

Year-end Report for 2005

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

*Continued strong inflow of orders in Q4, up 37 per cent.
Operating margin of 8.7 per cent for Q4.*

SUMMARY (SEK million)	2005	2004	Q4 2005	Q4 2004
Net sales	200.3	173.0	59.1	46.7
Operating expenses	-189.8	-156.8	-54.0	-42.8
Share in profit/loss of associated companies	0.3	0.0	0.0	-0.1
Operating profit	10.8	16.2	5.1	3.8
Net financial income/expense	2.5	0	2.7	0
Profit after financial items	13.3	16.2	7.8	3.8
Tax	-3.3	-3.0	-1.6	-1.2
Net profit	10.0	13.2	6.2	2.7

- Turnover for the year amounted to SEK 200.3 million (SEK 173.0 million), up 16 per cent. Turnover for Q4 was SEK 59.1 million (SEK 46.7 million), up 27 per cent.
- Net profit for the year was SEK 10.0 million (SEK 13.2 million). Net profit for Q4 was SEK 6.2 million (SEK 2.7 million), up 130 per cent.
- Earnings per share before dilution were SEK 1.24 (SEK 1.66) for the year and SEK 0.76 (0.33) for Q4. Equity per share before dilution was SEK 8.11 (SEK 7.11) at the year-end.
- The Board of Directors proposes a dividend of SEK 0.50 per share (2004: SEK 0.50) for the financial year 2005.
- Orders received totalled SEK 213.7 million (SEK 154.1 million) for the year, up 39 per cent, and SEK 56.3 million (SEK 41.2 million) for Q4, up 37 per cent.
- Operating profit for the second half of the year was SEK 8.1 million, which was in line with the previous forecast.
- Prevas consolidated its position in 2005 as one of the leading Nordic suppliers of product development services through the signing of framework agreements with Saab and Atlas Copco.
- The acquisition of Glaze on 3 January 2006 provides a basis for extensive expansion in the Öresund region and Denmark. Glaze is an IT consultancy located in Malmö, Copenhagen and Ålborg with operations in the development of intelligent products.

English translation of Prevas Year-end Report for 2005.

Operations

Profitable growth

Profitability during the first half of the year was clearly unsatisfactory and a number of measures were therefore taken. These had an effect during the second half of 2005. Profitability reached 8 per cent, positioning Prevas among the most profitable IT consultancies. Growth was 26 per cent during the same period.

Prevas secures customers' expectations

Prevas' strongest competitive edge is its ability to deliver IT solutions to the agreed functional and financial terms in a rapidly changing technical environment. With the aid of their IT investments, customers look to achieve profitable products, production or logistics. The solutions should meet the current tough requirements in the global market and also be future proofed. High quality and delivery reliability are basic requirements.

In 2005, we delivered 91 per cent of projects on time, with only 2.6 per cent subsequent work under guarantees. Our customers rate us 8.8 on a scale of 1 to 10. This means that we have satisfied customers, who receive their deliveries on time and enjoy high availability after delivery, in other words – world-class project implementation.

Increased strength

Prevas' strategy is to strengthen the company by developing its own products and through minority interests in interesting start-up technology companies. Investments in FlexPack Robotics AB, which offers flexible packaging solutions mainly for the European pharmaceuticals and food industries, continue to develop favourably and help boost Prevas' earnings. The combination of FlexPack Robotics' effective automation solutions and Prevas' IT solutions to streamline complex production and logistics creates new exciting business opportunities.

Consultancy services

Prevas offers consultancy services to companies developing products with a large IT content or needing to streamline or automate their operations. Operations comprise product development and industrial systems.

Product development

Prevas Product Development, which develops profitable products for customers using its profound technical expertise and unique development methodology, continues to experience very good demand. Turnover for 2005 rose by 37 per cent, compared with the previous year, while profitability improved. The business unit consolidated its position as one of the leading Nordic suppliers of product development services through the signing of a group framework agreement with Saab, which is a world-leading supplier of hi-tech defence, aviation and aerospace products. A framework agreement was also signed with Atlas Copco, a world-leading producer of tooling for assembly systems. Expansion is planned in the Öresund and Gothenburg markets. The acquisition of Glaze on 3 January 2006 provides a basis for extensive expansion in the Öresund region and Denmark.

Industrial systems

Prevas Industrial Systems streamlines the customer's production and logistics by means of standard solutions and consultancy services. Increased automation is a prerequisite for the continued competitiveness and survival of manufacturing industry. These driving forces lead to a growing demand for automation solutions. In order to further increase the effectiveness and customer value of the business unit's offering, the company is now packaging its long-standing and solid experience in reusable standard solutions.

Traceability products

Prevas Traceability Products meets the traceability requirements of companies and public authorities by offering traceability products for the production of electronics, building networks, pharmaceuticals and food. New orders for traceability products were good in the second half of 2005. Together with the cost-cutting measures implemented in Q2, this led to continued positive growth in the business unit's earnings.

Prevas has complemented and expanded its offering in traceability products. The acquisition of Track & Trace, an IT system for origin marking of foods, provides a good complement to our existing products in this area. The software ADRes, which ensures the traceability of data and telecoms networks in buildings, was acquired after the year-end, giving Prevas a new market.

The first stage in establishing Prevas Traceability Products in the international market has begun through an agreement with a distributor in China. International marketing will continue in 2006 with a focus on the UK, the Irish Republic, the USA and Germany.

Events after year-end

Prevas expands in Öresund region through merger with Glaze

Prevas acquired Glaze Holding AB and its subsidiaries on 3 January 2006. Glaze is an IT consultancy located in Malmö, Copenhagen and Ålborg.

Glaze supplies consultancy services in the product development of intelligent products. In addition to supplying total solutions, the company offers consultants with cutting-edge competence in software, hardware and mechanics. Glaze is expanding rapidly and has 35 employees. Turnover was SEK 25 million in 2005. Prevas has existing customers such as Autoliv, Alfa Laval and Findus in the region, but Glaze brings with it new customers such as Panasonic, Axis Communications, Sony Ericsson Mobile Communications, Novo Nordisk, Precise Biometrics and Texas Instruments.

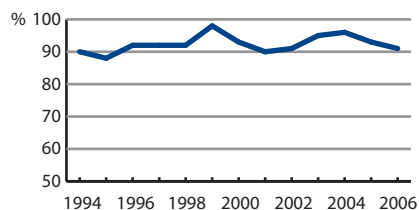
The fixed purchase sum comprised 350,000 new Prevas Class B shares, which had a value of SEK 8 million on the acquisition date. The transaction resulted in a 4 per cent dilution. Moreover, an additional purchase sum related to Glaze's earnings growth in 2006 and 2007 may be payable. The total purchase sum, including any additional purchase sum, will not exceed SEK 20 million. Glaze's operations are being integrated into the Prevas Group. The anticipated positive impact on earnings is estimated at around SEK 3-4 million per year and will have a full effect in the second half of 2006. Glaze will be fully included in Prevas' consolidated accounts as from Q1 2006. The Board of Directors utilized the authorization to issue new Prevas shares granted by the annual general meeting on 17 March 2005.

Prevas expands traceability market through acquisition of ADRes

Prevas acquired the software ADRes from the ÅF Group on 2 January 2006. ADRes is software that ensures the traceability of data and telecoms networks in buildings. The software is used in the design, documentation and maintenance of building networks. Customers comprise property companies, industrial enterprises with major property holdings, consultants and contractors.

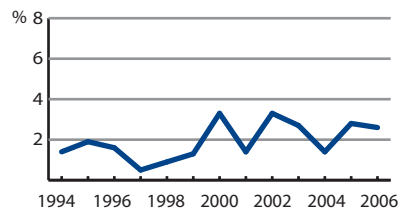
The acquisition involves the transfer of competence in this market from ÅF to Prevas. The agreement allows ÅF to continue accessing ADRes for continued use in its own consulting assignments. The product is currently used by AstraZeneca, DynaMate, Husqvarna, Stora Enso, Teracom, Vattenfall etc.

Delivery reliability



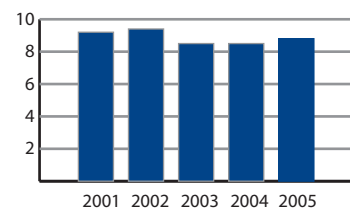
Percentage of projects delivered on time.

Work under guarantees



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

Delivery rating



Scale of 1-10.

Finance

Orders received

Orders received totalled SEK 213.7 million (SEK 154.1 million) for the year, up 39 per cent, and SEK 56.3 million (SEK 41.2 million) for Q4, up 37 per cent.

Invoicing rate

The invoicing rate was 71 (65) per cent for the year and 74 (65) per cent for Q4. The invoicing rate, which is one of Prevas' performance indicators, is measured as the number of chargeable hours divided by the total hours worked in the company. All employees in consulting operations, including management and administration, are included in the key indicator.

Assignment distribution

During 2005, 31 (43) per cent of assignments were charged on a fixed-price basis and 69 (57) per cent on a time and material basis.

Employees

During the year, the average number of employees was 204 (169) and staff turnover was 7.4 per cent. The proportion of female employees was 18 per cent at the year-end.

Turnover and results for 2005

Turnover for the year amounted to SEK 200.3 million (SEK 173.0 million), up 16 per cent. Turnover per employee was SEK 982 thousand (SEK 1,024 thousand). The number of working days was 253 (253).

Operating profit was SEK 10.8 million (SEK 16.2 million), representing an operating margin of 5.3 (9.4) per cent. The decline in profit of SEK 5.4 million between 2004 and 2005 can be explained as follows:

- As previously stated, the decline in profit is due to a loss of earnings in Prevas Traceability Products of SEK 7.7 million, which was partly due to deferred customer orders. The inflow of orders has shown an upturn, which together with the cost-cutting measures implemented during the first half of the year had a positive impact during the second half.
- Increased demand for consultancy services led to an earnings improvement of SEK 1.7 million, compared with 2004.

Profit after financial items was SEK 13.3 million (SEK 16.2 million) and the profit margin was 6.5 (9.4) per cent. SEK 2.5 million of the positive finance net can be explained by the reversal of the provision for a value guarantee relating to Prevas' share price, which was provided in connection with a non-cash issue.

Net profit was SEK 10.0 million (SEK 13.2 million).

Turnover and results for Q4 2005

Turnover for Q4 amounted to SEK 59.1 million (SEK 46.7 million), up 27 per cent. Turnover per employee was SEK 277 thousand (SEK 276 thousand). The number of working days was 64 (64).

Operating profit was SEK 5.1 million (SEK 3.8 million), representing an operating margin of 8.7 (8.5) per cent. Profit after financial items was SEK 7.8 million (SEK 3.8 million) and the profit margin was 13.2 (8.5) per cent. Net profit was SEK 6.2 million (SEK 2.7 million), up 130 per cent.

Forecast

Operating profit for the second half of the year was SEK 8.1 million, which was in line with the previous forecast.

No forecast is made for 2006.

Liquid assets and cash flow

Liquid assets totalled SEK 3.4 million (SEK 7.3 million) at the year-end.

A negative cash flow of SEK 3.9 million (SEK +2.3 million) is reported for the year. Cash flow for the year was affected by the dividend paid for 2004 of SEK 4.0 million.

A negative cash flow of SEK 1.3 million (SEK +6.0 million) is reported for Q4.

Financial position

Equity totalled SEK 66.7 million (SEK 56.6 million) at the year-end, representing an equity/assets ratio of 61 (59) per cent. Equity per share (excluding outstanding options) was SEK 8.11 (SEK 7.11).

Investments

Net investments in fixed assets for 2005 totalled SEK 10.3 million (SEK 10.1 million), of which SEK 4.4 million related to machinery and equipment, SEK 4.8 million to product development and SEK 1.1 million to intangible assets. Net investments in fixed assets for Q4 totalled SEK 3.2 million, of which SEK 2.0 million related to machinery and equipment and SEK 1.2 million to product development.

Accounting principles

The IAS Regulation adopted by the EU in 2002 requires all EU-listed companies to apply IFRS (International Financial Reporting Standards) in their consolidated financial statements as from 2005. Consequently, the company's Year-end Report for the full year 2005 has been prepared in accordance with the IFRS adopted by the EU and the interpretations of the applicable standards, IFRIC, adopted by the EU. These principles are applied from 1 January 2005 and the comparative year has been restated.

This report has been prepared in accordance with IAS 34, Interim Financial Reporting.

Transition to IFRS in 2005

The effects on the income statements and equity per quarter and for the full year 2004 are shown below and in the table on page 10.

Goodwill - IFRS 3

IFRS 3 Business Combinations does not allow goodwill amortization according to plan. Instead, the value of goodwill must be tested for impairment annually or more often, if there are indications that the carrying value of goodwill is less than the fair value. In accordance with the transitional rules in IFRS 1, First-time adoption of IFRS, Prevas has chosen not to apply IFRS 3 to previous acquisitions. Amortization of SEK 2.0 million for the full year 2004 has been reversed, as there was no impairment loss.

IAS 40, Investment Property

IAS 40 allows reporting at fair value or cost. Prevas has chosen reporting at fair value, which results in an increase in the value of properties of 4.2 million as at 1 January 2004 and a positive effect on equity after deferred tax of 72 per cent of this sum. The increase in value amounted to SEK 4.3 million as at 31 December 2004 and the positive effect on equity amounted to 72 per cent of this sum. Reporting at fair value increases pre-tax profit by SEK 0.2 million for the full year 2004.

IAS 17, Leases

In connection with the transition to IFRS, it was decided that the Group's leasing agreements, mainly for company cars, should be reported as financial leases. This results in an increase in total assets of SEK 3.3 million as at 1 January 2004, SEK 4.5 million as at 31 December 2004 and SEK 5.0 million as at 31 December 2005. The impact on earnings is negligible.

IAS 39, Financial Instruments: Recognition and Measurement

Agreements have been made with external parties regarding the sale of options. The consideration consists of the fair value. The sale is intended to cover the company's costs relating to the outstanding staff option programme.

Proposed dividend

The Board of Directors proposes a dividend of SEK 0.50 per share (2004: SEK 0.50) for the financial year 2005. 11 April 2006 is proposed as the record date.

Stockholm, 7 February 2006
Prevas AB (publ)

Anders Englund, CEO

Annual Report

The Annual Report will be available at Prevas' head office, Klockartorpsgatan 14, Västerås, Sweden approximately two weeks before the 2006 Annual General Meeting. It can also be ordered from head office, Tel: +46 21 360 19 00 or email: info@prevas.se.

Annual General Meeting

The Annual General Meeting of Prevas AB will be held on 6 April 2006 at 17.30 in the Auditorium, Aros Congress Center, Munkgatan 7, Västerås, Sweden.

Financial reporting

- Interim Report to 31 March, 28 April 2006
- Interim Report to 30 June, 29 August 2006
- Interim Report to 30 September, 26 October 2006
- Year-end Report for 2006, 7 February 2007

Information

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This Year-end Report has not been reviewed by the company's auditors.

Consolidated financial statements

SUMMARY INCOME STATEMENTS, SEK thousand	2005 Full year	2004 Full year	2005 Q4	2004 Q4
Net sales	200,308	173,009	59,100	46,707
Capitalized work	4,819	4,797	1,231	1,538
Material costs	-4,075	-2,058	-1,153	-390
Other external costs	-37,490	-28,285	-8,983	-10,233
Personnel costs	-145,740	-126,723	-42,909	-32,462
Amortization of intangible assets	-2,863	-569	-1,045	-347
Depreciation of tangible assets	-4,414	-3,950	-1,105	-856
Share in net profit of associated companies	262	11	-38	-115
Operating profit	10,807	16,232	5,098	3,842
Net financial income/expense *	2,489	-37	2,671	-5
Profit after financial items	13,296	16,195	7,769	3,837
Tax	-3,256	-2,970	-1,559	-1,176
Net profit for the period	10,040	13,225	6,210	2,661
<i>Earnings per share before dilution, SEK</i>	1.24 kr	1.66 kr	0.76 kr	0.33 kr
<i>Earnings per share after dilution, SEK</i>	1.17 kr	1.56 kr	0.71 kr	0.31 kr
<i>Equity per share before dilution, SEK</i>	8.11 kr	7.11 kr		
<i>Equity per share after dilution, SEK</i>	8.51 kr	7.58 kr		

* Net financial income/expense for the full year of 2,489 (-37) consists of net interest income/expense of SEK 97 thousand (SEK 96 thousand), financial derivative instruments of SEK 9 thousand (SEK 0 thousand) used to hedge payroll overheads in connection with the share option scheme, interest expenses for finance leases of SEK -137 thousand (SEK -133 thousand) and the reversal of a provision of SEK 2,520 thousand (SEK 0 thousand) for a value guarantee relating to Prevas' share price, which was provided in connection with a non-cash issue.

SUMMARY BALANCE SHEETS, SEK thousand	2005 31 Dec	2004 31 Dec
Intangible asstes	29,708	16,368
Tangible assets	24,379	24,282
Financial assets	1,523	4,757
Current receivables	49,673	43,952
Cash and bank balances	3,368	7,312
Total assets	108,651	96,671
Equity	66,695	56,566
Provisions	7,685	6,314
Long-term interest-bearing liabilities	5,078	4,510
Current liabilities	29,193	29,281
Total liabilities and equity	108,651	96,671
CHANGES IN EQUITY, SEK thousand	2005 31 Dec	2004 31 Dec
Opening balance	56,566	37,743
Effect of change in accounting principle to IFRS		2,998
Opening equity adjusted according to new principle	56,566	40,741
Effect of new IAS 39 accounting principle	-655	-
New share issue	4,080	2,600
Assignment of own warrants	655	-
Dividend	-3,991	-
Net profit for the period	10,040	13,225
Closing balance	66,695	56,566

Consolidated financial statements (cont.)

CASH FLOW STATEMENT, SEK thousand	2005 Full year	2004 Full year	2005 Q4	2004 Q4
Operating profit	10,807	16,232	5,098	3,842
Adjustments for non-cash items	6,892	4,917	2,245	1,604
Net financial income/expense	-31	-37	-14	-5
Tax paid	-2,884	-568	-1,466	-40
Change in current receivables	-4,176	-9,466	-6,327	-4,255
Change in current liabilities	-3,314	-6,616	2,078	7,951
Cash flow from operating activities	7,294	4,462	1,614	9,097
Acquisition and sale of subsidiaries	2,503 *	8,885	-	-
Net investment in fixed assets	-10,318	-10,144	-3,244	-2,881
Cash flow from investing activities	-7,815	-1,259	-3,244	-2,881
Repayment of liabilities financial leasing agreements	568	-882	364	-260
Dividend paid	-3,991	-	-	-
Cash flow from financing activities	-3,423	-882	364	-260
Cash flow for the period	-3,944	2,321	-1,266	5,956
Opening liquid assets	7,312	4,991	4,634	1,356
Closing liquid assets	3,368	7,312	3,368	7,312
Change in liquid assets	-3,944	2,321	-1,266	5,956

* Acquisition 2005	-7,4
of which not settled with liquid assets	7,4
Liquid assets in acquired company	2,5
Effect on liquid assets	2,5

KEY RATIOS	2005 Full year	2004 Full year	2005 Q4	2004 Q4
Gross margin	8.9 %	12.0 %	12.3 %	11.0 %
Operating margin	5.3 %	9.4 %	8.7 %	8.5 %
Profit margin	6.5 %	9.4 %	13.2 %	8.5 %
Earnings per share before dilution	1.24 SEK	1.66 SEK	0.76 SEK	0.33 SEK
Earnings per share after dilution	1.17 SEK	1.56 SEK	0.71 SEK	0.31 SEK
Average number of shares	8,104,901	7,957,600	8,222,600	7,982,600
Average number of shares incl. outstanding options	8,604,901	8,457,600	8,722,600	8,482,600
No. of shares at end of reporting period	8,222,600	7,982,600	8,222,600	7,982,600
No. of shares at end of reporting period inc. outstanding options	8,722,600	8,482,600	8,722,600	8,482,600
Equity/assets ratio	61 %	59 %		
Equity per share before dilution	8.11 SEK	7.11 SEK		
Equity per share after dilution	8.51 SEK	7.58 SEK		
Return on capital employed, %	17.1 %	30.7 %		
Return on equity, %	17.0 %	26.6 %		
Average number of employees	204	169	213	169
Number of working days	253	253	64	64
Invoicing rate	71 %	65 %	74 %	65 %
Turnover per employee, SEK thousand	982	1 024	277	276

Consolidated financial statements (cont.)

RESULT BY BUSINESS SEGMENT	2005 Full year	2004 Full year	2005 Q4	2004 Q4
Net sales, SEK thousand				
Consultancy services	164,871	134,549	49,117	36,329
Traceability products	33,433	36,276	9,482	10,009
Investment properties	2,004	2,184	501	369
Total	200,308	173,009	59,100	46,707
Operating profit, SEK thousand				
Consultancy services	8,564	6,888	3,348	1,543
Traceability products	222	7,883	1,324	2,187
Investment properties	1,759	1,450	464	227
Share in profit of associated companies	262	11	-38	-115
Total	10,807	16,232	5,098	3,842
Operating margin, %				
Consultancy services	5.2 %	5.1 %	6.8 %	4.2 %
Traceability products	0.7 %	21.7 %	14.0 %	21.9 %
Investment properties	87.8 %	66.4 %	92.6 %	61.5 %
Total	5.3 %	9.4 %	8.7 %	8.5 %

EFFECTS OF IFRS ON PROFIT	2004 Full year	2004 Q4
Effect on profit, SEK thousand		
Net profit for the period according to previous principles	11,209	2,183
Reversal of goodwill amortization	2,029	662
Change due to valuation of properties at net realizabel value	143	-217
Recalculation of leasing agreements	-21	-12
Tax effect above	-135	45
Net profit for the period according to IFRS	13,225	2,661

EFFECTS OF IFRS ON EQUITY	2004 31 Dec
Effect on equity, SEK thousand	
Equity according to previous principles	51 551
Reversal of goodwill amortization	1 962
Change due to valuation of properties at net realizabel value	3 080
Recalculation of leasing agreements	-27
Equity according to IFRS	56 566

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