

# TRACTION

*Traction is an investment company with active ownership interest in listed and unlisted small- and medium-sized companies. Traction is also engaged in investment activities for the purpose of obtaining a good yield on the Company's capital through financial investments, mainly in other listed companies and interest-bearing assets. Traction's role as owner is based on an active and long-term engagement in close co-operation with other active owners, entrepreneurs and corporate management groups. Traction does not focus on singular industries. Traction instead is engaged in development and transformation work applicable to all companies intending to prioritize business sense, a long-term approach and sound business principles. Traction's shares are traded on NASDAQ Stockholm (the Mid Cap list). More information is available at [www.traction.se](http://www.traction.se).*

## Interim Report January - June 2016

### **Period April - June**

- The result after taxes amounted to MSEK –18 (162), of which from:
  - Active holdings, listed MSEK –24 (9)
  - Active holdings, unlisted –17 (142)
  - Financial investments MSEK 25 (8)
- Earnings per share amounted to SEK –1.20 (10.92)
- Net asset value per share decreased by 1 (8) percent, adjusted for dividend paid
- Net asset value per share amounted to SEK 143 (143)

### **Period January - June**

- Profit after taxes amounted to MSEK 31 (235), of which from:
  - Active holdings, listed MSEK 21 (42)
  - Active holdings, unlisted –18 (143)
  - Financial investments MSEK 32 (48)
- Earnings per share amounted to SEK 2.12 (15.80).
- Net asset value per share decreased by 1 (12) percent, adjusted for dividend paid

### **Events after the end of the period under review**

The change in value of listed shares from 30 June to 14 July amounts to MSEK 49.

## ***PRESIDENT'S STATEMENT***

Traction recorded a small loss in the second quarter, explained by stock market declines in some of the active holdings and revaluations of the unlisted holdings. Following the unexpected result of the referendum in United Kingdom, where the majority voted for leaving EU, the value of the holding mainly in the Waterman Group has dropped sharply. Some of Traction's other active holdings also showed a weak development in an overall weak stock market. On the other hand, the change in value of Traction's listed holdings since 30 June amounts to MSEK 49.

Traction's financial investments and interest-bearing instruments show a positive development for the quarter, as well as for the first six months of the year. The return hereon was 5.0% and 6.9%, respectively. Traction continues to hold a significant proportion of liquid funds and interest-bearing investments. This makes it possible to seize on interesting business opportunities that may arise in a turbulent market.

## ***PERIOD APRIL - JUNE***

### **Summary**

The result amounted to MSEK –18 (162), of which from:

- Active holdings, listed MSEK –24 (9)
- Active holdings, unlisted MSEK –17 (142)
- Financial investments MSEK 25 (8)

### **Active holdings - listed**

Active listed holdings contributed MSEK – 24 (9). BE Group contributed MSEK – 9 and Waterman Group MSEK –10.

### **Active holdings – unlisted**

Active unlisted holdings contributed MSEK –17 (142). Ankarsrum Motors was revalued by MSEK –10 to MSEK 80.

MSEK 129 of the revaluation during 2015 is attributable to the listing of Nilörngruppen on Nasdaq First North, with MSEK 150 reported as a positive change in value of active holdings and MSEK 21 as a negative change in value of listed active holdings.

### **Financial investments**

Other listed holdings contributed MSEK 17 (3), of which dividends amounted to MSEK 6 (5) and changes in value were MSEK 11 (–2). Net interest income was MSEK 8 (4).

As of 30 June investments in short-term commercial paper and similar instruments amounted to MSEK 188 (164). Since these investments fall due in less than 12 months and are liquid, these assets are included in Traction's cash and cash equivalents in the balance sheet in the net asset value compilation in this report. Other interest-bearing investments in the amount of MSEK 230 (205) consist of a number of corporate bonds and similar instruments, where the largest single exposure to one individual counterparty amounts to MSEK 21.

### **Capital expenditures and disposals**

Investments in listed shares amounted to MSEK 65 (155), of which BE Group accounted for MSEK 5. Shares were sold for MSEK 33 (230). Net purchases were made of commercial paper, corporate bonds and other financial assets in the amount of MSEK 31 (60).

## ***PERIOD JANUARY - JUNE***

### **Summary**

The result amounted to MSEK 31 (235), of which from:

- Active holdings, listed MSEK 21 (42)
- Active holdings, unlisted MSEK –18 (143)
- Financial investments MSEK 32 (48)

### **Active holdings - listed**

Active listed holdings contributed MSEK 21 (42), of which the change in value was MSEK –15 (14) and dividend amounted to MSEK 36 (28). Drillcon contributed MSEK 14, Nilörngruppen MSEK 26, Hifab MSEK 15, Waterman MSEK –14 and OEM International med MSEK –11.

### **Active holdings - unlisted**

Active unlisted holdings contributed MSEK –18 (143), of which the change in value was MSEK –25 (110) and dividends were MSEK 6 (33).

Last year Nilörngruppen contributed MSEK 150, of which MSEK 122 consists of revaluation and capital gains in conjunction with the listing, and MSEK 28 in the form of dividends.

Ankarsrum Motors records revenue of MSEK 86 (84) and operating income of MSEK 7 (4).

### **Financial investments**

Other listed holdings contributed MSEK 19 (40), of which dividends amounted to MSEK 8 (7). Net interest income amounted to MSEK 13 (9).

### **Capital expenditures and disposals**

Investments in listed shares amounted to MSEK 144 (236), of which Waterman Group accounts for MSEK 11. Assets were sold in an amount of MSEK 96 (312). Net purchases were made of corporate bonds and other financial assets in the amount of MSEK 79 (255).

### **Events after the end of the period under review**

Fredrik Herlitz has been appointed financial manager of the Traction Group. Fredrik, 30, will assume his duties no later than 10 October. The current financial manager, Krister Magnusson, will continue to serve until then, after which he will be focusing on his assignment as Chief Financial Officer of Nilörngruppen, a position he has held in parallel. Fredrik Herlitz has worked for Deloitte for five years.

The change in value of Traction's listed holdings from 30 June to 14 July amounts to MSEK 49.

## ***Liquidity***

Traction's cash and cash equivalents, including investments in short-term commercial paper and similar instruments, amounted to MSEK 620 (706). In addition there were financial investments in the amount of MSEK 500 (430) in the form of unlisted shares and other interest-bearing investments.

## ***Equity/Net asset value***

Equity as of 30 June amounted to MSEK 2,108 (2,115), equivalent to SEK 143 (143) per share. The number of shares outstanding as of 30 June was 16,000,000, 1,800,000 of which were Class A shares. Not including previously repurchased shares (1,210,153 equivalent to 8 percent), the number of outstanding shares was 14,789,847, of which 1,800,000 are Class A.

## ***Parent Company***

AB Traction's profit amounted to MSEK 18 (108). Cash and cash equivalents, including investments in short-term commercial paper and similar instruments, amounted to MSEK 681 as of 30 June (691). The Parent Company's equity ratio was 100 percent as of 30 June (100). The Parent Company has no external loans. Nor does Traction have any guarantee undertakings to secure credit in the active listed holdings.

## Traction's net asset value

Holdings	Number of shares, thousands	Price per share 30/6-16	Percentage of capital votes		Market value MSEK	% of total	SEK/ share
Listed active holdings							
Nilörngruppen	4,690	41.50	41	67	195	9%	13
OEM International	886	123.25	4	10	109	5%	7
Hifab Group	32,744	2.74	54	55	89	4%	6
Softronic	11,539	7.35	22	20	85	4%	6
Drillcon	24,000	3.15	54	54	76	4%	5
BE Group	2,586	28.60	20	20	74	3%	5
Nordic Camping & Resort	2,384	23.90	25	25	57	3%	4
Waterman Group	4,300	8.22	14	14	35	2%	2
Duroc	2,000	11.55	27	30	23	1%	2
Subtotal					743	35%	50
Unlisted active holdings							
Ankarsrum Motors			100	100	80	4%	5
Other unlisted holdings					108	5%	8
Due from active holdings					57	3%	4
Subtotal					245	12%	17
Total active holdings					988	47%	67
Financial investments, cash and cash equivalents							
Other listed equities					270	13%	18
Interest-bearing investments					230	11%	16
Cash and cash equivalents <sup>1</sup>					620	29%	42
Subtotal					1,120	53%	76
GRAND TOTAL					2,108	100%	143

<sup>1</sup>Including short-term, interest-bearing investments in the amount of MSEK 188 and other net assets/liabilities in the amount of MSEK –1.

KEY FINANCIAL INDICATORS	Accumulated		Full year
	2016	2015	2015
Change in net asset value per share, %	1	12	9
Net asset value per share, SEK	143	147	143
Market price at end of period, SEK	129.00	111.75	114.50
Discount to net asset value, %	10	24	20
Equity ratio, %	100	100	100

## Transactions with closely related parties

No transactions between Traction have significantly affected the Group or the Parent Company's financial position during the period. There have been the usual transactions between companies in the Traction Group, including loans, interest payments, repayments and certain charges for services rendered.

## Risker 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. In addition 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.

(The comparative data refer to the corresponding year-ago period with the exception of balance sheet and liquidity numbers which refer to year-end 2015.)

## ***Accounting policies***

This interim report has been prepared for the Group in accordance with IAS 34 Interim Financial Reporting 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. 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.

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.

## ***Schedule of future information***

Publication dates for future financial information:

18 October 2016	Interim Report January - September 2016
15 February 2017	Interim Report January - December 2016

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 11:00 a.m., 15 July 2016.

The Board of Directors and the President hereby confirm 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, 15 July 2016

Petter Stillström  
President

Jan Kjellman  
Director

Maria Linde  
Director

Bengt Stillström  
Chairman

Peter Malmqvist  
Director

Anders Eriksson  
Director

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

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## SUMMARY CONSOLIDATED INCOME STATEMENT

MSEK	April - June		Accumulated		Full year
	2016	2015	2016	2015	2015
<b>OPERATING REVENUE</b>					
Dividend income	47.9	61.6	49.8	68.3	74.3
Change in value of securities	-72.9	92.8	-28.6	156.2	82.9
Financial income	8.0	4.3	13.3	8.9	18.7
Other revenue	1.6	6.7	2.0	7.2	9.5
Operating expenses	-2.4	-3.4	-5.2	-5.9	-11.2
<b>Result before taxes</b>	<b>-17.8</b>	<b>162.0</b>	<b>31.3</b>	<b>234.7</b>	<b>174.2</b>
Taxes	0.0	0.0	0.0	0.0	0.0
<b>Profit and comprehensive result for the period</b>	<b>-17.8</b>	<b>162.0</b>	<b>31.3</b>	<b>234.7</b>	<b>174.2</b>
Earnings per share (SEK)	-1.20	10.92	2.12	15.80	11.75
Number of shares outstanding (thousands)	14,790	14,790	14,790	14,790	14,790
Average number of shares outstanding (thousands)	14,790	14,840	14,790	14,853	14,821

## SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	2016	2015	
<b>ASSETS</b>	<b>30/6</b>	<b>30/6</b>	<b>31/12</b>
Tangible non-current assets	0.1	0.1	0.1
Loans receivable	20.0	-	-
Equities	931.6	951.5	945.6
<b>Total non-current assets</b>	<b>951.7</b>	<b>951.6</b>	<b>945.7</b>
Other current assets	4.3	14.8	7.0
Financial investments	687.6	632.1	593.6
Loans receivable	36.7	46.0	31.8
Cash and cash equivalents	433.4	537.0	542.5
<b>Total current assets</b>	<b>1,162.0</b>	<b>1,229.9</b>	<b>1,174.9</b>
<b>TOTAL ASSETS</b>	<b>2,113.7</b>	<b>2,81.5</b>	<b>2,120.6</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to the Parent Company's Equity holders	2,108.4	2,175.4	2,114.9
<b>Total equity</b>	<b>2,108.4</b>	<b>2,175.4</b>	<b>2,114.9</b>
Current liabilities	5.3	6.1	5.7
<b>Total liabilities</b>	<b>5.3</b>	<b>6.1</b>	<b>5.7</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,113.7</b>	<b>2,181.5</b>	<b>2,120.6</b>

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	2016	2015	
	<b>30/6</b>	<b>30/6</b>	<b>31/12</b>
Amount attributable to the Parent Company's equity holders at beginning of year	2,114.9	1,978.8	1,978.8
Dividend to shareholders	-37.8	-29.7	-29.7
Repurchase of own shares	-	-8.4	-8.4
Comprehensive result for the period	31.3	234.7	174.2
<b>Closing balance</b>	<b>2,108.4</b>	<b>2,175.4</b>	<b>2,114.9</b>

**SUMMARY CONSOLIDATED CASH FLOW STATEMENT**

	April - June		January - June		Full year
<b>MSEK</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
<i>Operating activities</i>					
Consolidated profit before taxes	-17.8	162.0	31.3	234.7	174.2
Adjustment for items not included in cash flow	75.9	-92.8	31.6	-156.1	-87.9
Taxes paid	-	-	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>58.1</b>	<b>69.2</b>	<b>62.9</b>	<b>78.6</b>	<b>86.3</b>
Changes in working capital	-0.3	-7.0	3.4	-5.4	-2.3
<b>Cash flow from operating activities</b>	<b>57.8</b>	<b>62.2</b>	<b>66.3</b>	<b>73.2</b>	<b>84.0</b>
<i>Cash flow from investment activities</i>					
Purchase of shares in unlisted companies	-	-10.8	-10.0	-13.3	-18.0
Sale of shares in unlisted companies	-	197.4	-	200.5	200.5
Purchase of shares in listed companies	-65.3	-155.1	-144.3	-236.2	-434.9
Sale of shares in listed companies	33.4	230.4	96.0	311.6	508.1
Purchase/sale of tangible non-current assets	-	-	-	5.6	5.6
Change in other financial assets	-31.4	-59.6	-79.4	-254.9	-253.3
<b>Cash flow from investment activities</b>	<b>-63.3</b>	<b>202.3</b>	<b>-137.7</b>	<b>13.3</b>	<b>8.0</b>
<i>Financing activities</i>					
Dividend paid	-37.7	-29.7	-37.7	-29.7	-29.7
Repurchase of own shares	-	-8.4	-	-8.4	-8.4
<b>Cash flow from financing activities</b>	<b>-37.7</b>	<b>-38.1</b>	<b>-37.7</b>	<b>-38.1</b>	<b>-38.1</b>
<b>Cash flow for the period</b>	<b>-43.2</b>	<b>226.4</b>	<b>-109.1</b>	<b>48.4</b>	<b>53.9</b>
Cash and cash equivalents at beginning of period	476.6	310.6	542.5	488.6	488.6
Cash and cash equivalents at end of period	433.4	537.0	433.4	537.0	542.5



## PERFORMANCE SPECIFICATION

Group 2016	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period April - June				
Dividend income	35.5	6.3	6.1	47.9
Changes in value	-59.8	-23.7	10.6	-72.9
Financial income	-	-	8.0	8.0
Other revenue	-	-	1.6	1.6
Operating costs	-	-	-2.4	-2.4
Result before taxes	-24.3	-17.4	23.9	-17.8
Group 2015	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period April - June				
Dividend income	27.8	28.6	5.2	61.6
Changes in value	-18.9	113.5	-1.8	92.8
Financial income	-	-	4.3	4.3
Other revenue	-	-	6.7	6.7
Operating costs	-	-	-3.4	-3.4
Result before taxes	8.9	142.1	11.0	162.0
Group 2016	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period January - June				
Dividend income	36.0	6.3	7.5	49.8
Changes in value	-15.4	-24.7	11.5	-28.6
Financial income	-	-	13.3	13.3
Other revenue	-	-	2.0	2.0
Operating costs	-	-	-5.2	-5.2
Result before taxes	20.6	-18.4	29.1	31.3
Group 2015	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period January - June				
Dividend income	27.8	33.1	7.4	68.3
Changes in value	13.9	110.1	32.2	156.2
Financial income	-	-	8.9	8.9
Other revenue	-	-	7.2	7.2
Operating costs	-	-	-5.9	-5.9
Result before taxes	41,7	143,2	49,8	234,7

## FINANCIAL INSTRUMENTS

### Valuation of financial assets period January - June

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 2016	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted holdings	-	-	188.2	188.2
Shares in listed active holdings	743.4	-	-	743.4
Financial investments	687.6	-	-	687.6
<b>Total</b>	<b>1,431.0</b>		<b>188.2</b>	<b>1,619.2</b>
Group 2015	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Shares in unlisted holdings	-	-	202.9	202.9
Shares in listed active holdings	742.7	-	-	742.7
Financial investments	593.6	-	-	593.6
<b>Total</b>	<b>1,336.3</b>		<b>202.9</b>	<b>1,539.2</b>

### Change in financial assets in level 3

Group	
Opening book value	202.9
Purchases/shareholder contributions	10.0
Change in value	-24.7
<b>Total</b>	<b>188.2</b>

### Transfers between levels

Transfers between different levels effected during a reporting period are presented with the value at the end of the reporting period.

### 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 value 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 - June	Full year	
	2016	2015	2015
Dividend income	23.4	28.8	29.3
Other operating income	-	2.3	2.5
Change in value of securities	-7.8	75.7	40.6
Financial income/expense	3.2	1.9	4.6
Other external costs	-0.7	-0.9	-1.3
<b>Profit before taxes</b>	<b>18.1</b>	<b>107.8</b>	<b>75.7</b>
Taxes	-	-	-
<b>Profit and comprehensive result for the period</b>	<b>18.1</b>	<b>107.8</b>	<b>75.7</b>

## SUMMARY PARENT COMPANY BALANCE SHEETS

MSEK	2016	2015	2015
ASSETS	30/6	30/6	31/12
Equities	605.5	621.8	608.3
<b>Total non-current assets</b>	<b>605.5</b>	<b>621.8</b>	<b>608.3</b>
Due from Group companies	9.7	17.3	15.2
Other receivables	0.2	2.0	2.1
Financial investments	452.7	451.4	378.4
Cash and cash equivalents	228.5	256.5	312.1
<b>Total current assets</b>	<b>691.1</b>	<b>727.2</b>	<b>707.8</b>
<b>TOTAL ASSETS</b>	<b>1,296.6</b>	<b>1,349.0</b>	<b>1,316.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,296.4</b>	<b>1,348.1</b>	<b>1,316.0</b>
Short-term liabilities	0.2	0.9	0.1
<b>Total current liabilities</b>	<b>0.2</b>	<b>0.9</b>	<b>0.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,296.6</b>	<b>1,349.0</b>	<b>1,316.1</b>
Pledged assets	-	-	-

## DEFINITIONS

### **Traction Group**

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

### **Equity per share and Net asset value per share**

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

### **Equity per share and Net asset value per share**

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

### **Financial investments**

Refers to equity and interest-bearing investments in companies where Traction's stake is less than 10 percent.

### **Listed active holdings**

Holdings where Traction's ownership exceeds 10 percent of the votes.

### **Unlisted active holdings**

Wholly and partially owned companies 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.

### **Earnings per share**

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

### **Change in net asset value of per share**

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