

Interim Report to 30 June 2004

Prevas AB (publ), corporate identity no. 556252-1384

Prevas regains its position as one of the market's most profitable IT consultancies.

10.3 per cent profit margin.

SUMMARY (SEK million)	Q2 2004	Q2 2003	Q1-2 2004	Q1-2 2003
Operating income	48.0	44.2	94.2	93.4
Operating expenses	-42.4	-52.1	-83.6	-100.4
Goodwill amortization	-0.5	-0.6	-1.0	-1.1
Operating profit/loss	5.1	-8.5	9.6	-8.1
Net financial income/expense	0	0.1	0.1	0.1
Profit/loss after financial items	5.1	-8.4	9.7	-8.0
Tax	-1.8	1.9	-1.2	1.7
Net profit/loss	3.3	-6.5	8.5	-6.3

- Turnover of SEK 48.0 million (SEK 44.2 million) for Q2, up 9 per cent. Turnover for the period to 30 June was SEK 94.2 million (SEK 93.4 million), up 1 per cent.
- Net profit for Q2 was SEK 3.3 million (SEK -6.5 million). Net profit for the period to 30 June was SEK 8.5 million (SEK -6.3 million). Profit for the period includes a capital gain of SEK 2 million relating to a property sale in Q1, of which SEK 0.1 million affects the operating profit and SEK 1.9 million the tax for the period.
- Earnings per share after tax were SEK 0.42 (SEK -0.84) for Q2 and SEK 1.07 (SEK -0.81) for the period to 30 June. Equity per share was SEK 6.15 (SEK 6.00) at the end of the period.
- Equity totalled SEK 48.8 million (SEK 46.7 million) at the end of the period, representing an equity/assets ratio of 63 (51) per cent.
- Prevas regains its position as one of the market's most profitable IT consultancies. The focus is currently on profitable, mainly organic growth.
- In addition to its consulting operations, Prevas is strengthened through its own products and minority interests in interesting start-up technology companies, in which Prevas guarantees the IT component.

Prevas' strategy stages

Prevas started up in 1985 and soon became known as a profitable IT consultancy. Prevas maintained good profitability and continued to expand during the recession of the early 1990s. However, even Prevas was hit by the last recession. Q2 2001 was the first loss-making quarter and the period 2001-2003 saw considerable losses, although external financing (new share issue) was not required.

A change programme, "Back to the Future", was implemented in Q3 2003. This entailed a return to previous basic principles adapted to the current market situation. Three strategy stages were also established:

Stage 1: To return Prevas to its position as one of the market's most profitable IT consultancies.

Stage 2: To strengthen Prevas through its own products and minority interests in interesting start-up technology companies.

Stage 3: To create profitable, mainly organic growth.

The measures adopted and their implementation have had a rapid and positive effect. The situation regarding the three strategy stages may be summarized as follows:

Profitability - stage 1

All three quarters since the implementation of the change programme have shown profit margins of approximately 10 per cent. A more efficient organization and increased demand in product development and industrial systems have led to an improvement

	Customers
Product development	ABB, Atlas Copco, Amersham Biosciences, Autoliv, Biacore, Biovitrum, Bombardier, Ericsson, FMV, FOI, Nokia, Sectra, Saab, Viasat
Industrial systems	ABB, Arla, AstraZeneca, Findus, Getrag, Haldex, ICA, LGP Allgon, Pfizer, Sandvik, Scania, Volvo, Westinghouse
Products	AstraZeneca, Dafgård, Ericsson, Flextronics, Pfizer, Note, Sanmina-SCI, Solectron

Some of our customers

Industrial systems have led to an improvement in the invoicing rate and increased turnover per employee. Successful fixed-price projects have had a further positive impact on earnings, e.g. the introduction of a new encryption system for Viasat's satellite TV transmissions.

Increased strength - stage 2

Prevas' own products and system solutions for electronics, pharmaceuticals and food production are continuously adapted to meet new customer requirements and IT platforms. Demand is increasing in electronics and pharmaceuticals, both in Sweden and abroad. Food traceability products have developed somewhat more slowly than planned. Prevas' acquisition on 1 July 2004 of Emcat GCM (Goods Certificate Manager) software increases our customer base as well as strengthening our offering.

Increased strength through interesting minority interests has just begun. The minority interest in Precon AB (18 per cent) and the associated franchising agreement have moreover strengthened our presence in the Stockholm market. The minority interest in FlexPack Robotics AB (46 per cent), with the business concept

of flexible packaging solutions for the European pharmaceuticals industry, has considerable potential. The collaboration also provides European sales channels for Prevas' products and expertise in pharmaceuticals production.

The basic requirement for our own products and minority interests is that they should be linked to and strengthen our core business of IT consultancy services for product development and industrial systems.

Growth - stage 3

The growth stage should not be prioritized until profitability has been secured. This is Prevas' current position. We are therefore focusing on profitable, mainly organic growth. In the first half, the measures were taken and the expenditure recognized to prepare for this stage. This included a review of customer offers, clarification of our competence and Prevas' identity as the "Fixed-price expert", a new sales support programme etc.

Finance

Tender outcome

During the period, 92 (96) per cent of orders went to Prevas and 8 (4) per cent to a competitor.

Capacity utilization

The invoicing rate was 68 (60) per cent for Q2 and 66 (61) per cent for the first half. The invoicing rate, which is one of Prevas' performance indicators, is measured as the number of hours invoiced divided by the total hours used in the company. All employees in consulting operations, including management and administration, are included in the key indicator.

Assignment distribution

During the first half, 49 (38) per cent of assignments were charged on a fixed-price basis and 51 (62) per cent on a time basis.

Employees

The average number of employees was 174 (207) at the end of the period and staff turnover (excluding employees made redundant) was 1.7 per cent. The percentage of female employees was 18 per cent at the end of the period.

Turnover and results for Q2

Turnover for Q2 was SEK 48.0 million (SEK 44.2 million), up 9 per cent. Turnover per employee for Q2 was SEK 276 thousand (SEK 213 thousand), up 30 per cent. The number of working days was 60 (59).

Operating profit was SEK 5.1 million (SEK -8.5 million), representing an operating margin of 10.6 per cent (-19.3).

Licensing revenues in the Products and Customer Support area were very favourable during the first months of the year, resulting in slightly weaker sales at the beginning of Q2. Overall, development in this area was very favourable compared with the previous year. The consultancy services area showed very favourable results for Q2, which was mainly due to the higher invoicing rate and the successful management of fixed-price projects.

Profit after financial items was SEK 5.1 million (SEK -8.4 million) and the profit margin was 10.7 (-19.1) per cent.

Net profit was SEK 3.3 million (SEK -6.5 million).

Turnover and results to 30 June

Turnover for the period was SEK 94.2 million (SEK 93.4 million), up 1 per cent. Turnover per employee was SEK 537 thousand (SEK 447 thousand), up 20 per cent. The number of working days was 123 (121).

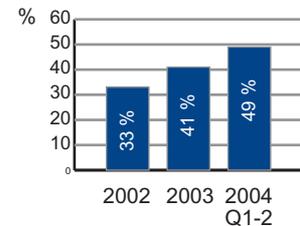
Operating profit was SEK 9.6 million (SEK -8.1 million), representing an operating margin of 10.3 (-8.7) per cent. Profit after financial items was SEK 9.7 million (SEK -8.0 million) and the profit margin was 10.3 (-8.5) per cent.

Net profit was SEK 8.5 million (SEK -6.3 million). The low tax expense is due to a reversal of deferred tax relating to the property in the sold subsidiary Prevas Fastighets i Göteborg AB of SEK 1.9 million.

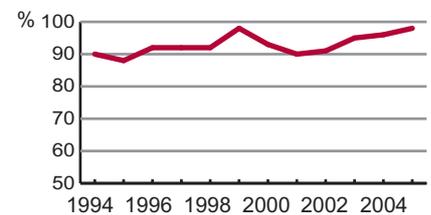
Liquid assets

Liquid assets totalled SEK 9.8 million (SEK 11.8 million) at the end of

Percentage of fixed-price projects

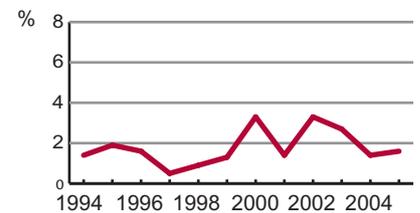


Delivery reliability



Percentage of projects delivered on time.

Work under guarantees



The percentage of work under guarantees relative to the percentage of pre-delivery work.

Finance (cont.)

the period. A positive cash flow of SEK 4.0 million (SEK 2.4 million) was reported for Q2 and the cash flow from operating activities was SEK 7.4 million (SEK 2.9 million).

A positive cash flow of SEK 4.8 million (SEK 5.9 million) was reported for the period to 30 June and the cash flow from operating activities was SEK 0.6 million (SEK 7.1 million). The weaker cash flow from operating activities during the first months of the year is mainly due to payments of accrued restructuring costs. The sale of Prevas Fastighets i Göteborg AB in Q1 had a positive impact on cash flow of SEK 9 million. Prevas has no interest-bearing liabilities.

Financial position

Equity totalled SEK 48.8 million (SEK 46.7 million) at the end of Q2, representing an equity/assets ratio of 63 (51) per cent. Equity per share (excluding outstanding options) was SEK 6.15 (SEK 6.00).

Investments

During Q2, net investments totalled SEK 3.4 million (SEK 0.4 million), of which SEK 0.1 million related to machinery and equipment, SEK 1.2 million to product development and SEK 2.1 million to the acquisition of participations in associated companies. For the period to 30 June, net investments totalled SEK 4.6 million (SEK 1.1 million), of which SEK 0.2 million related to machinery and equipment, SEK 2.3 million to product development and SEK 2.1 million to the acquisition of shares and participations.

Parent company

For the parent company, net sales for the period totalled SEK 92.8 million (SEK 91.7 million) and profit before tax was SEK 9.6 million (SEK 6.7 million). Liquid assets totalled SEK 9.6 million (SEK 11.3 million) at the end of the period and investments totalled SEK 4.6 million (SEK 1.2 million).

Accounting principles

This interim report has been prepared in accordance with Recommendation RR 20 Interim Reporting of the Swedish Financial Accounting Standards Council. As from 1 January 2004, the Council's Recommendation RR 29 Employee Remuneration has been applied. The company operates the ITP plan through insurance with Alecta, which is classified as a fixed-benefit plan covering a number of employers. This means that the company should report its proportional share of the fixed-benefit pension commitments and of the investment assets and expenses associated with the plan. According to information received from Alecta, the latter cannot provide this data, and the plan is therefore reported as a fixed-contribution plan until further notice. In other respects, the same accounting principles and calculation methods have been applied as in the company's latest annual report.

Stockholm, 25 August 2004
Prevas AB (publ)

Anders Englund, CEO

Review report

We have reviewed this interim report in accordance with the recommendation issued by FAR (the institute for the accountancy profession in Sweden). A review is essentially limited in scope compared with an audit.

Nothing has been found to indicate that the interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, 25 August 2004

Bo Ribers
Authorized Public Accountant

Per-Oluf Hansen
Authorized Public Accountant

Financial reporting

Interim Report to 30 September, 28 October
Press Release of Results for 2004, 8 February
2005

Annual General Meeting, 17 March 2005

Information

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Consolidated financial statements

SUMMARY PROFIT AND LOSS ACCOUNTS SEK thousand	2004 Q2	2003 Q2	2004 Q1-2	2003 Q1-2	2003 Year
Net sales	46 815	44 179	91 709	93 407	175 774
Activated work	1 216	0	2 329	0	912
Other rörelseintäkter			129		
Material costs	-550	-618	-1 254	-834	-1 735
Other external expenses	-7 757	-7 633	-12 432	-15 479	-30 638
Staff costs	-33 114	-42 695	-67 743	-81 729	-155 299
Depreciation according to plan	-974	-1 200	-2 025	-2 362	-4 919
Goodwill amortisation	-539	-561	-1 044	-1 123	-2 192
Goodwill write-down	0	0	0	0	-1 500
Operating profit/loss	5 097	-8 528	9 669	-8 120	-19 597
Net financial income/expense	43	99	56	143	239
Profit/loss after financial items	5 140	-8 429	9 725	-7 977	-19 358
Tax	-1 796	1 918	-1 259	1 652	4 063
Net profit/loss	3 344	-6 511	8 466	-6 325	-15 295

Earnings per share after tax, SEK	0.2 kr	-0.84 kr	1.07 kr	-0.81 kr	-1.97 kr
Earnings per share after tax including options, SEK	0.39 kr	-0.84 kr	1.00 kr	-0.81 kr	-1.97 kr
Equity per share, SEK			6.15 kr	6.00 kr	4.85 kr
Equity per share including options, SEK			6.68 kr	6.00 kr	4.85 kr

SUMMARY BALANCE SHEETS SEK thousand	2004 30 June	2003 30 June	2003 31 Dec
Tangible assets	15 849	29 021	26 231
Intangible assets	11 923	11 975	10 639
Financial assets	4 750	321	321
Current receivables	35 314	38 473	34 873
Cash and bank balance	9 841	11 825	4 991
Total assets	77 677	91 615	77 055
Equity	48 807	46 713	37 743
Provisions	2 868	8 510	4 500
Current liabilities	26 003	36 392	34 812
Total liabilities and equity	77 677	91 615	77 055

CHANGE IN EQUITY SEK thousand	2004 30 June	2003 30 June	2003 31 Dec
Opening balance	37 743	53 038	53 038
New share issue	2 600	-	-
Translation difference	-	-	-
Net profit for the period	8 466	-6 325	-15 295
Closing balance	48 807	46 713	37 743

Consolidated financial statements

CASH FLOW STATEMENTS					
SEK thousand	2004 Q2	2003 Q2	2004 Q1-2	2003 Q1-2	2003 Year
Operating profit	5 097	-8 528	9 669	-8 120	-19 597
Depreciation	1 513	1 761	3 069	3 485	8 612
Provisions etc.	136	-55	192	-139	-81
Net financial income/expense	43	99	56	143	239
Tax paid	-154	15	-386	-80	721
Change in current receivables	4 423	1 136	-3 347	5 152	6 294
Change in current liabilities	-3 705	8 438	-8 662	6 641	5 061
Cash flow from ordinary activities	7 353	2 866	591	7 082	1 249
Acquisition and sales of subsidiaries	0	0	8 885	-	-
Net investment in fixed assets	-3 398	-389	-4 626	-1 169	-2 170
Cash flow from investment activities	-3 398	-389	4 259	-1 169	-2 170
Operating cash flow	3 955	2 477	4 850	5 913	-921
Loans raised (+) / Repayment of loans (-)	-	-	-	-	-
Cash flow from financing activities	0	0	0	0	0
Cash flow for the period	3 955	2 477	4 850	5 913	-921
Opening liquid assets	5 886	9 348	4 991	5 912	5 912
Closing liquid assets	9 841	11 825	9 841	11 825	4 991
Change	3 955	2 477	4 850	5 913	-921

KEY RATIOS	2004 Q2	2003 Q2	2004 Q1-2	2003 Q1-2	2003 Year
Gross margin	13.8 %	-15.3 %	13.5 %	-5.0 %	-6.2 %
Operating margin	10.6 %	-19.3 %	10.3 %	-8.7 %	-11.1 %
Profit margin	10.7 %	-19.1 %	10.3 %	-8.5 %	-11.0 %
Earnings per share after tax	0.42 kr	-0.84 SEK	1.07 SEK	-0.81 SEK	-1.97 SEK
Earnings per share after tax incl. outstand. share options *	0.39 kr	-0.84 SEK	1.00 SEK	-0.81 SEK	-1.97 SEK
Average number of shares	7 982 600	7 782 600	7 932 600	7 782 600	7 782 600
Average number of shares incl. outstand. share options *	8 482 600	8 282 600	8 432 600	8 282 600	8 282 600
Equity/assets ratio			63 %	51 %	49 %
Equity per share			6.15 SEK	6.00 SEK	4.85 SEK
Equity per share incl. outstand. share options *			6.68 SEK	6.00 SEK	4.85 SEK
Return on capital employed, %			20.7 %	-13.6 %	-37.3 %
Return on equity, %			19.6 %	-16.2 %	-33.7 %
Average number of employees	174	207	175	209	204
Working days	60	59	123	121	249
Chargeability rate	68 %	60 %	66 %	61 %	62 %
Turnover per employee, SEK thousand	276	213	537	447	866

* The calculations for key ratios do not include 192 700 subscribers' options with strike price of SEK 194.

Consolidated financial statements

RESULT PER AREA	2004 Q2	2003 Q2	2004 Q1-2	2003 Q1-2	2003 Year
Operating income, SEK thousand					
Consultancy services	38 187	34 385	72 458	73 446	137 442
Products and Support	9 363	8 967	20 381	18 307	35 937
Administration properties	481	827	1 328	1 654	3 307
Total	48 031	44 179	94 167	93 407	176 686
Operating profit/loss, SEK thousand					
Consultancy services	4 209	-8 973	5 643	-9 954	-25 036
Products and Support	654	83	3 344	1 158	3 715
Administration properties	234	362	682	676	1 724
Total	5 097	-8 528	9 669	-8 120	-19 597
Profit margin, %					
Consultancy services	11.0	-26.1	7.8	-13.6	-18.2
Products and Support	7.0	0.9	16.4	6.3	10.3
Administration properties	48.6	43.8	51.4	40.9	52.1
Total	10.6	-19.3	10.3	-8.7	-11.1

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