

## Interim report to 31 March 2005

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

*Strong inflow of orders, up 42 per cent*

SUMMARY (SEK million)	Q1 2005	Q1 2004
<b>Operating income</b>	<b>47.4</b>	<b>46.0</b>
Operating expenses	-46.1	-40.9
Share in profit of associated companies	0.1	-
<b>Operating profit</b>	<b>1.4</b>	<b>5.1</b>
Net financial income/expense	0	0
<b>Profit after financial items</b>	<b>1.4</b>	<b>5.1</b>
Tax	-0.4	0.5
<b>Net profit</b>	<b>1.0</b>	<b>5.6</b>

- Turnover in Q1 2005 totalled SEK 47.4 million (SEK 46.0 million), up 3 per cent.
- Net profit for Q1 was SEK 1.0 million (SEK 5.6 million). This decline in profit mainly relates to traceability products, where customers' deferred investment decisions resulted in low licence sales during the quarter.
- Earnings per share after tax for Q1 were SEK 0.13 (SEK 0.71). Equity per share was SEK 6.71 (SEK 7.11 on 31 December 2004).
- Strong inflow of orders in Q1. New orders totalled SEK 68 million (SEK 48 million), up 42 per cent.
- Since the end of the quarter, Prevas has expanded and strengthened its offering in embedded systems through the acquisition of a business, with 15 consultants in electronics design and software development, from Flextronics International Sweden AB. This consultancy business is based in Linköping.

*English translation of Prevas Interim report to 31 March 2005.*

## Prevas celebrates its 20th anniversary in 2005

This year, Prevas celebrates its 20th anniversary. Reliable and secure project implementation has been one of the company's cornerstones from the outset. Our ability to successfully plan, tender, implement and maintain IT solutions has continued to be one of the most important benefits that Prevas offers the market. Prevas' customers can rely on getting the agreed function to the right quality and on time. We are pleased to undertake this at a fixed price. Our ability to implement successful projects is a crucial factor in fixed-price projects. We have therefore chosen the "Fixed-price expert" tagline.

Drawing on 20 years of experience and expertise, we collaborate with customers in defining and developing IT solutions that help customers achieve their business goals.

## Consultancy services

Prevas offers consultancy services to companies developing products with a large IT content or needing to streamline or automate their operations.

The continued high demand for consultancy services led to a 10 per cent increase in turnover, compared with Q1 2004. During the quarter, the company had a very strong inflow of orders totalling SEK 52 million, up SEK 19 million, compared with Q1 2004. At the same time, prices rose.

### **Business-oriented organization**

To optimize its potential for profitable growth, Prevas will introduce a new organizational structure in Q2 with the aim of increasing sales. The change aims to make our offering simpler, clearer and more focused. Our consultancy services are divided into two business areas: Product Development and Industrial Systems. The new organization's goal is to develop Prevas' offering in a focused way, by offering package solutions and integrated projects.

### **Product Development**

Demand for consultancy services in Product Development remains very strong and Prevas reports a record inflow of orders. A contributory factor is Prevas' increased collaboration with Microsoft on software for future electronics products, making Prevas a natural partner for companies planning new product investments.

### **Industrial Systems**

In Industrial Systems, the driving force underlying new investments is the need for increased efficiency and larger production volumes. Increased automation is a prerequisite for the continued competitiveness and survival of the Swedish manufacturing industry. These driving forces lead to a growing demand for automation solutions. Prevas has a strong inflow of orders in Industrial Systems.

## Traceability products

Prevas offers traceability products for electronics, pharmaceuticals and food. Consumers' and public authorities' product information requirements are constantly increasing, particularly in the pharmaceutical and food industries. The objective for 2005 is to develop a global partner network, to increase sales of traceability products for pharmaceuticals production. The first countries on the agenda are Germany, the UK, the Irish Republic and the USA.

Potential projects developed favourably in Q1 2005. However, these projects led to few actual contracts. This, combined with the costs of developing a global distribution network, has resulted in an unsatisfactory earnings trend. An upturn in earnings is not expected until the second half of 2005. Despite the unsatisfactory earnings in Q1, the company remains positive to the future development of traceability products and will continue its strategy of developing a global distribution network.

## Increased strength through minority interests

Prevas' strategy includes strengthening the company through its own products and minority interests in interesting start-up technology companies. Investments in Precon AB and FlexPack Robotics AB continue to develop favourably. Both companies helped boost Prevas' earnings in Q1 2005.

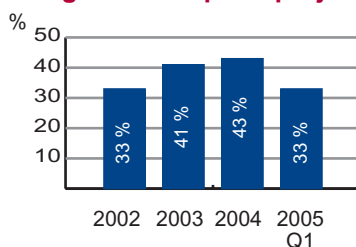
## Events after the end of the quarter

### Prevas acquires consultancy business from Flextronics

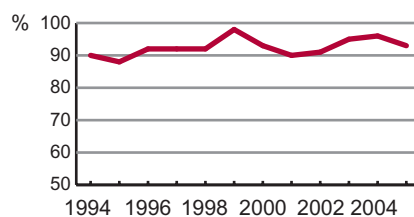
Prevas is expanding and strengthening its offering in embedded systems through the acquisition of a business with 15 consultants in electronics design and software development. The business was acquired from Flextronics International Sweden AB, which is streamlining its operations. The consultancy business is based in Linköping.

This business complements Prevas' focus on product development for small and medium-sized growth companies by providing new technical expertise and new customer relations. It will also increase our capacity to implement integrated projects, increase our delivery capacity and further strengthen services linked to Prevas' partnership with Microsoft on embedded systems in future products. The new consultancy unit, with a background in BlueLabs, will bring us solid expertise and long-standing customer relations in, for example, electronics design. We will take over the business on 1 May.

### Percentage of fixed-price projects

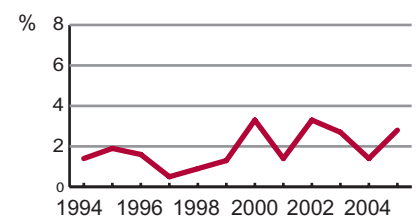


### Delivery reliability



Percentage of projects delivered on time.

### Work under guarantees



The percentage of work under guarantees with percentage of work before delivery.

## Finance

### Invoicing rate

The invoicing rate was 67 (65) per cent for Q1. 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 the period, 33 (50) per cent of assignments were charged on a fixed-price basis and 67 (50) per cent on a time basis.

### Employees

The average number of employees during the period was 176 (171), with a staff turnover of 1.7 per cent. The proportion of female employees at the end of the period was 18 per cent.

### Turnover and results for Q1 2005

Turnover for Q1 was SEK 47.4 million (SEK 46.0 million), up 3 per cent. Turnover per employee was SEK 270 thousand (SEK 269 thousand). The number of working days totalled 61 (63).

Operating profit was SEK 1.4 million (SEK 5.1 million), representing an operating margin of 2.8 (11.1) per cent.

The decline in profit partly relates to traceability products, where customers' deferred investment decisions resulted in low licence sales during the quarter, while the calendar effect had a negative impact on profitability in consultancy services. Earnings were also charged with costs relating to Prevas' 20th anniversary and increased depreciation relating to product investments in 2004. Profit after financial items was SEK 1.4 million (SEK 5.1 million) and the profit margin was 2.8 (11.1) per cent.

Net profit was SEK 1 million (SEK 5.6 million). The positive tax expense in Q1 2004 is due to a reversal of deferred tax of SEK 1.9 million relating to the property in the sold subsidiary Prevas Fastighets i Göteborg AB.

### Liquid assets

Liquid assets totalled SEK 3.6 million (SEK 5.9 million) at the end of the period. The company reported a negative cash flow of SEK 3.7 million (SEK +0.9 million) for the period. The cash flow for the period was charged with a dividend payment of SEK 4 million for 2004.

### Financial position

Equity totalled SEK 53.6 million (SEK 48.9 million) at the end of the period, representing an equity/assets ratio of 59 (57) per cent.

Equity per share (excluding outstanding options) was SEK 6.71.

### Investments

Net investments for Q1 totalled SEK 1.2 million (SEK 1.2 million), of which SEK 0.2 million related to machinery and equipment and SEK 1.0 million to product development.

### Accounting principles

The IAS regulations adopted by the EU in 2002 state that as from 2005, listed companies in the European Union

## Finance (cont.)

must apply the IFRS international accounting standards in their group financial statements. Consequently, the company's quarterly report for Q1 2005 is prepared in accordance with the IFRS standards adopted by the EU as well as the EU-adopted interpretation of the prevailing standards (IFRIC). These principles are applied from 1 January 2005, and the comparative year has been recalculated.

This report has been prepared in accordance with IAS 34, Interim Reporting, which complies with the Swedish Financial Accounting Standards Council's recommendation RR 31, Group Interim Reporting.

### Changeover 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 8.

### Goodwill - IFRS 3

IFRS 3 Business Combinations does not allow goodwill amortization according to plan. Instead, the value of goodwill must be reviewed for possible write-down once a year, or more often if there are indications that the reported value of goodwill is less than the net realizable 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 0.5 million for Q1 2004 and SEK 2.0 million for the full year 2004 has been reversed as no write-down was necessary.

### IAS 40, Investment properties

IAS 40 allows reporting at net realizable value or acquisition value. Prevas has chosen reporting at net realizable value, which results in an increase in the value of properties of SEK 4.2 million as at 1 January 2004 and a positive effect on equity after deferred tax of 72 per cent of this. 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. Reporting at net realizable value means that no depreciation according to plan is made, increasing pre-tax profit by SEK 0.1 million for Q1 2004 and by SEK 0.2 million for the full year 2004.

### IAS 17, Leases

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

### IAS 39, Financial Instruments: Recognition and Measurement

Agreements have been made with external parties regarding the acquisition of options. The consideration consists of the net realizable value of warrants. Changes in value are intended to cover the costs of the outstanding staff option programme. The options are valued at net realizable value.

Stockholm, 27 April 2005  
Prevas AB (publ)

*Anders Englund, CEO*

*This interim report has not been reviewed by the company's auditors.*

## Consolidated financial statements

SUMMARY INCOME STATEMENTS, SEK thousand	2005 Q1	2004 Q1	2004 Full year
<b>Net sales</b>	<b>46,500</b>	<b>44,894</b>	<b>173,009</b>
<b>Capitalized work</b>	<b>967</b>	<b>1,113</b>	<b>4,797</b>
Material costs	-506	-704	-2,058
Other external costs	-10,161	-4,424	-28,285
Personnel costs	-33,821	-34,629	-126,723
Amortization of intangible assets	-554	-50	-569
Depreciation of tangible assets	-1,090	-1,092	-3,950
Share in pre-tax profit of associated companies	92	0	11
<b>Operating profit</b>	<b>1,427</b>	<b>5,108</b>	<b>16,232</b>
Result from participations in group companies			
Net financial income/expense	-4	-17	-37
<b>Profit after financial items</b>	<b>1,423</b>	<b>5,091</b>	<b>16,195</b>
Tax	-399	506	-2,970
<b>Net profit for the period</b>	<b>1,024</b>	<b>5,597</b>	<b>13,225</b>

Earnings per share after tax, SEK	SEK 0.13	SEK 0.71	SEK 1.66
Earnings per share after tax, SEK incl. outstanding options	SEK 0.12	SEK 0.67	SEK 1.56
Equity per share, SEK	SEK 6.71	SEK 6.21	SEK 7.11
Equity per share, SEK incl. outstanding options	SEK 7.20	SEK 6.73	SEK 7.58

SUMMARY BALANCE SHEETS, SEK thousand	2005 31 March	2004 31 March	2004 31 Dec
Intangible asstes	16,843	14,302	16,368
Tangible assets	23,433	24,407	24,282
Financial assets	5,479	321	4,757
Current receivables	41,650	41,056	43,952
Cash and bank balances	3,615	5,886	7,312
<b>Total assets</b>	<b>91,020</b>	<b>85,972</b>	<b>96,671</b>
Equity	53,600	48,938	56,566
Provisions	6,271	3,832	6,314
Long-term interest-bearing liabilities	4,257	3,494	4,510
Current liabilities	26,892	29,708	29,281
<b>Total liabilities and equity</b>	<b>91,020</b>	<b>85,972</b>	<b>96,671</b>

CHANGES IN EQUITY, SEK thousand	2005 31 March	2004 31 March	2004 31 Dec
Opening balance	56,566	37,743	37,743
Effect of change in accounting principle to IFRS		2,998	2,998
Opening equity adjusted according to new principle	56,566	40,741	40,741
Effect of new IAS 39 accounting principle	-655		
New share issue	-	2,600	2,600
Assignment of own warrants	655		
Dividend	-3,991	-	-
Net profit for the period	1,024	5,597	13,225
<b>Closing balance</b>	<b>53,600</b>	<b>48,938</b>	<b>56,566</b>

## Consolidated financial statements (cont.)

<b>CASH FLOW STATEMENT, SEK thousand</b>	<b>2005 Q1</b>	<b>2004 Q1</b>	<b>2004 Full year</b>
Operating profit	1,427	5,108	16,232
Adjustments for non-cash items	1,501	1,287	4,917
Net financial income/expense	-4	-17	-37
Tax paid	-1,068	-232	-568
Change in current receivables	2,302	-7,770	-9,466
Change in current liabilities	-2,375	-4,957	-6,616
<b>Cash flow from operating activities</b>	<b>1,783</b>	<b>-6,581</b>	<b>4,462</b>
Acquisition and sale of subsidiaries	-	8,885	8,885
Net investment in fixed assets	-1,236	-1,228	-10,144
<b>cash flow from investing activities</b>	<b>-1,236</b>	<b>7,657</b>	<b>-1,259</b>
Repayment of liabilities financial leasing agreements	-253	-181	-882
Dividend paid	-3,991	-	-
<b>Cash flow from financing activities</b>	<b>-4,244</b>	<b>-181</b>	<b>-882</b>
<b>Cash flow for the period</b>	<b>-3,697</b>	<b>895</b>	<b>2,321</b>
Opening liquid assets	7,312	4,991	4,991
Closing liquid assets	3,615	5,886	7,312
<b>Change in liquid assets</b>	<b>-3,697</b>	<b>895</b>	<b>2,321</b>

<b>KEY RATIOS</b>	<b>2005 Q1</b>	<b>2004 Q1</b>	<b>2004 Full year</b>
Gross margin	6.3 %	13.6 %	11.7 %
Operating margin	2.8 %	11.1 %	9.1 %
Profit margin	2.8 %	11.1 %	9.1 %
Earnings per share after tax	SEK 0.13	SEK 0.71	SEK 1.66
Earnings per share after tax incl. outstanding options	SEK 0.12	SEK 0.67	SEK 1.56
Average number of shares	7,982,600	7,882,600	7,957,600
Average number of shares incl. outstanding options	8,482,600	8,382,600	8,457,600
Equity/assets ratio	59 %	57 %	59 %
Equity per share	SEK 6.71	SEK 6.21	SEK 7.11
Equity per share incl. outstanding options	SEK 7.20	SEK 6.73	SEK 7.58
Return on capital employed, %	2.5 %	10.4 %	33.1 %
Return on equity, %	2.0 %	22.9 %	29.5 %
Average number of employees	176	171	169
Number of working days	61	63	253
Invoicing rate	67 %	65 %	62 %
Turnover per employee, SEK thousand	270	269	1,053

## Consolidated financial statements (cont.)

<b>OUTTURN BY BUSINESS SEGMENT</b>	<b>2005 Q1</b>	<b>2004 Q1</b>	<b>2004 Full year</b>
<b>Operating income, SEK thousand</b>			
Consultancy services	37,235	34,271	134,678
Traceability products	9,731	11,018	41,073
Investment properties	501	718	2,184
<b>Total</b>	<b>47,467</b>	<b>46,007</b>	<b>177,935</b>
<b>Operating profit, SEK thousand</b>			
Consultancy services	536	2,012	6,888
Traceability products	399	2,720	7,883
Investment properties	400	376	1,450
Share in profit of associated companies	92	–	11
<b>Total</b>	<b>1,427</b>	<b>5,108</b>	<b>16,232</b>
<b>Operating margin, %</b>			
Consultancy services	1.4 %	5.9 %	5.1 %
Traceability products	4.1 %	24.7 %	19.2 %
Investment properties	79.8 %	52.4 %	66.4 %
<b>Total</b>	<b>2.8 %</b>	<b>11.1 %</b>	<b>7.9 %</b>

<b>EFFECTS OF IFRS ON PROFIT</b>	<b>2004 Q1</b>	<b>2004 Full year</b>
<b>Effect on profit, SEK thousand</b>		
Net profit for the period according to previous principles	5,122	11,209
Reversal of goodwill amortization	455	2,029
Change due to valuation of properties at net realizabel value	57	143
Recalculation of leasing agreements	–6	–21
Tax effect above	–31	–135
<b>Net profit for the period according to IFRS</b>	<b>5,597</b>	<b>13,225</b>

<b>EFFECTS OF IFRS ON EQUITY</b>	<b>2004 1 Jan</b>	<b>2004 31 March</b>	<b>2004 31 Dec</b>
<b>Effect on equity, SEK thousand</b>			
Equity according to previous principles	37,743	45,464	51,551
Reversal of goodwill amortization		438	1,962
Change due to valuation of properties at net realizabel value	3,010	3,053	3,080
Recalculation of leasing agreements	–11	–17	–27
<b>Equity according to IFRS</b>	<b>40,741</b>	<b>48,938</b>	<b>56,566</b>

### Financial reporting

- Interim report to 30 June, 26 August 2005
- Interim report to 20 September, 26 October 2005
- Press release of results for 2005, 7 February 2006

### Information

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