

INTERIM REPORT JANUARY - SEPTEMBER 2008



Stability and strong earnings trend

- Sales SEK 455.7 (332.1) million
- EBIT SEK 55.5 (17.0) million
- Operating margin 12.2 (5.1) percent.
- Net income SEK 39.3 (11.0) million.
- Earnings per share SEK 4.01(1.17).

A word from the CEO

Sales for the first nine months of the year increased 37 percent to SEK 456 (332) million and EBIT increased by 226 percent to SEK 55.5 (17.0) million. Sales for the third quarter increased by 38 percent to SEK 134 (98) million and EBIT increased to SEK 14.0 (1.3) million.

The improvement program, with the primary goal of maintaining long-term, stable growth and good profitability, is resulting in positive developments on the cost side. Prevas' position as the Nordic leader in embedded systems and industrial IT gives us advantages in those areas where we see that there is good continued growth. Prevas has an even distribution between different sectors and just 25 percent of total sales comes from our 5 largest customers, which means that there is diversification of risks and a stable foundation.

The general uncertainty that prevails in the market may affect Prevas. However, at present, this is difficult to assess. At the same time, this also creates new opportunities for Prevas, both in the form of new business opportunities and acquisitions. For example, we introduced a new offering during the period called Embedded Computer Solutions, which entails development, product commercialization and delivery of platform-based solutions. In the long-term, this offering will help to further improve our margins. Subsequent to the end of the period, we acquired Emfila Software AB in Lund, a company with specialist expertise in embedded systems and telecommunications.

Prevas also continues its efforts to achieve organic growth where the market allows and to become the best place of employment in the industry.

Mats Lundberg, CEO Prevas AB



Prevas was founded in 1985 and currently, it is the Nordic leader for embedded systems and industrial IT. We are the primary supplier and innovative development partner to the leading Swedish companies in such industries as life science, telecommunications, vehicle, defense and engineering. Prevas' solutions are renowned for innovation, quality assurance and reliable delivery. Our Nordic design house consists of nearly 600 employees and we have offices in Sweden, Denmark and Norway. Prevas has been listed on the OMX Nordic Exchange in Stockholm since 1998. For more information, see www.prevas.com.



Prevas

Sales

January - September

Sales for the period increased 37 percent to SEK 455.7 (332.1) million. Of the total growth in sales, 16 percent was organic growth. Sales per employee were SEK 885 (772) thousand. The total number of working days was 190 (188).

July - September

Sales for the third quarter amounted to SEK 134.3 (97.6) million, an increase of 38 percent. Of the total growth in sales, 23 percent was organic growth. Sales per employee were SEK 266 (217) thousand. The total number of working days was 66 (65).

Income

January - September

EBIT was SEK 55.5 (17.0) million with a corresponding operating margin of 12.2 (5.1) percent. EBIT before depreciation of intangible fixed assets was SEK 60.5 (24.6) million with a corresponding margin of 13.3 (7.4) percent.

Net income was SEK 39.3 (11.0) million. The increase in profits compared to last year is attributable to synergies between operations following the integration of acquired companies, good project execution and a higher invoice rate.

For Prevas, the premium rebate from Alecta has had a positive impact on EBIT of approximately SEK 6.2 million during the period.

July - September

EBIT was SEK 14.0 (1.3) million with a corresponding operating margin of 10.4 (1.3) percent. EBIT before depreciation of intangible fixed assets was SEK 15.7 (4.1) million with a corresponding margin of 11.7 (4.2) percent.

Net income was SEK 10.1 (0.1) million.

Key financial indicators - quarterly

	2008	2008	2008	2007	2007	2007	2007	2006	2006	2006	2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales, MSEK	134.3	167.8	153.7	138.8	97.6	117.9	116.6	79.6	61.1	70.5	67.1
EBIT, MSEK	14.0	24.7	16.8	2.0	1.3	3.1	12.6	4.0	4.1	4.2	5.4
Operating margin, %	10.4	14.7	11.0	1.5	1.3	2.7	10.8	5.0	6.8	6.0	8.0
Number of working days	66	62	62	62	65	59	64	63	65	59	64

Cash flow and cash equivalents

Cash flow from continuing operations was SEK 30.9 (0.9) million for the period. The total cash flow reported was SEK 0.2 (-6.2) million. The total cash flow was impacted by additional purchase price payments on prior acquisitions of SEK 11.8 million.

At the end of the period, cash equivalents equaled SEK 7.6 (10.8) million.

Financial position

Equity was SEK 164.0 (124.9) million at the end of the period, with a corresponding equity ratio of 54 (53) percent. Equity per share was SEK 16.65 (12.86).

Important events during the period July-September

New offering

Prevas introduced a new offering during the period called Embedded Computer Solutions, which entails development, product commercialization and delivery of platform-based solutions. The objective is that this new offering will bring Prevas new business, i.e. delivery of a high volume of products and customized systems to customers. At present, Prevas has a couple of different platforms that it has designed itself. In order to further increase this offering, we will be using third-party products.

Nominated for the Swedish Embedded Award

On October 21 and 22, 2008, Embedded Conference Scandinavia was held in Stockholm. This was the third time that the two-day conference was held. Prevas was a Gold sponsor for the conference, which covered everything on the topic of embedded technology. One of the highlights of the conference are the nominations for the best embedded systems of the year. The prize is awarded in three categories: Enterprise, Student and Micro/Nano. Prevas was nominated in the Enterprise category for development of one of the world's fastest supercomputers, in cooperation with DTU (the Technical University of Denmark). This real-time computer will enable non-invasive diagnosis of blood clots and other heart diseases.

Best place of employment in the industry

As with other high-tech companies, one of Prevas' greatest challenges is to attract and recruit new employees while retaining existing employees. Prevas has the explicit goal of becoming the best place of employment in the industry. The company's exciting project portfolio and prior efforts to establish strong basic values are very much to its advantage in achieving this goal. In order to support this effort to become the best place of employment in the industry, Prevas has recruited an experienced specialist to its HR department.

Important events subsequent to the end of the period

Acquisition of the consulting firm, Emfila

Prevas has acquired Emfila Software AB in Lund, a company with 15 employees. The company has specialist expertise in embedded systems and telecommunications. The acquisition strengthens and solidifies Prevas' position as the Nordic leader in the sector. Effective 1 October 2008.

The preliminary estimate of the initial purchase sum is SEK 7.2 million, including transaction costs of SEK 0.1 million. Payment consists in part of 106,733 newly issued Prevas shares worth SEK 2.5 million (based on Prevas' average share price) on the effective date for the acquisition. Payment also consists of SEK 4.7 million in cash. Additional remuneration will be based on such items as profit outcome, but the total may not exceed SEK 7.0 million. The new issue of Prevas shares is in accordance with the vote taken at the Annual General Meeting on 28 March 2008.

The acquisition includes all of the shares in Emfila Software AB. Based on preliminary estimates, the value of the acquired assets and liabilities (excluding any additional purchase sum) is made up of goodwill SEK 5.6 million, current receivables and cash SEK 4.0 million, current liabilities SEK 2.1 million and deferred tax SEK 0.2 million. Goodwill represents the value to be derived from synergies and employees.

The acquired unit will be consolidated as of 1 October and is expected to contribute SEK 16 million in annual sales, with an estimated operating margin of 18 percent.

Market trends

Within industrial IT

Manufacturing companies' constant pursuit of higher productivity, flexibility and quality continues with undiminished force. Prevas continues to help customers deliver solutions to these challenges at a quicker pace than we've ever experienced before. The market for industrial IT is growing as customers begin to discover that modern, manufacturing-related IT solutions can make a significant contribution to productivity, flexibility and quality.

With its focus on manufacturing-related IT solutions, Prevas is positioned as the most suitable supplier in the industry. For many years, Prevas has worked with industry to utilize the potential to achieve increased levels of productivity, flexibility and quality using systems for production control, production monitoring, logistics, traceability and more. The market for investments in industrial IT is experiencing double-digit growth annually and the Prevas Industrial Systems business area is following the trend. Strong demand has continued in the third quarter and at present, we do not see any signs that it is diminishing. A focus on productivity is always high on the agenda for our customers.

Some examples of interesting events during the quarter have been production monitoring and production control for the steel and metal industry, quality control for the paper industry and productivity solutions for the heavy vehicle industry. In addition, we have also developed several traceability and testing solutions for the electronics industry.

Within embedded systems and product development

The market for the development of intelligent products is characterized by increasingly high demand. This is due to unavoidable shifts in technology for more and more products as well as ever-shortening life cycles. The trend among companies that sell products with a high IT content is to increasingly entrust suppliers with more responsibility to deliver development projects. Prevas already has a strong position and this is being further strengthened by our increased focus on IT services in combination with turnkey platforms and finished modules. Prevas uses such platforms and modules, among other things, to ensure that customers quickly and efficiently achieve their development project goals. Development of next-generation modules with such features as lower energy consumption has already begun.

Prevas highly values its network of world-leading technology partners. This network ensures that the company has access to cutting-edge technologies. During the period, Prevas made an explicit effort to develop its partnership as a Microsoft Gold Level partner for Windows Embedded. This was achieved through a focused recruitment of specialist expertise. Prevas works with many world-leading companies, such as ABB, Atlas Copco, Bombardier, Ericsson, Maquet, Novo Nordisk, Saab, Vestas and Volvo.

Employees

During the period, the average number of employees was 515 (430), of which 388 (321) employees worked within the area of Product Development and 109 (90) worked in the area of Industrial Systems. In addition, there were 18 (19) employees in senior management and administrative positions. There were 554 (494) employees at the end of the period, of which 12 percent were women.

Employee stock options

During the period, 127,810 employee stock options from prior programs were issued. Of this total, 120,000 options were issued to senior executives (see the Annual Report for 2007).

Investments

The company made investments in fixed assets worth SEK 7.0 (10.5) million during the period. Of the total amount, SEK 4.1 (6.6) million was for machinery and equipment, while SEK 2.9 (3.9) million was for product development and intangible assets. Besides these items, goodwill increased SEK 2.2 million related to the additional purchase price for previous acquisitions. Payment will be made during the fourth quarter.

Risks and uncertainties

Prevas relies on certain guiding principles when it comes to managing risks in various parts of its business. Successful risk management is a continuous process conducted within the framework for operations management. It is an integral part of the everyday follow-up of the business. A general downturn in the economy could result in a decline in the demand for the Group's services as well as impairing customers' ability to pay. In general, acquisitions imply an increased risk. The Prevas Annual Report 2007 provides a detailed description of Prevas' risks and uncertainties.

Accounting principles

The Group's Interim Report was prepared in accordance with IAS 34, Interim Financial Reporting. In addition, the report was prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Securities Market Act (2007:528), where applicable. The company applied the same accounting principles and bases of calculation as in the most recent Annual Report.

The Interim Report for the Parent Company was prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Securities Market Act (2007:528). This conforms to the regulations in RFR 2.1, Reporting for Legal Entities. The company applied the same accounting principles and bases of calculation as in the most recent Annual Report.

Upcoming reports

The year-end report for 2009 will be published on 5 February 2009.

Stockholm 24 October 2008
Prevas AB (publ)
Mats Lundberg, CEO

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This is information that Prevas AB (publ) must make available to the public in accordance with the Swedish Securities Market Act (2007:528) and/or the Financial Instruments Trading Act.

This is a translation of an original document in Swedish. In case of dispute, the original document should be taken as authoritative (Delårsrapport 2008 Q3.pdf at www.prevas.se). Or contact the company directly.

Information

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Auditor's report regarding review of the interim report

To the Board of Directors of Prevas AB (publ.)
CIN: 556252-1384

Introduction

We have conducted a review of the interim report for Prevas AB (publ.) as of 30 September 2008 and the nine-month period ending on that date. The Board of Directors and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report that is based upon our review.

Focus and scope of the review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not, in all material respects, accord with IAS 34 and the Swedish Annual Accounts Act for the Group, and the Swedish Annual Accounts Act for the Parent Company.

Stockholm 24 October 2008
KPMG Bohlins AB

Helena Arvidsson Älgne, Authorised Public Accountant

Consolidated Financial Statements

SUMMARY, INCOME, STATEMENTS, (SEK, thousands)	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full, Year
Net, sales	455,738	332,082	134,295	97,589	470,911
Capitalized work	1,506	3,944	722	1,740	5,078
Other external costs	-94,423	-68,123	-31,960	-22,449	-99,497
Personnel costs	-297,587	-239,513	-85,766	-71,443	-339,537
Amortization of intangible fixed assets	-5,009	-7,592	-1,682	-2,795	-12,691
Depreciation of property, plant and equipment	-4,697	-3,791	-1,605	-1,366	-5,231
EBIT	55,528	17,007	14,004	1,276	19,033
Net financial items	-1,047	-1,535	-200	-1,054	-2,208
Earnings from continuing operations before taxes	54,481	15,472	13,804	222	16,825
Taxes	-15,207	-4,514	-3,655	-124	-5,250
Net Income for the period	39,274	10,958	10,149	98	11,575

Earnings per share before dilution, SEK	4.01	1.17	1.03	0.01	1.22
Earnings per share after dilution, SEK	3.98	1.16	1.02	0.01	1.21
Number of outstanding shares at the end of the reporting period					
before dilution	9,851	9,712	9,851	9,712	9,736
after dilution	10,057	9,887	10,057	9,887	9,916
Average number of outstanding shares					
before dilution	9,783	9,380	9,844	9,623	9,467
after dilution	9,857	9,476	9,918	9,719	9,557

BUSINESS UNIT PERFORMANCE	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full Year
Net sales, kSEK					
Product Development	341,994	257,101	101,240	75,230	364,027
Industrial Systems	113,744	74,981	33,055	22,359	106,884
Total	455,738	332,082	134,295	97,589	470,911
EBIT, kSEK					
Product Development	36,924	18,148	9,713	3,654	23,260
Industrial Systems	18,604	-1,141	4,291	-2,378	-4,227
Total	55,528	17,007	14,004	1,276	19,033
Operating margin, %					
Product Development	10.8 %	7.1 %	9.6 %	4.9 %	6.4 %
Industrial Systems	16.4 %	-1.5 %	13.0 %	-10.6 %	-4.0 %
Total	12.2 %	5.1 %	10.4 %	1.3 %	4.0 %

PERFORMANCE PER GEOGRAPHIC REGION	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full Year
Net sales, kSEK					
Sweden	368,004	290,007	104,008	80,467	401,861
Denmark	69,408	40,477	24,587	15,523	63,943
Norway	18,326	1,599	5,700	1,599	5,107
Total	455,738	332,082	134,295	97,589	470,911

Consolidated Financial Statements

SUMMARY BALANCE SHEETS (SEK thousands)	2008 30 Sept	2007 30 Sept	2007 Full Year
Goodwill	99,210	76,682	96,446
Other intangible assets	24,147	29,814	26,088
Property, plant and equipment	15,634	14,950	16,349
Long-term receivables	434	526	266
Deferred tax assets	1,592	512	1,615
Current receivables	157,753	102,140	129,638
Cash and cash equivalents	7,616	10,809	7,415
Total assets	306,386	235,433	277,817
Equity	163,979	124,904	126,925
Long-term provisions	494	510	372
Deferred tax liability	7,212	3,847	6,159
Long-term interest-bearing liabilities	22,412	24,380	24,193
Current interest-bearing liabilities	12,579	15,997	18,553
Other current liabilities	99,710	65,795	101,615
Total liabilities and equity	306,386	235,433	277,817

CHANGES IN EQUITY (SEK thousands)	2008 30 Sept	2007 30 Sept	2007 Full Year
Opening balance	126,925	92,450	92,450
New issue	–	29,347	29,347
Employee stock option program	1,721	1,206	1,576
Issue of share warrants	477	88	126
Translation difference	1,425	204	1,200
Dividends	–5,843	–9,349	–9,349
Net Income for the period	39,274	10,958	11,575
Closing balance	163,979	124,904	126,925

CASH FLOW ANALYSIS (SEK thousands)	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full Year
EBIT	55,528	17,007	14,004	1,276	19,033
Adjustment for items not included in cash flow	10,554	11,534	3,648	4,107	17,650
Net financial items	–1,047	–1,535	–200	–1,054	–2,208
Taxes paid	–6,413	–5,878	–1,687	–549	–5,874
Change in operating receivables	–27,473	–12,652	10,745	18,276	–40,893
Change in operating liabilities	–260	–7,533	–16,173	–27,809	15,151
Cash flow from continuing operations	30,889	943	10,337	–5,753	2,859
Acquisition of businesses and shares, excl. cash equivalents	–11,845	–23,365	–	–931	–28,150
Investments in fixed assets	–6,984	–10,146	–1,437	–2,328	–13,854
Sale/disposal of fixed assets	–	–	–	–	274
Cash flow from investment activities	–18,829	–33,511	–1,437	–3,259	–41,730
Change in interest-bearing liabilities	–7,754	34,467	–8,702	1,018	36,835
Employee stock option program	1,721	1,206	476	277	1,576
Dividend paid	–5,843	–9,349	–	–	–9,349
Cash flow from financing activities	–11,876	26,324	–8,226	1,295	29,062
Cash flow for the period	184	–6,244	674	–7,717	–9,809
Cash equivalents at the beginning of the period	7,415	17,053	6,910	18,526	17,053
Translation difference on cash equivalents	17	–	32	–	171
Cash equivalents at the end of the period	7,616	10,809	7,616	10,809	7,415

Consolidated Financial Statements

KEY INDICATORS	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full Year
Gross margin	14.3 %	8.5 %	12.9 %	5.6 %	7.8 %
Operating margin	12.2 %	5.1 %	10.4 %	1.3 %	4.0 %
Profit margin	12.0 %	4.7 %	10.3 %	0.2 %	3.6 %
Earnings per share before dilution, SEK	4.01	1.17	1.03	0.01	1.22
Earnings per share after dilution, SEK	3.98	1.16	1.02	0.01	1.21
Equity ratio	54 %	53 %			46 %
Equity per share before dilution, SEK	16.65	12.86			13.04
Equity per share after dilution, SEK	16.61	12.75			12.87
Return on capital employed	29.8 %	12.1 %			13.1 %
Return on equity	27.3 %	13.0 %			10.0 %
Average number of employees	515	430	504	449	448
Number of working days	190	188	66	65	250
Sales per employee, kSEK	885	772	266	217	1 051

Parent Company Financial Statements

SUMMARY INCOME STATEMENTS (SEK thousands)	2008 Q1-3	2007 Q1-3	2008 Q3	2007 Q3	2007 Full Year
Net sales	366,345	285,821	105,027	79,643	398,186
Capitalized work	580	3,944	363	1,740	5,076
Other external costs	-83,538	-63,043	-27,664	-19,170	-90,009
Personnel costs	-235,957	-206,293	-66,251	-60,471	-289,455
Amortization of intangible fixed assets	-8,450	-10,585 *	-2,828	-3,770 *	-16,768
Depreciation of property, plant and equipment	-2,845	-2,345	-993	-886	-3,293
EBIT	36,135	7,499	7,654	-2,914	3,737
Profit/loss from participations in Group companies	24	-14,856	-	-14,856	-20,881
Interest income and similar profit/loss items	185	332	95	215	483
Interest expenses and similar items	-1,242	-1,173	-392	-405	-1,604
Earnings from continuing operations before taxes	35,102	-8,198	7,357	-17,960	-18,265
Appropriations	-	-	-	-	1,810
Taxes	-10,047	-2,169	-2,083	684	-1,541
Net Income for the period	25,055	-10,367	5,274	-17,276	-17,996

* Comparison figures for the period Jan-Sept 2007 have changed due to an adjustment of the amortization period for goodwill from 10 to 5 years.

SUMMARY BALANCE SHEETS (SEK thousands)	2008 30 Sept	2007 30 Sept	2007 Full Year
Intangible assets	35,518	41,611	42,047
Property, plant and equipment	7,021	7,166	8,052
Financial fixed assets	46,026	45,405	46,313
Current receivables	117,044	83,404	105,953
Cash and cash equivalents	159	5,071	60
Total assets	205,768	182,657	202,425
Equity	96,853	83,250	75,920
Untaxed reserves	-	1,810	-
Provisions	403	200	373
Long-term interest-bearing liabilities	17,600	19,800	19,250
Current interest-bearing liabilities	10,947	14,316	16,849
Other current liabilities	79,965	63,281	90,033
Total liabilities and equity	205,768	182,657	202,425

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