisitions etc.	-	-	47.7
Purchases	0.5	1.5	-
Sales	-6.7	-	-
Closing accumulated acquisition values	52.3	58.5	57.0
Opening depreciation	-9.5	-7.4	-2.2
Via corporate acquisitions etc.	-	-	-4.6
Sales	1.1	-	-
Depreciation for the year	-2.0	-2.1	-0.6
Closing accumulated depreciation	-10.4	-9.5	-7.4
Closing reported value	41.9	49.0	49.6
Land			
Book value	4.0	4.9	5.0
Book value buildings and land	45.9	53.9	54.6
<i>Rateable values</i>			
Buildings	19.5	28.0	25.4
Land	5.8	5.8	8.4

Note 12. Machines and technical facilities

The Group	2003	2002	2001
Opening acquisition value	180.1	202.2	84.8
Via corporate acquisitions etc.	63.8	-	187.4
Sales/restructuring etc.	-9.6	-28.4	-70.8
Purchases	5.3	6.3	0.8
Closing accumulated acquisition values	239.6	180.1	202.2
Opening depreciation	-103.2	-106.8	-59.2
Via corporate acquisitions etc.	-54.4	-	-93.3
Sales/restructuring etc.	4.3	23.3	51.8
Depreciation for the year	-21.6	-19.6	-6.1
Closing accumulated depreciation	-174.9	-103.1	-106.8
Closing reported value	64.7	77.0	95.4
Financial leasing			
Opening acquisition value	-	-	-
Purchases	9.8	-	-
Closing accumulated acquisition values	9.8		
Opening depreciation	-	-	-
Depreciation for the year	-0.5	-	-
Closing accumulated depreciation	-0.5		
Closing reported value	9.3		
Total closing reported value	74.0	77.0	95.4

Note 13. Inventories, tools and installations

The Group	2003	2002	2001
Opening acquisition value	28.3	32.2	10.3
Via corporate acquisitions etc	2.8	-	21.6
Sales/restructuring etc.	-9.2	-6.1	-2.0
Purchases	0.8	2.2	2.3
Closing accumulated acquisition values	22.7	28.3	32.2
Opening depreciation	-20.7	-21.2	-5.3
Via corporate acquisitions etc	-2.3	-	-14.9
Sales/restructuring etc	7.2	3.4	1.4
Depreciation for the year	-2.5	-2.9	-2.3
Closing accumulated depreciation	-18.3	-20.7	-21.2
Closing reported value	4.4	7.6	11.1

Note 14. New construction work in progress and advances in respect of tangible fixed assets

The Group	2003	2002	2001
Opening balance	3.1	1.3	-
Accumulated costs	1.1	-	-
Via corporate acquisitions etc	-	-	0.3
Investments	-1.2	-0.6	0.1
Advance paid during the year	0.8	2.4	0.9
Closing reported value	3.8	3.1	1.3

Note 15. Shares and participations in subsidiaries

Parent Company	2003	2002	2001
Opening book value	71.5	171.3	189.1
Purchases/shareholders' contributions	41.0	21.4	5.2
Sales	-19.6	-82.0	-
Depreciation	-12.5	-39.2	-23.0
Closing reported value	80.4	71.5	171.3

The following list comprises significant shares and participations owned directly and indirectly by the parent company.

Shares owned by the Parent Company

Company	Co. reg. number	Registered office	No. shares	Share of capital	Book value
Traction Konsult AB	556098-5672	Stockholm	1 000	100%	40.0
Ankarsrum Industries AB	556215-7098	Stockholm	1 000	100%	10.2
Traction Delta AB	556628-9749	Stockholm	1 000	100%	10.1
Tolerans Holding AB	556504-7999	Stockholm	23 600	100%	9.5
BergaNova AB	556132-1901	Stockholm	5 000	100%	6.5
Gnosjö Plast Holding AB	556606-9026	Stockholm	550	55%	2.9
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1 000	100%	1.1
Scandinavian Plastic Center Group AB	556641-0832	Stockholm	700	70% *	0.1
Total shares owned by the Parent Company					80.4

*) option issued for shares corresponding to 15% of the company.

Shares owned by subsidiaries

Company	Co. reg. number	Registered office	No. shares	Share 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.	-	Hongkong	99 999	100%
Svecia Spares & Services AB	556330-3634	Stockholm	1 000	100%
Svecia Engineering AB	556025-3493	Stockholm	900 000	100%
Evolve Solutions AB	556563-6775	Stockholm	1 110	100%
Exacta Logistik AB	556618-5194	Stockholm	1 000	100%
Förvaltnings AB Vita	556234-7285	Stockholm	1 250	100%
SSAF Saffron & Spices Flavours AB	556402-6440	Stockholm	666	67%

Ankarsrum Industries AB

Ankarsrum Universal Motors AB	556054-7753	Ankarsrum	250 000	100%
Ankarsrum Motors AB	556628-9723	Ankarsrum	10 000	100%
Ankarsrum Die Casting AB	556628-9715	Ankarsrum	10 000	100%
Ankarsrum Production AB	556628-9756	Ankarsrum	10 000	100%
Ankarsrum Support AB	556628-9731	Ankarsrum	1 000	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 16. Shares and participations in associated companies**The Group**

Accumulated acquisition values	31-12-2003	31-12-2002	31-12-2001
Opening book value	226.5	201.3	158.9
Purchases	0.5	29.8	47.3
Sales/disposals	-7.0	-4.5	-11.6
Reclassification	-	0.0	6.7
Total	220.0	226.5	201.3

Accumulated shares in profits

Opening book value	-41.7	-41.8	-40.0
Sales/disposals	-4.8	0.8	4.7
Reclassification	-	-1.6	7.4
Year's share in profits of associated companies	-13.9	3.7	-12.4
Year's tax cost from shares in profits	1.9	-2.8	-1.5
Total	-58.5	-41.7	-41.8

Reported value at year-end

161.5	184.8	159.5
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Parent Company

	2003	2002	2001
Opening book value	226.5	201.3	158.9
Purchases	0.5	29.6	45.2
Reclassification	-	-	-0.2
Sales	-7.7	-4.4	-2.6
Depreciation	-94.2	-	-
Closing reported value	125.1	226.5	201.3

Specification of the Parent Company's holdings of participations in associated companies

Listed associated companies

Company	Co. reg. no.	Registered office	No. shares	Share of capital	Share of votes	Book value		Market value
						Parent company	The Group	
AcadeMedia AB (publ)	556057-2850	Stockholm	1 110 197	35%	38%	11.1	11.3	9.8
Duroc AB (publ)	556446-4286	Umeå	733 888	14%	34%	8.8	15.3	8.7
Know IT AB (publ)	556391-0354	Stockholm	2 796 966	28%	28%	23.5	25.0	37.5
Thalamus Networks AB (publ)	556394-1987	Ängelholm	3 217 135	35%	35%	50.6	71.4	64.3
Total listed associated companies						94.0	123.1	120.3

Other associated companies

Arvako Sverige AB	556606-9059	Stockholm	212 501	17%	34%	5.1	4.3	-
Banking Automation Ltd		Reading	1 288 572	49%	49%	7.3	9.6	-
Bricad Holding AB	556264-6298	Österåker	17 900	47%	47%	8.8	13.2	-
TBook Holding AB (publ)	556549-1650	Stockholm	2 087 860	26%	26%	1.6	0.7	-
Swedish Tool AB	556282-7633	Stockholm	875	29%	29%	2.8	3.7	-
Total other associated companies						25.5	31.5	

Associated companies reporting using the acquisition method

Bombus Systems AB	556546-0069	Västerås	2 201	35%	35%	0.1	0.1	-
Fastighets AB BIBAS	556579-3527	Stockholm	350	35%	35%	0.0	0.2	-
Fastighets AB Ornamentik	556225-3004	Eskilstuna	500	35%	35%	0.7	0.4	-
Geodynamik HT AB (publ)	556189-0871	Stockholm	100 000	20%	20%	1.0	0.4	-
MSS Data AB	556267-3185	Stockholm	250	25%	25%	0.0	0.0	-
Recco AB	556154-6101	Stockholm	499	49%	49%	3.5	5.6	-
Sigicom AB	556207-1547	Botkyrka	209 900	35%	35%	0.2	0.2	-
Två Ögon AB	556039-8777	Stockholm	450	45%	45%	0.0	0.0	-
Total						5.5	6.9	

Total associated companies

125.1 161.5

Note 17. Other listed holdings

	The Group			Parent Company		
	31-12-2003	31-12-2002	31-12-2001	31-12-2003	31-12-2002	31-12-2001
Opening book value	363.1	278.3	447.1	353.7	278.3	437.3
Reclassification/Depreciation	-	-1.3	-8.6	-	-1.3	-1.6
Purchases	17.5	107.0	50.7	17.5	97.6	50.7
Sales	-56.2	-20.9	-211.0	-46.8	-20.9	-208.1
Closing reported value	324.4	363.1	278.2	324.4	353.7	278.3

Specification of other listed holdings

Company	No. shares	Book value	Market value	Share of capital
Haldex	2 512 268	232.9	256.3	11%
JC	1 226 492	50.9	38.6	13%
Softronic. B	8 988 688	17.6	23.7	20%
Biophasia. debenture loan *(nom)	8 506 310	8.5	11.3	(10%)
Semcon	929 400	7.6	14.4	5%
Scribona	312 407	4.1	4.6	-
Finnveden	37 500	1.6	1.6	-
JLT Mobile Computers	129 500	1.2	0.3	-
Total other listed holdings		324.4	350.8	

*The conversion rate is SEK 1.30/share. The holding corresponds to 6.543.315 shares and a capital share of 10% upon full conversion.

Note 18. Other long-term securities holdings

	The Group			Parent Company		
	31-12-2003	31-12-2002	31-12-2001	31-12-2003	31-12-2002	31-12-2001
Opening book value	0.9	0.9	0.9	0.9	0.9	0.9
Depreciation	-0.7	-	-	-	-	-
Closing reported value	0.2	0.9	0.9	0.2	0.9	0.9

Company	Number shares	Booked value	Market value	Capital share	Other voting right
Rekall AB	1 301	0.2	-	9%	9%
Grafikens Hus AB	4	0.0	-	-	-
Total other long-term holdings	-	0.2	-	-	-

Note 19. Other long-term receivables

	The Group			Parent Company		
	31-12-2003	31-12-2002	31-12-2001	31-12-2003	31-12-2002	31-12-2001
Opening book value	0.8	8.4	1.7	-	0.2	0.3
Depreciation	-0.3	-7.4	-	-	-	-
Additional receivables	5.5	-	7.6	5.5	-	-
Settled receivables	-	-0.2	-0.9	-	-0.2	-0.1
Closing reported value	6.0	0.8	8.4	5.5	-	0.2

Note 20. Prepaid costs and accrued income

	The Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Accrued interest	0.9	1.4	-	0.9	0.9	-
Rents and Leasing	1.0	0.3	0.3	-	-	-
Insurance premiums	0.8	-	-	-	-	-
Licenses	0.7	-	-	-	-	-
Other	5.3	4.7	11.4	-	-	-
Total	8.7	6.4	11.7	0.9	0.9	-

Note 21. Shareholders' equity

See the reported entitled Changes in shareholders' equity, page 38, for further details.

Parent Company

As of 31st December 2003, the share capital totalled SEK 5,670 thousand, spread over 800,000 class A shares and 4,870,000 class B shares (a total of 5,670,000 shares) with a nominal value of SEK 1. A total of 155,000 class B shares have been bought back (54,350 shares in 2000, 26,800 shares in 2001 and 73,850 shares in 2002) and the total number of outstanding shares at the turn of the year was hence 5,515,000.

Note 22. Pensions

The sum of SEK 1.2 million has been set aside in one of Traction's subsidiaries in 2001. The company was wound up in 2002 and there are hence no remaining pension liabilities.

Note 23. Taxes

The tax liability of SEK 3.0 million in 2001 refers to deferred tax on untaxed reserves acquired.

Note 24. Negative Goodwill

The Group	2003	2002	2001
Opening book value	44.6	57.1	-
Purchases via corporate acquisitions	-	-	58.6
Releases for the year	-27.7	-12.5	-1.5
Total	16.9	44.6	57.1

SEK 56.7 million was allocated as negative goodwill in conjunction with the acquisitions of Ankarsrum and Gnosjö Plast. The negative goodwill allocated was deemed to correspond to anticipated future losses, that could not, at the time of acquisition, be reported as identifiable losses. The release in 2001 and 2002 was effected in the Income Statement under the heading of Raw materials and consumables. As of 2003, the release is reported under the headings of Staff overheads in the sum of SEK 12.5 million and under Changes in stock of finished goods and products in progress in the sum of SEK 13.3 million.

Note 25. Restructuring reserve

The Group	2003	2002	2001
Opening book value	3.5	14.0	-
Purchases via corporate acquisitions	4.9	-	27.4
Release	-3.2	-10.5	-13.4
Total	5.2	3.5	14.0

I samband med förvärven av Ankarsrum och Gnosjö Plast avsattes till 27,4 SEK m till omstruktureringsreserv. Reserveringen avsåg i huvudsak underlönsamhet under 2001 samt personalneddragningar under 2002. Under 2003 avsattes 4,9 SEK m för omstruktureringskostnader avseende förvärvet av Silva Plastic.

Note 26. Guarantee provisions

A provision of SEK 0.7 million has been made for anticipated guarantee claims in respect of products sold during the last financial year. The majority of the payments are expected to arise during subsequent financial years, with the entire disbursement coming within two years of the closing date.

Note 27. Long-term liabilities

SEK 0 (0) ((0)) of the long-term liabilities mature more than five years after the turn of the year.

Note 28. Overdraft facility

Confirmed overdraft facilities in the Group total SEK 35.1 million (SEK 40.1 m) ((SEK 31.2 m)). In the Parent Company, they total SEK 0 (0) ((0)).

Note 29. Accrued costs and prepaid income

	The Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Option premiums, futures etc	4.3	2.1	10.9	4.3	2.1	3.9
Staff-related costs	22.6	20.0	27.0	-	-	-
Other	9.4	11.3	29.5	-	0.1	-
Total	36.3	33.4	67.4	4.3	2.2	3.9

Note 30. Pledged assets, contingent liabilities

The Group

Pledged assets	2003	2002	2001
For liabilities to credit institutions			
Charges on company assets	102.0	83.5	59.0
Real estate mortgages	14.0	19.5	19.5
Pledged customer receivables	22.9	5.5	-
For pension liabilities and other liabilities			
Charges on company assets	4.2	4.2	3.6
For delivery guarantees			
Charges on company assets	3.5	3.5	7.0
For currency futures contracts			
Charges on company assets	-	-	10.0
Total	146.6	116.2	99.1

Contingent liabilities	2003	2002	2001
Guarantees	1.1	6.0	1.9
Sureties	0.6	3.2	-
Contingent liabilities for currency futures contracts	-	-	10.5
Pension undertaking where capital assurance corresponding to the pension undertaking has been taken out	-	0.9	-
Total	1.7	10.1	12.4

Parent Company

Contingent liabilities	2003	2002	2001
Guarantees	21.7	25.7	28.0

Note 31. Adjustment for items not included in the cash flow

	The Group			Parent Company		
	2003	2002	2001	2003	2002	2001
Results of associated companies	13.9	-3.7	12.4	-	-	-
Capital gains result	-20.1	1.7	-62.6	-11.4	-104.2	-55.5
Depreciation	27.0	24.2	15.9	-	-	-
Depreciation of shares	-	-	-	112.4	39.2	23.0
Other	-	-27.3	3.1	0.8	1.1	-0.1
Total	20.8	-5.1	-31.2	101.8	-63.9	-32.6

Note 32. Net assets in acquired and divested subsidiaries

Acquisition of subsidiaries

The value of assets and liabilities acquired was, according to the acquisition analysis, as follows:

	2003	2002	2001
Intangible fixed assets	-	-	-
Tangible fixed assets	10.2	-	134.4
Inventories	9.4	-	42.9
Current receivables	15.6	-	61.0
Liquid assets	2.3	-	1.6
Total assets	37.5	-	239.9
Minority interests	1.7	-	2.4
Provisions	5.0	-	85.1
Long-term liabilities	10.8	-	82.8
Current liabilities	20.0	-	66.7
Total liabilities	37.5	-	237.0
Purchase price paid	-0.5	-	-2.9
Less liquid assets in the company acquired	2.3	-	1.6
Effect on the consolidated liquid assets	1.8	-	-1.3

Divestment of subsidiaries

Value of assets and liabilities divested:

	2003	2002	2001
Intangible fixed assets	-	0,2	-
Tangible fixed assets	-	4,5	-
Financial fixed assets	-	8,2	-
Inventories	-	66,9	-
Current receivables	1,5	59,3	-
Liquid assets	4,8	14,4	-
Total assets	6,3	153,5	-
Minority interests	1,8	-	-
Provisions	-	1,3	-
Long-term liabilities	0,9	13,7	-
Current liabilities	0,0	147,7	-
Total liabilities	2,7	162,7	-
Sales price received	3,6	0	-
Less liquid assets in the divested company	-4,8	-14,6	-
Effect on the consolidated liquid assets	-1,2	-14,6	-

Stockholm, 11th February 2004

Petter Stillström
President and CEO

Lars Olof Larson

Mats Olsson

Bengt Stillström
Chairman of the Board

Bengt-Arne Vedin

My Auditor's Report with regard to this Annual Report was submitted on 15th February 2004.

Anders Roos
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of AB Traction (publ), company registration number 556029-8654

I have examined the Annual Report, the Consolidated Accounts, the bookkeeping and the administration of the Board of Directors and CEO of AB Traction for the financial year of 2003. The Board of Directors and the CEO are responsible for the accounting documents and the company administration. My responsibility entails commenting on the Annual Report, the Consolidated Accounts and the administration, on the basis of the audit we have carried out.

The audit has been conducted in accordance with generally accepted accounting principles in Sweden. This means that I have planned and carried out the audit in order to assure myself to a reasonable degree that the Annual Report and the Consolidated Accounts contain no significant errors. An audit entails reviewing a selection of the source documents for amounts and other information contained in the accounting documents. An audit also includes examining the accounting principles, together with the Board of Directors' and CEO's implementation of the same, and evaluating the overall body of information contained in the Annual Report and the Consolidated Accounts. As a basis for my statement concerning a discharge from liability, I have examined signi-

ficant decisions, actions and circumstances within the company in order to be able to determine whether any compensation liability exists on behalf of any Member of the Board or the CEO towards the company.

I have also examined whether any Member of the Board or the CEO has, in any other way whatsoever, acted in breach of the Swedish Companies Act, the Swedish Annual Reports Act or the Articles of Association. I believe that my audit provides me with reasonable grounds for the following statements.

The Annual Report and the Consolidated Accounts have been compiled in accordance with the provisions of the Swedish Annual Reports Act and hence provide an accurate picture of the company's results and position, in accordance with generally accepted accounting principles in Sweden.

I recommend that the Annual General Meeting adopt the Income Statement and the Balance Sheet for the Parent Company and the Group, that the loss in the Parent Company be allocated in accordance with the proposal contained in the Directors' Report, and that the Members of the Board and the CEO be granted a discharge from liability for the financial year.

Stockholm, 15th February 2004

Anders Roos
Authorized Public Accountant

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Financial information, 2004

Publiceringsdatum för ekonomisk information:

- 13th May 2004 Interim Report for the period from January-March
- 19th August 2004 Interim Report for the period from January-June
- 11th November 2004 Interim Report for the period from January-September
- 23rd February 2005 Preliminary Financial Statement

To subscribe for financial information by e-mail, please see www.traction.se or e-mail the company at post@traction.se

Shareholder information

Annual General Meeting

The Annual General Meeting of the company will be held on 29th April 2004 at 3.30 p.m. in the Spårvagnshallarna building at Birger Jarlgatan 57A, Stockholm, Sweden.

Application to attend

Applications to participate in the Annual General Meeting should be submitted to AB Traction, Box 3314, SE-103 66 Stockholm, Sweden, tel: +46 8 506 289 00, fax: +46 8 506 289 30 or by e-mail to post@traction.se. Applications must be submitted no later than 4 p.m. on 23rd April 2004.

To be entitled to participate in the Meeting and to vote there, shareholders must be registered in the register of shareholders maintained by the Swedish Securities Centre, VPC AB, no later than 19th April 2004. Shareholders whose shares are nominee-registered must, to be entitled to participate in the meeting, temporarily re-register their shares in their own name well in advance of that date.

Dividend

The Board of Directors proposes a share dividend of SEK 2.40 per share. The proposed record day is 4th May 2004. Shareholders should receive their dividend payments on or around 11th May 2004.

The art of driving a car

First and foremost, you have to have a car. You should probably also have driven a car before, and maybe taken driving lessons and passed your driving test. If you have never driven before and can barely see over the wheel, the trip will be dangerous. On the whole, you should be aware that there are a great many cars, that many are driven by experienced and skilled drivers, and that others are driven by reckless madmen. Traffic can be heavy and dangerous, and if you don't know the rules of the road, it makes matters even worse. If you drive too fast, it's easy to skid off the road, or take the wrong direction and end up somewhere else. The detour may be a lengthy one. The car can break down and you can run out of fuel. Small, twisting roads and off-road driving requires one style of driving, multilane motorways another. Not all drivers and all cars are always a perfect match.

Traction Venture Management

Driving school, car rental, servicing, repairs, car washes, petrol, maps, garages, buying and selling new and used vehicles.

