

Year-end report 2006

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

*Continued successful growth –
order intake increased by 69 percent in the fourth quarter*

SUMMARY (MSEK)	2006	2005	Q4 2006	Q4 2005
Net sales	278.4	198.3	79.6	58.6
Operating expenses	-260.6	-189.5	-75.6	-54.0
Earnings before interest and taxes (EBIT)	17.8	8.8	4.0	4.6
Net financial items	-0.1	2.5	0.2	2.7
Earnings from continuing operations before taxes	17.7	11.3	4.2	7.3
Taxes	-4.1	-2.8	-0.3	-1.4
Earnings from continuing operations after taxes	13.6	8.5	3.9	5.8
Profit from discontinued operations, net of tax	5.1	1.5	4.0	0.4
Net income	18.7	10.0	7.9	6.2

- Sales for the year totaled MSEK 278.4 (MSEK 198.3) – an increase of 40 percent. Sales for the fourth quarter totaled MSEK 79.6 (MSEK 58.6) – an increase of 36 percent. The increase was primarily organic.
- Net income for the year totaled MSEK 18.7 (MSEK 10.0) – an increase of 87 percent. Net income for the fourth quarter totaled MSEK 7.9 (MSEK 6.2).
- Profit per share before dilution was SEK 2.17 (SEK 1.24) for the year and SEK 0.90 (SEK 0.76) for the fourth quarter. At year-end, equity per share before dilution totaled SEK 10.60 (SEK 8.11).
- For 2006 Prevas board of directors will propose a dividend of SEK 1.00 per share (SEK 0.50).
- Order intake¹⁾ for the year reached MSEK 311.8 (MSEK 213.7) – an increase of 46 percent. Order intake¹⁾ for the fourth quarter totaled MSEK 95.0 (MSEK 56.3) – an increase of 69 percent.
- The sale of the business segment investment properties, incl. sale of associated companies, has positive effect on the net income at a total of MSEK 5.1 and a positive effect on cash flow at MSEK 19.2.
- During 2007, Prevas predicts continued good demand and growth. Completed recruitments and acquisitions will bring a strong increase in sales in 2007.

¹⁾ Order intake from companies acquired in 2007, i.e. Teleca Life Science, Embedded Solutions and IO Technologies, are not included in reported order intake.

The company

Innovative solutions give customers a world-class competitive edge

Prevas is an innovative IT company with a strong company culture that offers its customers solutions with a world-class competitive edge. By developing intelligence in our customers' products and industrial systems, we create the conditions for profitable products, production and logistics.

Many successful products and processes of both today and tomorrow are based on early and innovative use of IT. Prevas continually develops its ability to create solutions with increased customer benefit by further expanding the number of platforms, modules and products in its solutions. This shortens development time and means that even more efforts can be made to develop true customer benefit. This development will be reinforced both strategic partnerships and acquisition.

World-leading companies that chose Prevas as their development partner in 2006 include ABB, AstraZeneca, Atlas Copco, Autoliv, Coca Cola, Elekta, Ericsson, Flextronics, GE Healthcare, Haldex, IBM, Nokia, Micronic, Saab, Sandvik, Scania, Sectra, SSAB, Stoneridge, Volvo and Whirlpool.

Continuation of successful growth

Prevas' market has remained very good. The beneficial economic situation both in Sweden and internationally creates the conditions for Prevas' strong growth. Prevas' focus on product development and industrial systems strengthens the company's competitive power and helps to increase sales. Order intake in 2006 was 46 percent higher than that of 2005. In the fourth quarter of 2006, order intake¹⁾ was MSEK 95 – 69 percent higher than the same quarter of 2005.

Sales increased by 40 percent in 2006. The rate of growth was three times higher than the average for the IT industry, which was between 8 and 12 percent in 2006. At the same time, net operating income for remaining companies increased from MSEK 8.8 to MSEK 17.8. The growth is primarily organic and acquisitions made during the year developed positively and contributed to both growth and profitability.

Profitable acquisition increases innovative force and quickens the pace of growth

Prevas' innovative force and growth was strengthened in 2006 through the acquisition of:

- Glaze – a development company for embedded systems in Malmö, Copenhagen and Ålborg. The company showed good profitability and growth in 2006. Sales in Glaze increased by 42 percent in 2006 and totaled MSEK 37.9 with a EBIT of MSEK 3.0.
- Avantel – provides expertise in the development of embedded systems in the Stockholm market. Avantel has shown good profitability after the acquisition. During the second half of 2006, sales totaled MSEK 5.1 and the EBIT was MSEK 0.6.

The following were acquired to increase customer benefit and efficiency in Prevas' deliveries:

- ADRes – software that ensures traceability of data and telecom networks in properties. The software is used for the design, documentation and maintenance of property networks. Customers are property companies, industrial companies with large property holdings as well as consultants and contractors.
- Prevas Sierra and Prevas SocEye – complete building blocks for programmable electronic circuits, including the world's fastest real-time operating system in hardware.
- Prevas SFS Improve – a unique follow-up system for increased production efficiency.

Good demand, extensive recruitment and successful acquisition have enabled Prevas to grow from 222 employees at the end of 2005 to 400 employees at the start of 2007. At the same time, Prevas has taken a giant step forward in the development of its expertise and its tools to effectively convert its knowledge into customer benefit.

¹⁾ Order intake from companies acquired in 2007, i.e. Teleca Life Science, Embedded Solutions and IO Technologies, are not included in reported order intake.

Business area Product Development – Nordic leader in embedded systems

In order for products to be successful, development times must be kept short and the quality must be right. Prevas offers specialist expertise in order to develop products that are intelligent and profitable for the customer. Since its founding, Prevas has developed over 2,000 successful products that have helped several of our customers become world leaders in their markets.

Prevas has strengthened its position as a Nordic leader in embedded systems through the acquisition of Glaze in Öresund and Denmark, through the establishment of its product development offering in Gothenburg as well as the acquisition of Avantel in Stockholm. These undertakings have enabled Prevas to establish its product development offering in Sweden's six largest cities as well as Copenhagen and Ålborg. These markets form the basis of continued expansion.

The market for intelligent product development is characterized by a continuation of extremely great demand. Sales in 2006 increased by 65 percent compared to the same period last year. At the same time, EBIT increased from 7.9 percent in 2005 to 8.2 percent in 2006. The EBIT target for product development is 10 percent.

Business area Industrial Systems – industry's choice for profitable IT

With today's tough global competition, successful industrial companies have a long-term structured work method with continual improvements of productivity and quality. Prevas streamlines and quality assures the customer's production and logistics. Prevas has been delivering innovative solutions that contribute to profitability in the industry for over 20 years. Since its founding, Prevas has used its branch knowledge to lower costs, improve quality and strengthen the brand of world-class customers in over 1,000 project deliveries.

Prevas offers business development, turnkey systems and specialist services in automation, logistics and traceability. The innovative use of IT thorough branch and technology expertise and the reuse of components and products enables Prevas to deliver cost-effective solutions to the customer.

The market for streamlining and quality assurance of production and logistics is growing. The Western World's demands for faster production rates and increased quality are satisfied almost exclusively through investments in automation, logistics and traceability. Order intake for industrial systems increased by 27 percent in 2006 compared to 2005. At the same time, EBIT increased from -0.1 percent in 2005 to 2.7 percent in 2006. The improved profitability is due to improved capacity in the consulting operation and a strong recovery in the product segment. The EBIT target for Industrial Systems is 17 percent. This is expected to be achieved within two years.

In 2006, Prevas' traceability products have achieved international success through orders from three international pharmaceutical companies. Consumers and government authorities set increasingly higher quality requirements on manufacturers of drugs and medical technical equipment. With Prevas' traceability solution, these requirements are met. Efficiency is also gained since the number of errors is reduced, which in turns reduces costs through discard and the like. Customers who have chosen our traceability solutions include:

- Phadia in Germany and Taiwan
- Invitrogen in Oslo
- Cambrex in Belgium and USA

Discontinued operations

In December 2006, the decision was made to divest subsidiary that manages an industrial property in Västerås. The property has constituted its own segment in Prevas' accounting and was not previously classified as a discontinued operations.

The comparison periods in the income statement and cash flow analysis have been adjusted to reflect the effects of the discontinued operations separately from the continuing operations. The effect to Prevas' balance sheet is primarily related to fixed assets (buildings and land). In conjunction with the divestment during the last quarter, the minor property liquidation from May was also reclassified as liquidated company.

Events after the end of the year

At the start of 2007, Prevas made another two strategic acquisitions to further strengthen the company's innovative force and growth:

- Teleca Life Science and Teleca Embedded Solutions – development company for medical technical equipment and analytical instrument and for mobile and embedded systems, respectively. The acquired units are active in Stockholm, Uppsala and on the international market. They are expected to have sales of about MSEK 115 in 2007 and have a positive effect on EBIT at MSEK 9. The date of possession was January 1, 2007. The purchase price totaled MSEK 32 for intangible assets. The value of other acquired assets and liabilities will be added. The acquisition was financed through loans. The units will be part of Prevas' consolidated financial statement in full from the first quarter of 2007.
- IO Technologies – a leading technology development company for customized software and electronics solutions. The company has developed a portfolio of ready-to-use electronics and software modules that streamline customer R&D and minimize time to market. The embedded systems supplied to customers by IO Technologies have been used for everything from wireless personal sports instruments to research projects for advanced signal processing of ultrasound. IO Technologies is expanding rapidly. There are currently a total of 35 employees in Copenhagen and Århus and sales in 2006 were MSEK 27. The date of possession was February 1, 2007. The consolidation with Prevas' current operation in Denmark created a subsidiary with 60 employees and sales of MSEK 50. This means that Prevas is Denmark's leading embedded system supplier. The fixed purchase price is made up of 568,182 newly issued Prevas B-shares. At the date of possession, this was calculated at about MSEK 17. Additional remuneration based on IO Technologies earnings trends for 2007, 2008, and 2009 may also be added to the purchase price. IO Technologies' operations will be part of the Prevas Group. The anticipated positive effect on EBIT is calculated at MSEK 5-7 per year and will reach full effect during the first half of 2008. IO Technologies will be part of Prevas' consolidated financial statement in full from the first quarter of 2007.

Future prospects

The IT market in the Nordic countries is expected to grow by 5-6 percent per year in 2007 and 2008. The continuation of great demand leads to a shortage of expertise at both the customers and consulting companies. This shortage means continued "offshoring of IT services," i.e. the relocation of operations to low-cost countries and an increased pressure to streamline business processes, production and product development. Prevas' product development and industrial systems offering helps make it possible for our customers to face these challenges and thereby strengthens their competitive power.

The consolidation of the IT market continues and Prevas continues to actively search for strategic acquisitions that complement and develop the company. It is Prevas' ambition to establish itself in other countries outside of Sweden and Denmark in 2007.

For 2007, Prevas predicts continued good demand and strong growth. Completed recruitments and acquisitions will bring a strong increase in sales in 2007.

Economy

Order intake

Order intake for the year reached MSEK 311.8 (MSEK 213.7) – an increase of 46 percent. Order intake for the fourth quarter was MSEK 95.0 (MSEK 56.3) – an increase of 69 percent.

Invoice rate

The invoice rate for the year totaled 72 percent (71 percent). Invoice rate, which is one of Prevas' internal effectiveness measurements, is calculated as the number of billable hours divided by the total number of hours within the company. All employees in the consulting operation, including management and administration, are part of the key indicator.

Employees

The average number of employees during the year was 273 (204) and employee turnover was 12 percent. The percentage of female employees at the end of the interim period was 17 percent.

Sales and income for the full year 2006

Sales for the year totaled MSEK 278.4 (MSEK 198.3) – an increase of 40 percent. About half of the increase comes from organic growth. Sales per employee totaled TSEK 1,020 (TSEK 982). The number of workdays was 251 (253).

EBIT amounted to MSEK 17.8 (MSEK 8.8), which gives operational profit of 6.4 percent (4.4 percent). The MSEK 9.0 improvement in income between 2005 and 2006 can primarily be explained by:

- an increased demand for consulting services as well as acquisitions that were made, which lead to an MSEK 6.4 improvement in income within Prevas Product Development.
- EBIT within Prevas Industrial Systems increased by MSEK 2.6. This increase is due to recovery within the traceability product segment.

Earnings from continuing operations before tax totaled MSEK 17.7 (MSEK 11.3) and the profit margin was 6.4 percent (5.7 percent).

Net income amounted to MSEK 18.7 (MSEK 10.0). Earnings was positively affected by sale of the Group's subsidiary within the business segment Investment Properties. Earnings from discontinued operations consists primarily of profit from the sale of these subsidiaries.

Sales and results for the fourth quarter 2006

Sales for the fourth quarter totaled MSEK 79.6 (MSEK 58.5) – an increase of 36 percent. About half of the increase comes from organic growth. Sales per employee totaled TSEK 274 (TSEK 275). The number of workdays was 63 (64).

EBIT amounted to MSEK 4.0 (MSEK 4.6), which gives operational profit of 5.0 percent (7.8 percent). The fourth quarter of 2006 has one less workday than the fourth quarter of 2005. This corresponds to about MSEK 1. A weaker order intake during the third quarter caused the invoice rate to be 3 percent lower than in 2005. This corresponds to MSEK 3.

Net income amounted to MSEK 7.9 (MSEK 6.2). Earnings was positively affected by sale of the Group's subsidiary within the business segment Investment Properties. Earnings from discontinued operations consists primarily of profit from the sale of these subsidiaries.

Liquid assets and cash flow

At year-end, liquid funds totaled MSEK 17.1 (MSEK 3.4).

A positive cash flow of MSEK 13.7 MSEK (MSEK -3.9) is reported for the year. MSEK 19.2 of the cash flow can be attributed to the positive cash flow from discontinued operations.

Financial status

Equity at year-end amounted to MSEK 92.4 (MSEK 6.7), which gives solvency of 61 percent (61 percent). Equity per share before dilution totaled SEK 10.60 (SEK 8.11).

Investments

During the year, net investments in fixed assets amounted to MSEK 14.0 (MSEK 10.3), of which MSEK 5.8 (MSEK 4.4) was for machines and fixed assets, MSEK 7.4 (MSEK 4.8) was for product development and MSEK 0.8 (MSEK 1.1) was for intangible assets. There have also been investments via company acquisition. Acquired assets and liabilities comprise intangible assets; customer relations MSEK 5.6 and goodwill MSEK 8.7; tangible assets MSEK 1.1; current receivables MSEK 6.4 and current liabilities MSEK 7.4.

Accounting principles

This year-end report has been prepared in accordance with IFRS with application of IAS 34 Interim Financial Reporting. The accounting principles and bases for assessment applied in the most recent annual report were applied in this year-end report.

Proposed dividend

The board proposes a dividend of SEK 1.00 per share (SEK 0.50) for fiscal year 2006. April 2, 2007 has been proposed as the record day.

Stockholm, February 6, 2007
Prevas AB (publ)

Anders Englund CEO, Prevas AB

Annual report

The annual report will be available at the Prevas headquarters at Klockartorpsgatan 14 in Västerås Sweden approximately two weeks prior to the annual general meeting 2007. The annual report can also be ordered from the headquarters, tel. +46 (0)21-360 19 00 or info@prevas.se.

Annual general meeting

Prevas AB's annual general meeting will convene at 5:30 p.m. on March 28, 2007 in the auditorium of the Aros Congress Center at Munkgatan 7 in Västerås Sweden.

Upcoming reports

- Interim report, January – March, April 27, 2007
- Interim report, January – June, August 29, 2007
- Interim report, January – September, October 25, 2007
- Year-end report 2007, February 6, 2008

Information

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Group's accounts

INCOME STATEMENTS summarized (TSEK)	2006	2005	2006	2005
	Full year	Full year	Q4	Q4
Net sales	278,389	198,304	79,638	58,599
Capitalized work	7,362	4,819	1,123	1,231
Other external expenses	-56,941	-41,320	-17,030	-10,175
Payroll expenses	-201,814	-145,740	-57,253	-42,909
Depreciations	-9,194	-7,277	-2,483	-2,150
Earning before interest and taxes (EBIT)	17,802	8,786	3,995	4,596
Net financial items	-69	2,489	206	2,671
Earnings from continuing operations before taxes	17,733	11,275	4,201	7,267
Taxes	-4,101	-2,750	-350	-1,425
Earnings from continuing operations after taxes	13,632	8,525	3,851	5,842
Profit from discontinued operations *	5,096	1,515	4,008	368
Net income	18,728	10,040	7,859	6,210
<i>Earnings per share before dilution</i>	SEK 2.17	SEK 1.24	SEK 0.90	SEK 0.76
<i>Earnings per share after dilution</i>	SEK 2.15	SEK 1.23	SEK 0.89	SEK 0.75
<i>Equity per share before dilution</i>	SEK 10.60	SEK 8.11		
<i>Equity per share after dilution</i>	SEK 10.49	SEK 8.01		

* Earnings for the period from discontinued operations comprises the sale of an industrial property, an undeveloped property in Västerås and the associated company Flexpack Robotics AB.

BALANCE SHEETS summarized, (TSEK)	2006	2005
	DEC 31	DEC 31
Intangible assets	46,732	29,708
Tangible assets	11,187	24,379
Financial assets	1,801	1,523
Current receivables	74,628	49,673
Cash and bank	17,053	3,368
Total assets	151,401	108,651
Equity	92,450	66,695
Provisions	3,265	7,685
Interest-bearing liabilities	5,910	5,078
Other current liabilities	49,776	29,193
Total liabilities and equity	151,401	108,651

CHANGES IN EQUITY (TSEK)	2006	2005
	DEC 31	DEC 31
Opening balance	66,695	56,566
Effect of change of accounting principle IAS 39		-655
New issue	10,185	4,080
Transfer of own options		655
Employee option program	717	-
Issue of options	230	-
Conversion difference	6	-
Dividend	-4,111	-3,991
Profit/loss for the period	18,728	10,040
Closing balance	92,450	66,695

Group's accounts (cont.)

CASH FLOW ANALYSIS (TSEK)	2006 Full year	2005 Full year	2006 Q4	2005 Q4
EBIT	17,802	8,786	3,995	4,596
Adjustments for items included in the cash flow	8,923	7,128	2,344	2,367
Net financial items	-213	-40	-109	-14
Tax paid	-3,934	-2,605	141	-1,454
Change in current receivables	-17,938	-4,176	-9,409	-6,327
Change in current liabilities	10,523	-3,314	7,064	2,154
Cash flow from discontinued operations	786	1,515	633	292
Cash flow from operating activities	15,949	7,294	4,659	1,614
Acquisition of businesses	-1,317	-	-46	-
Investment in fixed assets	-13,958	-10,318	-2,672	-3,244
Cash flow from discontinued operations	18,419	2,503	14,859	-
Cash flow from investment activities	3,144	-7,815	12,141	-3,244
Change in interest-bearing liabilities	-2,014	568	-5,940	364
Employee option program	717	-	122	-
Dividend	-4,111	-3,991	-	-
Cash flow from financing activities	-5,408	-3,423	-5,818	364
Cash flow for the period	13,685	-3,944	10,982	-1,266
Cash and equivalents beginning of period	3,368	7,312	6,071	4,634
Cash and equivalents end of period	17,053	3,368	17,053	3,368
Change in liquid assets	13,685	-3,944	10,982	-1,266

KEY INDICATORS	2006 Full year	2005 Full year	2006 Q4	2005 Q4
Gross margin	9.7 %	8.1 %	8.1 %	11.5 %
EBIT in % of sales	6.4 %	4.4 %	5.0 %	7.8 %
Earnings margin	6.4 %	5.7 %	5.3 %	12.4 %
Earnings per share before dilution	SEK 2.17	SEK 1.24	SEK 0.90	SEK 0.76
Earnings per share after dilution	SEK 2.15	SEK 1.23	SEK 0.89	SEK 0.75
Earnings per share from remaining companies before dilution	SEK 1.58	SEK 1.05	SEK 0.44	SEK 0.71
Earnings per share from remaining companies after dilution	SEK 1.56	SEK 1.04	SEK 0.44	SEK 0.71
Average number of shares before dilution	8,637,839	8,104,901	8,715,750	8,222,600
Number of shares at reporting period end before dilution	8,718,750	8,222,600	8,718,750	8,222,600
Solvency	61 %	61 %		
Equity per share	SEK 10.60	SEK 8.11		
Equity per share incl. outstanding options	SEK 10.49	SEK 8.01		
Return on capital employed	21.5 %	17.0 %		
Return on equity	17.1 %	13.8 %		
Average number of employees	273	204	291	213
Number of workdays	251	253	63	64
Invoice rate	72 %	71 %	71 %	74 %
Sales per employee	1,020	982	274	275

Group's accounts (cont.)

PERFORMANCE PER SEGMENT	2006 Full year	2005 Full year	2006 Q4	2005 Q4
Operating income (TSEK)				
Product development	184,953	111,963	52,707	34,107
Industrial systems	93,436	86,341	26,932	24,492
Total	278,389	198,304	79,639	58,599
Net operating income (TSEK)				
Product development	15,241	8,875	2,871	3,277
Industrial systems	2,561	-89	1,124	1,319
Total	17,802	8,786	3,995	4,596
Operational profit (%)				
Product development	8.2 %	7.9 %	5.4 %	9.6 %
Industrial systems	2.7 %	-0.1 %	4.2 %	5.4 %
Total	6.4 %	4.4 %	5.0 %	7.8 %

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