

TRACTION

Second quarter

- Profit after taxes amounted to MSEK 17.0 (3.8).
- Earnings per share amounted to SEK 3.08 (0.70) per share.
- Net capital gains amounted to MSEK 0.9 (9.0).
- The reserve in listed holdings increased by MSEK 35 during the quarter.
- Subsidiary Silva Plastic Center was sold.
- Consolidated revenues amounted to MSEK 89.2 (124.4).

January–June

- Profit after taxes amounted to MSEK 32.6 (1.1).
- Earnings per share amounted to SEK 5.91 (0.20) per share.
- Net capital gains amounted to MSEK 20.7 (13.6).
- The reserve in listed holdings increased by MSEK 67.
- Shareholders' equity per share after adjustment for hidden reserve in the portfolio of listed shares increased to SEK 131.
- Consolidated revenues amounted to MSEK 194.1 (234.1).

After the end of the period under review

- The reserve in listed holdings amounted to MSEK 34 as of August 18, 2004, a decrease of MSEK 61 since June 30.

Operations

Most of Traction's portfolio companies recorded a positive development in the form of improved earnings and increased order bookings. In part, the improvement can be attributed to restructuring action taken and intensified sales efforts, in part to an improvement of the business climate. Subsidiary Silva Plastic Center was sold during the period to the company's former owner.

All business segments of **Ankarsrum Industries** showed a positive development during the second quarter. Sales of the company's universal motors are on the rise and the order backlog before the autumn season is larger than previously forecast. Sales of welder feeder motors have increased as the economic climate has improved. The order situation in the foundry business is better than before. After a weak 2003, it is gratifying to note that the negative trend has been broken and that we during the autumn will be handling a growing volume of sales, which should result in a positive economic development.

Gnosjö Plast records a weak result for the period due to low capacity utilization. One more round of cost-cutting has been carried out in order to reduce overhead. The order situation improved during the period, however. This was manifested, in part, by a new order from Lear Corp. with an order value of MSEK 45 and production start in 2006.

Associated company **Bombus** merged with Scoop as of June 30, 2004. Together, Bombus/Scoop offers world-leading solutions in editorial planning, publishing and archiving for paper-based and digital media. The new company has more than 250 newspaper customers, 80 of whom are in Sweden and about 170 abroad, in countries such as Finland, USA and U.K. Traction will own approximately 25 percent of the combined company, which will trade under the name Scoop Publishware.

New projects

A number of new projects were evaluated during the period. These efforts have resulted in investment in two new projects: Traction has acquired a stake of just over 5 percent in Nextlink and Traction has also financed the acquisition of a significant stake in Hifab by a number of private individuals.

Nextlink

Nextlink is a Danish technology company with a focus on headsets and related products for professional users and consumers. The company has developed the Invisio product concept for professional users, such as the security detail of military special forces units. The Bluespoon concept is a bluetooth-based headset for the consumer market. Nextlink is also involved in royalty-based development assignments. Nextlink commands a strong position because the company has patents on its technology in each respective area. Sales in 2003 exceeded MDKK 19. Read more at www.nextlink.to

Hifab

Hifab is active as an independent construction project manager and is Sweden's leading project management company. The business was started in 1947 and has a nation-wide presence with 19 offices in Sweden and 10 offices abroad. Hifab has just over 400 employees. Revenues in 2003 amounted to MSEK 473, with a volume of 60 percent in Sweden and 40 percent in international business. Read more at www.hifab.se

Events after the period under review

After the end of the period under review, Traction has raised its stake in JC by 150 605 shares. Traction's total holding in JC is equivalent to a stake of just under 13 percent. Additional shares have been acquired in Billerud. Traction today holds 303 300 shares representing an investment of MSEK 35.

Accounting

Traction works with change and development of companies and the fruit of our efforts is seen when the company is sold. The model is based on the premise that Traction often takes over unprofitable companies with the goal of turning the development around. The price for an opportunity of revaluation is that we on occasion may get involved in companies that operate at a loss. This transformation work, which often takes several years, is difficult to comment on in a meaningful way on a quarterly basis. Those who study Traction's portfolio will find a mix of companies, small entrepreneur-controlled companies in Traction Venture, a group of subsidiaries where Traction is the sole owner or a majority owner and a number of listed companies where Traction is a substantial owner. Some of the companies are profitable growth companies, other are in a situation where action has been taken and is being taken to reduce costs and increase sales. In an effort to show more clearly the effect of the various businesses on the result of the Traction Group, we are showing below the result before taxes, including the exit result, by business.

Result analysis	2004	2003	2003
Result after financial items	Jan.-Jun.	Jan.-Jun.	Full year
Subsidiaries *	-0.6	4.1	-41.8
Listed associated companies *	11.6	-10.6	-17.1
Not publicly traded associated companies *	2.2	5.1	5.2
Other listed active holdings **	6.1	3.8	4.0
Other listed passive holdings **	16.3	3.2	9.7
Central net	-3.3	-4.9	-2.2
Result after financial items	32.3	0.7	-42.2
See definitions on page 7			

* Traction's share in result and exit result.

** Only includes realized result and dividends, not including changes in value or shares in profit.

Finances

Second quarter

Revenues in the subsidiary Group declined during the quarter by MSEK 35.3, from MSEK 124.4 to MSEK 89.2. Adjusted for the sale of Silva Plastic Center revenues declined by MSEK 14.7. Profit after taxes increased to MSEK 17.0 (3.8), primarily due to favourable earnings performance in Traction's listed associated companies and in the Ankarsrum companies.

First six months

Consolidated revenues declined from MSEK 234.1 to MSEK 194.1. Profit rose to MSEK 32.6 (1.1), primarily due to positive shares in profit in Traction's listed associated companies and higher net capital gains. Negative goodwill in the amount of MSEK 7.5 (6.5) was reversed during the period.

Capital expenditures and disposals

Shares in associated companies Duroc and Bombus were acquired during the period. The stake in Duroc has increased from approximately 14 percent to 16 percent. 200 000 shares in JC were sold during the period for MSEK 8. Listed shares were purchased during the quarter for just over MSEK 30, MSEK 12 of which in the form of 96 300 shares in Billerud.

Liquidity and cash flow

The Group's liquid funds amounted to MSEK 67.2 (78.9). In addition, there were non-strategic listed shares worth just over MSEK 47 (35). Cash flow for the second quarter was MSEK -37.3 (35.1). The accumulated cash flow for the first six months of the year amounted to MSEK -13.9 (24.3). The Parent Company's equity ratio stands at 100 percent. Liquid funds in the central companies amount to MSEK 55.

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

Traction's shareholders' equity after adjustment for hidden reserve in the portfolio of listed shares amounted to MSEK 724 (585) as of June 30, 2004, equivalent to SEK 131 (106) per share. The change during the second quarter was MSEK 39 (49). This change includes the Group's result in an amount of MSEK 16 (4), dividends in an amount of MSEK -13 (-8) and a surplus value in the portfolio of listed shares of MSEK 36 (53). No shares were repurchased during the year and the total number of shares held in treasury was 155 000 as of June 30, 2004.

Accounting principles and principles of evaluation

This interim report has been prepared in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council. In all other respects the same accounting principles and methods of calculation have been used in the interim report as were used in the most recent annual report. Recommendation RR 29 Compensation to employees of the Swedish Financial Accounting Standards Council has been applied since the turn of the year.

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

Financial information

Publication dates for financial information:

Third quarter report for 2004	11 November 2004
Year-end report for 2004	23 February 2005

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AB TRACTION (publ)

Amounts in MSEK

GROUP	Second quarter April–June		Accumulated January–June		Full year
STATEMENTS OF INCOME	2004	2003	2004	2003	2003
OPERATING REVENUE					
Net revenue (Note 1)	89.2	124.4	194.1	234.1	433.7
Other operating revenue	2.1	2.3	2.7	2.4	0.6
Total operating revenue	91.3	126.7	196.8	236.5	434.3
OPERATING EXPENSES					
Raw materials and supplies	–41.8	–50.6	–88.6	–106.3	–196.6
Change in products in progress, finished goods, etc.	5.7	–3.2	6.1	–0.9	–8.7
Other external costs	–14.4	–21.8	–31.7	–29.7	–65.1
Personnel costs	–31.6	–51.5	–74.0	–93.0	–167.3
Depreciation, amortisation and write-downs	–5.4	–4.3	–11.9	–10.6	–27.0
Other operating expenses	–	–0.9	–	–2.5	–19.1
Total operating expenses	–87.5	–132.3	–200.1	–243.0	–483.8
Shares in profit in associated companies	7.5	–4.0	10.1	–9.4	–13.9
Net capital gains	0.9	9.0	20.7	13.6	20.1
OPERATING RESULT (Note 2)	12.3	–0.6	27.6	–2.3	–43.3
RESULT FROM FINANCIAL INVESTMENTS					
Interest income and similar items	1.4	1.5	2.0	2.4	3.9
Dividends	5.4	4.1	5.4	4.1	4.1
Interest expense and similar items	–1.2	–1.7	–2.7	–3.5	–6.9
Total financial items	5.6	3.9	4.7	3.0	1.1
Result after financial items	17.9	3.3	32.3	0.7	–42.2
Taxes	–0.3	–0.6	–0.2	–0.8	1.8
Minority interest	–0.6	1.1	0.5	1.2	2.2
Net result for the period	17.0	3.8	32.6	1.1	–38.2
Earnings per share (SEK)	3.08	0.70	5.91	0.20	–6.92
Number of shares outstanding (thousands)	5 515	5 515	5 515	5 515	5 515
Average number of shares outstanding (thousands)	5 515	5 515	5 515	5 515	5 515

KEY FINANCIAL INDICATORS	30 June	30 June	Full year
Group	2004	2003	2003
Return on equity	5%	0%	Neg.
Shareholders' equity per share, SEK	114	118	110
Shareholders' equity after adjustment, per share, SEK *	131	106	115
Market price of share at end of period, SEK	85	76	81
Equity ratio, %	78	72	74
Proportion of risk-bearing capital, %	80	77	76

* Including reserve in portfolio of listed shares.

Amounts in MSEK

GROUP

BALANCE SHEETS	6-30-2004	6-30-2003	12-31-2003
ASSETS			
Tangible fixed assets	109.9	135.3	127.8
Shares, etc.* (Note 3)	494.1	508.9	486.1
Long-term receivables	6.0	9.2	6.0
Total fixed assets	610.0	653.4	619.9
Inventories	53.1	82.2	55.0
Other current assets	75.1	91.7	71.9
Liquid funds	67.2	78.9	81.1
Total current assets	195.4	252.8	208.0
TOTAL ASSETS	805.4	906.2	827.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	628.5	649.1	608.5
Minority interest	0.3	3.2	2.5
Provisions **	13.9	48.6	23.2
Long-term liabilities ***	12.4	75.8	18.2
Current liabilities ***	150.3	129.5	175.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	805.4	906.2	827.9

* Reserve for market fluctuation of the listed portion of the portfolio

95.2 -63.6 28.4

** Of which negative goodwill

9.3 41.2 17.2

*** Of which interest-bearing liabilities

80.3 86.9 97.3

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY	Second quarter	Full year
	2004	2003
Opening balance	608.5	657.3
Translation difference	0.6	-1.0
Dividend to shareholders	-13.2	-8.3
Net result for the period	32.6	1.1
Closing balance	628.5	649.1

Amounts in MSEK

GROUP	Second quarter April–June		Accumulated January–June		Full year
	2004	2003	2004	2003	2003
STATEMENTS OF CASH FLOW					
<i>Current operations</i>					
Consolidated result before taxes	16.7	4.4	27.0	1.9	–40.0
Adjustment for items not Included in cash flow	–0.5	2.7	–12.2	8.1	20.8
Current taxes		–	–	–	–0.0
Cash flow from current operations before changes in working capital	16.1	7.1	14.9	10.0	–19.2
Changes in working capital	–4.3	–3.3	–10.5	–11.7	–20.1
Cash flow from current operations	11.8	3.8	4.4	–1.7	–39.3
<i>Cash flow from investment operations</i>					
Acquisition of subsidiaries	–	–0.5	–	1.8	1.8
Sale of subsidiaries	–	–	–	–1.2	–1.2
Purchase of shares in project companies	–1.9	–	–1.9	–1.5	–1.7
Sale of shares in project companies	8.1	–	21.0	14.6	14.6
Net sales of other shares	–30.5	22.8	–6.0	25.1	55.0
Purchase/sale of other tangible fixed assets	–0.9	7.9	–1.2	6.0	6.0
Change in other financial assets	–	3.1	0.0	–8.5	–8.5
Cash flow from investment operations	–25.2	33.3	11.9	36.3	66.0
<i>Financing operations</i>					
Loans raised	–	6.3	–	6.3	16.3
Repayment of debt	–10.7	–	–16.9	–8.3	–8.2
Repurchase of own shares	–	–	–	–	–
Dividend paid	–13.2	–8.3	–13.2	–8.3	–8.3
Cash flow from financing operations	–23.9	–2.0	–30.1	–10.3	–0.2
Period's cash flow	–37.3	35.1	–13.9	24.3	26.5
Liquid funds at beginning of period	104.5	43.8	81.1	54.6	54.6
Liquid funds at end of period	67.2	78.9	67.2	78.9	81.1

Definitions

Subsidiary

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

Listed associated companies and associated companies that are not listed

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

Other listed active holdings

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

Other listed passive holdings

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

Central net

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

(Note 1)

Net revenues by operating segment

	Second quarter April–June		Accumulated January–June		Full year
	2004	2003	2004	2003	2003
Electric motors	37.4	37.1	76.1	95.1	159.3
Plastic parts	31.4	50.9	77.6	83.4	172.5
Printing equipment	18.9	29.9	38.7	52.0	88.3
Other, including consolidation eliminations	1.4	6.4	1.7	3.6	13.6
Total	89.1	124.3	194.1	234.1	433.7

(Note 2)

Operating result by operating segment *

	Second quarter April–June		Accumulated January–June		Full year
	2004	2003	2004	2003	2003
Electric motors	2.2	–0.3	2.0	5.8	3.0
Electronic components	–	–3.0	–	–3.0	–13.1
Plastic parts	3.9	1.5	1.5	1.4	–0.8
Printing equipment	1.0	0.5	–0.6	–5.8	–26.3
Group-wide costs	–3.2	–4.3	–6.1	–4.9	–12.3
Total	3.9	–5.6	–3.2	–6.5	–49.5

Share in result of associated
companies

	6.9	–4.0	9.5	–9.4	–13.9
<u>Net capital gains</u>	0.9	9.0	20.7	13.6	20.1

Operating result **11.6** **–0.6** **26.9** **–2.3** **–43.3**

* Including reversal of negative goodwill.

(Note 3)

Shares, etc. as of 30 June 2004

Company	Number of Shares in thousands	Market Price (SEK)	Share in Company (capital)	Share in company (votes)	Market value (MSEK)	Book value (MSEK)
<u>Listed associated companies *</u>						
AcadeMedia	1 110	18	35%	38%	20	13
Duroc	839	16	16%	34%	14	19
KnowIT	2 497	22	25%	25%	56	22
Thalamus Networks	3 072	19	33%	27%	60	65
Sub-total:					150	119
<u>Other listed active holdings</u>						
Hallex	2 512	119	11%	11%	299	233
JC	1 026	37	11%	11%	38	43
Softronic	8 209	2	18%	11%	17	16
Sub-total:					354	292
<u>Other listed passive holdings</u>						
Biophausia (incl. conv. loan) **	5 988		(8%)	(8%)	10	8
Other listed shares					37	37
Sub-total:					48	45
Total listed investments:					552	456
Other not publicly traded investments ***					N/A	38
Grand total:					N/A	494

* These companies are reported according to the equity method.

** Equivalent to 5 million shares upon full conversion. The conversion price is SEK 1.30 per share. Percentage figures in parentheses denote stake on a fully diluted basis.

*** Of which MSEK 32 is reported according to the equity method.