

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. Traction's shares are traded on NASDAQ Stockholm (the Mid Cap list). More information is available at www.traction.se

Interim Report January - March 2016

Period January - March

- Profit after taxes amounted to MSEK 49 (73), of which from:
 - Active holdings, listed MSEK 45 (33)
 - Active holdings, unlisted MSEK -1 (1)
 - Financial investments MSEK 8 (41)
- Earnings per share amounted to SEK 3.32 (4.89)
- Net asset value increased by 2.3 (3.6) percent
- Net asset value per share amounted to SEK 146 (143)

Events during the quarter

- By acquiring shares and subordinated debt for a total of MSEK 30 Traction has invested in Eitech Holding AB. After the transaction Traction's ownership is 10.0 percent of capital and 3.6 percent of the votes
- Traction is a participant in two underwriting consortia for two Swedish listed companies planning to float rights issues during the second quarter of 2016. Traction's undertaking amounts to MSEK 23
- John Häger has been hired to serve as new President of Duroc. His assignment commenced on 1 May. John comes to Duroc from Sandvik Coromant

Events after the end of the period under review

The change in value of listed securities since 31 March amounts to MSEK 39 as of 9 May

PRESIDENT'S STATEMENT

For the first quarter Traction records a profit of MSEK 49, equivalent to an increase in net asset value of 2.3 percent. This result is primarily attributable to the active holdings, but the development is significantly better than the Stockholm stock market as a whole, which was negative during the period. The positive trend has continued so far during the second quarter and as of 9 May the change in value of the listed holdings since 31 March amounted to MSEK +39.

PERIOD JANUARY - MARCH

Summary

Profit amounted to MSEK 49 (73), of which from:

- Active holdings, listed MSEK 45 (33)
- Active holdings, unlisted MSEK -1 (1)
- Financial investments MSEK 8 (41)

Active holdings – listed

Active listed holdings contributed MSEK 45 (33). Drillcon contributed MSEK 14, Nilörngruppen MSEK 24 and Hifab MSEK 10. OEM burdened the result by MSEK -10. Other companies contributed MSEK 7, net.

Active holdings – unlisted

Active unlisted holdings burdened the result by MSEK -1 (contributed MSEK 1), attributable to minor revaluations of two holdings.

Financial investments

Other listed holdings contributed MSEK 2 (36), of which changes in value of interest-bearing investments burdened the result by MSEK 4; dividends contributed MSEK 1. Financial income amounted to MSEK 5 (5), a major portion thereof attributable to interest income on financial investments.

As of 31 March investments in short-term commercial paper and similar instruments amounted to MSEK 191. 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 on page 5. Other interest-bearing investments in the amount of MSEK 198 consist of a number of corporate bonds and similar instruments, where the largest single exposure to one individual counterparty amounts to MSEK 20.

Capital expenditures and disposals

Investments in listed shares amounted to MSEK 79 (94), of which Waterman Group accounted for MSEK 11, Danske Bank for MSEK 17 and Investor for MSEK 14. Shares were sold for MSEK 63 (94), whereof Proffice accounted for MSEK 51. Net purchases were made of commercial paper, corporate bonds and other financial assets in the amount of MSEK 47 (195).

Events during the quarter

By acquiring shares and subordinated debt Traction has invested MSEK 30 in Eitech Holding AB. After the transaction Traction's ownership amounts to 10.0 percent of the capital and 3.6 percent of the votes. Eitech Holding AB is an unlisted, newly formed company. Eitech has revenue of approximately SEK 2 billion, with 1,200 employees at some 30 locations from Kiruna in the north to Malmö in the south. The company offers a broad array services and products in the field of mechanical installations, with electricity, infrastructure and industry constituting the principal segments.

Traction participates in underwriting consortia for two Swedish listed companies intending to float rights issues during the second quarter of 2016. Traction's undertaking amounts to MSEK 23.

John Häger has been hired as new President of Duroc. He took office on 1 May 2016. John comes to Duroc from Sandvik Coromant.

Liquidity

Traction's cash and cash equivalents, including investments in short-term commercial paper and similar instruments, amounted to MSEK 668 (706). In addition there were financial investments in the amount of MSEK 433 (463) in the form of unlisted shares and other interest-bearing investments.

Proposed dividends from Traction's active holdings during the second quarter amounted to just over MSEK 30. The proposed dividend to Traction's shareholders amounts to SEK 2.55 per share, or a total of MSEK 37.7.

Equity/Net asset value

Equity as of 31 March amounted to MSEK 2,164 (2,115), equivalent to SEK 146 (143) per share. The number of shares outstanding as of 31 March 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 24 (62). Cash and cash equivalents, including investments in short-term commercial paper and similar instruments amounted to MSEK 686 as of 31 March (691). The Parent Company's equity ratio was 100 percent as of 31 March (100). The Parent Company has no external loans. Nor does Traction have any guarantee undertakings to secure credit in the active listed holdings.

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.

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. 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.)

TRACTION'S NET ASSET VALUE

Holdings	Number of shares thousands	Price per share 31/3-16	Percentage of capital votes		Market value MSEK	% of total	SEK per share
Listed active holdings							
Nilörngruppen	4,685	44.10	41	66	207	10%	14
OEM International	886	131.00	4	10	116	5%	8
Softronic	11,529	8.30	22	20	96	4%	6
Hifab Group	32,129	2.59	53	54	84	4%	6
BE Group	48,768	1.60	19	19	78	4%	5
Drillcon	24,000	3.60	54	54	86	4%	6
Nordic Camping & Resort	2,458	22.70	26	26	56	3%	4
Waterman Group	4,300	10.73	11	11	46	2%	3
Duroc	2,000	14.95	27	30	30	1%	2
Total					799	37%	54
Unlisted active holdings							
Ankarsrum Motors		100	100		90	4%	6
Other unlisted holdings					122	6%	8
Loans					54	2%	4
Total					266	12%	18
Total active holdings					1,065	49%	72
Financial investments, cash and cash equivalents							
Other listed shares					235	11%	16
Interest-bearing investments					198	9%	13
Cash and cash equivalents ¹					666	31%	45
Total					1,099	51%	74
TOTAL					2,164	100%	146

¹Including short-term interest-bearing investments in the amount of MSEK 191 and other net assets/liabilities in the amount of MSEK -2.

KEY FINANCIAL INDICATORS	Accumulated		Full year 2015
	2016	2015	
Change in net asset value per share, %	2	4	9
Net asset value per share, SEK	146	138	143
Market price at end of period, SEK	115.00	108.00	114.50
Discount to net asset value, %	21	22	20
Equity ratio, %	100	100	100

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:

15 July 2016	Interim Report January - June 2016
18 October 2016	Interim Report January - September 2016
15 February 2017	Year-end 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 4:00 p.m., 10 May 2016.

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, 10 May 2016

Petter Stillström
President & CEO

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

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SUMMARY CONSOLIDATED INCOME STATEMENT

MSEK	Jan - March	Full year	
	2016	2015	2015
OPERATING REVENUE			
Dividend income	1.9	6.7	74.3
Change in value of securities	44.3	63.4	82.9
Financial income	5.3	4.6	18.7
Other revenue	0.4	0.5	9.5
Operating costs	-2.8	-2.5	-11.2
Profit before taxes	49.1	72.7	174.2
Taxes	0.0	0.0	0.0
Profit and comprehensive result for the period	49.1	72.7	174.2
Earnings per share (SEK)	3.32	4.89	11.75
Number of shares outstanding (thousands)	14,790	14,865	14,790
Average number of shares outstanding (thousands)	14,790	14,865	14,821

SUMMARY CONSOLIDATED BALANCE SHEET

MSEK	2016	2015	
	31/3	31/3	31/12
ASSETS			
Tangible non-current assets	0.1	0.1	0.1
Loans receivable	20.0	-	-
Equities	1,010.8	1,126.1	945.6
Total non-current assets	1,030.9	1,126.2	945.7
Other current assets	4.4	4.1	7.0
Financial investments	623.7	557.5	593.6
Loans receivable	33.8	58.4	31.8
Cash and cash equivalents	476.6	310.6	542.5
Total current assets	1,138.5	930.6	1,174.9
TOTAL ASSETS	2,169.4	2,056.8	2,120.6
EQUITY AND LIABILITIES			
Equity			
Attributable to the Parent Company's equity holders	2,164.0	2,051.5	2,114.9
Total equity	2,164.0	2,051.5	2,114.9
Current liabilities	5.4	5.3	5.7
Total liabilities	5.4	5.3	5.7
TOTAL EQUITY AND LIABILITIES	2,169.4	2,056.8	2,120.6

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	
	31/3	31/3	31/12
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			-29.7
Repurchase of own shares			-8.4
Comprehensive result for the period	49.1	72.7	174.2
Closing balance	2,164.0	2,051.5	2,114.9

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

MSEK	Jan - March		January - December	
	2016	2015	2015	2014
<i>Operating activities</i>				
Consolidated profit before taxes	49.1	72.7	174.2	136.3
Adjustment for items not included in cash flow	-44.3	-63.4	-87.9	-1.8
Taxes paid	-	-	-	-
Cash flow from operating activities before changes in working capital	4.8	9.3	86.3	134.5
Changes in working capital	2.3	1.6	-2.3	-9.7
Cash flow from operating activities	7.1	10.9	84.0	124.8
<i>Cash flow from investment activities</i>				
Purchase of shares in unlisted companies	-10.0	-2.5	-18.0	-3.4
Sale of shares in unlisted companies	-	3.1	200.5	0.3
Purchase of shares in listed companies	-79.1	-94.0	-434.9	-207.4
Sale of shares in listed companies	62.6	94.1	508.1	452.8
Purchase/sale of tangible non-current assets	-	5.6	5.6	1.0
Change in other financial assets	-46.5	-195.2	-253.3	-51.6
Cash flow from investment activities	-73.0	-188.9	8.0	191.7
<i>Financing activities</i>				
Dividend paid	-	-	-29.7	-36.4
Repurchase of own shares	-	-	-8.4	-7.7
Cash flow from financing activities	0.0	0.0	-38.1	-44.1
Cash flow for the period	-65.9	-178.0	53.9	272.4
Cash and cash equivalents at beginning of period	542.5	488.6	488.6	216.2
Cash and cash equivalents at end of period	476.6	310.6	542.5	488.6

PERFORMANCE SPECIFICATION

Group 2016	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period January - March				
Dividend oncome	0.5	-	1.4	1.9
Changes in value	44.4	-1.0	0.9	44.3
Financial income	-	-	5.3	5.3
Other revenue	-	-	0.4	0.4
<u>Operating costs</u>	-	-	-2.8	-2.8
Result before taxes	44.9	-1.0	5.2	49.1
Group 2015	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period January - March				
Dividend oncome	0.0	4.5	2.2	6.7
Changes in value	32.8	-3.4	34.0	63.4
Financial income	-	-	4.6	4.6
Other revenue	-	-	0.5	0.5
<u>Operating costs</u>	-	-	-2.5	-2.5
Result before taxes	32.8	1.1	38.8	72.7
Group 2015	Active holdings listed	Active holdings unlisted	Financial investments /Other	Total
Period January - December				
Dividend oncome	27.8	38.1	8.4	74.3
Changes in value	-34.1	91.4	25.6	82.9
Financial income	-	-	5.3	5.3
Other revenue	-	-	0.4	0.4
<u>Operating costs</u>	-	-	-2.8	-2.8
Result before taxes	-6.3	129.5	36.9	160.1

FINANCIAL INSTRUMENTS

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 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	211.9	211.9
Shares in listed active holdings	798.9	-	-	798.9
Financial investments	623.7	-	-	623.7
Total	1,422.6		211.9	1,634.5
Group 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Shares in unlisted holdings	-	-	202.9	202.9
Shares in listed active holdings	742.7	-	-	742.7
Financial investments	593.6	-	-	593.6
Total	1,336.3		202.9	1,539.2

Changes in financial assets in level 3

Group

Opening carrying value	202.9
Purchases/shareholder contributions	10.0
Reclassification	
Sales/redemption	
Change in value	-1.0
Total	211.9

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 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 - March	2016	2015	Full year
		2016	2015	2015
Dividend income		1.7	2.2	29.3
Other operating revenue		-	-	2.5
Change in value of securities		21.2	59.1	40.6
Financial income/expense		1.6	0.9	4.6
Other external costs		-0.3	-0.4	-1.3
Profit before taxes		24.2	61.8	75.7
Taxes		-	-	-
Profit and comprehensive result for the period		24.2	61.8	75.7

SUMMARY PARENT COMPANY BALANCE SHEET

MSEK

	2016	2015	2015
	31/3	31/3	31/12
ASSETS			
Equities	638.3	685.6	608.3
Total non-current assets	638.3	685.6	608.3
Due from Group companies	15.3	21.8	15.2
Other receivables	0.3	0.7	2.1
Financial investments	415.4	406.9	378.4
Cash and cash equivalents	271.0	225.4	312.1
Total current assets	702.0	654.8	707.8
TOTAL ASSETS	1,340.3	1,340.4	1,316.1
EQUITY AND LIABILITIES			
Equity	1,340.2	1,340.2	1,316.0
Current liabilities	0.1	0.2	0.1
Total current liabilities	0.1	0.2	0.1
TOTAL LIABILITIES AND EQUITY	1,340.3	1,340.4	1,316.1
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.