

## Interim Report January - September 2006

### Prevas AB (publ) corporate no. 556252-1384

#### *Continued successful growth*

SUMMARY (SEK million)	Q 1-3 2006	Q 1-3 2005	Q 3 2006	Q 3 2005
<b>Net sales</b>	<b>200.3</b>	<b>141.2</b>	<b>61.6</b>	<b>43.3</b>
Operating expenses	-186.0	-135.8	-57.6	-40.2
<b>Operating profit</b>	<b>14.3</b>	<b>5.4</b>	<b>4.0</b>	<b>3.1</b>
Net financial items	0.1	0.1	0.0	-0.1
<b>Profit after net financial items</b>	<b>14.4</b>	<b>5.5</b>	<b>4.1</b>	<b>3.0</b>
Taxes	-3.5	-1.7	-1.2	-1.0
<b>Net profit</b>	<b>10.9</b>	<b>3.8</b>	<b>2.9</b>	<b>2.1</b>

- Sales for the interim period totaled SEK 200.3 million (SEK 141.2 million), a 42 percent increase. Third quarter sales were SEK 61.6 million (SEK 43.3 million), a 42 percent increase. Most of the increase is organic.
- Net profit for the interim period was SEK 10.9 million (SEK 3.8 million), a 187 percent increase. Net profit for the third quarter was SEK 2.9 million (SEK 2.1 million).
- Earnings per share (basic) for the period totaled SEK 1.26 (SEK 0.47) and for the third quarter SEK 0.33 (SEK 0.25). Equity per share (basic) was SEK 9.70 (SEK 7.36) at the end of the period.
- Orders for the period totaled SEK 216.8 million (SEK 157.4 million), a 38 percent increase. Orders for the third quarter totaled SEK 43.9 million (SEK 40.2 million), a 9 percent increase.
- For the last quarter of 2006 Prevas expects continued good demand and strong growth, while profitability in Prevas Industrial Systems continues to improve. The Company forecasts continued good demand and growth during 2007.

## Operations

### Continued successful growth

Prevas' market continues to be very strong. The favorable economy both in Sweden and abroad creates ideal conditions for Prevas' strong growth. The Company's focus on Product Development and Industrial Systems strengthens its competitive position and contributes to increased sales. New orders during the first nine months of 2006 increased 38 percent year on year. Sales during the same period climbed 42 percent, while net profit rose from SEK 3.8 million to SEK 10.9 million. Growth is mainly organic and completed acquisitions performed well, contributing heavily to both growth and profitability.

### "Future Solutions for profitable business"

Prevas' vision is to deliver future solutions that increase the customer's competitive position on the global market. By achieving this vision, Prevas will further strengthen its position as a technological leader in its areas of application, based on an increased understanding of the customer's business activities and customer benefit. The customer's competitive position is strengthened by Prevas' innovative and quality assured IT services, solutions, and products.

## Prevas Product Development: Nordic leader in embedded systems

Successful products require short development periods and the right quality. Prevas Product Development specialists develop intelligent products that are profitable the customer. The market for developing intelligent products continues to experience very strong demand. Sales during the first nine months of 2006 rose 70 percent compared with the same period last year, while the operating margin widened from 7.2 percent in 2005 to 9.4 percent in 2006.

Prevas Product Development strengthened its leading position in the Nordic region in embedded systems through the acquisition of Glaze in Öresund and Denmark, the establishment of product development services in Göteborg, and the acquisition of Avantel in Stockholm. Prevas' product development services are now established in Sweden's five biggest cities, as well as Copenhagen and Ålborg. These markets constitute the firm's base for continued expansion.

### Focus on electronic platforms increases competitiveness

Prevas helps its customers achieve increased competitiveness through a more effective product development process based on complete electronic platforms. Lars-Göran Lindström heads this initiative, which is in line with the company's strategy for increased reusability and more effective resource utilization. He was hand-picked for the job because of his extensive experience in advanced electronics and product development from firms such as Micronic and Enea.

### Alliance with Enics strengthens product development

Enics, a leading European contract manufacturer of industrial and medical electronics, and Prevas have signed a collaboration agreement enabling them to offer a complete package for product development and production. This joint offer creates a unique, seamless chain of services covering the entire life cycle of Prevas' customers' products.

The driving force behind this collaboration is to reduce development time and create competitive advantages. It is important to be able to launch new products in the market quickly and efficiently, which is why time-optimized, high-quality product development is crucial. Together, Prevas and Enics have the neces-

sary know-how to support customers' product processes from pilot study to production of advanced industrial products.

### **Three-year general agreement with Swedish Civil Aviation Administration**

The Swedish Civil Aviation Administration selected Prevas, in collaboration with CyberCom, as one of its three framework vendors. The agreement, which involved a procurement process with 50 competitors, is for three years with a potential two-year extension.

Prevas and CyberCom, which offer complementary solutions, have successfully collaborated since 2005 and together offer over 700 skilled consultants. Prevas previously won a Group agreement with Saab in collaboration with CyberCom.

## **Prevas Industrial Systems, the industry choice for profitable IT**

Prevas Industrial Systems products and over 20 years of operational experience create conditions for improved profitability for manufacturing companies. New orders for Prevas Industrial Systems increased during the first nine months of 2006 by 30 percent compared with the same period in 2005. During the same period operating margin advanced from -2.3 percent in 2005 to 2.2 percent in 2006 (a 4.5 percent gain in the third quarter). The upturn is due to a strong recovery in the traceability products division. The operating margin target for Prevas Industrial Systems is 17 percent, which the Company expects to achieve in two years.

### **International success for traceability products**

Prevas' traceability products reap international success through orders from three international pharmaceutical companies. Consumers and authorities demand ever higher standards from pharmaceutical and medical device manufacturers. Prevas' traceability solution enables customers to meet these demands at the same time that they achieve efficiency gains due to fewer errors, which leads to lower expenditures for scrapping and similar costs.

The following customers have chosen Prevas' traceability solution:

- Phadia, which develops, produces, and markets diagnostic analyses in the field of allergy and autoimmunity. Phadia chose Prevas' traceability solution for its factories in Taiwan and Germany. Phadia previously used Prevas' traceability solutions in Sweden and Japan.
- Invitrogen, which supplies services and products to help pharmaceutical and biotech researchers all over the world to meet medical challenges. Invitrogen chose Prevas' traceability solution for secure labeling of products for the Group company Dynal Bead Based Separation in Oslo.
- Cambrex is an innovative life-science firm that develops products and services to accelerate drug development and commercialization. Cambrex chose Prevas' traceability solution for secure labeling of its products in Sweden and at six other factories, including in the United States and Belgium.

### **Prevas streamlines Q-Med deliveries**

Q-Med is a fast-growing, profitable biotechnology/medical device company that produces, markets, and sells medical implants. Q-Med is in a phase of rapid growth and needs to streamline its delivery process in order to effectively continue its expansion. The Prevas IT solution provides efficient processing and integrates Q-Med's warehouse with the company's ERP system to provide real-time stock level information. Q-Med has the option of implementing the same system at all of its subsidiaries globally.

### **Acquisition of product family for production monitoring**

Prevas Industrial Systems has enhanced its offering through the acquisition of IT products for monitoring production efficiency from B4Industry AB. The products were developed in cooperation with the Royal Institute of Technology and Scania. Using the product family can provide major savings for the Swedish manufacturing industry by increasing efficiency and utilization of production equipment, which increases competitiveness in relation to the global market.

## **Future outlook**

The IT Market in the Nordic region is set to grow 5 to 6 percent annually in 2007 and 2008. Continued good demand is likely to lead to a shortage of expertise among both customers and consultancies. This shortage situation means continued offshoring of IT services and increased pressure to optimize business processes, production, and product development. Prevas' offering in product development and industrial systems helps our customers to meet these challenges, thereby strengthening their competitive position.

Consolidation of the IT market continues and Prevas actively seeks strategic acquisitions that complement and enhance the company. Prevas intends to become established in another Nordic country during 2007.

For the last quarter of 2006 Prevas expects continued good demand and strong growth, while profitability in Prevas Industrial Systems continues to improve. The Company forecasts continued good demand and growth during 2007.

## Financial Overview

### Orders

New orders for the period were SEK 216.8 million (SEK 157.4 million), a 38 percent increase, and for the third quarter incoming orders were SEK 43.9m (SEK 40.2m), a 9 percent increase.

### Invoicing ratio

The invoicing ratio amounted to 73 (70) percent for the period. The invoicing ratio, which is one of Prevas' internal gauges of efficiency, is measured as the number of billable hours divided by total hours used in the company. This key ratio includes all employees in consulting operations, including management and administration.

### Employees

The average number of employees during the period was 264 (191) and employee turnover was 11.6 percent. The proportion of female employees was 16 percent at the end of the period.

### Sales and Results, January to September 2006

Sales during the period amounted to SEK 200.3 million (SEK 141.2 million), a 42 percent increase. Just over half of this increase comes from organic growth. Sales per employee amounted to SEK 759,000 (SEK 739,000). The number of working days was 188 (189).

Operating profit was SEK 14.3 million (SEK 5.4 million), equivalent to an operating margin of 7.1 percent (3.8 percent). The improvement in profitability of SEK 8.8 million between 2005 and 2006 can be attributed to

- the increase in demand for consultancy services and the completed acquisitions, resulting in an improvement of profitability of SEK 6.8m in Prevas' Product Development.
- Profit for Prevas Industrial Systems increased by SEK 2.8 million. The upturn is due to a strong recovery in the traceability products division.
- Profit for the Investment Properties business unit dropped SEK 0.8m compared with 2005, in part due to renovations as well as the sale of associated companies for a total of SEK 0.9 million.

Profits after net financial items amounted to SEK 14.4 million (SEK 5.5 million) and profit margin to 7.0 (3.7) percent.

Profit after tax amounted to SEK 10.9 million (SEK 3.8 million). Net profit was positively affected by the dissolution of deferred taxes on sales of undeveloped properties in Västerås, as well as the sale of associated companies, with SEK 0.9 million.

### Sales and Results, third quarter 2006

Sales during the third quarter amounted to SEK 61.6 million (SEK 43.4 million), a 42 percent increase. Just over half of the increase comes from organic growth. Sales per employee amounted to SEK 228,000 (SEK 208,000). The number of working days was 65 (66).

Operating profit was SEK 4.0 million (SEK 3.1 million), equivalent to an operating margin of 6.6 percent (7.2 percent). The improvement in profitability of SEK 0.9 million between 2005 and 2006 can be attributed to

- the increased demand for consultancy services and completed acquisitions, resulting in an improved profitability of SEK 0.5 million in Prevas Product Development.
- Profits for Prevas Industrial Systems improved SEK 0.9 million year on year. The upturn is due to a strong recovery in the traceability products division.
- Profits for the Investment Properties business area dropped SEK 0.5 million compared with 2005.

Profits after net financial items amounted to SEK 4.1 million (SEK 3.0 million) and profit margin to 6.6 (7.2) percent.

Profit after tax amounted to SEK 2.9 million (SEK 2.1 million).

## Cash and cash equivalents and cash flow

At the end of the period cash and cash equivalents totaled SEK 6.1 million (SEK 4.6 million) and the company utilized its credit facility in the amount of SEK 6.2 million. Prevas expects to repay the credit facility during the fourth quarter.

The Company reports a positive cash flow for the period of SEK 2.7 million (loss: 2.7 million).

## Financial position

Equity amounted to SEK 84.5 million (SEK 60.5 million) at the end of the period, providing an equity ratio of 59 percent (60 percent). Equity per share (basic) was SEK 9.70 (SEK 7.36).

## Investments

During the period, net investments in fixed assets were SEK 11.3 million (SEK 7.1 million), including SEK 4.3 million (SEK 2.4 million) for machinery and equipment, SEK 6.2 million (SEK 3.6 million) for product development, and SEK 0.8 million (SEK 1.1 million) for other intangible assets. Investments were also made through corporate acquisitions.

## Accounting principles

This interim report was prepared in accordance with IFRS with application of IAS 34, Interim Financial Reporting, using the same accounting principles and basis for assessment as in the most recent annual report.

Stockholm, October 26, 2006  
Prevas AB (publ)

*Anders Englund, CEO Prevas AB*

*This interim report has not been examined by the Company's auditors.*

## Future reporting dates

- Year-end Report for 2006, February 7, 2007

## Information

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## Consolidated Financial Statements

<b>SUMMARY INCOME STATEMENTS, SEK 000s</b>	<b>2006</b> Q 1-3	<b>2005</b> Q 1-3	<b>2006</b> Q 3	<b>2005</b> Q 3	<b>2005</b> Full-year
<b>Net sales</b>	<b>200 258</b>	<b>141 208</b>	<b>61 647</b>	<b>43 347</b>	<b>200 308</b>
Capitalized work	6 239	3 588	2 253	1 023	4 819
Other external costs	-40 965	-31 429	-13 236	-7 099	-41 565
Personnel costs	-144 561	-102 831	-44 153	-32 300	-145 740
Depreciation, amortization, and impairment	-6 711	-5 127	-2 469	-1 837	-7 277
<b>Operating profit</b>	<b>14 260</b>	<b>5 409</b>	<b>4 042</b>	<b>3 134</b>	<b>10 545</b>
Net financial items	-275	-182	22	-11	2 489
Share in net profit of associated companies	401	300	0	-123	262
<b>Profit after net financial items</b>	<b>14 386</b>	<b>5 527</b>	<b>4 064</b>	<b>3 000</b>	<b>13 296</b>
Taxes	-3 517	-1 697	-1 160	-927	-3 256
<b>Profit/loss for the period</b>	<b>10 869</b>	<b>3 830</b>	<b>2 904</b>	<b>2 073</b>	<b>10 040</b>

<i>Earnings per share before dilution, SEK</i>	SEK 1.26	SEK 0.47	SEK 0.33	SEK 0.25	SEK 1.24
<i>Earnings per share after dilution, SEK</i>	SEK 1.25	SEK 0.47	SEK 0.33	SEK 0.25	SEK 1.23
<i>Equity per share before dilution, SEK</i>	SEK 9.70	SEK 7.36			SEK 8.11
<i>Equity per share after dilution, SEK</i>	SEK 9.55	SEK 7.29			SEK 8.01

<b>SUMMARY BALANCE SHEETS, SEK 000s</b>	<b>2006</b> Sept. 30	<b>2005</b> Sept. 30	<b>2005</b> Dec. 31
Intangible assets	47 304	28 495	29 708
Plant, property, and equipment	24 209	23 600	24 379
Financial fixed assets	630	1 302	1 523
Current receivables	64 377	43 347	49 673
Cash and cash equivalents	6 071	4 634	3 368
<b>Total assets</b>	<b>142 591</b>	<b>101 378</b>	<b>108 651</b>
Shareholders' equity	84 531	60 485	66 695
Provisions	7 454	7 501	7 685
Interest-bearing liabilities	11 850	4 714	5 078
Non interest-bearing liabilities	38 756	28 678	29 193
<b>Total equity and liabilities</b>	<b>142 591</b>	<b>101 378</b>	<b>108 651</b>

<b>CHANGES IN EQUITY, SEK thousand</b>	<b>2006</b> Sept. 30	<b>2005</b> Sept. 30	<b>2005</b> Dec. 31
Opening balance	66 695	56 566	56 566
Effect of new IAS 39 accounting principle	-	-655	-655
New issue	10 780	4 080	4 080
Assignment of own warrants	-	655	655
Issue of warrants	272	-	-
Translation difference	26	-	-
Dividend	-4 111	-3 991	-3 991
Profit/loss for the period	10 869	3 830	10 040
<b>Closing balance</b>	<b>84 531</b>	<b>60 485</b>	<b>66 695</b>

## Consolidated financial statements (cont.)

<b>CASH FLOW STATEMENT, SEK 000s</b>	<b>2006 Q 1-3</b>	<b>2005 Q 1-3</b>	<b>2006 Q 3</b>	<b>2005 Q 3</b>	<b>2005 Full-year</b>
Operating profit	14 260	5 409	4 042	3 134	10 545
Adjustments for items not included in cash flow	6 518	4 947	2 547	1 928	7 163
Net financial items	-104	-17	-25	3	-40
Taxes paid	-4 207	-1 418	-934	-110	-2 884
Change in current receivables	-8 529	2 151	425	3 637	-4 176
Change in current liabilities	3 352	-5 392	-6 886	-9 129	-3 314
<b>Cash flow from operating activities</b>	<b>11 290</b>	<b>5 680</b>	<b>-831</b>	<b>-537</b>	<b>7 294</b>
Sale and acquisitions of subsidiaries/associated companies	2 289	2 503	-64	-	2 503
Net investment in noncurrent assets	-11 286	-7 074	-3 672	-2 411	-10 318
<b>Cash flow from Investing activities</b>	<b>-8 997</b>	<b>-4 571</b>	<b>-3 736</b>	<b>-2 411</b>	<b>-7 815</b>
Change in interest bearing liabilities	3 926	204	6 389	710	568
Employee stock option program	595	-	198	-	-
Dividend paid	-4 111	-3 991	-	-	-3 991
<b>Cash flow from financing activities</b>	<b>410</b>	<b>-3 787</b>	<b>6 587</b>	<b>710</b>	<b>-3 423</b>
<b>Cash flow for the period</b>	<b>2 703</b>	<b>-2 678</b>	<b>2 020</b>	<b>-2 238</b>	<b>-3 944</b>
Opening balance, cash and cash equivalents,	3 368	7 312	4 051	6 872	7 312
Closing balance, cash and cash equivalents	6 071	4 634	6 071	4 634	3 368
<b>Change in cash and cash equivalents</b>	<b>2 703</b>	<b>-2 678</b>	<b>2 020</b>	<b>-2 238</b>	<b>-3 944</b>

<b>KEY INDICATORS</b>	<b>2006 Q 1-3</b>	<b>2005 Q 1-3</b>	<b>2006 Q 3</b>	<b>2005 Q 3</b>	<b>2005 Full-year</b>
Gross margin	10.5 %	7.5 %	10.6 %	11.5 %	8.9 %
Operating margin	7.1 %	3.8 %	6.6 %	7.2 %	5.3 %
Profit margin	7.0 %	3.7 %	6.6 %	7.2 %	6.5 %
Earnings per share (basic)	SEK 1.26	SEK 0.47	SEK 0.33	SEK 0.25	SEK 1.24
Earnings per share (diluted)	SEK 1.25	SEK 0.47	SEK 0.33	SEK 0.25	SEK 1.23
Average number of shares (basic)	8 619 569	8 065 237	8 703 353	8 222 600	8 104 901
Number of shares at end of reporting period (basic)	8 712 265	8 222 600	8 712 265	8 222 600	8 222 600
Equity/assets ratio	56 %	60 %			61 %
Equity per share (basic)	SEK 9.70	SEK 7.36			SEK 8.11
Equity per share (diluted)	SEK 9.55	SEK 7.29			SEK 8.01
Return on capital employed	17.0 %	9.4 %			19.7 %
Return on equity	14.4 %	7.1 %			16.3 %
Average number of employees	264	191	270	208	204
Number of working days	188	189	65	66	253
Invoicing rate	73 %	70 %	73 %	71 %	71 %
Sales per employee	759	739	228	208	982



## Consolidated financial statements (cont.)

OUTCOME BY BUSINESS SEGMENT	2006 Q 1-3	2005 Q 1-3	2006 Q 3	2005 Q 3	2005 Full-year
<b>Net sales, SEK 000s</b>					
Product Development	132 246	77 910	40 530	24 148	111 963
Industrial Systems	66 505	61 849	20 614	18 752	86 341
Investment Properties	1 507	1 449	504	447	2 004
<b>Total</b>	<b>200 258</b>	<b>141 208</b>	<b>61 648</b>	<b>43 347</b>	<b>200 308</b>
<b>Operating profit/loss, SEK 000s</b>					
Product Development	12 370	5 598	3 217	2 681	8 875
Industrial Systems	1 437	-1 408	920	62	-89
Investment Properties	453	1 219	-95	391	1 759
<b>Total</b>	<b>14 260</b>	<b>5 409</b>	<b>4 042</b>	<b>3 134</b>	<b>10 545</b>
<b>Operating margin, %</b>					
Product Development	9.4 %	7.2 %	7.9 %	11.1 %	7.9 %
Industrial Systems	2.2 %	-2.3 %	4.5 %	0.3 %	-0.1 %
Investment Properties	30.1 %	84.1 %	-18.8 %	87.5 %	87.8 %
<b>Total</b>	<b>7.1 %</b>	<b>3.8 %</b>	<b>6.6 %</b>	<b>7.2 %</b>	<b>5.3 %</b>