

TRACTION

Traction is an investment company the operations of which are based on its own methodology for developing and refining the companies in which Traction is an owner. Traction's role as owner is based on an active and long-term engagement, together with an entrepreneur or corporate management and other joint owners. At present, Traction is involved in some 15 companies, several of which are publicly traded. In addition, Traction is engaged in investment activities for the purpose of obtaining a good yield on the Company's capital. Traction's share is traded on the NASDAQ OMX Nordic Exchange in Stockholm (the Small Cap list). Read more about Traction at www.traction.se

Interim Report January - September 2014

Period July - September

- The result after taxes amounted to MSEK -55 (52), of which from:
 - Active holdings, listed MSEK -74 (15)
 - Active holdings, unlisted MSEK 19 (27)
 - Financial investments MSEK -2 (7)
- Earnings per share amounted to SEK -3.68 (3,38)
- The net asset value per share as of 30 September amounted to SEK 132 (115)
- Adjusted for dividend paid, the net asset value per share increased by 17 percent during the past 12 months.

Period January - September

- The result after taxes amounted to MSEK 105 (90), of which from:
 - Active holdings, listed MSEK 17 (10)
 - Active holdings, unlisted MSEK 62 (62)
 - Financial investments MSEK 17 (7)
- Earnings per share amounted to SEK 7.08 (5.87)

Events during the quarter

- Ownership in Hifab Group increased to 49.5 from 47.8 percent of capital and 51.3 from 41.3 percent of votes.

Events after the end of the period under review

- The change in value of listed holdings since 30 September amounts to -7.9 percent (MSEK -75) as of 17 October compared to -8.2 percent for Stockholm all share index

PRESIDENT'S STATEMENT

Traction reports a negative result for the period, principally attributable to a very weak stock market development for the BE Group share, where appreciation during the first half of the year now has turned into a decline. Uncertainty in the market is now considerably greater after the summer and this has resulted in an overall lower market and increased selling pressure in most small and medium-sized companies. Potential buyers in these companies are also for the most part insiders, who are unable to act before a report is submitted. Even if the downturn has a negative impact on the value of our holdings, further weakness may offer attractive buying opportunities for us as long-term owners.

PERIOD JULY - SEPTEMBER

Summary

The result was MSEK -55 (52), which includes changes in value in the amount of MSEK - 58 (24) and dividend income of MSEK 1 (25). Financial income amounted to MSEK 4 (5).

Active holdings - listed

Active listed holdings contributed MSEK -74 (15). BE Group accounted for MSEK -48, Hifab for MSEK -13 and Nordic Camping & Resort for MSEK 10. At the end of the period the market value of the active holdings amounted to MSEK 616, equivalent to 31 percent of the net asset value.

Active holdings - unlisted

Active unlisted holdings contributed MSEK 19 (27), of which the change in value accounted for MSEK 19 (25) and dividends for MSEK 0 (25). Nilörngruppen accounted for MSEK 10. See below during the period January – September for comments on each respective company. Vid At the end of the period the active unlisted holdings amounted to MSEK 447, equivalent to 24 percent of the net asset value.

Financial investments, cash and cash equivalents, and other assets

Financial investments, cash and cash equivalents and other assets amounted to MSEK 899, equivalent to 45 percent of the net asset value. The financial investments amounted to MSEK 446 (368), which during the period contributed MSEK -2 (7) to the result.

Investments and disposals

Investments in listed shares amounted to MSEK 41 (29), of which MSEK 4 in active listed holdings. Corporate bonds and other financial assets were sold in a net amount of MSEK 8 (net purchases 9).

Traction's net asset value

Reported below is Traction's net asset value divided into active holdings (listed and unlisted), financial investments, cash and cash equivalents and other assets.

Holdings	Number of shares, thousands	Percentage share of		Total return in %		Market value, MSEK	% of total	SEK/share
		capital	votes	Jul - Sept	Jan - Sept			
Listed active holdings								
BE Group	12,882	17	17	-30	-12	113	6%	8
Drillcon	22,255	50	50	-11	-3	62	3%	4
Duroc	2,000	27	30	-15	-9	20	1%	1
Hifab Group	15,047	49	51	-13	-4	111	5%	8
Nordic Camping & Resort	2,531	30	30	23	83	52	3%	4
OEM International	913	4	10	-1	18	80	4%	5
PartnerTech	2,361	19	19	-11	-12	53	3%	4
Softronic	11,529	22	20	-4	8	80	4%	5
Switchcore	10,371	28	22	1	15	24	1%	2
Waterman Group	3,300	11	11	8	6	21	1%	1
Subtotal				-11	3	616	31%	42
Unlisted active holdings								
Ankarsrum Motors	100	100	0	0	10	109	6%	7
Ankarsrum Kitchen	100	100	2	2	11	21	1%	2
Banking Automation	47	47	27	27	38	22	1%	2
Nilörngruppen	69	60	4	4	17	226	12%	15
Recco Holding	50	50	0	0	0	34	2%	2
Other unlisted holdings			12	12	11	35	2%	2
Subtotal				4	14	447	24%	30
Total active holdings				-5	13	1,063	55%	72
Financial investments, cash and cash equivalents, and other assets								
SCA	500			-1	-11	86	4%	6
Swedbank	500			3	6	91	5%	6
Other listed shares				-3	6	155	7%	10
Due from active holdings				-	-	43	2%	3
Interest-bearing investments				-	-	114	6%	8
Cash and cash equivalents				-	-	391	20%	26
Other assets				-	-	19	1%	1
Subtotal						899	45%	60
TOTAL				-3	7	1 962	100%	132

KEY FINANCIAL INDICATORS	Jan - Sept		Full year 2013
	2014	2013	
Change in net asset value per share, %	7	8	19
Net asset value per share, SEK	132	115	127
Market price at end of period, SEK	111.50	98.00	89.75
Net asset value discount t, %	16	15	29
Equity ratio, %	100	100	99

PERIOD JANUARY - SEPTEMBER

Summary

Profit amounted to MSEK 105 (90), which includes changes in value of MSEK 9 (-) and dividend income of MSEK 88 (78). Financial revenue amounted to MSEK 11 (12).

Active holdings - listed

Active holdings contributed MSEK 28 (10), of which change in value amounted to MSEK 12 (-13) and dividend income for MSEK 16 (22). Nordic Camping & Resort contributed MSEK 24 as a result of an increase in market price of 83 percent.

Active holdings - unlisted

Active unlisted holdings contributed MSEK 62 (62), of which the change in value amounted to MSEK 2 (18) and dividend income to MSEK 60 (45). The holding in Bricad Holding devalued by MSEK 32 due to dividend income received in a like amount.

Nilörngruppen recorded an increase in revenue of 22 percent to MSEK 333 (274) and an operating profit of MSEK 36 (28). Order bookings grew by 19 percent compared to the corresponding period one year ago. Nilörngruppen contributed MSEK 37, of which MSEK 24 in the form of dividend income and MSEK 13 as a consequence of revaluation.

Ankarsrum Motors recorded revenue of MSEK 158 (169) and an operating profit of MSEK 15 (20). Ankarsrum Motors was revalued by MSEK 10 during the year.

Financial investments

Other listed holdings contributed MSEK 7 (7), of which the change in value amounted to MSEK -5 (-5) and dividend income to MSEK 12 (12). Net interest income amounted to MSEK 10 (11).

Investments and disposals

Investments in listed shares amounted to MSEK 129 (166), of which active holdings amounted to MSEK 43. Shares were sold in an amount of MSEK 301 (126), of which active holdings amounted to MSEK 210, of which OEM International accounted for MSEK 109 and the previously active holding in Catella for MSEK 56. Corporate bonds and other financial assets were purchased in a net amount of MSEK 42 (25).

Liquidity

Traction's cash and cash equivalents amounted to MSEK 391 (216). In addition, there are financial investments in the amount of MSEK 446 (405) in the form of listed shares and interest-bearing assets.

Equity/Net asset value

As of 30 September equity amounted to MSEK 2014 till 1 962 (1 901), equivalent to SEK 132 (127) per share. The number of shares outstanding as of 30 September was 16,000,000, of which 1,800,000 were Class A shares, which excludes the 400,000 Calls B shares that the Annual General Meeting held in May 2013 resolved to cancel. The cancellation was not registered by Swedish Companies Registration Office by the end of the period under review. Not including shares held in treasury, the number of shares outstanding was 14,865,000, of which 1,800,000 were Class A shares.

Parent Company

AB Traction's profit amounted to MSEK 41 (28). As of 30 September cash and cash equivalents amounted to MSEK 297 (142). As of 30 September the Parent Company's equity ratio was 100 (100) percent. The Parent Company has no external loans.

Risks and uncertainty factors

The Group's and the Parent Company's significant risk and uncertainty factors include business risks in the form of exposure to certain industries, or an individual holding, as well as dependency on individual key persons in the Companies in which Traction is involved or has an ownership interest. Then there are financial risks, which primarily consist of price risks, i.e. the risk of a change in value of a financial instrument due to changes in share prices, foreign exchange rates or interest rates. In addition to the risks described in Traction's Annual Report in general by reason of the Company's business orientation, specific reference can be made to the Report of the Board of Directors and accompanying notes for a more detailed discussion of the Group's and the Parent Company's risk exposure and risk management procedures. Beyond that, no additional significant risks are deemed to have been added.

Accounting policies

This summary interim report has been prepared for the Group in accordance with IAS 34 and applicable rules in the Swedish Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance the Swedish Annual Accounts Act. Effective as of 1 January 2014, Traction applies the new rules for investment companies, which means that holdings in operative subsidiaries are valued at fair value with the change in value reported in profit and loss rather than being consolidated. All other Central Traction companies are consolidated as before. In all other respects this report has been prepared in accordance with the same accounting policies and using the same calculation methods as set out in the most recent Annual Report.

Below is a brief description of the accounting policies of vital importance in compiling Traction's financial reports. Comparative data refer to the corresponding year-ago period, except in the case of balance sheet items and liquidity metrics referring to the prior year-end.

Changed accounting policy – investment companies

IASB (International Accounting Standards Board) has issued rules for investment companies. The rules are mostly part of IFRS 10 Consolidated accounting and IAS 27 Consolidated and Separate Financial Statements. According to the definition in IFRS 10, an investment company is a company the operations of which are to make investments for the account of investors in order to obtain a return in the form of appreciation and/or dividend yield. Such companies must value essentially all of its investments at fair value. If the criteria for an investment company are fulfilled holdings in subsidiaries are valued at fair value with changes in value in the result rather than being consolidated. The rules for investment companies are applied from 1 January 2014.

The Group's comparative data have been recalculated, which means that the Group's opening equity for 2013 has increased by MSEK 160 to MSEK 1,719. The increase relates to revaluation of previously consolidated subsidiaries to fair value. For a more detailed account, reference is made to the report for the first quarter.

Schedule of future information

Publishing dates for future financial information:

11 February 2015	Year-end Report January – December 2014
7 May 2015	Interim Report January – March 2015
7 May 2015	Annual General Meeting 2014, 5:00 p.m. in Stockholm
14 July 2015	Interim Report January-June 2015
19 October 2015	Interim Report January- September 2015
17 February 2016	Year-end Report January – December 2015

The information in this Interim Report is of the type Traction is under obligation to publish in accordance with the Securities Markets Act. The information herein was provided for publication at 12:00 a.m., 20 October 2014.

The President hereby confirms that this interim report provides a fair overview of the operations of the Company's and the Group's operations, financial position and results, and describes significant risks and factors of uncertainty facing the Company and the companies in the Group.

Stockholm, 20 October 2014

Petter Stillström
President & CEO

AB Traction
Box 3314
Birger Jarlsgatan 33
SE-103 66 Stockholm
SWEDEN
Corporate ID number: 556029-8654

Telephone: +46-8-506 289 00
Fax: +46-8-506 289 30
E-mail: post@traction.se
www.traction.se

SUMMARY CONSOLIDATED INCOME STATEMENT

MSEK	July - Sept		Jan - Sept		Full year 2013
	2014	2013	2014	2013	
OPERATING REVENUE					
Dividend income	0.9	25.1	88.2	78.4	96.4
Change in value of securities	-57.6	23.8	8.7	0.1	159.5
Financial income	4.0	5.1	10.9	12.1	13.6
Other revenue	0.5	0.8	4.7	7.7	8.6
Operating expenses	-2.5	-2.9	-7.2	-8.1	-11.7
Result before taxes	-54.7	51.9	105.3	90.2	266.4
Taxes	-	-	-	-	1.3
Profit and comprehensive result for the period	-54.7	51.9	105.3	90.2	267.7
Earnings per share (SEK)	-3.68	3.38	7.08	5.87	17.44
Number of shares outstanding (thousands)	14,865	15,364	14,865	15,364	14,940
Average number of shares outstanding (thousands)	14,865	15,364	14,870	15,364	15,350

SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	2014		2013	
	30/9	30/9	31/12	31/12
ASSETS				
Tangible non-current assets	5.7		0.8	6,7
Shares, etc.	1,063.7		1,124.9	1 219,6
Deferred tax asset	14.7		13.4	14.7
Total non-current assets	1,084.1		1,139.1	1 241,0
Other current assets	6.0		7.1	6,4
Financial investments in active management	445.5		368.4	404,5
Loans receivable	42.6		67.5	48,7
Cash and cash equivalents	391.4		181.2	216,2
Total current assets	885.5		624.2	675,8
TOTAL ASSETS	1,969.6		1,763.3	1 916,8
EQUITY AND LIABILITIES				
Equity				
Attributable to the Parent Company's equity holders	1,962.4		1,762.0	1 901,3
Total equity	1,962.4		1,762.0	1 901,3
Current liabilities	7.2		1.3	15,5
Total liabilities	7.2		1.3	15,5
TOTAL LIABILITIES AND EQUITY	1,969,6		1,763.3	1,916.8

For other financial instruments, such as trade receivables, loan receivables, and long-term and current liabilities the carrying value is a reasonable approximation of fair value.

Summary Report of Changes in Consolidated Equity

MSEK	2014	2013	
	30/9	30/9	31/12
Amount attributable to the Parent Company shareholders at beginning of year	1,676.3	1,559.4	1,559.4
Effect of change of accounting policy	225.0	160.0	160.0
Adjusted opening balance	1,901.3	1,719.4	1,719.4
Dividend to shareholders	-36.4	-47.6	-47.6
Repurchase of own shares	-7.8	-	-38.2
Comprehensive result for the period	105.3	90.2	267.7
Closing balance	1,962.4	1,762.0	1,901.3

SUMMARU CONSOLIDATED CASH FLOW STATEMENT

MSEK	July - Sept		Accumulated		Full year
	2014	2013	2014	2013	2013
<i>Operating activities</i>					
Consolidated result before taxes	-54.7	51.9	105.3	90.2	266.4
Adjustment for items not included in cash flow	57.6	-23.6	-8.6	0.1	-129.7
Taxes paid	-	-	-	-	-
Cash flow from operating activities before changes in working capital	2.9	28.3	96.7	90.3	136.7
Changes in working capital	4.8	-	-4.7	-1.9	2.9
Cash flow from operating activities	7.7	28.3	92.0	88.4	139.6
<i>Cash flow from investment activities</i>					
Purchase of shares in unlisted companies	-1.7	-	-3.4	-12.9	-13.2
Sale of shares in unlisted companies	-	-	-	10.1	10.1
Purchase of shares in listed companies	-40.5	-28.8	-129.4	-165.5	-186.8
Sale of shares in listed companies	13.5	3.5	300.9	126.0	152.6
Purchase/sale of tangible non-current assets	-0.8	-0.8	1.0	-0.8	-6.7
Change in other financial assets	8.4	-8.5	-41.8	-25.3	-2.4
Cash flow from investment activities	-21.1	-34.6	127.3	-68.4	-46.4
<i>Financing activities</i>					
Dividend paid	-	-	-36.4	-47.6	-47.6
Repurchase of own shares	-	-	-7.7	-	-38.2
Cash flow from financing activities	0.0	0.0	-44.1	-47.6	-85.8
Cash flow for the period	-13.4	-6.3	175.2	-27.6	7.4
Cash and cash equivalents at beginning of period	404.8	187.5	216.2	208.8	208.8
Cash and cash equivalents at end of period	391.4	181.2	391.4	181.2	216.2

Profit and loss specification

Group 2014

Period July - September	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	-	-	0.9	0.9
Change in value	-74.0	18.8	-2.4	-57.6
Financial income	-	-	4.0	4.0
Other revenue	-	-	0.5	0.5
<u>Operating expenses</u>	-	-	-2.5	-2.5
Result before taxes	-74.0	18.8	0.5	-54.7

Group 2013

Period July - September	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	-	24.8	0.3	25.1
Change in value	15.1	1.8	6.9	23.8
Financial income	-	-	5.1	5.1
Other revenue	-	-	0.8	0.8
<u>Operating expenses</u>	-	-	-2.9	-2.9
Result before taxes	15.1	26.6	10.2	51.9

Group 2014

Period January - September	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	16.3	59.9	12.0	88.2
Change in value	11.5	2.2	-5.0	8.7
Financial income	-	-	10.9	10.9
Other revenue	-	-	4.7	4.7
<u>Operating expenses</u>	-	-	-7.2	-7.2
Result before taxes	27.8	62.1	15.4	105.3

Change in value 2013

Period January - September	Active holdings, listed	Active holdings, unlisted	Other	Total
Dividend income	22.0	44.6	11.8	78.4
Change in value	-12.5	17.7	-5.1	0.1
Financial income	-	-	12.1	12.1
Other revenue	-	-	7.7	7.7
<u>Operating expenses</u>	-	-	-8.1	-8.1
Result before taxes	9.5	62.3	18.4	90.2

Valuation of financial assets

Level 1: According to prices quoted in active markets for the same instrument
 Level 2: Based on directly or indirectly observable market data not included in level 1.
 Level 3: Based on input data not observable in the market.

Group 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	447.2	447.2
Shares in listed active holdings	616.5	-	-	616.5
Financial investments	445.5	-	-	445.5
Total	1,062.0		447.2	1,509.2
Group 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	444.9	444.9
Shares in listed active holdings	774.7	-	-	774.7
Financial investments	404.5	-	-	404.5
Total	1,179.2		444.9	1,624.1

Changes in financial assets and liabilities at level 3

Group	
Opening carrying value	444.9
Purchase/shareholder contribution	3.4
Sale/Redemption	-
Reclassification	-3.2
Change in value	2.1
Total	447.2

Transfers between levels

Transfers between different levels effected during a reporting period should be presented with the value at the end of the reporting period. No transfers were made from one level to another during the period under review. The increase in assets at level 3 in relation to the annual accounts refers to subsidiaries no longer consolidated but value at fair value.

Valuation of financial instruments at level 3

Valuation of unlisted holdings is made on the basis of *International Private Equity and Venture Capital Valuation Guidelines* as developed and published jointly by risk capital organisations EVCA, BVCA and AFIC. For directly owned investments, an overall assessment is made to determine which valuation method is appropriate for each individual holding. Taken into account will be whether any financing or transaction "at arms-length distance" has been made and an evaluation is also made by applying relevant multiples to the company's key financial indicators from a selected group of similar companies, less an adjustment for, for instance, difference in size between the company in question and the group of comparable companies. In cases where there are other methods that better reflect the fair value of an individual holding, such methods are used which means that individual holdings may be valued by other than the methods described above.

All level 3 assets consist of shares in unlisted companies and are valued in accordance with the following valuation methods and non-observable data used for determining the carrying value. The data in the table below represent a selection and is therefore not all input data used in the valuation.

EBIT-multiples:	4 - 10
Revenue multiples:	0.5 – 3.0
Net asset valuation:	Established net asset value.
Most recent transaction:	In the case of recently floated new issue/share offering, the price thereon is taken into account. Higher multiples may also be applied in cases of rapid growth.

SUMMARY PARENT COMPANY INCOME STATEMENT**MSEK**

	Jan - September	
	2014	2013
Dividend income	22.5	27.2
Change in value of securities	16.6	-1.2
Financial income/expense	2.4	3.0
Other external expenses	-1.0	-0.8
Profit before taxes	40.5	28.2
Taxes	-	-
Profit and comprehensive result for the period	40.5	28.2

SUMMARY PARENT COMPANY BALANCE SHEET**MSEK**

	2014	2013
ASSETS	30/9	31/12
Equities	664.8	775.9
Total non-current assets	664.8	775.9
Due from Group companies	21.5	65.6
Other receivables	1.4	1.4
Financial investments	325.5	287.1
Cash and cash equivalents	297.1	141.7
Total current assets	645.5	495.8
TOTAL ASSETS	1,310.3	1,271.7
EQUITY AND LIABILITIES		
Equity	1,309.7	1,271.3
Current liabilities	0.6	0.4
TOTAL EQUITY AND LIABILITIES	1,310.3	1,271.7
Pledged assets	-	-

DEFINITIONS**Return on equity**

Result for the period after taxes in percent of equity at the beginning of the year adjusted for repurchased shares and dividends.

Central Traction

Aside from the AB Traction parent company, Central Traction includes wholly owned subsidiaries managing securities, providing lending, underwriting and consultancy services, mainly to Traction's wholly and partially owned holdings.

Equity per share and Net asset value per share

Equity at the end of the period divided by average number of shares outstanding.

Financial investments

Refers to equity and interest-bearing investments in companies where Traction is not an active owner.

Listed active holdings

Holdings where Traction's ownership exceeds 10 percent of the votes in each respective company.

Unlisted active holdings

Holdings where Traction's ownership is less than 50 percent of the votes and where the remaining shares are usually owned by one or more entrepreneurs or other active partners.

Net asset value discount

Traction's market value, where unlisted Class A shares are valued the same as the listed Class B share at the end of the period, less the net asset value discount, divided by the net asset value at the end of the period.

Equity ratio

Equity in percent of balance-sheet total.

Earnings per share

Profit for the period after dilution divided by average number of shares outstanding during the year.

Change in net asset value of per share

Change of the net asset value during the period under, including dividend paid.

Review Report

Introduction

We have performed a review of the interim report for AB Traction (publ), corporate ID number 556029-8654 as of 30 September 2014 and the nine-month period ending on this date. The preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the basis of our review.

Scope and focus of the review

We have performed our review in accordance with the Standard for Review Engagements ISRE 2410 *Review of interim financial information performed by the company's elected auditor*. A review comprises making inquiries, primarily of individuals responsible for financial and accounting matters, and performing analytical procedures and other review procedures. A review has a different focus and significantly smaller scope compared with an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Given the procedures performed in a review, it is not possible for us to obtain such a degree of assurance that we would have become aware of all important circumstances which would have been identified had an audit been performed. Therefore, the opinion expressed on the basis of a review does not have the assurance of an opinion based on an audit.

Conclusion

Based on our review, no circumstances have come to our attention which would give us reason to consider that this interim report has not, in all material respects, been prepared, as far as the group is concerned, in accordance with IAS 34 and the Swedish Annual Accounts Act and, as far as the parent company is concerned, in accordance with the Swedish Annual Accounts Act.

Stockholm, 20 October 2014

KPMG AB

Helene Willberg
Authorised Public
Accountant