



TRACUO

Annual Report 2004

Contents

2004 in Brief	1
President's Statement	2
Traction's Business	4
Business Organisation	9
Listed Holdings	10
Ownership Policy	15
Subsidiaries	16
Venture	18
Traction from an Investor Perspective	21
Five-year Overview	23
The Traction Share	26
Administration Report	28
Income Statements	30
Audit Report	54
Board of Directors	56
Shareholder Information	Cover

This annual report is, in all essential, a translation of the Swedish original. In the event of any discrepancy between the Swedish and the English document, the Swedish original shall prevail.

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, cash flow 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 partially owned companies, thereby generating high returns and value growth.

Business philosophy

- We have a long-term approach.
- We are not seeking to build up a corporate group. We work instead 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 of shareholders' equity of at least 25 percent.
- 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 carry out the business project.
- Project Managers with varying expertise and background 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.
- Co-operation partners who can act as project manager, director, president and/or joint owner.
- Sufficient financial resources to take on new projects.
- Consistent application of our methodology to minimise risk and raise the return on investment.

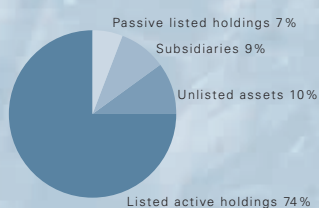
Exit philosophy

It is important to Traction that our companies display long-term growth and earning power. We make our money, not on dividends from the companies, but on the capital gains when we sell equity. Our basic tenet is that we regard our ownership as "perpetual", but our shares are, in principle, always for sale at the right price and to a better owner. We define a better owner as an owner that is able to do more for the company than Traction can.

2004 in Brief

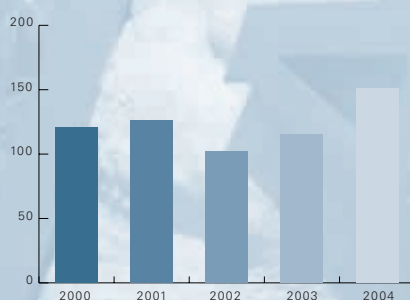
- Earnings after taxes amounted to MSEK 82.5 (-38.2)
- Earnings per share amounted to SEK 14.96 (-6.92)
- Earnings after taxes according to IFRS (pro forma) amounted to MSEK 192.5
- Net capital gains amounted to MSEK 21.7 (20.1)
- The reserve in listed holdings increased by MSEK 127
- Shareholders' equity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

Allocation of Traction's adjusted equity*



*) Including hidden reserve in portfolio of listed shares

Adjusted equity per share*



Key financial indicators*

	2004	2003
Shareholders' equity per share, SEK	123	110
Shareholders' equity after adjustment per share, SEK*	151	115
Market price at end of period, SEK	111.5	81
Price/shareholders' equity per share after adjustment, %*	74	70
Earnings per share, SEK	14.96	-6.92
Return on equity	13	Neg
Equity ratio, after adjustment, SEK	82	74
Dividend per share, SEK	2.80	2.40
Dividend yield, %	2.5	3.0

President's Statement

“The market's interest for small and medium-sized companies is increasing.”



Dear Shareholders,

2004 was a good year for Traction. Most of our companies improved their earnings performance, at the same time as the value of a number of our listed holdings increased substantially during the year. The largest changes in value were displayed by AcadeMedia, which climbed 448 percent, JC by 157 percent and Know IT by 93 percent. Traction's shareholders' equity, adjusted for the surplus value of the listed portion of the portfolio, grew by MSEK 196 during the year, equivalent to an increase of approximately 31 percent, or about SEK 35 per share. No market valuation or revaluation of the associated companies not traded publicly is included in this calculation. In the beginning of 2005 Traction sold major blocks of, inter alia, JC and AcadeMedia, which means that we now are well prepared for new business.

Events in Traction

Important events during the year in Traction and our wholly and partially owned engagements include the following: AcadeMedia acquired Eductus and Företagspoolen, which means that the company's annual sales will better than double to more than MSEK 200. The acquired companies contributed positively to AcadeMedia's earnings, which together with action taken in the regular business, means that AcadeMedia reported a positive result after several years of large deficits.

The operating result for the fourth quarter 2004 increased to MSEK 13.5, from a loss of MSEK 3.5 for the corresponding period 2003. During the first quarter of 2005, Traction's

ownership in the company was reduced to just over 5 percent of the capital and 20 percent of the votes.

Duroc's associated company Impact Coatings was capitalized through a private placement to Duroc's shareholders. Traction guaranteed parts of the new issue. The company is traded on Nya Marknaden. Associated company Leipzig Rail Service GmbH expanded strongly by acquiring additional businesses in southern Germany. The company has revenue of 25 million EUR, generated from maintenance of goods wagons. Duroc also acquired 20 percent of Werk Delitzsch in Saxony, with annual sales of EUR 15 million. Profitability problems and costs for restructuring in Duroc Tooling constitute a drag on consolidated earnings and mean that Duroc reported a negative operating result for 2004. I entertain expectations that measures taken will prove effective so that the company's negative earnings trend can be turned around. Other operations in Duroc show a positive development.

In JC we contributed to a change in composition of the Board of Directors, in part by appointing a new chairman in the form of Torsten Jansson, entrepreneur and principal owner of New Wave Group. Aided by the new Board of Directors, we have decided on further action programs and cost focus. At the same time a new store concept has been launched and the stores have been updated. Operations in Germany were closed after several years of significant losses. After several years of instability and losses, it is a relief to be able to declare that the company now is on the right track. Traction sold most of its shares in the Company during the first quarter of 2005. Haldex's earnings before taxes more than doubled to MSEK 256 and the company has received a number of important

orders for its AWD system, fuel transfer pumps for diesel engines, the Alfdex system and disc brakes for heavy vehicles. The prospects for 2005 are good and the company's assessment is that "a volume increase in combination with the effect of implemented restructuring and pricing adjustments linked to higher prices for raw materials, are expected to lead to significantly improved earnings."

Know IT grew by approximately 30 percent, mainly in the form of organic growth. In recent years Know IT has evolved from a company in crisis, in an industry with falling hourly rates and an over-supply of capacity, to one of the industry's best-managed companies.

Traction's associated company Arvako was sold to the Dutch staffing company Randstad. Traction has been a joint owner of Arvako since 2000 and the company has expanded since then with good profitability.

Traction guaranteed a new issue in Nextlink. Some shares were subscribed for in connection with the guaranty and additional shares were acquired in the stock market to the point where we now are one of the company's largest owners with a stake of approximately 10 percent. Nextlink is a Danish technology company with a focus on headsets and other related products for professional users and consumers.

A consortium consisting of Traction and a number of private individuals acquired the business in SMA Maskin in bankruptcy. SMA Maskin is active in sales, rental and service on trucks.

Traction financed an owner consortium consisting of staff from Hifab. The consortium achieved shareholder majority in the company and a new Board of Directors was appointed at year-end. Hifab operates as an independent construction project manager and is Sweden's leading project management company. Operating revenue reached approximately MSEK 500, 50 percent of which is outside Sweden.

Traction became the sole owner of Gnosjöplast at the end of 2004. Taking over the interest of the minority was a consequence of a need to restore the company's capital and our partners' inability and lack of willingness to participate. The results in Gnosjöplast, and also Ankarsrum Industries, are not satisfactory and measures have been taken to increase sales and reduce overhead costs. The development in subsidiary Tolerans, on the other hand, is very positive and the result has turned from a loss of MSEK 8.7 to a profit of MSEK 6.7 before taxes.

Transition to reporting according to IFRS

Historically, Traction has reported profit only after it has been truly earned and realised, thus refraining from including future, not yet realised gains. Only realised shares in profit have impacted our accounts. Goodwill has been amortised over five years, not only goodwill arising in connection with acquisition of subsidiaries, but also goodwill arising in connection with acquisition of associated companies. We have been comfortable with this mode of reporting.

Now the so-called modern reporting forces us to confuse the issues. Our group of subsidiaries will report based on fairly historical/realised transactions, with the exception that goodwill

will not be amortised. The part that consists of holdings in other companies, smaller stakes as well as associated companies, will be subject to market valuation. This means that for listed companies the market share price will be applied and for other companies the Board of Directors will have to decide on a valuation. This means that future profits will be included based on assessments of profit before it has been earned.

This is not something that we like. We just don't think it is true and fair. Reasonable theoretical underpinnings are also lacking. But we have to adapt and try to be as clear as possible so that our shareholders will be able to make reasonable assessments. If we look back on our business and include the change in value on listed holdings, the sequence of results will look approximately as follows:

Year	1999	2000	2001	2002	2003	2004
Reported result, MSEK	60	351	23	-19	-38	83
Corrected result, MSEK	275	54	47	-111	85	192*

* According to IFRS pro forma.

As can be seen, the sequence of results changes significantly. Year 1999 stands out as our record year rather than 2000, when we realised large portions of 1999's appreciation. 2003 was actually a pretty good year instead of a year of major losses. 2004 was more than twice as good using the new reporting, compared to traditional accounting.

In the future, unrealised changes in value on unlisted holdings will also affect results, but not changes in the value of subsidiaries.

The future

As of 23 February 2005, Traction had sold shares in JC, AcadeMedia and Know IT for MSEK 143. Combined with dividend proposal announcements, mainly from Thalamus Networks, Haldex and Know IT, this means that Traction will have very good liquidity for new business. A continuing strong stock market during January and February 2005 means that the outlook for a positive 2005 is good. Our high level of liquidity means that we ought to find a number of medium-sized engagements during the year, companies in need of change, as well as companies in need of an active and engaged owner. However, the ample supply of risk capital will make it difficult for us to find interesting objects on reasonable terms. If the terms offered are not sufficiently interesting, we will bide our time and refrain from investing significant amounts in competition with our players with lower required return and more risk capital at their disposal.

Stockholm, March 2005

Petter Stillström

Traction's Business

The common denominator for Traction's business is that we apply our own corporate development methodology to all 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 our methodology is what we sell, that's what we make money on, and the commodity 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. 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 provide optimal solutions to the customer's problems. Identifying customers who could benefit greatly from the products or services provided by the company generates the prerequisites 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 at its greatest when the company ensures that it capitalises on every emerging business opportunity and only proceeds with the products and services that customers demand and are willing to pay for.

Most successful innovations are propelled 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 qualified sales representatives who are responsible for customer relationships and who are able to translate the requirements to the company's other functions.

Cash flow

One additional cornerstone of Traction's methodology is based on a functioning cash 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 for 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 hints of how demand changes. 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 prerequisites.

Risk management

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 focused on the products and services where 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 increase. If different risks are combined, the overall probability for a successful outcome is reduced, 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.

When 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 razor-sharp focus on the company's business disappears. It simply becomes less important to get money from the customers. There is a tendency to go after new ventures and costs tend to grow with a declining requirement for immediate return. The money burns a hole in 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. And yet, 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 and at the same time utilize every opportunity 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 in 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 infusion. 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's 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 getting 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 end customers.
- Nurture the brand name and make sure you own it.

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

- All business contains 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 operation and expand it later, if possible.

To capitalize on 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, make more of what works and quickly stop whatever doesn't work.
- Let the customer's wishes and willingness to pay determine what the company does.

To avoid risks

- Basic business – something to live on when things are 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.

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 infused can be very high. Traction's goal is to systematically ensure that the three most important factors, all of 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 ASSYMETRIC RISK PROFILE

Traction's capital infusion in its portfolio companies is relatively low. In part, this is Traction's way of getting paid for its very active ownership, in part it is a function of the implementation of Traction's capital-extensive business methodology in the portfolio companies. This results in a

relatively small capital infusion 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

With Traction as a 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 trains a sharp focus on realising changes in the basis for the valuation of its holdings. As examples can be mentioned:

- If a company becomes an attractive buy-out target for an industrial investor, its value can be multiplied many times over.
- If a company becomes listed in a marketplace, the value can be multiplied several times, at the same time as additional capital can be raised, and this, coupled with Traction's methodology, increases the chances for long-term growth.
- When a company suffers acute profitability and liquidity problems, its value falls drastically. The revaluation pro-

fits 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 drop 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 limelight and their value is 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, which leads to high leverage on capital infused. Historically, Traction has demonstrated its ability to com-

bine 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 WORKS WITH 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.

Active partners who in co-operation with Traction:

- Are able to work operatively as project manager, director or president.
- Acts as an active partner.
- Want to finance a buy-out, a new issue or participate in refinancing the business.
- Believe in our methodology and are willing to work in accordance with its dictates.

Company managements/company presidents/owners who:

- Lack an active joint owner.
- Need help in conjunction with a management buy-out, spin-off or acquisition of businesses, or a change of generations.
- 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.

Financiers, owners, reconstruction specialists who:

- Need support in specific situations when urgent operational measures are needed in critical phases of reconstruction of operations.
- 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.
- Need a guarantor in connection with raising capital.

KOHLER



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 approach to entrepreneurship. Traction's central organisation consists of 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. Traction's business organisation also includes a network of co-operation partners who participate actively, or have participated in the development of Traction's associated companies, such as entre-

preneurs, owners, directors, members of senior management and financiers.

When necessary, Traction's Venture Managers assume operational responsibility for running the portfolio companies in conjunction with the implementation of change projects. Traction's Venture Managers have a broad competence base, which means that Traction is 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 expenses.



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



Jan Tideliu, 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.



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



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



Håkan Bertsson, Venture Manager, born 1972, M.Sc. (Business Administration). Worked at Traction since 2000. Previously worked in sales and management positions in the IT industry.



Anders Ekborg, Venture Manager, born 1968, LL.B. Worked at Traction since 2004. Previously worked for a law firm.



Project Presentation



Listed Holdings

Traction is an active major owner in a number of smaller and medium-sized listed companies. We invest in companies where we see a significant revaluation potential and where the risks are manageable. Other involvement in listed companies can be that we underwrite equity offerings in companies in need of new capital and where we see a potential for good returns. Traction has been an owner in several of the companies listed below before they became publicly listed and we participated actively in their respective processes of going public. Please also refer to Traction's ownership policy for further information on our approach to ownership in listed companies and the distribution of roles between owners, Board of Directors and corporate management.

ACADEMEDIA AB

2004 was a year of major changes for AcadeMedia. Operations were turned around to profitability, a number of acquisitions were made, strengthening the company's position in a number of areas, and as a consequence hereof, the company was reorganized into an organization with a clear operational control and responsibility. Management was also changed during the year.

AcadeMedia delivers interactive knowledge solutions and training in a number of areas, including IT, Media Technology, Project Management, Sales and Finance. Training operations are now assembled in business area AcadeMedia Eductus, which offers training solutions in the Labour Market, Rehabilitation Training, Vocational Training and Adult Education, Change-over Training for career shifts and Integration Training for immigrants. The

acquisitions of Eductus and Företagspoolen strengthened AcadeMedia's position significantly in the areas of Labour Market and Rehabilitation, also strengthening the areas for Change-over Training and Integration Training.

Consultancy operations are conducted in AcadeMedia Learning Consulting and Reagens Simulation for interactive knowledge solutions and simulation where the company delivers customized solutions that contribute to the customers' processes, in areas such as product roll-outs, personnel introduction programs and financial control. The acquisition of Reagens in 2004, where AcadeMedia owns 60 percent with an option for the remaining 40 percent, contributes with strong concepts and knowledge in simulation solutions. AcadeMedia also has a 70-percent interest in spin-off project Recall, a supplier of

technology for distribution of digital media. During 2004, the market for, in particular, Streaming Media was very weak, but the company met this with a sharp cost focus and re-focusing to other offers with a promising future.

In its new structure, the company will have revenues of MSEK 210, with profitability. AcadeMedia is traded on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange). More information is available at www.academedia.se, or from the company's own public reports.

KEY FACTS 2004

Revenue	MSEK 165
Tractions ownership stake . . .	35%
	(votes 38%)
Held since	1994

DUROC AB

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

Duroc capitalizes on the Duroc technology in a number of market segments. Duroc Energy delivers Duroc-refined products to the power and process industry. Duroc Tooling develops and manufactures sheet-metal-forming tools. Duroc Rail supplies goods and services to the railway industry. Since 2002, Duroc Rail also owns 20 percent of the German company Leipzig Rail Service GmbH. An additional 10 percent was acquired during the first quarter of

2005. Leipzig Rail Service GmbH expanded strongly by acquiring additional businesses in southern Germany. The company has annual sales of 25 million SEK, generated through sales and maintenance of railway cars. Duroc also acquired 20 percent of Werk Delitzsch in Saxony, with sales of EUR 15 million annually. The wholly owned subsidiary Swedish Saw Blades produces and sells saw-blades. Products are exported to a number of countries in Europe, and to South America and South East Asia. Duroc's associated company Impact Coatings AB floated a new issue during the year and obtained a listing on Nya Marknaden in November 2004. The new issue was underwritten by a consortium consisting of Duroc, Traction and members of senior management in Duroc. After the new issue, Duroc owns 31 percent of the company. Impact Coatings AB develops and commercialises innovative technology for PVD surface coating. PVD is a method of produ-

cing thin layers of metals and ceramics. The company's main product is the coating system InlineCoater™, which streamlines PVD coating of mass-produced components. Further information about Impact is available in the company's official reports and at www.impactcoatings.se.

Duroc is listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange). Further information about Duroc is available in the company's official reports and at www.duroc.se.

KEY FACTS 2004

Revenue	MSEK 192
Traction's ownership stake (capital)17%
	(votes 34%)
Held since	1993
President	Erik Albinsson

HALDEX AB

Haldex, which traces its origins to 1887, has developed, via its precision mechanics and later in mechanical components for brake systems, into an innovative and rapidly growing supplier to the world's vehicle industry. Operations focus on vehicular products that improve the vehicle's safety, the environment and driving characteristics (vehicle dynamics).

Haldex supplies in-house developed systems and components world-wide and is active in four business areas:

Haldex Commercial Vehicle Systems

Compressed-air-based brake and suspension systems for heavy vehicles

The business area covers virtually all types of sub-systems and products that constitute a complete brake system and is organised in four product divisions:

- Air Management focuses on generating and managing the system's compressed air;
- Brake Controls concentrates on the sub-systems 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 on brake pads.

The Division sells to both OEM custo-

mers and aftermarket distributors through its own regional sales organisations. The global market share in this sub-market that can be served by Haldex's combined product programme in the brakes field, is estimated to be approximately 15 percent.

Haldex Traction Systems

All-Wheel-Drive systems for cars

Haldex was the first to introduce an electronically controlled all-wheel-drive system in 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 are 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 to be approximately 15 percent.

Haldex Garphyttan Wire

Special spring wire for combustion engines

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

Haldex AB

Haldex's financial goal is to grow by at least 6 percent per year, and to achieve an average return on capital employed over an economic cycle of at least 15 percent. Haldex is listed on the A-list of Stockholmsbörsen. Further information about Haldex is available in the company's official annual report and at www.haldex.com.

KEY FACTS 2004

Revenue MSEK 6,759
 Traction's ownership stake . . . 11%
 Held since 2001
 President (pending) Joakim Olsson



JC AB

JC develops and operates concepts for fashion stores. Each concept has its well-defined target group and position. JC offers the concepts JC 6–25 years, Brothers and Sisters. With a market share of approximately 4 percent of the total clothing retail trade, JC is the fourth largest clothing company in Sweden. JC is also active in Norway and Finland. Store operations are both through franchising and the company's own stores for all con-

cepts. This combination has created a strong underlying revenue base, at the same time as franchising has allowed for a more rapid expansion of the company. As of 31 December 2004, the number of stores was 261 (273), 85 (93) of which were owned by JC and the remaining stores by franchisees. For more information, go to www.jc.se or refer to the company's own public reports.

KEY FACTS 2004

Revenue	MSEK 1,765
Traction's ownership stake . . .	13%
Held since	2002
President	Thommy Nilsson

KNOW IT AB

Know IT AB is a company active in the IT consultancy industry. The business is to strengthen customers' competitiveness by developing and managing customised, mission-critical IT solutions. The company's operations largely comprise system development and system management in a number of technology areas where the company's consultants possess in-depth competence. Assignments are usually carried out on the premises of the customers, who often lead and control the project. Know IT also accepts functionality undertakings or turnkey responsibility for delivering solutions that meet customers' requirements. This means that for these assignments, the company assumes responsibility 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 recorded growth of approximately 30 percent during the year, with rising profitability. The turnaround in the tough market for IT consultancy services, the beginnings of which were seen during 2003, was confirmed during 2004. The growth was mostly organic, aided by a few smaller acquisitions of consultancy groups with operational focus, competence or a geographic position that complemented Know IT's existing structure. The company experienced strong growth in a number of localities, among them Göteborg, Sundsvall and Stockholm. Know IT's customers are found among in segments Telecoms, Banking, Finance, Insurance,

Public Sector and Pharmaceuticals. The company has twelve regional offices in Sweden, and in Oslo, with certain emphasis on the northern part of the country. The largest offices are in Stockholm and Sundsvall.

The company's proximity to its entrepreneurial customers, its profitability and its market position, with a large number of frame agreements, makes it well prepared for continued strong expansion. Know IT is listed on the O-list of Stockholmsbörsen. Further information is available at www.knowit.se and from the company's own public reports.

KEY FACTS 2004

Revenue	MSEK 384
Traction's ownership stake . . .	25%
Held since	2001
President	Anders Nilsson

NEXTLINK AB

Nextlink is a technology company that focuses on headsets and products related therewith. The company has developed product concept Invisio for professional users and Bluespoon for the consumer market. Nextlink also carries out royalty-based development assignments for players with leading positions in a variety of professional segments.

Nextlink holds patents for its technology in each respective area. The company also holds patents in the area of wireless communications solutions for IP telephony.

Nextlink's shares are traded on NGM's Nordic OTC-list. More information is available at www.nextlink.to or from the company's own public reports.

KEY FACTS 2004

Revenue	MSEK 190
Traction's ownership stake . . .	12%
Held since	2004
President	Lars Stenfeldt Hansen

SOFTRONIC AB

Softronic is an IT and management company where the business concept is to be a change partner to its customers. Softronic has a holistic approach to change which means that the company is able to support its customers in everything from strategy and structure (organisation, processes, IT) to human change. The company consists of specialised companies, each of which strives to be the leader in its sphere of competence. Consultus, who are experts in Change Management, is a prime example of this. Softronic's IT partner operations have

18 years' experience of supplying mission-critical IT solutions using modern, high-end technology. The business is known for taking turnkey responsibility, from requirement analysis and development of mission-critical solutions, to implementation and operation. Investment funds and insurance, transport, logistics and forwarding, member organisations, retail trade, medical, public sector administration, and schools are just some of the areas in which the Softronic Group is active. Softronic is listed on the O-list of Stockholmsbörsen.

For further information on Softronic, refer to the company's official annual report and its website, www.softronic.se.

KEY FACTS 2004

Revenue MSEK 190
 Traction's ownership stake . . .18%
 (votes 11%)
 Held since 2001
 President Anders Eriksson

THALAMUS NETWORKS AB

Thalamus Networks offers, through cooperation with specialists, communication solutions and services that meet stringent performance and security requirements. The company is listed on the O-list of Stockholmsbörsen and was founded in 1987. Subsidiary Fiberdata, which was acquired in 2002, was founded in 1982. Aggregate annual revenues amount to approximately MSEK 250.

The Thalamus Group offers design, installation, putting into service and support of customer-specific systems solutions for data and telephony networks, and services for Internet access and monitoring of networks. Thalamus also

owns the metropolitan area network in Ängelholm. The group's customer categories include metropolitan area and regional networks, public sector administration, residential area networks, industrial and service companies.

The company has generated weak results during the period of necessary restructuring of Fiberdata since the acquisition. The consultancy in Norway were sold during 2004. Two rather large minority interests in ProAct IT Group and TurnIT were also sold. The founder of Thalamus, P.O. Andersson, has assumed the position of President and Peter Kullring, most recently with Alcatel, has

been hired as President of Fiberdata. The company has a strong balance sheet and substantial financial assets. Thalamus is actively looking for major acquisition opportunities. For more information, go to www.thalamus.se.

KEY FACTS 2004

Revenue MSEK 243
 Traction's ownership stake . . . 33%
 (votes 27%)
 Held since 1997
 President Pär-Ola Andersson



Ownership Policy for Listed Companies

Below is a summary of Traction's ownership policy for listed companies. Traction's ownership policy for unlisted companies in which we have a partner is also governed by a partnership relationship.

- 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 of Directors, 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 suggestions for new board members are presented to the Board of Directors.
- The Board of Directors and management shall also gather and embrace 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 grant favours to 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, 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 be composed of 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, fields of experience and contact interfaces.
- Traction wants 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 make critical decisions regarding the company's strategies, orientation, major transactions and other significant events.
- The Board of Directors shall exercise effective control over the company's finances, risks and opportunities. The Board of Directors works on behalf of the owners.
- As a major owner, Traction always wants to participate in both formal and informal nomination committees.
- The nomination committee should 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.
- Traction intends, at all times and in all companies, to implement Traction's business development methodology and expects other directors and corporate managers to work in the same spirit.
- 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 comply with the following principles:

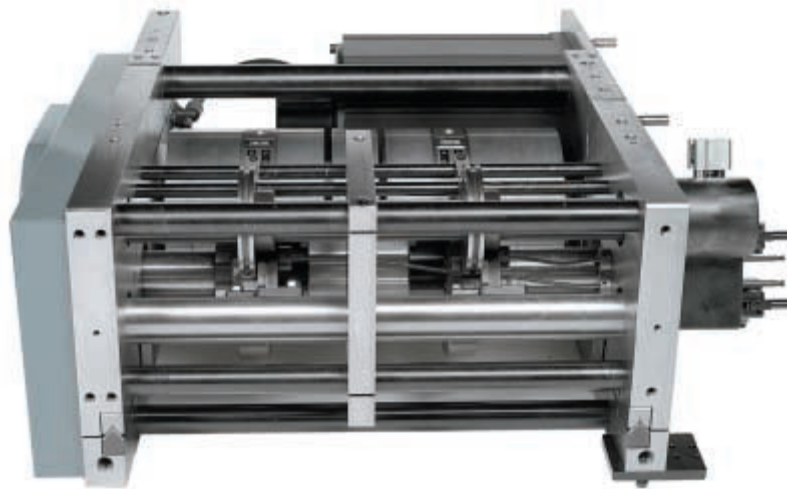
- A reasonable basic salary and a bonus for good performance.
- Terms and conditions should be renegotiable, both upwards and downwards, usually on an annual basis.
- Notice periods should not exceed six months and golden parachutes should definitely not exist.
- The notice period should be alike between the employee and the company.
- 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 the annual cost for pension insurance, without any pension risk to the company, and should, of course, be at a reasonable level.
- 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 compensation from the company.

Subsidiaries

These engagements normally require more operative work by Traction than outright venture engagements. They are often turn-around projects, reconstructions management buy-outs/buy-ins, or similar situations.

Our principals can be banks, reconstruction specialists, "old" owners or management. The chief executive is usually an employee, but often participates in incentive programmes/bonus systems.

Just like other projects, our work is based on Traction's business methodology and approach to entrepreneurship. Basically, Traction uses the same model for all investments, but the relationship with management differs significantly when the primary responsibility rests with us.



ANKARSRUM INDUSTRIES AB

The Ankarsrum Group is today one of the leading independent producers in Europe of medium-sized electric motors. The Group develops, markets and produces AC and DC motors for use in outdoors products, household appliances, the vehicle industry and welding equipment. Also included is a pressure die casting operation with production for the vehicle and white goods industry, and contract manufacturing, which grew sharply during the year.

Ankarsrum Industries AB is the parent company of the Ankarsrum Group, which consists of three operating companies. **Ankarsrum Motors AB** produces DC motors for customer for the welding industry in particular, which shows solid earnings performance. The company also sells products for vehicles, health care and the furniture industry.

Operations are distinguished by customized solutions with high requirements for quality in the end products. The company had a good year in 2004.

Ankarsrum Universal Motors AB is active in the market for AC motors, which is the group's second business area. This market is distinguished by global overcapacity with strong pricing pressures, especially from Chinese manufacturers. One American customer increased its orders during the year and this resulted in improved earnings since the business is highly volume sensitive. However, during the autumn, weakness in the dollar had a negative effect on earnings. Product development in close proximity to the customers, and cost rationalization in production and purchasing, are high on the agenda for 2005 in order to raise the profit level.

The die casting business in **Ankarsrum Die Casting AB** is mainly comprised of contract manufacture for customers in the European market. The company increased its sales and customer base during the year and this created a more solid foundation for developing the business on a long-term basis. Further information about the group is available at www.ankarsrum.se.

KEY FACTS 2004

Revenue	MSEK 165
Traction's ownership stake . .	100%
Held since	2001
President	(from 1 Aug. 2005) Trevor Fenlon

GNOSJÖPLAST AB

Gnosjöplast, located in the Småland town of Gnosjö, is a supplier of plastic components made using injection moulding and blow moulding techniques. The largest customers are in the automobile industry, but other major customers include manufacturers of garden equipment and in the field of medical technology.

For Gnosjöplast 2004 was a year of adaptation. An action program decided at the end of 2003, with phase-out of unprofitable products and direct cost containment, was followed by a reduction of overhead costs. Costs for phasing

out of these activities were charged to the business during the year. Focus is now on continued productivity improvement in the production process.

A new major order was obtained during the year from Lear Corporation for production for Volvo Cars' S80/V70 platform, which will mean considerable volume increases from 2006/2007.

Ownership in Gnosjöplast increased from 55 percent to 100 percent in connection with a capitalization of the company. The company has an interesting backlog of quotes, primarily to the automotive industry.

KEY FACTS 2004

Revenue MSEK 112
Traction's ownership stake . . 100%
Held since 2001
President Bengt Forsman

TOLERANS AB

Tolerans is a market-leading company that develops and manufactures high speed rotation staplers for newspaper and book houses. Sales are global via printing press manufacturers, such as MAN Roland and Goss/Heidelberg, and via an extensive international network of distributors.

There was strong market demand for staplers during the year in Sweden, for instance, where Dagens Nyheter's switch to a tabloid format meant that several provincial newspapers have followed suit,

ordering staplers in the process.

The company thus continued its successful roll-out during the year of its new generation of staplers, Speedliner, which resulted in sharply rising order bookings. The company has been focusing on a reduction of defect costs, improving purchasing tied to orders and implementing new terms of sale. The effect of this was that the company recorded sharply improved earnings after two weak years. Further information about Tolerans is available at www.tolerans.com.

KEY FACTS 2004

Revenue MSEK 60
Traction's ownership stake . . 100%
Held since 1995
President Michael Kron

SVECIA ENGINEERING

Svecia is active in design and support of screen printing machines. The company's customers are found in the graphics area, manufacturing industry and the glass industry. Svecia has a large installed base and of the 16,000 machines made, more

than 5,000 are still in use.

During the past year Svecia focused on the aftermarket since the market for new machines continued to be weak. The company closed its production facilities in Sweden during the year. There

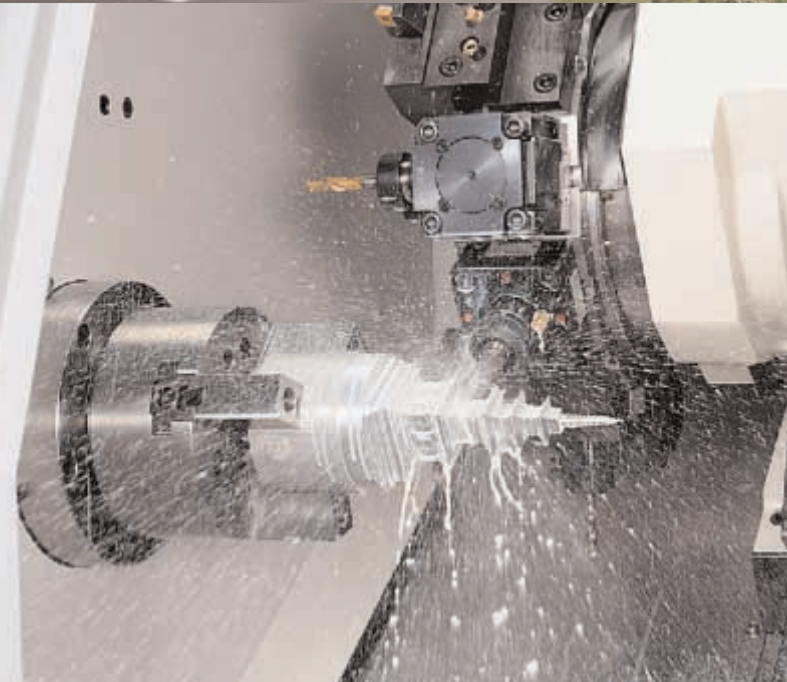
are indications, however, of a general improvement in the industry and around the turn of the year two SAMX lines were delivered to Poland and England.

SVECIA EAST

Svecia East Ltd is an independent trading company that sells consumable supplies on the Chinese and South East Asian markets. Svecia East Ltd is the

distributor for several European suppliers and sells goods to various screen printing industries, such as the circuit board, CD and the general graphics industry. The

company is based in Hong Kong and has seven employees.



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 prerequisites 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.

BANKING AUTOMATION LTD

Banking Automation is a British company that develops, designs and manufactures self-service deposit machines – a sort of reverse ATM – and change machines, primarily for banks but also for transport companies, shopping malls and the like. The machines are placed 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 United States. For further information on the company, go to www.banking-automation.com.

KEY FACTS 2004

Revenue MSEK 55
Traction's ownership stake . . . 49%
Held since 1986
Managing Director David Tew

BRICAD HOLDING AB

Bricad Holding is the parent company of a group of companies with operations focused on:

- Owning, developing and managing industrial and office properties, especially in the Vallentuna and Åkersberga areas. The focus is on bringing about a revaluation of the properties through extensive renovation and leasing to new tenants. The total floor space is close to 30,000 square metres. The company's largest project is VaTellus AB i Vallentuna, which continued to do major rebuilding work and adaptation during 2004 for new tenants.
- To deal in machinery and equipment for the engineering industry by being

the largest owner in Swedish Tool with a stake of approximately 45 percent (refer to separate project description).

- To invest in companies with good development potential and where strong entrepreneurship exists, e.g.
 - Bricad is also the founder and joint owner of BWell AB (46% holding), which helps to develop companies' staff welfare schemes with firm and concrete action and offers. Refer to www.bwell.se.
 - Joint owner of Hälsinge Kulturfastigheter AB with properties in Ljusne.

More information is available at www.bricad.se.

KEY FACTS 2004

Traction's ownership stake . . . 47%
Held since 1997
President Bo Richter

HIFAB GRUPPEN AB

Hifab is an independent consultancy firm in construction management with annual revenue of just over MSEK 500. Operations are nation-wide and international in some twenty countries. During

2004 Traction financed an owner consortium for the purpose of creating a stable ownership situation and to increase profitability in the company on a joint basis.

KEY FACTS 2004

Revenue MSEK 517
Traction's ownership stake . . . 0%
President Jan Boija

SMA MASKIN SVERIGE AB

SMA Maskin is active in the area of materials handling. The company's primary focus is on sales, service and maintenance of trucks. SMA Maskin's service organization consists of some 50 service technicians covering large parts of the country. Today the company operates service and maintenance shops at companies

such as SKF, Stora Enso, Perstorp and others. The company is the general agent of Hyster, which is one of the world's largest truck brands with a complete line of trucks with a lifting capacity from 1 to 52 tons. Hyster is a unit of the American listed Nacco Group. More information is available at www.smamaskin.se.

KEY FACTS 2004

Revenue MSEK 22 (3 months)
Traction's ownership stake . . . 42%
Held since 2004
President Mattias Källemyr

SWEDISH TOOL AB

The Swedish Tool Group markets and sells a complete line of machines such as CNC-controlled lathes, milling machines, multi-operation machines, edging presses, grinding and special machines, as well as tools and accessories for the Swedish engineering industry. The group also offers service on machines sold, conducts training and offers production optimization. The group has a number of agencies for major international

makers in the fields of machining and reshaping processing. Via subsidiaries, the group also deals in used, modern CNC machines, and tool and machine accessories. One of the group's major competitive profiles lies in its ability to provide every customer in every investment phase with constructive financial solutions, such as operational leasing. During 2004 the company secured its position as one of the five largest machine

tool suppliers in Sweden. The company also established itself in the Baltic States. More information is available at www.swedishtool.se.

KEY FACTS 2004

Revenue MSEK 121
Traction's ownership stake . . . 29%
Held since 1997
President Jürgen Engelbrecht

AYS AT YOUR SERVICE AB

AYS At Your Service AB primarily offers laundry, shoemaking and tailor services to private individuals as well as corporate customers. The business model is based on a distribution concept where the company picks up and delivers clothing

at companies. The customers are either the employees of companies or the companies themselves, for example for laundry and tailoring of uniforms, etc. AYS At Your Service AB cooperates with Hangers Cleaners, an environmentally

friendly cleaning agent based on carbon dioxide in Sweden conducted by AGA. The business model will be exploited via a franchising concept to be launched during the spring of 2005. Traction has been a joint owner since 2005.

GEODYNAMIK AB

Geodynamik develops and markets machine-integrated systems that control the compaction of soil and asphalt

paving. The compaction process is faster, simpler and more efficient, and the result is documented, which allows quality to

be assured. Traction has been a joint owner since 1983. Further information is available at www.geodynamik.se.

RECCO AB

Recco markets an avalanche rescue system and sells associated reflectors, both to the sporting goods retail trade,

and for installation in ski boots and skiwear. The system is internationally established at some 350 leading ski

resorts. Traction has been a joint owner since 1998. Further information is available at www.recco.com.

SCOOP PUBLISHWARE AB

Scoop Publishware develops editorial software since 1991. The company is Sweden's leading supplier of editorial software for daily papers. The Scoop tools are available for Mac and PC and optimizes the flow of work in newsrooms

from idea to print. Scoop is used by more than 5,000 users in 240 editorial offices in 12 countries. Scoop Publishware's customers include Aftonbladet, Expressen, Helsingborgs Dagblad, Nya Wermlands-Tidningen,

IDG förlag. Scoop Publishware is the result of a merger between Bombus AB and Wilkenson Scoop AB. Traction has been a joint owner since 2003. Further information is available at www.scoop.se.

SIGICOM AB

Sigicom is a consultancy and development company in the field of measurement technology. The company's hi-tech quality products and software are used to solve measurement technology problems,

mainly in the areas of vibration, sound and temperature, for industrial and service companies. Sigicom develops and supplies its own measurement 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. More information is available at www.sigicom.com.

TBOOK HOLDING AB

TBook Holding AB is the parent company of TBook Software AB. TBook Software develops systems and functions for the online sale and distribution of airline tickets. The company has developed its own

software, such as TBook™, TRes™ and TLess, which is sold to regional airlines and travel agencies. The company's customers include Skyways, TUI Nordic and AirBaltic. Since April 2000, TBook

Holding AB is traded on HQ Tech Market. Traction has been a joint owner since 1998. Further information on the company is available at www.tbook.se and www.bequoted.com.

Traction from an Investor Perspective

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

	Number of companies	Revenue (MSEK)	Number of employees	Traction's share	
				Revenue (MSEK)	Number of employees
Subsidiaries	5	387	332	387	332
Unlisted holdings	8	270	147	101	58
Listed active holdings	8	9,717	5,989	1,276	816
Total	21	10,374	6,468	1,764	1,206

Shareholders' equity, including hidden reserve in listed holdings

Listed active holdings	Number of shares (thousands)	Share price	Value (MSEK)	Percentage of total	SEK per share
AcadeMedia	1,110	48.50	54	6	10
Duroc	907	15.70	14	2	3
Haldex	2,512	116.50	293	35	53
JC	1,177	81	95	11	17
Know IT	2,497	25.90	65	8	12
Nextlink	1,237	8.50	11	1	2
Softronic	8,209	2.22	18	2	3
Thalamus Networks	3,072	22.50	69	8	13
Total listed, active holdings			619	74	113
Other listed, passive holdings			53	6	10
Subsidiaries					
Ankarsrum Industries					
Gnosjöplast					
Tolerans					
Svecia companies					
Total subsidiaries			74*	9	13
Unlisted holdings					
Banking Automation					
Bricad Holding					
SMA Maskin					
Swedish Tool					
T-book Holding					
Total unlisted companies			31*	4	5
Other unlisted assets by acquisition value**			56*	7	10
TOTAL			833	100	151

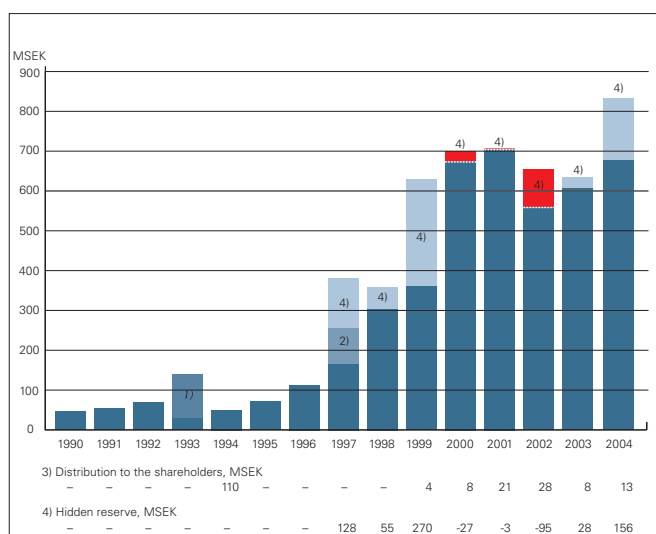
* Non-market-valued holdings carried at book value.

** Acquisition value does not reflect Traction's initial investment. Refer to accounting principles.

Traction's Performance

Return on visible equity, after taxes

	Annual return, %	Year
Worst year	-6	03
Best year	101	1993
10-year average	28	95-04
5-year average	21	00-04
Traction's goal	25	all years



- 1) Amount distributed 1994.
- 2) A new issue was floated in 1994, adding close to MSEK 90 in equity.
- 3) By distribution to shareholders is meant dividends and buy-back of shares.
- 4) By hidden reserve is meant the difference between the book value and the market value of listed holdings.

Fifteen-year Overview of Traction

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
NET RESULT, MSEK	13	7	16	71	19	22	41	54	48	60	351	23	-19	-38	83
Shareholders' equity, MSEK	47	54	70	141	51	73	114	257 ²⁾	305	361	703	708	657	609	677
Equity ratio, %	17	30	27	56	30	48	59	59	63	66	80	67	74	74	79
Return on equity, %	38	15	30	101	23 ¹⁾	43	56	36	19	20	97	3	-3	-6	13
Shareholders' equity per share, SEK	10	12	15	31	11	16	25	45	54	64	125	127	119	110	123
Earnings per share, SEK	3	2	3	16	4	5	9	11	8	11	62	4	-3	-7	15
Dividend per share, SEK	-	-	-	24	-	-	-	-	0.70	0.35	3.15	3.85	1.50	2.40	2.80
Dividend yield, %									1.32	0.47	2.97	3.67	1.90	2.96	2.50
Price/earnings ratio								9	6	7	2	21	Neg	Neg	7
Market price at year-end, SEK								97	53	74	106	105	79	81	112
Market price/shareholders' equity								2.16	0.98	1.16	0.85	0.83	0.66	0.74	0.91

1) Return 1994 adjusted for dividend.
2) According to 2) above.

Five-year Overview

MSEK	2000	2001	2002	2003	2004
Income Statement					
Operating revenue	394	410	441	434	390
NET RESULT	351	23	-19	-38	83
Balance Sheet					
Shares					
listed holdings with ownership exceeding 10%	434	383	452	434	464
other listed holdings	93	12	51	14	53
other unlisted holdings	46	44	46	38	49
Total shares	573	439	549	486	566
Other fixed assets	43	171	141	134	110
Current assets	213	270	142	127	155
Liquid funds	46	184	55	81	28
TOTAL ASSETS	875	1,064	887	828	859
Shareholders' equity	703	708	657	609	677
Provisions	17	88	53	25	5
Long-term liabilities	36	36	39	15	15
Current liabilities	119	232	138	179	162
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	875	1,064	887	828	859
Key financial indicators					
Proportion of risk-bearing capital, %	82	74	80	76	79
Equity ratio, %	80	67	74	74	79
Return on equity, %	97	3	-3	-6	13
Shareholders' equity per share, SEK	125	127	119	110	123
Adjusted equity per share, SEK	120	126	102	115	151
Earnings per share, SEK	62	4	-3	-7	15
Dividend per share, SEK	3.15	3.85	1.50	2.40	2.80
Dividend yield, %	3.0	3.7	1.9	3.0	2.5
Price/earnings ratio	2	21	Neg	Neg	7
Market price of share at year-end, SEK	106	105	79	81	112
Market price/shareholders' equity	0.85	0.83	0.66	0.74	0.91
Number of shares outstanding at year-end, thousands	5,616	5,589	5,515	5,515	5,515
Average number of shares outstanding, thousands	5,658	5,592	5,547	5,515	5,515

Definitions

Percentage of risk-bearing capital	The sum total of shareholders' equity, restructuring reserve, negative goodwill and managed venture capital as a percentage of the balance sheet total.
Equity ratio	Shareholders' equity as a percentage of balance sheet total, not including minority interest.
Earnings per share	Net result divided by the average number of shares outstanding during the year.
Equity per share	Shareholders' equity at year-end divided by the number of shares outstanding at the year-end
P/E ratio	Market price divided by earnings per share.
Return on equity	Net result as a percentage of shareholders' equity at the beginning of the year.
Adjusted equity per share	Shareholders' equity, including hidden reserve in portfolio of publicly traded shares.
Dividend yield	Dividend as a percentage of market price of share at year-end.

A Small Selection of Transactions Over the Past Five Years

2000 AcadeMedia bought BIG, Business Intelligence Group, sold its holding in Epic Multimedia, yielding a large capital gain, and floated a rights issue in the amount of SEK 100 million.

The holdings in PC Card International, Executive Entertainment and Mobilsystem were sold. A claim was converted to equity 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 Stockholmsbörsen (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 floated 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 largest owners of Ångpanneföreningen. Traction's share is moved from the SBI-list to the O-list of Stockholmsbörsen.

2001 Invested in azign management. Participated in an equity offering in AcadeMedia's subsidiary, ReCALL. Sold the shares in Just Group Plc, at a small capital loss. Phased out of the engagements in Soneruds Maskin, Berg & Hav, RealeX Communications and Hagakure Network. Sold the shares in Ångpanneföreningen to Sweco, which added considerably to profit. Petter Stillström was appointed 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 over the stock exchange. Associated company AcadeMedia acquired a small stake in industry colleague M2S in an attempt to participate in a reconstruction of the heavily indebted company. This failed and M2S was declared bankrupt.

Associated company Swedish Tool grew through the acquisition of Vislanda Maskin, Bonthron & Ewing and Bergander Karlson Maskin. Acquired all shares in Ankarsrum Motors (the formerly FHP Elmotor AB) from Electrolux. Acquired Gnosjö Plast from Lear Corporation in partnership with a group of private individuals.

Acquired EDN Storage Technology and Karlberg & Karlberg from listed company Gandalf (JLT Mobile). Significant profitability problems in Svecia had a strongly negative effect on the year's result.

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 Hjalmarsson & Thias. The holdings in azign management and EDN Storage Technology were sold. Associated company Promecta was declared bankrupt due to extensive fraud in the Polish subsidiary. Became the biggest shareholder in JC through purchases of shares over the stock exchange. Realised significant foreign exchange gains in USD.

An Ericsson debenture loan due in 2009 was acquired. The stakes in AcadeMedia and Thalamus Networks were increased during the year. Associated company Thalamus Networks acquired Fiberdata from TurnIT. Thalamus also underwrote a new share issue in TurnIT and thus became the largest owner in the company.

Decided to wind up the operations in subsidiary Maxitech. 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. Sold the holding in FAB Valhalla, together with the wholly owned subsidiary, Sweden Table Tennis (STT), at a good profit.

Associated company Thalamus Networks acquired a major shareholding in ProAct and sold the majority of its shares in TurnIT.

Subsidiary Berganova AB sold a property in Åkersberga for a capital gain of MSEK 7. 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 MSEK 123. Substantial restructuring costs in the wholly and majority owned companies had a negative effect on the result.

2004 Traction turned 30. Subsidiary Silva Plastic Center was sold. Became joint owner in SMA with a number of private individuals. Staffing company Arvako was sold to the global staffing company Randstad. Financed share purchases in Hifab for a number of private individuals. This led to a situation where a new board of directors could be appointed.

AcadeMedia made three acquisitions during the year: Företagspoolen, Reagens and Eductus, turned around to profit and was the year's winner in the stock market with a rise of 448 percent. Underwrote an issue and became joint owner Nextlink in connection with the company's listing on the NGM OTC-list. Bombus was merged with Scoop Publisher.

Duroc floated its associated company Impact Coating on Nya Marknaden, an issue that was underwritten, in part, by Traction. Increased the stake in Duroc. German associated company Leipzig Rail Service GmbH expanded through acquisitions.

A strong stock market, with JC and Know IT showing gains of 157 percent and 93 percent, respectively, contributed to an increase in the reserve in listed holdings by MSEK 128 during the year.



The Traction Share

The share capital in Traction totals SEK 5,670,000, divided into 5,670,000 shares, 800,000 of which are class A shares and 4,870,000 of which are class B shares. A round lot is 100 shares. Every share has a nominal value of SEK 1. All shares entitle their holder to equal rights to the company's assets and profit. Class A

shares entitle their holder to 10 votes and class B shares entitle their holder to one vote at general meetings of the company's shareholders. Every person entitled to vote at general meetings of the company's shareholders may vote for the full number of shares owned and represented by, without limitation.

Evolution of share capital

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

Traction has conducted business since 1974. A new parent company was, however, created in 1994. There are no outstanding 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 2004 Annual General Meeting to decide, on one or more occasions, to make an equity offering of up to 1,000,000 class B shares, without regard to the preferential rights of shareholders. The Board was also authorised, for the period up to the next Annual General Meeting, to acquire a maximum of the number of shares that would correspond to one tenth of all shares outstanding in the Company.

Repurchases 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	–	–	–
2004	–	–	–
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	32.0	24.9
Bengt Stillström	155,000	1,658,150	1,813,150	32.0	24.9
Nivå Två AB*	340,000	166,820	506,820	8.9	27.7
LF Småbolagsfonden		241,950	241,950	4.3	1.9
Petter Stillström with company	150,000	73,700	223,700	3.9	12.2
Repurchased shares		155,000	155,000	2.7	1.2
Traction Nouveaus pension trust		60,750	60,750	1.1	0.5
Claes Gyllenhammar with company		43,350	43,350	0.8	0.3
Gunnar Lindberg with company		43,000	43,000	0.8	0.3
Skogby & Åberg		41,850	41,850	0.7	0.3
Hanna Stillström		27,700	27,700	0.5	0.2
Bengt Månsson		25,250	25,250	0.4	0.2
Merrill Lynch		25,000	25,000	0.4	0.2
Åke Svensson		22,000	22,000	0.4	0.2
Bengt-Arne Vedin		20,400	20,400	0.4	0.2
Other shareholders		606,080	606,080	10.7	4.7
Total	800,000	4,870,000	5,670,000	100.0	100.0

* Owned by the Stillström family.

Number of shares per shareholder

	Number of owners	Number of shares	Percentage of capital	Percentage of votes
1–500	692	137,916	2.4	1.1
501–1,000	87	76,455	1.4	0.6
1,001–5,000	85	210,809	3.7	1.6
5,001–20,000	23	223,650	3.9	1.7
20,001–100,000	9	290,250	5.1	2.3
100,001–1,000,000	4	1,103,770	19.5	42.8
1,000 000–	2	3,627,150	64.0	49.9
Total	902	5,670,000	100.0	100.0

Traction's share price

Traction's class B share has been listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange), Ticker: TRAC-B, since 24 May 2000. The Market maker is Remium FK. Previously, since July 1997, the share was traded on NGM's share list (the for-

mer Stockholm Börsinformation (SBI). Traction's share price rose by 37.7 percent in 2004. At the end of 2004, the latest price paid was SEK 111.50 per share. The highest and lowest prices noted for the share were SEK 113 and SEK 79.50, 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 percent of the Company's net asset value as of

31 December. Under current tax regulations the dividend is adapted to the Parent Company's revenue in such a way that no tax expense arises in the Parent Company. Under current regulations, there is no standard income on unlisted holdings and listed holdings where the percentage of votes exceeds 10 percent. Repurchase of the company's own shares occurs when it is deemed attractive for the shareholders.

Administration Report

The Board of Directors and the President of AB Traction (publ), corporate identification number 556029-8654, hereby submit their annual accounts and consolidated accounts for the financial year ending 31 December 2004.

Business

The Group's business consists of developing and refining companies, which are acquired either wholly or in part. Traction has devised its own business development methodology, which is characterized by sharp focus on customer relationships, organisation of operations in such a way that the capital requirement is reduced, and on seeking opportunities and minimising risks. The Parent Company is an investment company with a portfolio of wholly and partially owned companies and investments in other companies. The Parent Company is listed on the O-list of Stockholmsbörsen (the Stockholm Stock Exchange).

Significant events during the financial year

Revenue and result

Consolidated revenue declined from MSEK 434 to MSEK 387. Adjusted for the sale of Silva Plastic Center, revenue declined by MSEK 7. The result before taxes rose to MSEK 58 (–42), primarily due to a strong earnings rebound in subsidiaries and associated companies. Subsidiary Tolerans recorded a positive result in the amount of MSEK 7 before taxes, which is an improvement over 2003, when the company recorded a loss of MSEK –9. The positive development is the result of action programs carried out and a high level of selling activity which paid off. Earnings are not satisfactory at Ankarsrum Industries and Gnosjöplast and additional measures need to be taken to increase sales and reduce overhead.

The dollar's weakness during autumn 2004, in combination with rising raw materials prices, had a negative effect on Ankarsrum's earnings. The earnings effect of the weaker dollar amounts to MSEK –1.

All remaining negative goodwill attributable to Ankarsrum and Gnosjö was reversed in an amount of MSEK 17 (28).

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 28 (81). In addition hereto, the Company held non-strategic publicly traded shares and other securities in an amount of MSEK 53 (35), and the unutilised portion of a committed credit facility stood at MSEK 84. Liquid funds in the central companies amounted to MSEK 14. The year's accumulated cash flow amounted to MSEK –54 (26).

Shareholders' equity, including hidden reserve in the portfolio of publicly traded shares

Traction's shareholders' equity, after adjustment for hidden reserve in the portfolio of publicly traded shares, amounted to

MSEK 833 as of 31 December 2004 (637), equivalent to MSEK 151 (115) per share. The change during the year amounts to MSEK 196 (77). The change includes the Parent Company's result in the amount of MSEK 80 (–38), dividends in the amount of MSEK –13 (–8) and a surplus value in the portfolio of publicly traded shares in the amount of MSEK 127 (123).

No shares were repurchased during the year and the total number of shares repurchased was 155,000 as of 31 December 2004.

Parent Company

AB Traction's result amounted to MSEK 42 (–96). The result for 2003 included write-downs in an amount of MSEK 112. Liquid funds as of 31 December 2004 amounted to MSEK 1 (41) and visible shareholders' equity stood at MSEK 628 (600). The external liabilities amounted to MSEK 16 (0). The Parent Company's equity/assets ratio was 97 percent as of 31 December 2004 (98 percent). The Parent Company had no employees during the year.

Capital expenditures

MSEK 19 (12) was invested during the year in old and new projects. New projects during the year are SMA Maskin (42 percent stake) and Nextlink AB (12 percent stake).

Divestitures

Subsidiary Silva Plastic Center was sold at a small capital gain. Sales of shares in project companies freed up MSEK 21 (15), primarily in the form of sales of shares in JC, Know IT and Thalamus Networks. Publicly traded shares were also sold for MSEK 13 (55), net.

Capital gains

The above mentioned shares has a book value of MSEK 16, which generated a capital gain of MSEK 5 (5). Sales of other publicly traded shares resulted in capital gains of MSEK 17 (8).

Shares in profit in associated companies

Shares in the results of associated companies amounted to MSEK 35 (–14). The improvement in results is attributable primarily to the listed associated companies AcadeMedia and Thalamus Networks, and the unlisted Poor Cow AB, the parent company of Arvako AB, which was sold during the year.

Research and development

The Group conducts no research and product development costs are not a significant part of operations. In the typical case costs relate to order-driven development and are charged directly to each respective order.

Dividend

The Board of Directors propose to the Annual General Meeting a dividend of SEK 2.80 (2.40) per share for the 2004 operating year. Pursuant to Traction's dividend policy, the dividend is dimensioned in such a way that no tax expense arises in the Parent Company for the year. Since the Parent Company has

investment company status under Swedish laws, the dividend is a tax-deductible expense.

Repurchase of the Company's own shares

The Board of Directors has been authorized, until the regularly scheduled Annual General Meeting to be held in May 2005, to repurchase, at the discretion of the Board of Directors, up to 10 percent of the total number of shares outstanding in the Company. Shares may be repurchased both in the market and in the form of an offer to shareholders. The purpose is to enrich the shareholders. During 2000, 54,350 class B shares were repurchased in the market at a price of SEK 129 per share and SEK 111 per share (30,000), in February 2001, 26,800 class B shares were repurchased in the market at a price of SEK 90 and 15,000 class B shares at a price of SEK 88. The purchase moneys have reduced unrestricted shareholders' equity. The total number of shares outstanding at year-end was 5,515,000.

The duties of Board of Directors

Traction's Board of Directors adopts rules of procedure for itself and instructions for the President on an annula basis. The rules of procedure specify, inter alia, the duties of the Board of Directors, the distribution of responsibility, a meeting schedule and the issues to be brought before the Board of Directors for consideration. The Board of Directors consists of five directors with no alternates. The Board of Directors convened on six occasions during the year, at which minutes were taken. In addition, individual directors had day-to-intermittent contacts with the Company's President. The agenda for the meetings at which minutes were taken included issues as set forth in the rules of procedure, such as the business situation in the project companies, results and financial position, interim reports and annual accounts, as well as major capital investments. The Board of Directors has its registered office in Stockholm.

Transition to reporting in accordance with IFRS

The most significant difference for Traction between current accounting principles and the upcoming IAS/IFRS principles to be applied starting in 2005 relate to reporting of financial instruments. Financial instruments, which for Traction mainly takes the form of equity-related investments, are to be valued at net realizable value at the accounting period end, and not as before at the lower of cost and net realisable value.

Traction will, after the transition to IFRS, report equity-related investments at net realisable value with value changes in the income statement. In accordance with item 1 of IAS 28, shares in associated companies will also be reported in this manner. Consolidation in accordance with the equity method will consequently end and associated companies will be reported at, for an investment company, more true and fair values. As before, subsidiaries will be consolidated. Shares in publicly traded companies will be valued at market and holdings in companies not traded publicly will be subject to valuation based on a, for each respective holding, appropriate valuation model.

Environmental information

Several of Traction's operating companies conduct business for which permits are required according to the Swedish Environmental Code. The permits refer to the engineering and plastics industries and to injection moulding. These activities impact the external environment through emission of dust and solvents into the air, emission of mineral oil into water, waste from metal-cutting and through noise pollution from these operations. Business requiring a permit account for an overwhelming portion of consolidated net revenue.

Events after the end of the financial year

The ownership stake in JC was reduced as of 23 February to 2.9 percent of capital and votes through the sale of 911,000 shares. The ownership stake in AcadeMedia was reduced to 7 percent of capital and 21 percent of votes through the sale of 885,513 class B shares. Traction has also sold 200,000 shares in Know IT. The total proceeds of these sales amounted to MSEK 143.

Outlook for 2005

Sales of shares during January and February 2005, in combination with continuing strong development for several of Traction's publicly traded share holdings, mean that the outlook for 2005 is positive. Additional measures need to be taken in Ankarsrum Industries in order to create stability and profitable growth. Good liquidity means that Traction ought to find a number of medium-size engagements to get involved in, companies in need of restructuring as well as a change of generations, or a new active and engaged owner. However, the large supply of risk capital makes it difficult for us to identify interesting objects at reasonable prices. Unless terms and conditions are sufficiently attractive, we will abstain from investing significant amounts in competition with other players with lower demand for return and access to more venture capital.

Proposed allocation of earnings (SEK thousand)

Parent Company

The following amounts are available to the Annual General Meeting

Retained earnings	579,491
Net profit for the year	41,453
	620,944

To be allocated as follows:

Dividend to the shareholders of SEK 2.80 per share.	15,442
To be carried forward	605,502
	620,944

Group

The Group's unrestricted equity amounts to MSEK 575.6. MSEK 0.1 will be transferred to restricted reserves.

The Group's and the Parent Company's result and financial position are presented in the following financial report containing income statements and balance sheets, changes in shareholders' equity, cash flow statements and notes.

Income Statements

MSEK	Note	Group		Parent Company	
		2004	2003	2004	2003
Operating revenue	1				
Net revenue	2.3	387.1	433.7	–	–
Other operating income	7	2.9	0.6	0.2	0.2
Total operating revenue		390.0	434.3	0.2	0.2
Operating expenses	2.3				
Raw materials and supplies		–180.2	–196.6	–	–
Change in inventories, products in progress, finished goods, etc	–1.3	–8.5	–	–	–
Other external costs	5.6	–68.2	–65.8	–1.2	–1.2
Personnel costs	9	–127.3	–166.7	–0.2	–0.2
Depreciation, amortisation and write-downs		–21.6	–27.0	–	–112.4
Other operating expenses	7	1.3	–19.2	–	–0.7
Total operating expenses		–397.3	–483.8	–1.4	–114.5
Shares in profit of associated companies	4	34.6	–13.9	–	–
Net capital gains	8	21.7	20.1	26.3	11.4
Operating result		49.0	–43.3	25.1	–102.9
Result from financial investments:					
Other interest income and similar items		4.0	3.9	1.6	1.7
Other dividends		5.3	4.1	14.9	5.1
Other interest expense and similar items		–	–6.9	–0.2	–
Total financial items		9.3	1.1	16.3	6.8
Result after financial items		58.3	–42.2	41.4	–96.1
Taxes on the year's result	10	24.2	1.8	–	–
Minority interest		–	2.2	–	–
Net result for the year		82.5	–38.2	41.4	–96.1
Earnings per share (SEK)		14.96	–6.92		
Number of shares outstanding (thousands)		5,515	5,515		
Average number of shares outstanding (thousands)		5,515	5,515		

Cash Flow Statements

MSEK	Note	Group		Parent Company	
		2004	2003	2004	2003
Current operations	1				
Result before taxes		58.3	-40.0	41.4	-96.1
Adjustment for items not included in cash flow	30	-44.4	20.8	-26.6	101.8
Current taxes		-	-0.0	-	-0.0
Cash flow from current operations before changes in working capital		13.9	-19.2	14.8	5.7
Cash flow from changes in working capital					
Change in inventories		-6.4	5.8	-	-
Change in operating receivables		-42.7	27.2	-39.6	8.4
Change in operating liabilities		32.2	-53.1	-11.1	9.2
Cash flow from current operations		-3.0	-39.3	-35.9	23.3
Investment operations					
Acquisition of subsidiaries	31	-	1.8	-0.0	-38.8
Sale of subsidiaries	31	-0.7	-1.2	-	-
Purchase of shares in project companies*		-18.9	-1.7	-13.8	-0.4
Net investments in other shares		21.1	14.6	21.2	15.2
Purchase/sale of other financial assets		-12.6	55.0	-17.7	43.7
Purchase/sale of tangible fixed assets		-4.1	6.0	-	-
Net investment in other financial assets		0.1	-8.5	3.1	-8.0
Cash flow from investment operations		-15.1	66.0	-7.2	11.7
Financing operations					
Loans raised		16.2	16.3	16.2	-
Repayment of debt		-38.4	-8.2	-	-0.3
Dividends to shareholders		-13.2	-8.3	-13.2	-8.3
Cash flow from financing operations		-35.4	-0.2	3.0	-8.6
Cash flow for the year		-53.5	26.5	-40.1	26.4
Liquid funds at beginning of period		81.1	54.6	40.7	14.3
Liquid funds at end of period		27.6	81.1	0.6	40.7
Interest received during the year		2.4	3.0	1.2	0.8
Interest paid during the year		-3.5	-6.9	-0.2	-

*Project companies are defined as associated companies and other active holdings.

Balance Sheets

MSEK	Note	Group		Parent Company	
		2004	2003	2004	2003
ASSETS	1				
Fixed assets					
<i>Tangible fixed assets</i>					
Buildings and land	11	44.0	45.9	–	–
Plant and machinery	12	52.5	74.0	–	–
Equipment, tools, fixtures and fittings	13	3.5	4.4	–	–
Construction on progress	14	3.2	3.8	–	–
Total		103.2	128.1	–	–
Financial fixed assets					
Shares in subsidiaries	15	–	–	90.7	80.4
Shares in associated companies	16	205.0	161.5	115.3	125.1
Other listed holdings	17	359.9	324.4	359.9	324.4
Other securities holdings	18	0.2	0.2	0.2	0.2
Deferred tax claim	19	2.1	–	–	–
Other long-term receivables	20	5.9	6.0	5.5	5.5
Total		573.1	492.1	571.6	535.6
Total fixed assets		676.3	620.2	571.6	535.6
Current assets					
<i>Inventories</i>					
Raw materials and consumables		21.0	19.1	–	–
Work in progress		3.0	1.8	–	–
Finished products and goods for resale		23.5	34.0	–	–
Advance payments to suppliers		4.2	–	–	–
Total		51.7	54.9	–	–
<i>Short-term receivables</i>					
Accounts receivable		58.6	53.7	–	–
Due from Group companies		–	–	70.4	30.2
Due from associated companies		2.4	0.2	–	–
Tax claim		2.0	0.2	–	–
Other receivables		33.6	8.8	0.9	3.2
Prepaid expenses and accrued income	21	7.3	8.7	0.5	0.9
		103.9	71.6	71.8	34.3
Cash and bank deposits		27.6	81.1	0.6	40.7
Total current assets		183.2	207.6	72.4	75.0
TOTAL ASSETS		859.5	827.8	644.0	610.6

MSEK	Note	Group		Parent Company	
		2004	2003	2004	2003
SHAREHOLDERS' EQUITY AND LIABILITIES	1				
Shareholders' equity	22				
<i>Restricted equity</i>					
Share capital		5.7	5.7	5.7	5.7
Legal reserve		–	–	1.1	1.1
Restricted reserves		96.1	52.0	–	–
Total restricted shareholders' equity		101.8	57.7	6.8	6.8
<i>Non-restricted equity</i>					
Non-restricted reserves		493.1	589.0	579.5	688.8
Net result for the year		82.5	–38.2	41.4	–96.1
Total non-restricted equity		575.6	550.8	620.9	592.7
Total shareholders' equity		677.4	608.5	627.7	599.5
Minority interest		–	2.5	–	–
Provisions					
Negative goodwill	23	–	16.9	–	–
Restructuring reserve	24	–	5.2	–	–
Other provisions	25	5.0	0.7	–	–
Total provisions		5.0	22.8	–	–
Long-term liabilities	26				
Liabilities to credit institutions		14.7	14.9	–	–
Total long-term liabilities		14.7	14.9	–	–
Current liabilities					
Liabilities to credit institutions		29.4	49.0	16.2	–
Committed credit facility	27	31.0	33.3	–	–
Advance payments from customers		4.4	3.5	–	–
Accounts payable		47.7	47.6	–	–
Due to Group companies		–	–	–	6.0
Tax liabilities		0.4	0.2	–	–
Other liabilities		6.9	9.2	0.1	0.8
Accrued expenses and prepaid income	28	42.6	36.3	–	4.3
Total current liabilities		162.4	179.1	16.3	11.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		859.5	827.8	644.0	610.6
Pledged assets	29	142.5	146.6	16.2	None
Contingent liabilities	29	2.4	1.7	21.8	21.7

Changes in Shareholders' Equity

Group MSEK, Note 1	Share capital	Restricted reserves	Non-restricted equity	Total shareholders' equity
Amount at beginning of 2003	5.7	36.2	615.4	65.3
Dividend			-8.3	-8.3
Translation difference		-0.9	-1.4	-2.3
Transfer between restricted and non-restricted equity		16.7	-16.7	
Net result for the year			-38.2	-38.2
Amount at year-end 2003	5.7	52.0	550.8	608.5
Amount at beginning of 2004	5.7	52.0	550.8	608.5
Dividend			-13.2	-13.2
Translation difference			-0.4	-0.4
Transfer between restricted and non-restricted equity		44.1	-44.1	
Net result for the year			82.5	82.5
Amount at year-end 2004	5.7	96.1	575.6	677.4

Accumulated translation differences amount to MSEK -0.4 (-3.6).

Parent Company MSEK, Note 1	Share capital	Legal reserve	Nor-restricted equity	Total shareholders' equity
Amount at beginning of 2003	5.7	1.1	69.1	703.9
Dividend			-8.3	-8.3
Net result for the year			-96.1	-96.1
Amount at year-end 2003	5.7	1.1	592.7	599.5
Amount at beginning of 2004	5.7	1.1	592.7	599.5
Dividend			-13.2	-13.2
Net result for the year			41.4	41.4
Amount at year-end 2004	5.7	1.1	620.9	627.7

Supplementary Information

Note 1. Accounting and valuation principles

General information

AB Traction's annual accounts have been compiled in accordance with the provisions of the Swedish Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council and the statements of its Emerging Issues Task Force.

Recommendation RR 29 Compensation to employees of the Swedish Financial Accounting Standards Council is applied from 1 January 2004

Consolidated accounting

The consolidated financial statements include AB Traction (publ) and companies in which Traction, directly or indirectly, at year-end owned the right to vote for more than 50 percent of the total number of votes, or otherwise had a controlling influence.

The consolidated financial statements are compiled in accordance with recommendation RR 1:00 of the Swedish Financial Accounting Standards Council and with application of the purchase method of accounting. Under the purchase method, the equity in subsidiaries at the time of acquisition, determined as the difference between the actual value of the assets and liabilities, is eliminated in its entirety. Consolidated shareholders' equity thus includes only the portion of subsidiary equity added after the acquisition. If the consolidated value of the shares exceeds/falls below the value of the company's net assets as reported in the acquisition analysis, the difference is reported as consolidated goodwill and negative goodwill, respectively. 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 portion of untaxed reserves is in the consolidated accounts as restricted equity. The tax portion of untaxed reserves is reported as deferred taxes and is classified as a provision.

Foreign subsidiaries

All foreign subsidiaries are classified as independent units, which means that the income statements and balance sheets of these companies are converted to Swedish kronor (SEK) using the current rate method. This means that the assets and liabilities are converted at the year-end rate of exchange. All items in the income statement are converted at the average rate of exchange for the year.

Translation differences are carried directly to consolidated equity. If the Parent Company or another Group company has raised a currency loan to offset and protect against translation differences on the net investment in foreign subsidiaries, the exchange rate difference is carried to consolidated equity.

Reporting of associated companies

For its reporting of associated companies, Traction uses the equity method for companies in which it has significant influence, that

is companies in which ownership is more than 20 percent and up to 50 percent of the votes, and the ownership is deemed to be of a long-term nature. In Traction Venture numerous smaller investments are made in small, entrepreneur-owned companies. These companies often lack the administrative resources necessary to provide detailed financial information on the timely basis required by Traction. These investments are reported according to the acquisition value method. The total cost to the Group of these investments amounts to MSEK 6.2, i.e. less than 1 percent of Traction's total assets.

Under the equity method, the book value of shares in associated companies is equivalent to the Group's share of the associated companies' equity, consolidated surplus or deficit values, and the proportion of unrealised internal gains owned. In the consolidated income statement, the Group's share in the associated companies' result after financial items, adjusted for depreciation/amortisation/reversal of acquired surplus or deficit values, is reported as "Result from associated companies." The Group's share in the reported tax expense of associated companies is included in the Group's tax expense. Shares in profit earned after acquisition of associated companies and which have not yet been realised in the form of dividends, are reported according to the equity method. The equity reserve constitutes part of consolidated restricted equity.

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

Classifications

Fixed assets, long-term liabilities and provisions only include, in every significant respect, amounts that the Group expects to recover or pay more than twelve months from the balance sheet date. Current assets and short-term liabilities only include, in every significant respect, amounts that the Group expects to recover or pay more than twelve months from the balance sheet date. Any departure from this principle is reported in a note to the respective balance sheet item.

Revenue recognition

The Group's revenue, which consists of sales of goods, is reported after deduction of value added tax, returns, rebates, discounts and exchange rate differences, in the case of sales in foreign currency. Revenue is recognised upon delivery in accordance with selling and shipping terms. This means that revenue is recognised when significant risks and benefits associated with the goods have been transferred to the buyer, and the seller no longer exercises control

Supplementary Information, cont'd

over the goods. Interest income is recognised in accordance with the effective return.

Taxes

Income tax is reported according to RR 9 Income taxes of the Swedish Financial Accounting Standards Council. For items reported in the income statement, taxes associated therewith are reported in the income statement. For items carried directly to shareholders' equity, taxes are also carried directly to shareholders' equity. Deferred taxes are calculated using the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or a liability differs from the value for tax purposes. Such differences may arise when, for example, an asset is written up or down, or when accounting principles vary between individual Group companies and the consolidated accounting.

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. The Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. Dividend income is reported as revenue. Net interest income and overhead, as well as dividends, are deductible. The Parent Company usually does not pay taxes because of dividends declared.

The Traction Group's tax expense therefore consists solely of taxes paid by associated companies and subsidiaries.

Accumulated tax-loss carry-forwards in the Group's Swedish companies amounted to just over MSEK 200 as of year-end. These tax-loss carry-forwards, which are not subject to expiration, can be used to reduce taxes on future earnings. Since there is uncertainty with respect to the period of time during which these carry-forwards can be utilised, only a limited portion (MSEK 2.1) has been capitalised as a deferred tax claim. Whether or not to report deferred tax claims due to tax-loss carry-forwards is subject to re-evaluation on an ongoing basis.

Financial fixed assets

The Parent Company's holdings of shares in subsidiaries, associated companies, other companies and convertible debentures are of a long-term nature and are reported under the heading financial fixed assets.

Holdings in listed companies are reported in accordance with recommendation number 12 of the Swedish Institute of Authorised Public Accountants (FAR), which means that valuation is collective, since the holdings are regarded as a portfolio, at the lower of cost or net realisable value. Net realizable value is determined based on the market price of each respective holding on the last business day of the reporting period.

Holdings of shares not publicly traded are valued at cost less any write-down. Valuation and write-downs are performed on a quarterly basis based on how well each respective holding has fared relative to plan and budget.

Depreciation/amortisation according to plan has been charged as follows:

Intangible assets	20%
Buildings	4%
Plant and machinery	10–20%
Equipment, tools, fixtures and fittings	20%

Inventories

Inventories are valued according to RR 2:20 of the Swedish Financial Accounting Standards Council, i.e. using the FIFO principle, at the lower of acquisition value and net realisable value on the balance sheet date.

Receivables

Receivables are carried at the amounts expected to be collected.

Write-downs

Reported values of the Group's assets are checked on each balance sheet date to determine if there is any indication of a need for write-down. When such indication exists, Traction determines the recovery value of the asset in question. The recovery value is the higher of market value and the value in use. Value in use is determined by estimating future cash flow, discounted to present value using a discount factor before taxes. A write-down is reported when the discounted value of the asset, or its cash-generating unit, exceeds the recovery value.

Liquid funds

Liquid funds consist solely of bank deposits and account balances with brokerage firms.

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 probable that disbursements will be required to fulfil the obligation. A further condition is that a reliable estimate can be made of the amount to be disbursed.

Negative goodwill

Negative goodwill in an amount of MSEK 56.7 was set aside in conjunction with the acquisition of Ankarsrum and Gnosjöplast. The negative goodwill set aside was estimated to correspond to future losses, which at the time of acquisition could not be reported as identifiable liabilities. The provision is reversed against the companies' expected losses over a maximum period of five years. All remaining goodwill was reversed during 2004.

Warranty reserve

A provision is reported when the underlying product or service has been sold. The warranty provision is calculated based on warranty expenses in prior years and expected future warranty risk.

Receivables and liabilities in foreign currency

Receivables, liabilities and provisions in foreign currency in individual

Supplementary Information, cont'd

companies are translated using the year-end rate of exchange.

When the exchange rate has been hedged by a forward transaction, the rate of the forward transaction is used.

Borrowing costs

Borrowing costs are charged to earnings in the period to which they refer, irrespective of how the borrowed funds were used.

Leasing

Leasing of assets can be either in the form of financial leasing or operational leasing. Assets leased under financial leasing are reported in the balance sheet as fixed assets and are depreciated in accordance with the principles that apply for other tangible fixed assets. Future leasing fees associated with these assets are reported as liabilities. After deduction of interest, current leasing fees reduce the reported liability.

Compensation to employees – Pension commitments

RR 29 Compensation to employees of the Swedish Financial Accounting Standards Council is applied from 2004.

Commitments for retirement pension and family pension for salaried employees in Sweden are secured mainly through insurance with Alecta. According to statement URA 42 of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this is a defined-benefit plan that covers several employers. For the 2004 financial year, the Company has not had access to the kind of information that allows reporting of this plan as a defined-benefit plan. The pension plan according to ITP, which is secured by insurance with Alecta is therefore reported as a defined-contribution plan. The year's contributions for pension insurance written by Alecta amounts to MSEK 2.0 (2003: MSEK 3.2). Alecta's surplus can be distributed to the policy-holders and/or the insured. At the end of 2004 Alecta's surplus in the form of the collective solvency margin of 128 percent (2003: 119.9 percent). The collective solvency margin is comprised of the market value of Alecta's assets expressed as a percentage of its pension commitments calculated using Alecta's actuarial calculation assumptions, which do not correspond to RR 29. Other pension commitments are defined-contribution plans and are paid for in the form of insurance premiums.

Segment reporting

The primary basis for the Group's breakdown into segments is business areas Printing equipment, Electric motors, Electronic components (only in comparative data), Plastic components and Other operations. The internal reporting system is based on the same breakdown, so business areas is appropriate as the primary basis for breakdown. The secondary segment is geographic areas. Sales are mainly to customers in Europe, where market conditions are similar. Information on external sales refers to geographic areas grouped according to the location of customers. Transfer pricing is on market terms. There are no significant assets outside Sweden.

Traction's business consists of majority-owned businesses and

a portfolio of partially owned companies. In terms of value, the listed partially owned companies account for the majority of Traction's total assets. A detailed account of each respective holding is available upon request from each such company. Only the majority-owned holdings are reported by segment.

Cash flow statement

The cash flow statement is compiled in accordance with RR 7 using the indirect method. This means that the cash flow has been adjusted for transactions that do not result in cash receipts or disbursements during the period. Liquid funds include cash and bank balances.

Related party disclosures

There were no transactions between AB Traction and the principal owners other than those reported in Note 9 Personnel. Other related parties are found on the Board of Directors and in management. There were no transactions between AB Traction or Traction's associated companies and these parties other than those reported in Note 9 Personnel. It is mainly a matter of consulting assignments. All transactions have been on market terms.

Financial instruments

A financial instrument is an asset or a liability that provides a contractual right to receive or pay cash or some other financial asset. Financial receivables and liabilities are reported at cost. In cases where the acquisition cost or accumulated cost differ from reported value, an adjustment to the lower value is made.

Financial risks

Principles for financing and financial risk management. The financial strategy pursued by Traction's parent company and Traction's holdings, wholly or partially owned, is set independently.

Parent Company

Foreign shareholdings are normally not hedged.

Subsidiaries

Subsidiaries decide independently, via their respective board of directors, on their financial strategy. Companies mainly minimise transaction exposure risks through hedging.

Currency future transactions

At year-end Traction only held a small number of currency future contracts, all of which were for selling USD. The forward contracts were purchased to hedge USD received in connection with the sale of associated company Valhalla. The receivable is carried at the forward contract rate of exchange.

Commercial foreign exchange exposure

The commercial foreign exchange exposure in the Traction Group is primarily related to USD in respect of motor deliveries to the United States from the Ankarsrum Group. Portions of the projected net flow are typically hedged for a period of three to six months.

Supplementary Information, cont'd

Financial currency exposure

Holdings of equity in foreign subsidiaries and associated companies are not hedged. Exposure is currently limited to Hong Kong dollars and pound sterling. Traction's largest share holding, Haldex, has significant exposure to USD.

Interest risk

The Group's borrowing is primarily in the form of utilization of committed credit facilities and factoring. All interest rates are variable. The Group's net indebtedness – liquid funds less interest-bearing liabilities – amounted to MSEK –475 at year-end (16.1). In the beginning of 2005 Traction has sold publicly traded shares for substantial amounts. As a consequence, the net indebtedness that existed at year-end has been eliminated.

Reporting in accordance with IFRS starting in 2005

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

The consolidated accounts, which were previously compiled in accordance with Swedish accounting principles, will be restated to conform with IFRS requirements. A complete account of the transitional effects will be included in the report for Q 1 2005. The tables and notes below merely provide a brief summary of the expected and most significant effects on the Group's equity and result for 2004 as a consequence of the transition to IFRS.

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

Note 1. Minority interest. According to IAS 1, Presentation of Financial Statements, the interest of the minority is to be reported in equity under a separate heading. In the income statement the amount is included in net profit for the year, which in a note is allocated to shareholders and the minority.

Note 2. Negative Goodwill. According to IFRS 3, Business Combinations, any negative goodwill remaining after revaluation of acquired net assets to net realizable value must immediately be carried to the income statement.

Note 3. IAS 39. According to IAS 39, financial assets shall be valued at market. The difference between book value on 1 January 2005 and the market value shall be carried to opening equity.

Transitional rules

The effects of transition to IFRS are reported in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The overall effect thereof is that a company must determine which accounting principles will affect it. These accounting principles must then be applied retroactively in order for the company to determine the opening balance according to IFRS. The opening balance is compiled as of 1 January 2004. The Traction Group has elected to apply IFRS 3 Business Combinations going forward from 1 January 2004 and IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2005. These are permitted exceptions according to IFRS. No other permitted exceptions from the recommendation have been applied.

This summary information about the transitional effects are based on those IFRS expected to be applicable as of 31 December 2005. Since the approval process in EC is not yet completed, there may

still be changes in IFRS, which may impact the information provided above.

Traction will, after the transition to IFRS as of 1 January 2005, report equity-related investments at net realisable value with changes in value in the income statement. In accordance with item 1 of IAS 28, shares in associated companies will also be reported in this manner. Consolidation according to the equity method will thus no longer take place and associated companies of investment companies will be reported in a more true and fair manner. As before, subsidiaries will be consolidated. Publicly traded shares will be valued based on quoted market values and holdings that are not publicly traded will be subject to valuation based on a for each holding appropriate valuation model.

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

Supplementary Information, cont'd

The table below shows how the Group's income statement for 2004 would have looked if IFRS, including IAS 28 and IAS 39, had been applied without regard to the transitional rules. It should be noted that in the transition to IFRS, the comparative year's income statement will only be affected by MSEK 17, which would make the result according to IFRS for 2004 MSEK 65. The difference is due to the fact that IAS 28 and IAS 39 are applied from 1 January 2005.

Income Statement 2004 restated according to IFRS, MSEK

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

Note 1. Reversal of Negative goodwill in personnel costs

According to IFRS 3 Business Combinations, any negative goodwill remaining after revaluation of acquired net assets to net realizable value must be immediately carried to the income statement.

Note 2. With reference to IAS 28, item 1, reporting for associated companies will not be compiled, which was required according to previous rules.

Note 3. According to accounting rules in 2004, the result of share transactions was calculated as the difference between sales proceeds and the original acquisition value for the shares. According to IFRS, the result effect of a publicly traded share sold is deemed to be equivalent to the market value change from the most recent accounting period until the time of sale. The change in the income statement is termed Change in value of shares, which means that no distinction is made between the change in value of publicly traded shares sold and the change in value of the remaining portfolio of publicly traded shares (See Note 4).

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

Amounts in MSEK unless otherwise specifically stated in the notes below.

Supplementary Information, cont'd

Note 2. Segment reporting

Segment	Sales		Operating result	
	2004	2003	2004	2003
Printing equipment	88.1	88.3	3.2	-26.3
Electric motors	164.7	159.3	2.1	3.0
Electronic components	-	-	-	-13.1
Plastic components	128.5	172.5	-3.6	-0.8
Other	6.2	17.0	-9.0	-13.9
Consolidation adjustments	-0.4	-3.4	-	1.6
Total	387.1	433.7	-7.3	-49.5
Share in result of associated companies			34,6	-13.9
Net capital gains			21,7	20.1
Consolidated operating result			49,0	-43,3

Other disclosures

Segment	Assets		Liabilities	
	2004	2003	2004	2003
Printing equipment	50.6	43.5	38.9	30.7
Electric motors	108.0	110.0	87.4	87.4
Electronic components	-	-	-	-
Plastic components	72.8	107.8	66.8	92.2
Other	779.4	724.6	118.8	87.0
Consolidation adjustments	-151.3	-158.1	-134.8	-103.3
Total	859.5	827.8	177.1	194.0

Segment	Capital expenditures		Depreciation and amortization	
	2004	2003	2004	2003
Printing equipment	0.2	0.3	-0.6	-1.6
Electric motors	2.7	3.4	-14.3	-15.8
Electronic components	-	-	-	-1.1
Plastic components	1.4	1.6	-6.3	-7.7
Other	-	0.4	-0.4	-0.4
Consolidation adjustments	-	-	-	-0.4
Total	4.3	5.7	-21.6	-27.0

Segment	Reversal of negative goodwill		Reversal of restructuring reserve	
	2004	2003	2004	2003
Printing equipment	-	-	-	-
Electric motors	11.3	13.0	-	0.5
Electronic components	-	-	-	-
Plastic components	5.6	12.8	-	2.7
Other	-	1.9	-	-
Consolidation adjustments	-	-	-	-
Total	16.9	27.7	-	3.2

Supplementary Information, cont'd

Information about geographic distribution of sales

	2004	2003
Sweden	173.8	212.5
EU countries, not including Sweden	110.8	157.4
Rest of Europe, not including EU countries	10.0	8.4
North America	64.8	28.9
Other markets	27.7	26.5
Total	387.1	433.7

There are no assets of significance outside Sweden.

Note 3. Intra-Group sales

Of the total purchasing costs and sales revenue for the year, 1 % (1 %) of purchases came from and 1 % (1 %) of sales were to other companies in the Group. All transactions were at market prices. All intra-Group transactions were eliminated in the consolidated accounting.

Note 4. Shares in results of associated companies

	2004		2003	
	Share in result before taxes	Share of taxes	Share in result before taxes	Share in result taxes
Listed associated companies				
AcadeMedia AB (publ)	8.2	12.6	-13.1	-
Duroc AB (publ)	0.5	4.5	-3.0	-
Know IT AB (publ)	2.8	3.8	3.6	-
Thalamus Networks AB (publ)	10.7	2.0	-2.9	3.3
Total listed associated companies	22.2	22.9	-15.4	3.3
Other associated companies				
Poor Cow AB (formerly Arvako Sverige AB)	7.8	0.0	0.0	-0.1
Banking Automation Ltd	2.0	-0.2	2.0	-0.3
Bricad Holding AB	2.0	-0.5	2.9	-0.9
Tbook Holding AB (publ)	0.1	-	-3.7	-
Swedish Tool AB	0.3	-0.0	0.6	-0.1
SMA Nordic AB	0.4	-0.1	-	-
Other companies	-0.2	-	-0.3	-
Total other associated companies	12.4	-0.8	1.5	-1.4
Total share in associated companies	34.6	22.1	-13.9	1.9

The valuation of associated companies includes goodwill/negative goodwill in a net amount of MSEK 0.0 (-10.0). Amortisation of goodwill and reversal of negative goodwill in the results before taxes of associated companies amount to MSEK 10.6 (2.6).

Supplementary Information, cont'd

Note 5. Compensation to auditors

The term audit assignments refers to the auditing of the annual accounts and the accounting records, and of the administration by the Board of Directors and the President, other tasks to be performed by the Company's auditor, and counselling and other assistance prompted by observations made in the course of such examination, or the executions of such other tasks. All other activities are defined as other assignments.

Segment	Group		Parent Company	
	2004	2003	2004	2003
Audit				
SET Revisionsbyrå	0.7	0.6	–	–
Other	0.2	0.2	–	–
Other assignments				
SET Revisionsbyrå	0.0	0.0	–	–
Other	0.1	–	–	–
Total	1.0	0.8	–	–

Note 6. Leasing

The Group has a small number of financial leasing agreements relating to company automobiles and office equipment. The aggregate amount of these agreements is not material, which is the reason why they are reported as operational leasing expenses. One of Traction's subsidiaries has acquired a number of machines financed via financial leasing. For further details, refer to Note 12. Operational leasing costs are reported in the income statement under the item external costs.

Operational leasing contracts	Group	
	2004	2003
Leasing fees paid during the year	4.2	11.2
Nominal value of future leasing fees: Within 1 year	4.0	8.6
Later than in 1 year, but within 5 years	8.0	14.3
Later than in 5 years	0.1	0.4
Total	12.1	23.3

Note 7. Exchange rate differences

Exchange rate differences relating to short-term receivables and liabilities are reported on a net basis in the amount of MSEK –1.2 (2.9) in the item other operating expenses. Exchange rate differences relating to financial receivables amount to MSEK 0.0 (0.0) and are reported in the item other interest income and similar items.

Note 8. Net capital gains

Segment	Group		Parent Company	
	2004	2003	2004	2003
Capital gains on shares	23.1	16.5	34.1	18.8
Capital losses on shares	–1.4	–3.1	–7.8	–7.4
Capital gains on real estate	–	6.7	–	–
Total net capital gains	21.7	20.1	26.3	11.4

Supplementary Information, cont'd

Note 9. Personnel

Average number of employees	2004		2003	
	Number of employees	Of whom men	Number of employees	Of whom men
Parent Company	0	0	0	0
<i>Subsidiaries:</i>				
Sweden	325	229	458	330
Hong Kong	7	4	9	6
Total	332	233	467	336

Salaries and other compensation:	Group		Parent Company	
	2004	2003	2004	2003
Presidents and Boards of Directors	3.7	5.6	0.2	0.2
Other employees	98.4	120.2	–	–
Total salaries and other compensation	102.1	125.8	0.2	0.2
Other personnel expenses:				
Social benefits	33.5	41.8	0.0	0.0
Pension costs*	6.9	9.8	–	–
Other personnel expenses:	1.7	1.8	–	–
Total other personnel expenses	42.1	53.4	–	–
Total personnel expenses	144.2	179.2	0.2	0.2
Reversal of negative goodwill	–16.9	–12.5	–	–
Total personnel expenses, net	127.3	166.7	0.2	0.2

* Of which to presidents MSEK 1.2 (1.4). The pension expense item above is reported net, after reimbursement from Traction Nouveau AB's and Traction Konsult AB's pension trusts in an amount of MSEK 1.2 (1.4).

Salaries and other compensation by country	2004		2003	
	Board of Directors, presidents (of which bonuses et al.)	Other employees	Board of Directors, presidents (of which bonuses et al.)	Other employees
Sweden	3.0	97.4	4.9	118.3
	(0.1)		(–)	
Hong Kong	0.7	1.0	0.7	1.9
	(0.1)		(0.1)	
Group total	3.7	98.4	5.6	120.2
	(0.2)		(0.1)	

Supplementary Information, cont'd

Absence due to illness

AB Traction has no employees. Data on absence due to illness are therefore not reported for the Parent Company. Absence due to illness in the other Swedish Group companies is reported in each respective company's annual accounts.

Compensation to Board of Directors and members of senior management Board of Directors

Directors' fees in accordance with resolution of the Annual General Meeting amounted to SEK 160 thousand (160 thousand). A fee of SEK 150 thousand was paid to the Board of Directors, of which the Chairman received SEK 0 thousand. Social benefits are additional. No other compensation except for reimbursement for expenses was paid to the Board of Directors. Three external directors received SEK 50 thousand each.

In his former capacity of President in AB Traction, pension is payable to Bengt Stillström, who had the right to retire from the age of 55 years, in the amount of SEK 490 thousand per year between the age of 55 and 65. A life-long family pension is payable thereafter in a lower amount. The pension commitment was made with 1993 as a base and will be raised thereafter according to Alecta's standards. A full provision has been made in Traction Konsult AB's pension trust. No pension has yet been paid.

President

In 2004, the President and CEO received a salary totalling SEK 318 thousand (318 thousand) and no bonus was paid. The pension cost according to an ITP plan amounted to SEK 18 thousand (SEK 18 thousand). A reimbursement was made by a pension trust so that the cost was not charged to the consolidated income statement. In additions to these costs, the President has received compensation for assignments as a director of certain of Traction's partially owned companies in a total amount of SEK 125 thousand (150 thousand).

An undertaking in respect of the President's future retirement was made during 2004 in the amount of MSEK 200 thousand, plus interest equivalent to the CPI plus three percentage points from 1 January 2005 until the amount has been paid. The accumulated vested amount is SEK 626 thousand as of 31 December 2004 and has been set aside in one of Traction's pension trusts.

In the event that necessary funds were to be lacking in the future in the pension trust, AB Traction will set aside the funds necessary for the Company to fulfil its obligation. Agreements for future pension call for retirement at age 65. There are no agreements for early retirement.

There are no incentive programmes in the form of awards of financial instruments, options or similar for the President.

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

Compensation to subsidiary Boards of Directors

No directors' fees were paid by subsidiaries.

Compensation to and terms for other members of senior management

The group members of senior management consists of six persons, four subsidiary presidents and two persons within central Traction. To these, compensation was paid during 2004 in the form of salaries and benefits in a total amount of MSEK 4.6 (6.3), MSEK 0.1 (0.1) in a variable portion. Costs for pension insurance amounted to MSEK 1.6. These costs were charged to the income statement with the exception of MSEK 0.4 in pension costs, which was paid by a pension trust.

There are no incentive programmes in the form of awards of financial instruments, options or similar for this group. The above mentioned variable compensation portions are linked to the companies' and individual performance. The bonus agreements contain a ceiling relating to maximum compensation.

In the event of termination at the initiative of members of senior management, the period of notice is six months. In the event of termination at the initiative of the Company, the maximum period of notice is six months, in certain cases with an obligation to work. There are no other severance pay agreements.

Pension benefits are paid in most cases equivalent to the ITP plan, or as a percentage of the salary cost. The retirement age is 65 years.

Summary of members' of senior management compensation and pension costs 2004

MSEK	Fixed salary	Variable portion	Other benefits	Total compensation	Pension costs
President and CEO	0.3	–	–	0.3	0.2
Other members of senior management	4.4	0.1	0.1	4.6	1.6
Total	4.7	0.1	0.1	4.9	1.8

Supplementary Information, cont'd

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

Percentage of women 31 December 2004	Group	Parent Company
Board of Directors	0	0
Other members of senior management	17	0

Pensions

The majority of the Group's salaried employees have a defined-benefit pension plan in accordance with the ITP plan. Premiums are paid to Alecta as they fall due. Alecta is currently unable to provide details of the size of the pension, so pensions are classified for now as defined-contribution pension plans.

Decision-making forms

Compensation and terms of employment of the President and CEO are decided by the Parent Company's Board of Directors. Compensation and terms of employment for other members of senior management are decided, with respect to subsidiary presidents, by the Chairman of the Board of Directors in the subsidiaries in consultation with the Parent Company's President, and with respect to other members of senior management in central Traction operations, by the Parent Company's President.

Note 10. Taxes

Group	2004	2003
Taxes on the year's result		
Current taxes	–	–0.1
Deferred taxes ¹⁾	2.1	–
Share in taxes of associated companies	22.1	1.9
	24.2	1.8
¹⁾ Deferred taxes relating to tax-loss carry-forwards	2.1	–
Reconciliation of effective taxes, Group		
Result before taxes	58.3	–42.2
Less: Result from associated companies	34.6	13.9
	23.7	–28.3
Taxes according to current tax rate of 28 %	–6.6	7.9
Effect of special tax rules for investment companies	7.6	4.6
Increase in tax-loss carry-forwards without corresponding capitalization of deferred taxes	–6.2	–17.6
Utilisation of previous tax-loss carry-forwards not capitalized	2.2	1.7
Tax effect of non-deductible expenses	–2.5	–4.5
Tax effect on non-taxable revenue	0.8	–
Tax effect of consolidated goodwill	4.7	7.8
Revaluation of tax-loss carry-forwards previously not capitalized	2.1	–
Taxes in associated companies	22.1	1.9
Reported effective taxes	24.2	1.8

Accumulated tax-loss carry-forwards in the Group's Swedish companies amounted to just over MSEK 200 at year-end. These tax-loss carry-forwards, which are not subject to expiration, can be used to reduce taxes on future earnings. Since there is uncertainty with respect to the period of time during which these carry-forwards can be utilised, only a limited portion (MSEK 2.1) has been capitalised as a deferred tax claim. Whether or not to report deferred tax claims due to tax-loss carry-forwards is subject to reevaluation on an ongoing basis.

Parent Company

The Parent Company is taxed according to the rules for investment companies. This means that capital gains that arise are not taxable. On the other hand, the Company reports standard revenue of 1.5 percent of the market value of publicly traded shares, held for less than one year at the beginning of the year, or where the ownership stake is less than 10 percent. This standard revenue amounted to MSEK 0.3 in 2004 (7.7). Dividend income is taxable; dividends paid are deductible. Net interest income and overhead are deductible.

Supplementary Information, cont'd

Note 11. Buildings and land

Group	2004	2003
Buildings		
Opening acquisition value	52.3	58.5
Via corporate acquisitions, etc.	–	–
Reclassification	3.5	–
Purchases	–	0.5
Disposals	–	–6.7
Closing accumulated acquisition values	55.8	52.3
Opening depreciation	–10.4	–9.5
Via corporate acquisitions, etc.	–	–
Reclassification	–3.2	–
Disposals	–	1.1
Depreciation for the year	–2.2	–2.0
Closing accumulated acquisition values	–15.8	–10.4
Closing reported value	40.0	41.9
<i>Land</i>		
Book value	4.0	4.0
Book value buildings and land	44.0	45.9
<i>Tax assessment values:</i>		
Buildings	23.2	19.5
Land	5.8	5.8

Note 12. Plant and machinery

Group	2004	2003
Opening acquisition value	249.4	180.1
Via corporate acquisitions/disposals, etc.	–64.5	63.8
Disposals/restructuring, etc.	–9.4	–9.6
Purchases *	3.7	15.1
Closing accumulated acquisition values	179.2	249.4
Opening depreciation	–175.4	–103.2
Via corporate acquisitions/disposals, etc.	56.7	–54.4
Disposals/restructuring, etc.	7.4	4.3
Depreciation for the year	–15.4	–22.1
Closing accumulated depreciation	–126.7	–175.4
Closing reported value	52.5	74.0
* of which assets have been acquired through financial leasing	–	9.8

Note 13. Equipment, tools, fixtures and fittings

Group	2004	2003
Opening acquisition value	22.7	28.3
Via corporate acquisitions, etc.	–2.8	2.8
Disposals/restructuring, etc.	7.9	–9.2
Purchases	0.9	0.8
Closing accumulated acquisition values	28.8	22.7
Opening depreciation	–18.3	–20.7
Via corporate acquisitions, etc.	2.5	–2.3
Disposals/restructuring, etc.	–5.6	7.2
Depreciation for the year	–3.9	–2.5
Closing accumulated depreciation	–25.3	–18.3
Closing reported value	3.5	4.4

Note 14. Construction in progress and advance payments for tangible fixed assets

Group	2004	2003
Opening balance	3.8	3.1
Accumulated costs	0.6	1.1
Via corporate acquisitions, etc.	–	–
Capital expenditures	–1.6	–1.2
Payments in advance during the year	0.4	0.8
Closing reported value	3.2	3.8

Note 15. Shares in subsidiaries

Parent Company	2004	2003
Opening book value	80.4	71.5
Purchases/shareholder contributions	18.0	41.0
Disposals	–7.7	–19.6
Write-downs	–	–12.5
Closing reported value	90.7	80.4

Supplementary Information, cont'd

The following list includes significant share holdings owned directly and indirectly by the Parent Company

Shares owned by the Parent Company

Company	Corporate ID number	Registered office	Number of shares	Capital stake, %	Book value
Traction Konsult AB	556098-5672	Stockholm	1,000	100	40.0
Ankarsrum Industries AB	556215-7098	Stockholm	1,000	100	20.2
Traction Delta AB	556628-9749	Stockholm	1,000	100	10.1
Tolerans Holding AB	556504-7999	Stockholm	23,600	100	9.5
Gnosjö Plast Holding AB	556606-9026	Stockholm	1,000	100	10.9
Total shares owned by the Parent Company					90.7

Shares owned by subsidiaries

Traction Konsult AB

Traction Nouveau AB	556302-0832	Stockholm	1,000	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
AB Nya Svenska Järnvägsverkstäderna ASJ	556248-1282	Falun	1,000	100

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

Supplementary Information, cont'd

Note 16. Shares in associated companies

Group		
Accumulated acquisition values	2004	2003
Opening book value	150.8	157.6
Purchases	3.3	0.3
Sales/disposals	-17.0	-6.0
Reclassification	-	-1.1
Total	137.1	150.8
Accumulated shares in profit		
Opening book value	10.7	27.5
Sales/disposals	0.5	-4.8
Year's share in results of associated companies	34.6	-13.9
Year's tax expense from shares in results	22.1	1.9
Total	67.9	10.7
Reported value at year-end	205.0	161.5
Parent Company	2004	2003
Opening book value	125.1	226.5
Purchases	3.2	0.5
Sales	-13.0	-7.7
Write-downs	-	-94.2
Closing reported value	115.3	125.1

Specification of the Parent Company's holding of shares in associated companies

Listed associated companies

Company	Corporate ID number	Registered office	Number of shares	Capital stake, %	Votes %	Book value		
						Parent Company	Group	Market value
AcadeMedia AB (publ)	556057-2850	Stockholm	1,110,197	35	38	11.1	32.1	53.8
Duroc AB (publ)	556446-4286	Umeå	906,688	17	34	11.5	22.7	14.2
Know IT AB (publ),	556391-0354	Stockholm	2,496,966	25	25	21.0	27.3	64.7
Thalamus Networks AB (publ)	556394-1987	Stockholm	3,072,468	33	27	49.8	74.9	69.1
Total listed associated companies						93.4	157.0	201.8

Other associated companies

Banking Automation Ltd	-	Reading	1,288,572	49	49	7.3	11.5
Bricad Holding AB	556264-6298	Österåker	17,900	47	47	8.8	13.9
T-Book Holding AB (publ)	556549-1650	Stockholm	2,087,860	26	26	1.6	0.8
Swedish Tool AB	556282-7633	Stockholm	875	29	29	2.8	3.9
SMA Nordic AB	556633-6979	Stockholm	42,340	42	42	0.1	0.4
Total other associated companies						20.6	30.4

Supplementary Information, cont'd

Associated companies reporting using the acquisition value method

Company	Corporate ID number	Registered office	Number of shares	Capital stake, %	Votes %	Book value	
						Parent Company	Group
Scoop Publishwear AB	556567-4250	Stockholm	500	50	50	0.2	0.2
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 Holding AB	556641-0840	Stockholm	499	49	49	0.1	5.6
Total						1.3	6.2
Other associated companies in the group							
Poor Cow AB (former Arvako Sverige AB)	556606-9059	Stockholm	212,501	17	34	–	11.4
Total						–	11.4
Total associated companies						115.3	205.0

Note 17. Other listed holdings

	Group		Parent Company	
	2004	2003	2004	2003
Opening book value	324.4	363.1	324.4	353.7
Purchases	76.3	17.5	76.3	17.5
Sales	–40.8	–56.2	–40.8	–46.8
Closing reported value	359.9	324.4	359.9	324.4

Specification of other listed holdings

Company	Number of shares	Book value	Market value	Capital stake, %
Active holdings				
Haldex	2,512,268	232.9	292.7	11
JC	1,177,097	48.2	95.3	13
Softronic, B	8,208,688	16.1	18.2	18 (11% votes)
Nextlink	1,237,000	10.3	10.5	12
Total active holdings		307.5	416.7	
Other holdings				
Billerud	303,300	34.9	35.9	–
SCA	20,000	5.8	5.7	–
Scribona	357,850	4.7	5.3	–
Biophausia *	3,544,854	4.6	4.2	–
Rörvik Timber	125,000	1.3	1.3	–
Impact Coatings	103,972	1.1	1.2	–
Total other holdings		52.4	53.6	
Total other listed holdings		359.9	470.3	

* Including a convertible debenture in a nominal amount of SEK 4,506,311. The conversion price is SEK 1.30 per share. The holding is equivalent to 3,544,854 shares and a capital stake of 5 percent on a fully diluted basis.

Supplementary Information, cont'd

Note 18. Other long-term securities holdings

	Group		Parent Company	
	2004	2003	2004	2003
Opening book value	0.2	0.9	0.2	0.9
Write-down	–	–0.7	–	–0.7
Closing reported value	0.2	0.2	0.2	0.2

Company	Number of shares	Book value	Capital stake, %
Rekall AB	1,301	0.2	9
Sigicom AB	184,900	0.0	12
Total other long-term holdings	–	0.2	–

Note 19. Deferred tax claim

	Group		Parent Company	
	2004	2003	2004	2003
Opening book value	–	–	–	–
Capitalized tax-loss carry-forward	2.1	–	–	–
Closing reported value	2.1	–	–	–

The capitalized tax-loss carry-forward refers to Tolerans, whose result improved sharply in 2004. The tax-loss carry-forward is expected to be utilised during 2005.

Note 20. Other long-term receivables

	Group		Parent Company	
	2004	2003	2004	2003
Opening book value	6.0	0.8	5.5	–
Write-down	–	–0.3	–	–
Receivables added	–	5.5	–	5.5
Settled receivables	–0.1	–	–	–
Closing reported value	5.9	6.0	5.5	5.5

Note 21. Prepaid expenses and accrued income

	Group		Parent Company	
	2004	2003	2004	2003
Accrued interest	0.5	0.9	0.5	0.9
Rents and leasing	–	1.0	–	–
Insurance	0.5	0.8	–	–
Licences	0.4	0.7	–	–
Other	5.9	5.3	–	–
Total	7.3	8.7	0.5	0.9

Supplementary Information, cont'd

Note 22. Shareholders' equity

Also refer to report Changes in shareholders' equity, page 34.

Parent Company

As of 31 December 2004 the share capital amounted to SEK 5,670 thousand, divided into 800,000 class A shares and 4,870,000 class B shares, each with a nominal value of SEK 1. A total of 155,000 class B shares have been repurchased (54,350 shares in 2000, 26,800 shares in 2001 and 73,850 shares in 2002). The total number of shares outstanding is therefore 5,515,000.

Note 23. Negative goodwill

Group	2004	2003
Opening book value	16.9	44.6
Purchases via corporate acquisitions	–	–
Year's reversal	–16.9	–27.7
Total	–	16.9

Negative goodwill in an amount of MSEK 56.7 was set aside in conjunction with the acquisition of Ankarsrum and Gnosjöplast. The negative goodwill set aside was estimated to correspond to future losses, which at the time of acquisition could not be reported as identifiable liabilities. Reversals of MSEK 12.5 reported under the heading personnel costs and MSEK 13.3 reported under the heading finished goods and work in progress were effected during 2003. For 2004 the reversal was reported under the heading personnel costs in an amount of MSEK 16.9.

Note 24. Restructuring reserve

Group	2004	2003
Opening book value	5.2	3.5
Purchases via corporate acquisitions	–	4.9
Disposals upon sale of company	–2.2	–
Reclassification to provision	–3.0	–
Reversal	–	–3.2
Total	–	5.2

A restructuring reserve in the amount of MSEK 27.4 was set aside in conjunction with the acquisition of Ankarsrum and Gnosjöplast. The reserve related mainly to sub-par profitability during 2001 and personnel cutbacks during 2002. During 2003, MSEK 4.9 was set aside for restructuring costs relating to the acquisition of Silva Plastic Center AB. The company was sold during 2004.

Note 25. Provisions

A provision in the amount of MSEK 2.0 has been set aside for expected warranty claims against products sold during the past two financial years. Most of the expenditure is expected to be incurred during the following financial year and the entire expenditure within two years of the balance sheet date.

A provision in the amount of MSEK 3.0 was set aside under the heading restructuring reserve in conjunction with the acquisition of Ankarsrum relating to certain property measures. This provision has been reclassified from restructuring reserve to other provision. Most of the expenditure is expected to be incurred during the following financial year.

Group	2004	2003
Opening book value	0.7	–
Year's provision	1.3	0.7
Reclassification	3.0	–
Total	5.0	0.7

Note 26. Long-term liabilities

SEK 0 (0) of the long-term liabilities fall due for payment more than five years after the turn of the year.

Note 27. Committed credit facility

The Group has approved credit facilities of MSEK 135.1 (35.1). The Parent Company has an approved credit facility of MSEK 100.0 (0).

Supplementary Information, cont'd

Note 28. Accrued expenses and prepaid income

	Group		Parent Company	
	2004	2003	2004	2003
Option premiums, etc.	–	4.3	–	4.3
Personnel-related expenses	22.5	22.6	–	–
Other	20.1	9.4	–	–
Total	42.6	36.3	–	4.3

Note 29. Pledged assets, contingent liabilities

Pledged assets

For liabilities to credit institutions	2004	2003
Corporate mortgages	90.0	102.0
Real estate mortgages	14.0	14.0
Pledged accounts receivable	14.6	22.9
Shares	16.2	–

For pension liability and other liabilities

Corporate mortgages	4.2	4.2
---------------------	-----	-----

For performance guaranty

Corporate mortgages	3.5	3.5
Total pledged assets	142.5	146.6

Contingent liabilities	2004	2003
Guaranties	–	1.1
Sureties	2.4	0.6
Total	2.4	1.7

Parent Company	2004	2003
Pledged assets		
Shares	16.2	–
Contingent liabilities		
Garanties	21.8	21.7

Note 30. Adjustment for items not included in cash flow

	Group		Parent Company	
	2004	2003	2004	2003
Results of associated companies	–34.1	13.9	–	–
Capital gains/losses	–21.7	–20.1	–26.2	–11.4
Depreciation and amortisation	21.6	27.0	–	–
Write-down of shares	–	–	–	112.4
Write-down of other assets	–	27.6	–	–
Reversal of negative goodwill	–16.9	–27.7	–	–
Other	6.7	0.1	–0.4	0.8
Total	–44.4	20.8	–26.6	101.8

Supplementary Information, cont'd

Note 31. Net assets in acquired and divested subsidiaries**Acquisition of subsidiaries**

Value of assets and liabilities acquired:

	2004	2003
Tangible fixed assets	–	10.2
Inventories	–	9.4
Short-term receivables	–	15.6
Liquid funds	–	2.3
Total assets	–	37.5
Minority interest	–	1.7
Provisions	–	5.0
Long-term liabilities	–	10.8
Current liabilities	–	20.0
Total liabilities	–	37.5
Purchase money paid	–	–0.5
Less liquid funds in the acquired company	–	2.3
Effect on the Group's liquid funds	–	–1.8

Divestment of subsidiaries

Value of divested assets and liabilities:

	2004	2003
Tangible fixed assets	7.5	–
Inventories	8.2	–
Short-term receivables	10.4	1.5
Liquid funds	1.3	4.8
Total assets	27.4	6.3
Minority interest	1.3	1.8
Provisions	2.2	–
Long-term liabilities	–	0.9
Current liabilities	24.9	0.0
Total liabilities	28.4	2.7
Sales proceeds received	0.6	3.6
Less liquid funds in the acquired company	–1.3	–4.8
Effect on the Group's liquid funds	–0.7	–1.2

Stockholm, 23 February 2005

Lars Olof Larson

Mats Olsson

Bengt Stillström
ChairmanPetter Stillström
President and CEO

Bengt-Arne Vedin

My audit report with respect to these annual accounts was submitted 25 February 2005.

Anders Roos
Authorised Public Accountant

Audit Report

To the general meeting of the shareholders of AB Traction (publ) Corporate identity number 556029-8654

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of AB Traction for the year 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 25 February 2005

Anders Roos
Authorised Public Accountant

Board of Directors



From left to right: Mats Olsson, Anders Roos, Bengt-Arne Vedin, Bengt Stillström, Petter Stillström and Lars Olof Larson

Bengt Stillström, 61 år, M. Sc. (Eng.) and Master of Management. Chairman of the Board. Founded Traction in 1974. CEO between 1974–2001. Member of the Board of, inter alia, Thalamus Networks AB (Chairman) and Haldex. Director since 1974. Shareholding, including wife's holding: 310,000 class A, 3,317,150 class B.

Lars Olof Larson, 45 år, B.Sc. (Business Administration). Chief Financial Officer, John Mattson Fastighets AB. Director since 2002. Shareholding: 7,000 class B.

Mats Olsson, 56 år, M.S.D. (Pol.) Director of Know IT (Chairman), Display it (Chairman) and Fenix Outdoor. Director Since 1988. Shareholding: 0.


Petter Stillström, 33 år, VD, M.Sc. (Business Administration). Director of JC, Softronic and a number of other companies in Traction's sphere of interest. Director since 1997. Shareholding, privately and via wholly/partly owned companies: 490,000 class A, 240,520 class B.

Bengt-Arne Vedin, 64 år, Professor, Mälardalen University, Director of Halmstad University and Metamatic AB. Director of the Royal Academy of Engineering Sciences (IVA), Bild- och Ordakademin and World Academy of Art and Science. Director since 1984. Shareholding: 20,400 class B.

Auditor Anders Roos, 62, Authorised Public Accountant at SET Auktoriserade Revisorer. Auditor in Traction since 1985.

Addresses


AcadeMedia AB 
 Knarrarnäsgatan 7
 S-164 40 KISTA
 Phone: +46 (0)8 562 156 00
 Fax: +46 (0)8 562 156 11
 E-mail: acad@academediA.se
 www.academediA.se

Ankarsrum Industries AB 
 S-590 90 ANKARSRUM
 CEO: Trevor Fenlon (1/8)
 Phone: +46 (0)490 533 00
 Fax: +46 (0) 490-509 90
 E-mail: info@ankarsrum.com
 www.ankarsrum.com

AYS At Your Service AB 
 Box 7052
 S-187 11 TÄBY
 CEO: Ulf Ytterfalk
 Phone: +46 (0)8-612 86 42
 Fax: +46 (0)8-630 05 70
 E-mail: ays@yourservice.se
 www: www.ays.se

Banking Automation Ltd 
 Woodley Park Estate, Reading Road
 Woodley, Berkshire
 RG5 3AW
 UK
 CEO: David Tew
 Phone: +44 (0)118 969 2224
 Fax: +44 (0)118 944 1191
 E-mail: info@bankingautomation.co.uk
 www.banking-automation.com

Bricad Holding AB 
 Tellusvägen 43
 S-186 36 VALLENTUNA
 CEO: Bo Richter
 Phone: +46 (0)8-540 865 50
 Fax: +46 (0)8-540 865 51
 E-mail: bricad@bricad.se
 www.bricad.se

Duroc AB 
 Vasagatan 52, 4 tr.
 S-111 20 STOCKHOLM
 CEO: Erik Albinsson
 Phone: +46 (0)8-789 11 30
 Fax: +46 (0)8-789 11 31
 E-mail: info@duroc.se
 www.duroc.se

Geodynamik AB 
 Box 7454
 S-103 92 STOCKHOLM
 CEO: Carl Bertil Pettersson
 Phone: +46 (0)8-20 67 90
 Fax: +46 (0)8-20 67 95
 E-mail: info@geodynamik.com
 www.geodynamik.com

Gnosjöplast AB 
 Box 193
 S-335 24 GNOSJÖ
 CEO: Bengt Forsman
 Phone: +46 (0)370-33 15 50
 Fax: +46 (0)370-922 22
 E-mail: info@gnosjoplast.se

Haldex AB 
 Box 7200
 S-103 88 STOCKHOLM
 CEO: Joakim Olsson
 Phone: +46 (0)8-545 049 50
 Fax: +46 (0)8-678 89 40
 E-mail: info@haldex.com
 www.haldex.com

Hifabgruppen AB 
 Box 190 90
 S-104 32 Stockholm
 CEO: Jan Boija
 Phone: +46 (0)8-546 666 00
 Fax +46 (0)8-546 667 80
 E-mail: info@hifab.se
 www.hifab.se

JC AB 
 S-435 85 Mölnlycke
 CEO: Thommy Nilsson
 Phone: +46 (0)31-334 50 00
 Fax: +46 (0)31-334 52 90
 E-mail: info@jc.se
 www.jc.se

Know IT AB 
 Box 3383
 S-103 68 STOCKHOLM
 CEO: Anders Nilsson
 Phone: +46 (0)8-700 66 00
 Fax: +46 (0)8-700 66 10
 E-mail: info@knowit.se
 www.knowit.se

Nextlink A/S 
 Sandtoften 10
 DK-2820 Gentofte
 Denmark
 CEO: Lars Stenfeldt Hansen
 Phone: +45 70 22 23 43
 Fax: +45 70 22 23 53
 E-mail: info@nextlink.to
 www.nextlink.to

Recco AB 
 Box 4028
 S-181 04 LIDINGÖ
 CEO: Magnus Granhed
 Phone: +46 (0)8-731 59 50
 Fax: +46 (0)8-731 05 60
 E-mail: recco@recco.se
 www.recco.com

Scoop Publishware AB 
 Finlandsgatan 12
 S-164 74 KISTA
 CEO: Ulf Wilkenson
 Phone: +46 (0)8-722 02 20
 Fax: +1 909 498 8814
 E-mail: info@scoop.se
 www.scoop.se

Sigicom AB 
 Box 575
 S-146 33 TULLINGE
 CEO: Christer Svensson
 Phone: +46 (0)8-449 97 50
 Fax: +46 (0)8-449 97 69
 E-mail: info@sigicom.se
 www.sigicom.se
 SMA Maskin Sverige AB

Anton Tamms väg 3 
 S-194 34 UPPLANDS VÄSBY
 CEO: Mattias Källemyr
 Phone: +46 (0)8-562 225 00
 Fax: +46 (0)8-760 72 81
 E-mail: info@smamaskin.se
 www.smamaskin.se

Softronic AB 
 Ringvägen 100
 S-118 60 STOCKHOLM
 CEO: Anders Eriksson
 Phone: +46 (0)8-51 90 90 00
 Fax: +46 (0)8-51 91 90 00
 E-mail: info@softronic.se
 www.softronic.se


Svecia Engineering AB 
 Kumla Gärdsväg 21A
 S-145 81 NORSBORG
 CEO: Anders Norlin
 Phone: +46 (0)8-410 377 00
 Fax: +46 (0)8-531 781 00
 E-mail: public@svecia.se
 www.svecia.se

Svecia East Ltd 
 8/F Leahander Centre
 28 Wang Wo Tsai Street
 Hong Kong
 CEO: Anne Tse
 Phone: +882 2614 2963
 Fax: +882 2614 4693

Swedish Tool AB 
 Tellusvägen 35
 S-186 36 VALLENTUNA
 CEO: Jürgen Engelbrecht
 Phone: +46 (0)8-514 307 00
 Fax: +46 (0)8-514 307 01
 E-mail: info@swedishtool.se
 www.swedishtool.se

TBook Holding AB 
 Arenavägen 41, 12 tr
 S-121 77 STOCKHOLM GLOBEN
 CEO: Stefan Melander
 Phone: +46 (0)8-505 687 50
 Fax: +46 (0)8-505 687 99
 E-mail: info@tbook.se
 www.tbook.se

Thalamus Networks AB 
 Box 11129
 S-161 11 BROMMA
 CEO: Pär-Ola Andersson
 Phone: +46 (0)8-635 96 00
 Fax: +46 (0)8-29 65 30
 E-mail: info@thalamus.se
 www.thalamus.se

Tolerans AB 
 Box 669
 S-135 26 TYRESÖ
 CEO: Michael Kron
 Phone: +46 (0)8-448 70 30
 Fax: +46 (0)8-448 70 40
 E-mail: info@tolerans.com
 www.tolerans.com

Shareholder Information

Date of publication of financial information:

- 13 May 2004 Interim Report for the period January–March
- 19 August 2004 Interim Report for the period January–June
- 11 November 2004 Interim Report for the period January–September
- 23 February 2005 Year-end report for 2005

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

Annual General Meeting 2005

The Annual General Meeting of the company will be held on 12 May, 2005 at Sveavägen 118, Stockholm, Sweden.

Application to attend

Applications to participate in the proceedings of the Annual General Meeting should be submitted to AB Traction, telephone: +46 8 506 289 00, telefax: +46 8 506 289 30 or by e-mail to post@traction.se. Applications must be submitted no later than by 4 p.m. on 6 May 2005.

To be entitled to participate in the proceedings of the Annual General Meeting and to vote, shareholders must be registered in the register of shareholders maintained VPC AB, no later than 2 May 2005. Shareholders whose shares are registered in the name of a nominee must, to be entitled to participate in proceedings of the Annual General Meeting, temporarily re-register their shares in their own name well in advance of that date.

Dividend

The Board of Directors proposes a dividend of SEK 2.80 per share. The proposed record day is 17 May 2005. Shareholders are expected to receive their dividend payments on or around 23 May 2005.

www.traction.se

TRACTION

AB Traction
Saltmätargatan 7, P.O. Box 3314, SE-103 66 Stockholm, Sweden
Telephone: +46 8 506 289 00. Telefax: +46 8 506 289 30
E-mail: post@traction.se