



Interim Report for the Period January-March 2011

Västerås, 29 April 2011

Strong demand with good profitability

JANUARY - MARCH

- Sales SEK 155.4 (132.6) million
- Operating profit EBIT SEK 15.4 (6.8) million
- Operating margin EBIT 9.9 (5.2) %
- Net income SEK 11.1 (4.5) million
- Earnings per share SEK 1.05 (0.44)
- Cash equivalents SEK 14.3 (12.7) million

A word from the CEO

Prevas' investments in long-term structure capital in order to ensure stability and profitability in both good times and bad have been successful. Prevas is now well-equipped to meet the demands and high requirements of its customers.

Compared to the first quarter of 2010, we have noticed a definite increase in demand. Capacity utilization is good, hourly rates are increasing and our framework vendors have renewed their trust in us. The challenge facing the company this year is to meet the growing demand for our services by recruiting new employees who have the high level of expertise that Prevas requires.

Just like last year, the Industrial Systems business area is reporting strong, positive margins. This business area is strongly positioned in the market for manufacturing-related IT solutions. When industrial companies require assistance in such areas as traceability, energy savings, increasing quality and performance measurement, Prevas is the obvious cooperation partner due to its many years of experience and skilled employees. Investments that were made in 2010 have performed well. For example, our Gävle office has exceeded our expectations by expanding its customer base and achieving positive growth.

For quite some time, the Product Development business area has struggled with a relatively weak growth trend. However, a clear vision and strategy have helped bring about a positive trend in profitability. The improvement measures that were implemented in 2009 and 2010 have been successful. The Swedish and Danish management team for this business area, along with our employees, have done a great job and they have succeeded in reversing the negative trend to a very well-functioning business. Our prioritized new investments in Norway and India are progressing as planned.

The first quarter of 2011 is proof that Prevas is on the right track. Adjustments have been made to the organization and we are looking forward to helping our customers increase their competitiveness. As the market leader in embedded systems and industrial IT, we contribute by providing innovations that create growth.

Mats Åström, Deputy CEO, CFO Prevas AB



Market trends and events within the business areas

Strong growth within the Industrial Systems business area

Compared to the first quarter of 2010, the Industrial Systems business area grew by nearly 20 percent and the market outlook continues to be very good. Operating margin has remained at a good level, 11.5 percent, during the first quarter.

In the wake of the most recent difficult recession, Prevas' customers have accumulated an underlying need to improve and streamline their production processes. Areas that our customers are particularly interested in are performance measurements to increase capacity and productivity, investments in energy savings, investments to increase quality and product traceability. MES, Manufacturing Execution Systems, continues to be an increasingly important concept in the market. More and more customers are realizing that one of the most important tools for increased productivity is investments in modern, manufacturing-related IT solutions. Manufacturing Intelligence, MI, is also becoming an increasingly important concept. It is used for making quicker business decisions based on facts in real time. In these areas, Prevas is a major competitor in the markets where we are active.

Prevas works with several world-leading companies, such as ABB, Ericsson, FMC, Outokumpu, Sandvik, SSAB, Statoil, Volvo and Westinghouse.

Significantly increased operating margin for the Product Development business area

2010 was marked by strong order intake throughout most of the year for the Product Development business area. However, operating margin was still at an unsatisfactory level for the full year, which was due to restructuring of the Gothenburg business, provisions for doubtful accounts and impairment losses on fixed-price projects in Denmark. The cost structure for the business area was also slightly elevated. Gradually, each of these issues was dealt with in 2010 and for the first quarter of 2011, operating margin was 9.2 percent.

It is currently difficult to recruit engineers and Prevas has high requirements on expertise when recruiting. Nevertheless, organic growth during the first quarter was quite successful and Prevas' expects to maintain a high invoicing rate with increasing hourly fees.

More and more embedded systems are being installed in industrial and commercial products. This is an explosive trend with tremendous possibilities. During the period, Prevas also noticed the start of a new trend, i.e. an increase in customer demand for comprehensive solutions. Other good news was that three new customer projects got underway during the period, with partial delivery provided by Prevas' office in Bangalore, India. During the first quarter, Prevas renewed its framework agreements with several major customers and it has now secured framework agreements for 2011 with all of its major customers.

Prevas works with many world-leading companies, such as ABB, Atlas Copco, Bombardier, GE Healthcare, Ericsson, Maquet Critical Care, SAAB (defense), Vestas and Volvo.

Important events during the period

New offices set up in Norway

Prevas believes that there are significant growth opportunities in Norway and it has now opened its second office there, in Kongsberg. Kongsberg has become one of Norway's biggest high-tech areas, and several international companies are located there. Prevas' services, both within the area of embedded systems and industrial IT, fit in quite well there.

More orders for test systems

To strengthen competitiveness on the global market, manufacturing companies must be able to maintain short development times, cope with more product varieties and achieve a high level of quality for their smartly designed products. Thus, the path to final product must include effective testing and verification. This is a very interesting area where Prevas is strongly positioned.

Exclusive agreement with Swerea MEFOS

Prevas has signed an agreement giving us exclusive rights for 10 years to use Swerea MEFOS' FOCS-RF calculation kernel for global deliveries of furnace optimization systems. This system has helped the steel industry reduce its energy consumption by 5 to 20 percent in furnaces where the system has been installed.

Sales

JANUARY – MARCH

Sales were SEK 155.4 (132.6) million, which is an increase of 17 percent. Sales per employee increased and were SEK 357 (307) thousand. The total number of working days was 63 (62).

Income

JANUARY – MARCH

Operating profit EBIT was SEK 15.4 (6.8) million, with a corresponding operating margin of 9.9 (5.2) percent. Profit before depreciation EBITDA was SEK 18.0 (9.9) million, with a corresponding profit margin before depreciation of 11.6 (7.5) percent.

Net income was SEK 11.1 (4.5) million.

The increase in profits is primarily due to three factors. The performance improvement is primarily due to an overall improvement in capacity utilization, a slightly improved situation for hourly rates and an increase in the number of employees.

The Industrial Systems business area has continued its positive growth trend of the last few years. However, income is slightly below the level that it was last year, due to a slightly lower invoicing rate, which was the result of a relatively high rate of organic growth. With organic growth, new employees are introduced into the organization. During the period, the investment in the United Arab Emirates of SEK 1.5 million had an impact on income.

The Product Development business area has succeeded in reversing its negative trend, and it is once again a profitable business. Capacity utilization for the units belonging to this business area is good and hourly rates are increasing. The business is putting quite a bit of effort into recruiting. This results in a slightly lower invoice rate, which has a negative impact on income. During the period, there was a negative impact on income of SEK 1.3 million for start-up costs in Norway and India.

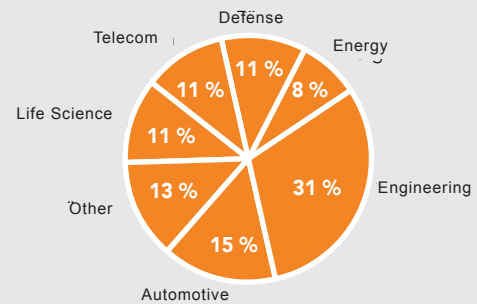
Cash flow and cash equivalents

Cash flow from continuing operations was SEK 19.2 (12.7) million for the period. At the end of the period, cash equivalents totaled SEK 14.3 (12.7) million, excluding bank overdraft facility. During the period, Prevas' amortization of loans was SEK 0.6 million.

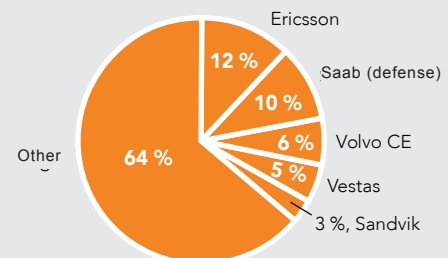
Financial position

Equity was SEK 161.4 (154.7) million at the end of the year, with a corresponding equity ratio of 52 (54) percent. Equity per share was SEK 15.86 (15.31).

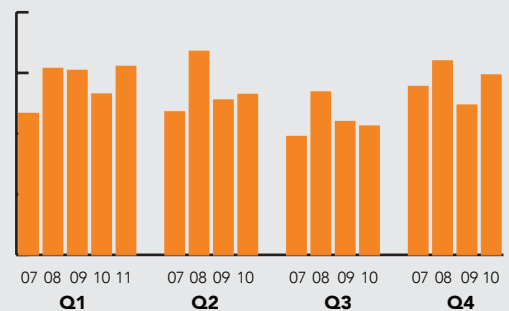
SALES PER SECTOR Q1 2011, THE GROUP



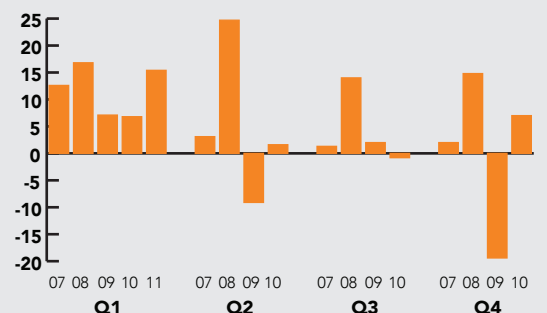
FIVE LARGEST CUSTOMERS Q1 2011, THE GROUP



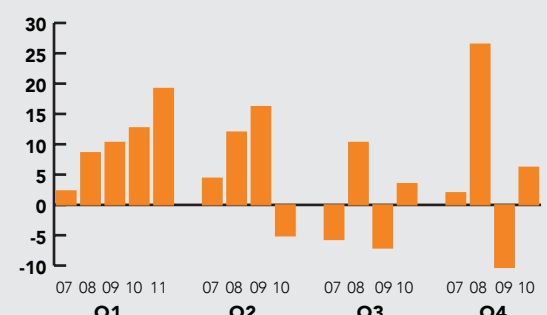
SALES PER QUARTER (MSEK), THE GROUP



EBIT PER QUARTER (MSEK), THE GROUP



CASH FLOW FROM OPERATING ACTIVITIES (MSEK), THE GROUP



Employees

During the period, the average number of employees was 435 (432), of which 283 (302) worked within the area of Product Development and 133 (112) worked in the area of Industrial Systems. In addition, there were 19 (18) employees in senior management and administrative positions.

The total number of employees at the end of the period was 501 (449), of which 12% were women.

Investments

The company made investments in fixed assets worth SEK 1.0 (0.9) million during the period. Of the total amount, SEK 0.8 (0.8) million was for machinery and equipment, while SEK 0.2 (0.1) million was for product development and intangible assets. Besides these items, goodwill decreased by SEK -0.2 (-1.4) million related to currency conversions on previous acquisitions.

Key indicators per quarter

	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Net sales, MSEK	155.4	148.3	106.2	132.3	132.6	123.5	109.9	127.7	152.1
EBIT, MSEK	15.4	7.0	-0.8	1.6	6.8	-19.4	2.0	-9.1	7.1
Operating margin, %	9.9	4.7	-0.7	1.2	5.2	-15.7	1.9	-7.2	4.7
Number of working days	63	64	66	60	62	63	66	59	62
Number of employees at the end of the period	501	456	452	449	449	497	484	492	528
Average number of employees	435	426	409	419	432	456	449	480	511
Net Sales/employee, kSEK	365	348	260	316	307	271	245	266	298
Equity Ratio, %	52	54	56	52	54	53	60	55	52
Earnings per share, SEK	1.05	0.42	-0.09	0.06	0.45	-1.43	0.13	-0.70	0.49
Equity per share, SEK	15.86	15.36	14.98	15.28	15.31	15.09	16.44	16.54	17.26

Strong business financial indicators: on-time delivery of projects

As a part of the company's quality assurance system, we constantly measure customer satisfaction, delivery reliability and warranty work. More than 90 percent of our projects are delivered on time. That figure is significantly above the industry average. That, in combination with a customer satisfaction level of 8.4 (on a scale of 1 to 10) makes Prevas highly valued by its customers.

The Parent Company

JANUARY – MARCH

Sales were SEK 126.7 (107.3) million and profit/loss after financial items was SEK 11.2 (2.6) million. During the period, the Parent Company's costs associated with setting up operations in the United Arab Emirates and India were SEK 2.1 million.

Risks and uncertainties

The Prevas Group, including the Parent Company, 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. Examples of business and market related risks are: competition and downward pressure on prices, how our customers' businesses develop, bad debt losses, risks associated with the state of the market and fluctuations in exchange/interest rates. Other risks lie in the ability to attract new employees to Prevas and retain existing employees. Prevas is the market leader for embedded systems and industrial IT. Accordingly, it is important that the company is able to attract and recruit the very best talent in the labor market.

The measures taken by the company during the last 24 months have helped improve the operational and financial risk situations.

Related party transactions

These types of transactions are reported in Note 26 of the annual report. They are primarily related to purchases and sales between companies belonging to the Group.

Accounting principles

This Interim Report was prepared in accordance with IAS 34, Interim Financial Reporting.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, as well as the Swedish Annual Accounts Act. The Parent Company's financial statements have been prepared in accordance with the Annual Accounts Act and recommendation RFR 2 Accounting for Legal Entities.

The Group applies the same accounting principles and bases of calculation as described in the 2010 Annual Report.

Stockholm, 29 April 2011
Prevas AB (publ)

Mats Åström, Deputy CEO, CFO Prevas AB

UPCOMING REPORTS

- Interim report Jan-June, 15 July 2011
- Interim report Jan-Sept, 21 October 2011
- Year-End Report for 2011, 3 February 2012

INFORMATION

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This interim report has not been examined by the Company's auditors. This is a translation of an original document in Sweden. In case of dispute, the original document should be taken as authoritative (Delårsrapport januari-mars 2011 at www.prevas.se). Or, contact the company direct.

Published on 29 April 2011, 8:30 CET. 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.

Consolidated Financial Statements

	2011 Q1	2010 Q1	2010 Full Year
SUMMARY INCOME STATEMENTS (SEK thousands)			
Net sales	155 414	132 584	519 398
Capitalized work	44	–	132
Other external costs	–39 683	–32 079	–143 314
Personnel costs	–97 735	–90 593	–348 509
Profit/loss before depreciation	18 040	9 912	27 707
Amortization/impairment of intangible assets	–1 554	–1 599	–7 745
Depreciation of property, plant and equipment	–1 085	–1 483	–5 368
EBIT	15 401	6 830	14 594
Net financial items	–266	–650	–1 838
Profit/loss before tax	15 135	6 180	12 756
Taxes	–4 006	–1 683	–3 782
Net profit (loss) for the period	11 129	4 497	8 974
Net profit (loss) for the period attributable to Parent Company's shareholders	10 595	4 448	8 402
Net profit (loss) for the period attributable to holdings without a controlling interest	534	49	572
Basic and diluted earnings per share, SEK	1.05	0.44	0.83

	2011 Q1	2010 Q1	2010 Full Year
STATEMENT OF COMPREHENSIVE INCOME in summary, kSEK			
Net profit (loss) for the period	11 129	4 497	8 974
Other comprehensive income:			
Translation differences for the period	–431	–2 329	–5 764
Total comprehensive income for the period	10 698	2 168	3 210
Comprehensive income for the period attributable to the Parent Company's owner	10 164	2 119	2 638
Comprehensive income for the period attributable to holdings without a controlling influence	534	49	572

	2011 Q1	2010 Q1	2010 Full Year
BUSINESS UNIT PERFORMANCE			
Net sales, kSEK			
Product Development	109 004	93 955	361 592
Industrial Systems	46 410	38 629	157 806
Total	155 414	132 584	519 398
EBIT, kSEK			
Product Development	10 048	340	–6 270
Industrial Systems	5 353	6 490	20 864
Total	15 401	6 830	14 594
Operating margin, %			
Product Development	9.2 %	0.4 %	–1.7 %
Industrial Systems	11.5 %	16.8 %	13.2 %
Total	9.9 %	5.2 %	2.8 %

Consolidated Financial Statements (cont.)

SUMMARY BALANCE SHEET (SEK thousands)	2011 31 March	2010 31 March	2010 31 Dec
Goodwill	110 871	108 754	111 106
Other intangible assets	10 068	18 187	11 427
Property, plant and equipment	13 064	13 872	13 394
Deferred tax assets	2 482	4 877	4 065
Current receivables	157 861	129 418	142 544
Cash Equivalents	14 295	12 687	7 488
Total assets	308 641	287 795	290 024
Equity attributable to Parent Company's owner	160 243	154 611	155 130
Equity attributable to holdings without a controlling influence	1 195	98	661
Long-term provisions	492	807	218
Deferred tax liability	10 006	8 977	9 742
Long-term interest-bearing liabilities	18 464	21 071	29 824
Current interest-bearing liabilities	4 273	4 003	4 201
Other current liabilities	113 968	98 228	90 248
Total liabilities and equity	308 641	287 795	290 024

CHANGES IN EQUITY, in summary, SEK thousands	2011 31 March	2010 31 March	2010 31 Dec
Opening balance	155 791	152 492	152 492
Total comprehensive income for the period attributable to the Parent Company's owner	10 164	2 119	2 638
Total comprehensive income for the period attributable to holdings without a controlling influence	534	49	572
Holdings without a controlling influence	–	49	89
Dividends	–5 051	–	–
Closing balance	161 438	154 709	155 791
Equity attributable to Parent Company's owner	160 243	154 611	155 130
Equity attributable to holdings without a controlling influence	1 195	98	661

Consolidated Financial Statements (cont.)

	2011 Q1	2010 Q1	2010 Full Year
CASH FLOW ANALYSIS (SEK thousands)			
Operating activities			
Profit/loss before tax	15 135	6 180	12 756
Adjustment for items not included in cash flow	3 118	2 789	13 072
Income tax paid	-1 486	-555	-934
Cash flow from operating activities before changes in working capital	16 767	8 414	24 894
Cash flow from changes in working capital			
Change in operating receivables	-15 317	-966	-14 092
Change in operating liabilities	17 732	5 255	-4 445
Cash flow from operating activities	19 182	12 703	6 357
Investing activities			
Acquisition of business and shares excl. cash equivalents	-	-	-4 022
Disposal of businesses and shares, excl. cash equivalents	-	-	40
Investments in intangible assets	-252	-20	-152
Investments in property, plant and equipment	-755	-836	-4 244
Cash flow from investing activities	-1 007	-856	-8 378
Financing activities			
Change in interest-bearing liabilities	-11 288	-10 713	-1 762
Cash flow from financing activities	-11 288	-10 713	-1 762
Cash flow for the period	6 887	1 134	-3 783
Cash equivalents at the beginning of the year	7 488	11 765	11 765
Translation difference on cash equivalents	-80	-212	-494
Cash equivalents at the end of the period	14 295	12 687	7 488
Cash flow for the period	6 887	1 134	-3 783
KEY FIGURES			
	2011 Q1	2010 Q1	2010 Full Year
Profit margin before depreciation/EBITDA	11.6 %	7.5 %	5.3 %
Operating margin/EBIT	9.9 %	5.2 %	2.8 %
Profit margin	9.7 %	4.7 %	2.5 %
<i>Number of outstanding shares at the end of the reporting period</i>			
basic and diluted	10 102	10 102	10 102
<i>Average number of outstanding shares</i>			
basic and diluted	10 102	10 102	10 102
Basic and diluted earnings per share, SEK	1.05	0.44	0.83
Equity per share, basic and diluted	15.86	15.31	15.36
Equity ratio	52 %	54 %	54 %
Return on capital employed, %	8.3 %	3.8 %	8.3 %
Return on equity, %	7.0 %	2.9 %	5.8 %
Average number of employees	435	432	421
Number of working days	63	62	252
Sales per employee, kSEK	357	307	1 234

Parent Company Financial Statements

	2011	2010	2010
	Q1	Q1	Full Year
SUMMARY INCOME STATEMENTS (SEK thousands)			
Net sales	126 708	107 264	425 688
Capitalized work	44	–	132
Other external costs	–38 226	–27 881	–128 985
Personnel costs	–74 104	–72 643	–273 258
Amortization/impairment of intangible assets	–2 553	–2 703	–12 067
Depreciation of property, plant and equipment	–514	–848	–2 785
EBIT	11 355	3 189	8 725
Profit/loss from participations in Group companies	–	–	174
Interest income and similar profit/loss items	5	156	645
Interest expenses and similar items	–191	–759	–2 163
Profit (loss) after financial items	11 169	2 586	7 381
Taxes	–2 993	–722	–2 170
Net profit (loss) for the period	8 176	1 864	5 211

	2011	2010	2010
	31 March	31 March	31 Dec
SUMMARY BALANCE SHEETS (SEK thousands)			
Intangible assets	10 045	21 575	12 345
Property, plant and equipment	3 641	4 419	3 947
Financial assets	39 108	41 677	39 964
Current receivables	137 727	104 199	117 858
Cash and cash equivalents	602	2 443	390
Total assets	191 123	174 313	174 504
Equity	79 643	73 171	76 518
Provisions	253	807	217
Long-term interest-bearing liabilities	12 100	14 300	23 340
Current interest-bearing liabilities	2 200	2 200	2 200
Other current liabilities	96 927	83 835	72 229
Total liabilities and equity	191 123	174 313	174 504
Pledged assets	65 000	65 000	65 000
Contingent Liabilities	8 090	3 123	5 871



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Prevas was founded in 1985 and is currently the Nordic leader for embedded systems and industrial IT. We are the main supplier and innovative development partner to leading companies in industries such as life science, telecommunications, vehicle, defense, energy and engineering. Prevas' foundation is based on developing intelligence in products and industrial systems. Prevas' solutions are renowned for innovation, quality assurance and reliable delivery. Offices are located in Sweden, Denmark, Norway, the United Arab Emirates and India. The company has just over 500 employees. Prevas has been listed on the NASDAQ OMX Nordic Exchange in Stockholm since 1998.