



Annual Report 2003

Contents

A summary of the year	3
OPERATIONS	
The CEO's comments	4
This is Prevas	6
Market and competition	7
Product development	8
Industrial systems	10
Products & Customer Support	12
Our employees	14
The Prevas share	16
FINANCIAL STATEMENTS	
Five year summary	18
Profit and loss per quarter	18
Key financial ratios	19
Directors' report	20
Profit and loss account	22
Balance sheet	23
Cash flow statement	25
Accounting policies	26
Notes	27
Audit report	32
Board of Directors and auditors	33
Senior management	34
Definitions	35

Annual General Meeting

The Annual General Meeting will be held on Monday, 22 March 2004 at 17.30 , at IVAs Conference centre, Axel Johnsonsalen, Grev Turegatan 16, Stockholm.

Notification etc.

To attend the AGM and be entitled to vote, the shareholder must:

- be registered in the share register
- have notified the company

Shareholders must be registered in the share register kept by Värdepapperscentralen VPC AB (VPC) (Swedish Securities Register Centre) not later than 12 March 2004. Nominee shareholders must temporarily register their shares in their own name not later than 12 March 2004. Shareholders must notify the company of their intention to attend the AGM not later than 12.00 on 16 March 2004 as follows:

- by telephone: +46 21-360 19 00, fax: +46 21-360 19 29
- by post: Prevas AB, Klockartorpsgatan 14, SE-723 44 Västerås, Sweden
- by e-mail: bolagsstamma@prevas.se.

On notification, the shareholder's name, personal identity number (corporate identity number), address and telephone number should be stated.

Change of address

Natural persons registered in Sweden need not notify VPC of a change of address. Other shareholders who have changed their address, and all shareholders who have changed their name or account number should notify the changes to their bank, etc., as soon as possible.

All nominee shareholders should notify changes of name, address and account number to the nominee as soon as possible. A special form for this purpose is available from the bank.

Dividend

The Board of Directors proposes that no dividend be issued for the financial year 2003 (no dividend issued for the previous year).

Financial reporting

Financial reporting for the financial year 2004 is planned as follows:

- Interim Report to 31 March, 29 April 2004
- Interim Report to 30 June, 26 August 2004
- Interim Report to 30 September, 28 October 2004
- Press Release of Financial Results, 8 February 2005
- Annual General Meeting, 17 March 2005

A summary of the year

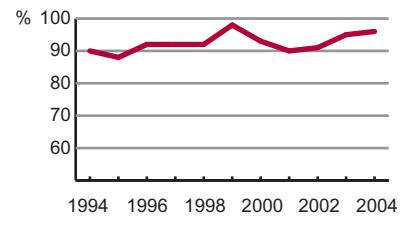
Five year summary, SEK million	2003	2002	2001	2000	1999
Net sales	176.7	184.9	234.1	237.5	232.7
Net profit/loss for the year	-15.3	-9.0	-27.6	5.5	2.3

- Turnover fell by 4 per cent in 2003 to SEK 176.7 million (184.9), mainly due to a weak Q2. Following the EMU referendum, demand fortunately rose again.
- Net loss, which was charged with restructuring costs of SEK 16.1 million, was SEK 15.3 million (-9.0).
- Pre-tax profit of SEK 5.0 million for Q4 and a profit margin of 10.8 per cent, as a result of volume adjustment and increased demand.
- Equity totalled SEK 37.7 million (53.0) at the year-end, representing an equity/assets ratio of 49 (58) per cent.
- Liquid assets totalled SEK 5.0 million (5.9) at the year-end, representing a negative cash flow of SEK 0.9 million.
- The Group's change programme "Back to the Future" was implemented in Q3. The aim was to increase the focus on sales and streamline operations. The result was a flatter organizational structure, in which the Life Science and Systems business units were wound up. As part of the continuous process of adjustment to the market, operations in Denmark and Gävle were wound up during the year.
- Prevas' competence in implementing fixed-price projects was further developed during the year into an increasingly important competitive

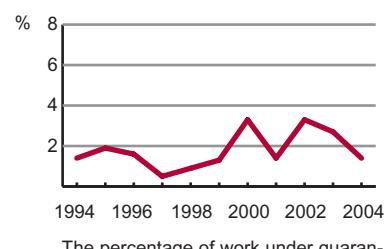
edge. The demand for fixed-price IT projects is steadily rising. Fixed-price projects accounted for 41 (33) per cent of total revenue in 2003.

- Proof of Prevas' competence in project implementation is that the company has been certified to ISO 9001 since 1992. In 2003, Prevas qualified for ISO certification under the new version of the ISO quality standard, ISO 9001:2000.
- Prevas' focus on its own traceability products in the pharmaceutical, food and electronics sectors increased during the year. During the autumn, Snitcher Food was approved by EAN Sverige as a product information system for supplying electronic movement certificates. A new version of PharmaLine, a product used for printing labels for pharmaceutical products or medical equipment, was also launched in 2003. This version complies with the new requirements of the US Food & Drug Administration (FDA, CFR 21 Part 11).
- Major orders were signed with ABB, Amersham Biosciences, AstraZeneca, Atlas Copco, Autoliv, FMV, Haldex, Nokia, Saab, Viasat and Volvo Cars.
- During the year, Prevas had framework agreements with Amersham Biosciences, Atlas Copco, Autoliv, Biacore, Bombardier, Ericsson, Flextronics, Nokia, Saab, Sandvik and Scania.

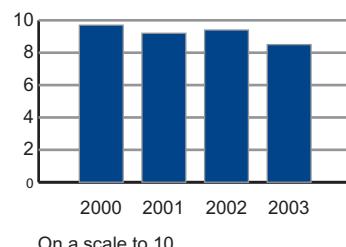
Delivery reliability



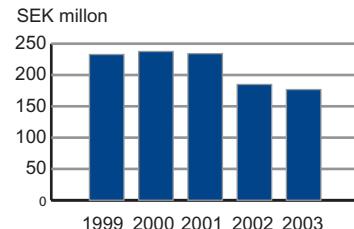
Work under guarantee



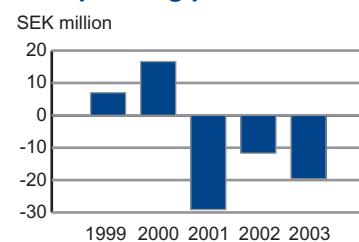
Customer satisfaction



Net sales



Operating profit/loss



Back to the Future



“

Our documented ability to deliver projects on time, with low subsequent guarantee-related costs and moreover with satisfied customers means that we are market leaders in the implementation of fixed-price projects.

My main ambition for 2003 was to return Prevas to profitability. Weak economic activity, which continued during the first part of 2003, led to a decline rather than an increase in demand from our customers. I believe that one of the contributory factors for this decline was uncertainty related to the EMU referendum in September.

Weak demand led to our implementing a change programme "Back to the Future". By taking a step back to a profitable level, the aim of the change programme was to create a firm basis for moving forward. The effects of the programme and increased customer demand resulted in our invoicing rate for Q4 reaching its highest level since 2000. Our pre-tax profit of SEK 5.0 million for Q4 and profit margin of 10.8 per cent are also proof that we are now ready to begin to move forward to the future!

Changed organizational structure, unchanged offering

In 2003, Prevas was restructured to better meet market requirements, but this has not affected our offering. We continue to offer consultancy services and products to companies that either develop products with a large IT component or need to streamline or automate their production.

We have wound up our business units and the regions now report direct to the CEO. The elimination of one management level has shortened the decision-making process and improved the conditions for internal communications. It has also minimized the proportion of employees with non-chargeable tasks. Operations in Denmark and Gävle were wound up. Overall, the changes made result in a saving of SEK 30 million per year. Restructuring costs totalling SEK 16.1 million were charged to the result for 2003.

The new organizational structure centred on our regions is well placed for 2004. The regions focus on the customer and are responsible for both sales and delivery quality. The regional directors are now members of the senior management group, creating the conditions for effective decentralized decision-making, while essential company-wide issues are dealt with by the senior management group.

Prevas - the fixed-price expert

The trend towards an increased proportion of fixed-price projects continues. The reason is that customers want to guarantee quality, while ensuring lead times and costs for their software investments in products and industrial systems. Our documented ability to deliver projects on time, with low subsequent guarantee-related costs and moreover with satisfied customers means that we are market leaders in the implementation of fixed-price projects.

- We deliver at least 90 per cent of our projects on time, 96 per cent in 2003.
- We have low guarantee-related costs, 1.4 per cent in 2003.
- We have satisfied customers, 8.5 on a scale of 1-10 in 2003.

Prevas' position as an expert in fixed-price software development means that we can look forward positively to a continued trend towards an increased proportion of fixed-price projects.

Our project implementation, certified to ISO 9001:2000, is based on well-established methodology, supported by a corporate culture in which the implementation of a fixed-price project is a keystone. Our employees are responsible for carefully specifying, phasing and managing their work by targets. This is also of equally high priority for the customer in the case of projects charged on a time basis, since Prevas has a direct impact on the "customer's pocket". Consequently, we in fact even assure the quality and cost of the customer's investment in projects charged on a time basis.

By signing customer support agreements, we ensure high availability of our products and solutions after delivery.

Demanding customers - the key to our success

In 2003, we successfully developed and strengthened collaboration with several of our customers. If the necessary conditions exist, our intention is to work to create a partner relationship, where we invest in competence and infrastructure, in order to be able to deliver even higher value added to our customer in the future. A customer with tough requirements for competence and delivery capability means that we are forced to develop

our ability to meet these requirements. Important customer orders in 2003 included:

- AstraZeneca, fixed assets register.
- ABB Robotics, product development.
- ABB Utilities, control and monitoring systems for power distribution.
- Atlas Copco, product development.
- Elcoteq, traceability products.
- Ericsson, traceability products.
- Findus, production planning.
- Getrag All Wheel Drive (formerly Volvo Cars) production system for manual gearboxes.
- IBM, data warehouse product.
- LGP Allgon, traceability products.
- LGP Allgon, production system.
- Nokia, development of set-top boxes for digital TV.
- Saab Transpondertech, product development.
- Sandvik, industrial systems.
- Solectron, traceability products.
- SydSvenska Dagbladet, materials handling system.
- Viasat, product development.
- Univeyor, management of returned crates for Arla.
- Westinghouse, production control.

“
My ambition is to continue to develop **Prevas** into one of Sweden's best IT consultancies.

Success-oriented employees

2003 was a year of upheaval for our employees. We reduced the number of employees, but also recruited new key employees to the company. As a knowledge company, in which the employees' achievements are absolutely vital for our success, we safeguard our corporate culture and ensure that it develops in the right direction. This is measured by a survey twice a year. I am very pleased to report that our culture is developing in the right direction! Over the past year, the survey's mean has risen from 3.44 to 3.59 (on a scale of 1-5). My objective

is that Prevas should be the employer of choice for employees wanting to work on software development in products and for industrial processes.

Future outlook

My assessment of the market in 2004 is that we shall see a slow improvement in economic activity. As economic activity improves, demand for our consultancy services and products will rise.

My ambition is to continue to develop Prevas into one of Sweden's best IT consultancies. For 2004, this means maintaining the profitability that we achieved in Q4 2003. We also want to expand again, even though this is of secondary importance in 2004. To achieve this, we must further strengthen our competence and sector expertise. With our understanding of customers' applications, we develop solutions with the best price/performance relationship for the customer. We shall continue to focus on consultancy services in product development and industrial systems, as well as on our traceability, testing and quality control products. Through active marketing to start-ups and financial players, we will also work to develop long-term customer relationships, preferably based on minority interests.

Stockholm, February 2004

Anders Englund
CEO Prevas
andersenglund@prevas.se

This is Prevas

Fixed-price experts in product and industrial systems software

Business concept

Prevas' project quality and applied expertise in software development assure the customer's investment.

Vision

Prevas should be one of the IT sector's most profitable companies and expand within its operating areas.

In its chosen markets, Prevas should be known as fixed-price experts and be the customer's natural choice, due to its solutions offering the best price or performance, success-oriented employees and the fact that we are easy to do business with.

Strategy

Market

- As fixed-price experts and due to its sector and technical expertise, Prevas should be one of the leading suppliers in its chosen markets.
- Sales should be generated by developing customer relationships, in order to achieve good, long-term customer relationships.
- Active marketing to start-ups and financial players, in order to create long-term customer relationships, preferably based on minority interests.
- Increased internationalization through our customers and partners.
- Image building should be based on a carefully prepared plan, in which each individual activity helps to strengthen the Prevas brand.

Processor

- Due to its world-class project implementation, documented by established performance indicators, Prevas should be the competitive, secure option for its customers in the procurement of fixed-price projects.

Employees

- Prevas should be an attractive workplace offering stimulating assignments and planned competence development.
- Prevas should offer a good work-life balance and promote a strong corporate culture, where employees enjoy going to work.
- Prevas' corporate culture should be marked by decentralized decision-making, a businesslike and responsible approach as well as quality- and cost-consciousness.
- Prevas employees should be offered a share in the company's financial success.

Finance

- Prevas should grow organically, supported by the acquisition of companies with complementary competence or customer relationships.

Prevas is a project-oriented IT consultant focused on high-quality solutions in product development and industrial systems. We combine knowledge of our customers' operations with modern software development. As a result, we offer our customers tailored and profit-enhancing IT solutions in the form of consultancy services, products and customer support.

Quality assured software development is characteristic of Prevas' offering. We have a documented unique ability to deliver IT projects on time, to the right quality and at a fixed price. In 1992, we were the first IT consultancy to be certified to ISO 9001. Since 2003, we have been certified to the new version of the standard, ISO 9001:2000. The combination of operational expertise, quality assurance and subsequent customer support services guarantees the viability and availability of deliveries. This is also reflected in the fact that we have very satisfied customers.

Consultancy services

Prevas offers consultancy services in product development and industrial systems. We increase our customers' prospects of successful product development and of streamlining their industrial systems.

Our core competence is in defining, controlling and implementing projects. These strong values have been developed thanks to our demanding customers. We have long delivered consultancy services and IT solutions to Sweden's most renowned companies. In most cases, these were mission-critical solutions and systems.

Products

Prevas offers products and systems solutions in traceability, testing and quality control for electronics, pharmaceuticals and food production.

Customer support

Prevas Customer Support offers support services for the systems, solutions and products that Prevas develops and delivers. These services may also include operating responsibility and product administration. The objective is to guarantee customers high availability of implemented investments.

Customers

Prevas has a strong customer base, both among traditional export companies and development-intensive growth companies.

The customer base is stable with a high level of repeat business. On average 92 per cent of tenders are successful. Common to all projects is very low tolerance of delivery delays and budget overruns, combined with high quality requirements.

There is a clear trend towards an increased number of fixed-price projects. Fixed-price projects accounted for 41 per cent of projects in 2003.

The five largest customers in 2003 and their percentage share of turnover were as follows:

• Ericsson	12 % (15 %)
• ABB Group	12 % (9 %)
• Amersham Biosciences	9 % (9 %)
• Volvo	8 % (5 %)
• AstraZeneca	8 % (4 %)



Market and competition

Early 2003 was marked by a continued recession. The majority of IT consultancies were again forced into rationalization measures and restructuring.

However, the end of the year was considerably more positive. Following the EMU referendum, there was a marked rise in our customers' level of activity, in the form of an increased number of both enquiries and orders. Uncertainty regarding the referendum outcome probably led to customers often choosing to postpone their new investments.

Prevas - the fixed-price experts

Prevas' core values of quality, delivery reliability and fixed-price delivery have been more important than ever in the current economic situation. Our ability to deliver more than 90 per cent of our projects on time and moreover within cost ceilings is regarded very positively. This makes us the supplier of choice when outsourcing product development or delivery of complete systems.

Consultancy services

In product development, the telecoms sector in particular has developed favourably. Prevas' partnership with Nokia in DVB (Digital Video Broadcasting) strengthened during the year. One positive effect of this development was that we received our largest ever order from a digital TV operator during the year. In industry as well, we see companies that have increased the rate of development of new products. However, the life science market shows no signs of an increased investment level.

The demand for industrial systems has been relatively favourable throughout the recession. Investments in efficiencies and cost savings in production plants are implemented continuously. The demand for industrial systems rose sharply during the second half of 2003.

	Customers	Competitions
Consultancy services	ABB, Atlas Copco, Amersham Biosciences, Ericsson, Nokia	Cybercom, Enea, HiQ, Know IT, Teleca, TietoEnator
	Arla, AstraZeneca, Pfizer, Sandvik, Scania, Volvo	Epsilon, Novotek, Semcon, WM-data, Ångpanneföreningen
Products	AstraZeneca, Dafgård, Ericsson, Flextronics, Pfizer, Sanmina-SCI, Solectron	Customer development systems, Map80 (UK)

Prevas market

Products

The market for traceability products has in general been favourable. The electronics and pharmaceutical industries have invested in quality control and traceability systems.

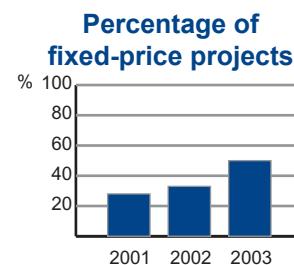
One of the latest additions to the traceability product group, Snitcher Food, was successfully taken into operation by several customers in 2003. The food industry with its motto "from earth to table" has led to a number of new enquiries from the food industry.

The market in 2004

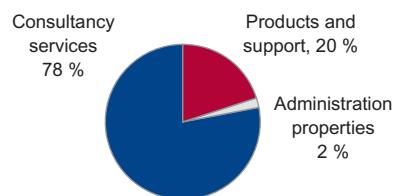
We consider that the market for consultancy services in product development will improve as economic activity increases. The exception is the life science market, where the upturn is expected to lag somewhat. The market for industrial systems will also improve in pace with the upturn but from an already favourable demand situation.

We have high expectations of a continued positive development for our products during 2004. Rising traceability requirements, particularly in the food industry, mean that our products are well positioned for continued expansion to customers worldwide.

We believe that the proportion of integrated projects in the form of fixed-price will continue to increase. Customers increasingly want the ordered functionality delivered on time and within fixed cost ceilings. Something that we, with our ability to implement profitable fixed-price projects, will be able to benefit from.



Turnover breakdown



Organisational chart



Prevas offices



Product development

For more effective research and development



Some of our customers

- ABB
- Amersham Biosciences
- Atlas Copco
- Autoliv
- Ericsson
- FMV/FOI
- Nokia
- Saab
- Sectra

What does product development mean from Prevas' perspective?

The IT and computer power element in products is rising dramatically. Ever-increasing demands are made on companies to manage software elements in the development of new products. Our expertise and quality approach increase our customers' prospects of successful product development. We also give them an opportunity to focus on their core competence.

Our market position

Prevas' product development experience ranges over a number of different segments. We have the privilege of counting a number of world-leading companies among our customers.

In product development, Prevas mainly focuses on the following sectors:

- Automotive industry
- Defence industry
- Life sciences
- Telecoms
- Engineering industry

Our customers include ABB, Amersham Biosciences, Atlas Copco, Autoliv, Ericsson, FMV/FOI, Nokia, Saab and Sectra.

Increased demand for experts

In recent years, in connection with the protracted recession, industry has striven to reduce its dependence on external competence as an economy measure. During the autumn, we saw a clear increase in demand for our services. The change noted is that interest in fixed-price projects has increased and that customers are not looking for resource consultants but for consultants with cutting-edge knowledge. The customer's new purchasing behaviour matches our profile well.

Our offering

We are an important partner to our customers in a range of product development projects.

We work on high-tech projects. Our consultancy services comprise major assignments in systems development, competence and resource consulting, and packaged integrated projects. We have the experience and high level of competence required for the development and quality assurance of advanced IT products.

Our areas of competence are embedded systems, communications, telematics and electronics development.

Experts in embedded systems

One of Prevas' areas of focus is embedded systems, where we have sound experience. Embedded systems are computers integrated into other equipment, such as home electronics, cars, industrial products, medical equipment, defence systems and the like.

An important part of embedded systems know-how is the operating system itself. From the start, we have worked with all the market-leading systems. The embedded systems market has considerable growth potential. Microsoft has realized this and today therefore offers operating systems for embedded systems with the generic name Windows

Embedded. The product series consists of Windows CE and Windows XP Embedded.

We have now focused even more intensively on this interesting growth area through further recruitment of experts in the field. Today we are among the very best in the Nordic region at developing systems around Linux and Windows Embedded. The next stage in 2004 is strategic collaboration with Microsoft in the embedded systems area.

Complete projects at fixed prices

Prevas' project methodology is well

implemented among our developers. Project methodology is regarded as an important competitive edge not only in projects where we have total responsibility, but also in projects where we strengthen the customer's competence. We often function as a natural part of the customer's development department.

In projects where we have total responsibility, we notice that customers are increasingly taking advantage of our offer to deliver at a fixed price. The advantages are obvious. Fixed-price projects are run more efficiently and reduce the customer's development cost. At the

same time, lead times can be shortened, which means that time to market for new products can be reduced.

Taking part in the development of new products, which will have a decisive impact on our customers' future revenues, entails a responsibility as a consultancy. Our customers benefit from our in-depth expertise, while our consultants receive the best possible continuing professional development by taking part in projects on the very leading edge of technology.

Customer projects



Prevas develops advanced defence systems

Saab Bofors Dynamics is a leading supplier of weapons systems to the Swedish armed forces and an important global supplier as well. Saab Bofors Dynamics is known for its advanced defence systems, which meet increasingly high precision requirements. This leading position is made possible through major investments in research and development.

Prevas has been taking part for a long time in development projects for missile systems, where we work on software development.



Prevas develops life science systems

Sectra is one of Sweden's fastest growing hi-tech companies in the IT sector. Sectra has successfully developed products on the very leading edge of development in areas such as medical systems, secure communication systems and wireless information systems.

Prevas has taken part in various development projects in the medical systems and secure communication systems business areas.

Industrial systems

For more profitable production



Some of our customers

- Arla
- AstraZeneca
- Autoliv
- Dafgård
- DN/EX
- Ericsson
- Getrag All Wheel Drive
- HalDEX
- Sandvik
- Scania
- SydSvenskan
- Volvo
- Westinghouse

What are industrial systems?

Industrial systems are computer systems, which facilitate, streamline and assure the quality of the company's production process.

Examples of systems delivered by Prevas are a cell computer that enables unmanned production in a production cell and monitoring systems to raise quality and reduce the number of rejects. Other examples are materials control systems for warehousing and driverless trucks, as well as simple hand-held computer solutions, which neatly provide direct information to production staff.

Industrial systems can most simply be described as computer systems, which exist between business systems and production equipment and which link together these worlds.

Our market position

The demands for increased efficiency to achieve profitable production are continuously raised. Fast and reliable deliveries, high quality and efficient utilization of production equipment are key factors in achieving a high level of competitiveness and a profitable production process. This can only be realized through strong IT support.

We offer IT solutions that streamline

industrial processes and production. By increasing the utilization of production equipment, we improve our customers' profitability. Our project implementation approach minimizes the loss of output otherwise usual in the roll-out of new IT solutions.

Industrial systems customers are to be found in the following sectors:

- Automotive industry
- Life sciences
- Food
- Process industry
- Telecoms
- Engineering industry

Our customers rely on us

Despite the protracted recession, many of our industrial customers have continued to invest in their own production process over the past few years, making higher demands for cost effectiveness and rapid payback on investments. We have had a good, regular inflow of orders from these customers. We regard this as proof of our competitiveness and that our competence is highly valued in the market.

Our customers are mainly Swedish export companies, often companies with a high value added in their production process.

Customers include Arla, AstraZeneca, Autoliv, Dafgård, DN/EX, Ericsson, Getrag All Wheel Drive, HalDEX, Sandvik, Scania, SydSvenskan, Volvo and Westinghouse.

Our offering

Our strategy is one of close collaboration with our customers. Our business consultants help customers to identify opportunities in the production process at an early stage. Senior consultants analyse technical solutions to identified opportunities for improvements and economies. A project team solves the technical challenges and implements cost-effective solutions. Our customer

support operations assure operation after systems installation.

We offer complete solutions in the following main areas:

Planning and ordering comprise the optimal distribution of production between different production resources as well as materials ordering. Here there are often considerable opportunities for achieving a more efficient materials flow in the production process.

We have unique expertise in internal logistics, stock management and various control systems for materials handling. We integrate different systems, equip-

ment and interfaces into total solutions. We have considerable experience of production plants with high availability and traceability requirements, particularly in the automotive, manufacturing, printing, food, pharmaceutical, electronics, wholesale and distribution sectors.

Control comprises optimal utilization of production equipment and materials. Better and faster information to the operators makes better decisions possible. The control systems relieve the operators and enable a considerably higher level of utilization of production equipment.

We can supply systems to control robotized production cells, automated warehousing and trucks, palleting, packing, sampling and testing etc.

Monitoring entails the collection and presentation of data from the production process. Here there are considerable opportunities particularly for better maintenance, quality improvements and a reduction in the number of rejects.

We can supply systems to monitor production, resource utilization and quality.

Customer projects



Prevas increases Volvo's flexibility

Volvo Personvagnar AB in Köping manufactures gearboxes, parts for all-wheel drive and axles for the Volvo Group. As from 1 January 2004, the company is called Getrag All Wheel Drive AB, as Volvo Car Corporation has outsourced these operations.

Volvo's previous computer systems lacked the flexibility required for rapid changeover to new products. Prevas' delivery system LIPS (Logistics In Production Systems) comprises computer systems that link the business systems with warehousing and production equipment. LIPS manages goods reception, detailed planning and breakdown of customer orders, materials control, control of automated warehousing and driverless trucks, control of production equipment as well as deliveries of finished products.

LIPS has provided Volvo with a system designed for rapid changeover to new products. Volvo has also signed a 24-hour customer support agreement with Prevas to assure daily operation.



Prevas modernizes Westinghouse

Westinghouse Electric manufactures fuel assemblies in its Västerås plant for delivery to nuclear power plants worldwide. An important part of the production is the manufacture of fuel rods. This was previously controlled and monitored by an old system. Prevas will supply a new Windows-based production control system. This undertaking includes order management, materials monitoring and control of production equipment. The new system will provide Westinghouse with an ultra-modern system, which is simple to further develop, maintain and much easier for operators to use.

Following approved delivery, Prevas will be responsible for a service and customer support agreement.

Products & Customer Support

We enable our customers to focus on their core business



History

Prevas Products & Customer Support originated from Prevas' acquisition of Ericsson Infotech's Shop Floor Control Division in Karlstad. In connection with the acquisition, Prevas took over the ownership of the Bartrack, Testnet95 and QSP software products, which are used globally for product traceability, test data management and quality control in electronics production.

Some of our customers

- Electronics industry - major electronics producers such as Ericsson as well as major global subcontractors of both electronics cards and complete systems, such as Elcoted, Flextronics, LGP Allgon, Sanmina-SCI and Solelectron.
- Pharmaceutical industry - major installations of PharmaLine at AstraZeneca and Pfizer.
- Producers of medical equipment - e.g. Amersham Biosciences, Becton-Dickinson and Nobel Biocare.
- Food industry - major customer installations at Dafgård and Domstein Enghav.
- Prevas Customer Support - Arla Foods, AstraZeneca, Ericsson, Westinghouse, Volvo and Whirlpool.

Products for traceability, testing and quality

In addition to the products acquired with Ericsson Infotech, the product portfolio has now been expanded to include:

- PharmaLine™ for pharmaceuticals and medical production.
- Snitcher Food® for the food industry.
- Snitcher Asset Management® for equipment traceability.

Common to all the products is that they are used for product traceability and production information management as well as being mission-critical systems for the customer.

Our market position

The market for our products was good in 2003.

Major restructuring is still taking place in electronics production. For Prevas, this has meant that the number of installations of our products has been relatively constant. New installations are being made in China and eastern Europe, while some installations have ceased in western Europe.

We have a dominant position with PharmaLine in pharmaceuticals production in Sweden. Increasing public authority requirements for suppliers of

medical equipment mean that there is growth potential in this market.

Growth in the market for traceability systems in the food sector is considerable. Enquiries from food suppliers and wholesalers rose in 2003.

Quality-assured production

Traceability requirements are increasing for manufacturing companies. Industrial customers and consumers are making higher demands for product quality. Our traceability products help to ensure quality and enable a rapid response to quality issues.

Bartrack, Testnet95 and QSP

The Bartrack, TestNet95 and QSP products are three parts of a total concept for traceability of individual electronics cards. Bartrack produces labels to meet traceability requirements. TestNet95 manages the storage and reporting of test data. QSP presents collected and manually input quality information.

Our expertise in electronics traceability and information management has also contributed to our administration of various customer-owned products in the field, i.e. we contribute with development and customer support.

PharmaLine™

The PharmaLine product is used in pharmaceuticals and medical production to ensure correct, traceable product labelling. PharmaLine is also used for printing labels, either during the production process or in connection with packing.

The product has been developed to comply with the requirements of the US FDA (Food & Drug Administration) and is run in validated plants. In 2003, the development of a new version of PharmaLine was completed, to comply with the FDA's new requirements on the use of electronic records and electronic signatures (CFR 21 Part 11).

Snitcher Food®

The Snitcher Food product, targeted at the food industry, was launched in 2003 and is a further development of PharmaLine. As well as label management, Snitcher Food provides food product information. Different players in the food chain have different information requirements. This has resulted in suppliers having a number of small systems for different tasks. New requirements make this unsustainable in the long term. Snitcher Food is based on a secure data source, which can then serve the right information to the different users.

Snitcher Asset Management®

The Snitcher Asset Management product manages traceability of plant and equipment in geographically distributed systems. The product consists of a Pocket PC-based application for barcode identification. This collects correct information about the plant and the location of equipment. Later when the Pocket PC is docked in the office, the information is transferred and supplemented in a central traceability database. This database then forms the basis for searches, e.g. in connection with necessary upgrading.

Customer support – our total approach

We work single-mindedly to give our customers the best possible support. Prevas Customer Support is an important activity, which is much appreciated by our customers. Our customer support provides our customers with high availability and security for the products and solutions delivered.

Our support is characterized by satisfied customers. The ability to understand the customer's problem and to solve issues within the agreed time has inspired enormous confidence among our customers.

Customer projects



Nobel Biocare – common global labelling system

Nobel Biocare is a world leader in dental implants, i.e. dental care products to recreate and renew damaged teeth. The head office is located in Gothenburg, with production plants in Sweden and the USA.

The production plants previously used different labelling systems. The ambition was to develop a common system for label design and printing as well as facilitating the work with subcontractors. The company also wanted to facilitate the validation of the labelling systems in accordance with the FDA's requirements. PharmaLine was chosen.

Each subcontractor has a printout module from PharmaLine, which means that they can print their labels locally, in accordance with Nobel Biocare's specification. PharmaLine has simplified and streamlined label management within the company and for subcontractors. Nobel Biocare has also sought Prevas' help with its validation. Nobel Biocare has signed a 24-hour customer support agreement.



Domstein Enghav – traceability requirements in the food industry

Domstein Enghav Sverige AB in Kungshamn is a leading supplier of frozen seafood and refrigerated roe products in the Nordic region. Prevas came into contact with Domstein Enghav in 2002, when the company was discussing replacing its existing labelling system. Prevas received an order for a pilot study. In connection with this pilot study, the customer was looking to reduce the large number of systems within the company. The management of user interfaces with a number of different systems meant that there was no time to update all the systems, an unsustainable situation in connection with new traceability requirements.

The solution was Prevas Snitcher Food. Today all product information is only updated in one place through Snitcher Food's user interface, a concept that proved to be right. Before 1 January 2004, large wholesalers and trading companies were required to introduce management of movement certificates for food retailing through EDI as well as management of new bar codes for pallet labelling (SSCC codes). The necessary information was already held in Snitcher Food's database.

Domstein Enghav has signed a customer support agreement.

Our employees

*Committed, highly educated, experienced, reliable,
quality conscious and positive*



We are a knowledge company, which means that our employees and their profile are an important aspect of our company. Curiosity about new technology and new solutions are an integral part of our everyday life, both in re-using and creating new solutions.

Prevas' corporate culture

Another important aspect, particularly in a service company, is the corporate culture guiding and directing our actions and decision-making in everyday activities. At Prevas, we have tried to summarize our culture in five core values: technical expertise, quality, empowerment, profitability and family values.

In the employee survey, employees are asked how they experience our core values in their daily work. In this way, we can see how well we are achieving these values and how this changes over time. We can also see how we can further improve employee well-being and our quality approach. Following this year's survey, we are pleased to see an increase in the results for how our employees experience our core values.

Before their first working day, new employees receive an induction pack, in which we describe our core values and give a thorough presentation of our organization. If required, special induction days are also held, where new employees have an opportunity to meet the whole Prevas' management.

Technical expertise driven by curiosity

We want to be a leader in the areas in which we operate. This means that we often carry out cutting-edge development projects, requiring a sound education and considerable knowledge of the customers' business. Approximately 90 per cent of all Prevas' IT consultants are graduates, of whom the great majority are graduate engineers. Moreover, the majority of employees have many years'



experience in our operating areas.

Curiosity about new technology and new solutions are an important part of our everyday life. In order to maintain competitiveness and a high competence profile, we offer interesting projects at the leading edge of technology and a flexible organization.

Processes that function

100 per cent

Since 1992, our working methods have been certified to ISO 9001 and have now qualified for the new version of the ISO quality standard, ISO 9001:2000.

Our ability to deliver projects on time, to the right quality and at a fixed price has created great confidence among our customers. Our recipe for achieving this is a process-oriented way of working with a well-developed, pragmatic project model that everyone complies with. The project model is based on orderly project implementation and sound resource planning to minimize overtime. Our procedures, project models and directives are easily accessible to all employees via our intranet. Quality management is a natural part of our daily activities.

Participation

The opportunity to carry out projects from pilot study to implementation and to work in project teams makes for committed and stimulated employees. Moreover, the implementation of the majority of assignments in our own offices increases the sense of togetherness, strengthening Prevas' corporate culture.

Our employees are able to take the decisions required in their work without being hampered by long decision-making processes or complicated administration. In order to realize this, we have created a flat organizational structure with few formal levels.

Various share ownership schemes have been launched to create long-term motivation and all employees have been

offered staff options.

Continuing professional development

Continuing professional development (CPD) is fundamental in a knowledge company like Prevas. Apart from CPD linked to specific projects, career development discussions are carried out at least once a year for each employee. These discussions take place between line manager and employee. The line manager has the task of making the best use of the employee's ability and stimulating his/her career development. At the same time, each individual employee is responsible for raising his/her level of competence.

In 2003, a leadership training programme, targeted primarily at our senior executives, was implemented to develop leadership at Prevas.

Profitability

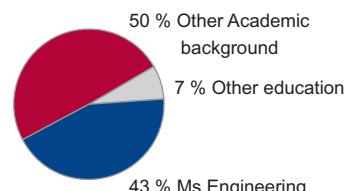
A profitable business is a prerequisite for secure, enjoyable employment, creating opportunities for both the individual and the company to develop.

Health and equal opportunities

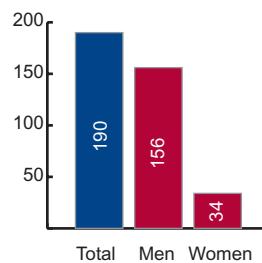
In order to avoid the modern problems of stress and burnout, we try to create a positive social community both at work and outside work. Our employees should be able to achieve a good work-life balance. In practice, this means, for example, that overtime is the exception. We also try to offer individual employment and project terms. There is even an opportunity for our employees to take part in various leisure activities.

Our ambition is to increase the proportion of female employees, which was 18 per cent at the year-end 2003. We, of course, have a well-developed equal opportunities plan, which emphasizes that working conditions should be suitable for both men and women.

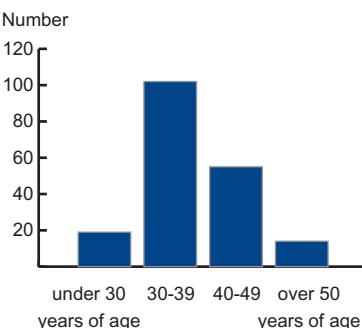
Competence profil



Number of employees, 31 Dec 2003



Age distribution



Prevas' core values



The Prevas share

Share capital

Registered share capital amounted to SEK19,456,500 at the year-end, represented by 7,782,600 shares, par value SEK 2.50 each. Of these, 820,160 were Class A shares and 6,962,440 Class B shares.

Each share has an equal right to the company's assets and profit. Class A shares carry 10 votes at the Annual General Meeting and Class B shares one vote.

At the Annual General Meeting on 20 March 2003, as at the previous Annual General Meeting, the Board of Directors was authorized to pass a resolution on a new share issue without reference to existing shareholders' preferential rights. The authorization was for a maximum of 750,000 Class B shares and was intended to be used in connection with company acquisitions, or alternatively to increase the list of shareholders by one or more shareholders of strategic impor-

tance. During the financial year 2003, the Board did not utilize this authorization.

Share option scheme

At the Annual General Meeting on 20 March 2002, a share option scheme was approved, with a total of 375,000 staff options targeted at all Prevas' employees and an additional 125,000 other options.

In case of full utilization, the scheme entails a 6.4 per cent dilution of share capital. Each staff option entitles the holder to acquire one new Class B share in Prevas during the period 15 May 2003 to 30 April 2009. The issue price is SEK 15 per share, based on the average price paid in the period 6–19 March 2002.

The aim of the scheme is to create broad involvement in the company's earnings trend and thus facilitate both the retention of competent employees and the recruitment of new employees.

Dividend

The Board of Directors proposes no dividend for the financial year 2003, as in the previous year. The Board's proposal is based on Prevas' dividend policy, under which approximately one-half of net profit is to be distributed to shareholders.

Profit-sharing scheme

At the Annual General Meeting on 20 March 2003, a resolution was adopted on a profit-sharing scheme for 2003 to include all Prevas' employees. Profit sharing amounts to one-third of Prevas' full-year profit after tax and after a reasonable return to shareholders.

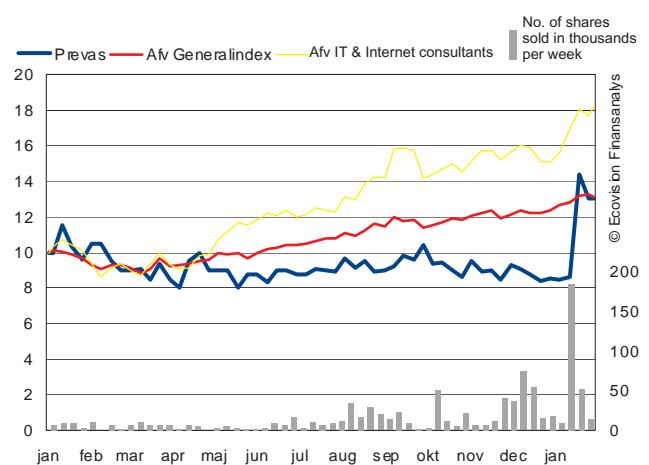
As Prevas reports a loss for the full-year 2003, the profit-sharing scheme has no outcome.

Shareholders	No. of A shares	No. of B shares	Total no. of shares	Percentage of share capital %	Percentage of votes %
Göran Lundin with family	400,000	2,842,340	3,242,340	41.7	45.1
Per Lysholt	100,000	310,800	410,800	5.3	8.6
Björn Andersson	100,000	208,000	308,000	4.0	8.0
Länsförsäkringar Bergslagen	–	794,100	794,100	10.2	5.2
Stieg Westin including company	64,000	49,000	113,000	1.5	4.5
Mats Björkelund	65,280	24,000	89,280	1.1	4.5
Kerstin Danielsson	32,000	–	32,000	0.4	2.1
Anders Hallqvist	22,400	3,200	25,600	0.3	1.5
Lars Sjöström	10,880	2,400	13,280	0.2	0.7
Skogby & Åberg AB	–	86,600	86,600	1.1	0.6
Other shareholders	25,600	2,642,000	2,667,600	34.3	19.1
Total	820,160	6,962,440	7,782,600	100.0	100.0

Per share data	2003	2002	2001	2000	1999
KEY RATIOS					
Earnings per share after tax (SEK)	-1.97	-1.19	-3.64	0.72	0.30
Equity per share (SEK)	4.85	6.81	7.76	11.91	10.85
Dividend per share (SEK)	-*	-	-	0.50	-

* Proposed dividend

Distribution of shares	No. of share-holders	No. of shares	Percentage
Shareholdings on 31-12-2003			
1–500	2,547	485,255	6.2
501–1,000	487	390,498	5.0
1,001–2,000	193	329,596	4.2
2,001–5,000	164	567,652	7.3
5,001–10,000	43	324,469	4.2
10,001–20,000	20	296,710	3.8
20,001–50,000	9	293,500	3.8
50,001–100,000	3	226,680	2.9
100,001–	8	4,868,240	62.6
Total	3,474	7,782,600	100



Number of shares and votes, type of shares	No. of shares	No. of votes	Percentage of shares, %	Percentage of votes, %
A non-restricted	820,160	8,201,600	10.5	54.1
B non-restricted	6,962,440	6,962,440	89.5	45.9
Total	7,782,600	15,164,040	100.0	100.0

Share price-related data	2003	2002	2001
Share price at year-end (SEK)	8.50	9.50	16.20
Average number of sold shares per day	2,747	6,937	9,045

Five year summary

Summary profit and loss accounts, SEK million	2003	2002	2001	2000	1999
Operating income	176.7	184.9	234.1	237.5	232.7
Operating expenses	-187.7	-190.1	-231.1	-209.8	-214.6
Depreciation tangible assets	-4.9	-4.6	-4.9	-3.3	-4.6
Goodwill amortisation and write-down	-3.7	-1.9	-25.2	-5.7	-6.5
Items affecting comparability *	-	-	-2.0	-2.2	-
Operating profit/loss	-19.6	-11.7	-29.1	16.6	7.0
Net financial income/expense	0.2	0.6	0.2	-0.7	-1.0
Profit/loss after financial items	-19.4	-11.1	-28.9	15.9	5.9
Tax	4.1	2.1	1.4	-10.4	-3.6
Net profit/loss for the year	-15.3	-9.0	-27.6	5.5	2.3

* For 2000, the capital gain/loss and the operating profit/loss up to the transfer of Prevas Engineering are reported as an item affecting comparability.

Summary balance sheets, SEK million	2003	2002	2001	2000	1999
Tangible assets	26.2	29.9	33.4	33.3	43.0
Intangible assets	10.6	13.4	10.6	35.8	55.0
Financial assets	0.3	0.3	0.0	0.0	0.0
Current receivables	34.9	41.9	50.7	62.0	58.9
Liquid assets incl. short-term investments	5.0	5.9	4.1	18.9	8.0
Total assets	77.1	91.4	98.8	150.1	164.9
Equity	37.7	53.0	58.8	90.2	82.2
Provisions	4.5	8.6	10.9	11.1	20.0
Interest-bearing liabilities	0.0	0.0	0.0	12.0	30.2
Non interest-bearing liabilities	34.8	29.8	29.1	36.8	32.6
Total equity, provisions and liabilities	77.1	91.4	98.8	150.1	164.9

Profit and loss per quarter

Profit/loss accounts per quarter, SEK million	2003	2003	2003	2003	2002	2002	2002	2002
	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Operating income	46.5	36.7	44.2	49.2	48.0	36.3	53.0	47.6
Raw materials and consumables	-0.6	-0.3	-0.6	-0.2	-0.8	-0.4	-1.3	-0.3
Other external expenses	-6.4	-8.7	-7.6	-7.8	-10.0	-7.4	-7.5	-11.8
Staff costs	-32.7	-40.9	-42.7	-39.0	-41.7	-29.9	-37.1	-42.0
Depreciation tangible assets	-1.3	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.2
Goodwill amortisation and write-down	-0.5	-2.0	-0.6	-0.6	-0.6	-0.4	-0.4	-0.4
Operating profit/loss	5.0	-16.4	-8.5	0.4	-6.3	-2.9	5.6	-8.1
Net financial income/expense	0.0	0.0	0.1	0.1	0.1	0.3	0.1	0.1
Profit/loss after financial items	5.0	-16.4	-8.4	0.5	-6.2	-2.6	5.7	-8.0
Operating margin, %	10.7	-44.8	-19.3	0.8	-13.2	-7.9	10.5	-16.9
Profit margin, %	10.8	-44.7	-19.1	0.9	-13.0	-7.1	10.7	-16.8

Key financial ratios

Key financial ratios	2003	2002	2001	2000	1999
MARGINS					
Gross margin, %	-6.2	-2.8	1.3	11.7	7.8
Operating margin, %	-11.1	-6.3	-12.4	7.0	3.0
Profit margin, %	-11.0	-6.0	-12.4	6.7	2.6
RETURN					
Return on operating capital, %	-48.8	-23.0	-42.2	15.0	6.3
Return on capital employed, %	-37.3	-16.8	-33.9	15.4	5.2
Return on equity, %	-33.7	-19.9	-37.0	6.3	2.7
CAPITAL STRUCTURE					
Operating capital, SEK million	33.2	47.1	54.7	83.3	104.3
Capital employed, SEK million	42.2	61.7	69.6	102.2	112.4
Equity, SEK million	37.7	53.0	58.8	90.2	82.2
Net interest-bearing liabilities, SEK million	-5.0	-5.9	-4.1	-6.9	22.1
Net debt/equity ratio	-0.13	-0.11	-0.07	-0.08	0.3
Equity/assets ratio, %	49.0	58.0	59.5	60.1	49.8
Percentage of risk-bearing capital, %	54.3	67.5	70.0	67.0	56.0
CASH FLOW AND LIQUIDITY					
Cash flow before investments, SEK million	1.2	5.8	6.0	24.9	23.9
Liquid assets, SEK million	5.0	5.9	4.1	18.9	8.0
EMPLOYEES					
No. of employees at year-end	190	237	251	285	277
Average number of employees	204	216	276	249	240
Turnover per employee, SEK thousand	866	856	848	954	970
PER SHARE DATA					
Average number of shares, thousand	7,783	7,626	7,574	7,574	7,574
Number of shares at year-end	7,783	7,783	7,574	7,574	7,574
Number of shares at year-end including full subscription of issued options	8,475	8,475	8,266	7,766	7,574
Earnings per share after tax, SEK	-1.97	-1.19	-3.64	0.72	0.30
Earnings per share after tax, SEK including options *	-1.97	-1.19	-3.64	0.72	0.30
Equity per share	4.85	6.81	7.76	11.91	10.85
Equity per share including options *	5.46	7.31	11.18	11.91	10.85

Definitions of key ratios can be found on page 35.

* The calculations for key ratios do not include options (192,700) with strike price of SEK 194.

Directors' report

The Board of Directors and the Chief Executive Officer of Prevas AB (publ), corporate identity number 556252-1384 with registered office in Stockholm, hereby submit the annual accounts and the consolidated accounts for the operations of the parent company and the Group for the financial year 2003.

Group structure

The parent company Prevas AB is a project-oriented, hi-tech IT consultancy. The company carries on operations in two areas: consultancy services and products and customer support. In the consultancy services operating area, the company's consultants develop product software and IT solutions to streamline industrial processes. The products and customer support area offers products and systems solutions in traceability, testing and quality control as well as a wide range of support services for the products and systems delivered by the company.

Operations are carried on in Gothenburg, Karlstad, Linköping, Lund, Stockholm, Uppsala and Västerås. The wholly-owned Danish subsidiary Prevas Bioinformatics A/S is being wound up.

Property management operations are also carried on through subsidiaries. Operations consist of letting industrial premises in Gothenburg and Västerås. It has been decided to wind up the business.

Important events in 2003

- As part of the continuous process of adjustment to the market, the operations of Prevas AB's Danish subsidiary, Prevas Bioinformatics A/S, were wound up during the year. The Danish market will be covered from Sweden in future. Operations at Prevas' regional office in Gävle were also wound up during the year.
- The Group's change programme "Back to the Future" was implemented in Q3. The aim was to increase the focus on sales and streamline operations. The result was a flatter organizational structure, in which the Life Science and Systems business units were wound up. The impact of the restructuring was already evident in Q4, when the Group reported a sharp improvement in result and a profit margin of 10.8 per cent.

- Prevas' competence in implementing fixed-price projects continued to develop during the year and constitutes a major competitive edge, as the demand for fixed-price IT projects is steadily rising. Further proof of Prevas' competence in project implementation is that the company has been certified to ISO 9001 since 1992.

In 2003, Prevas qualified for renewed ISO certification under the new version of the ISO quality standard, ISO 9001: 2000.

- Major orders were signed with ABB, Amersham Biosciences, AstraZeneca, Atlas Copco, Autoliv, FMV, Haldex, Nokia, Saab, Viasat and Volvo Cars during the year.
- During 2003, Prevas had framework agreements with Amersham Biosciences, Atlas Copco, Autoliv, Biacore, Bombardier, Ericsson, Flextronics, Nokia, Saab, Sandvik and Scania.

Research and development

Prevas' focus on its own products for traceability in the pharmaceutical, food and electronics sectors increased during the year. One example of this focus is Snitcher Food, which was launched in 2003 and approved by EAN Sverige during the autumn as a product information system for supplying electronic movement certificates. Another example was the launch of a new version of PharmaLine, a product used for printing labels for pharmaceuticals and medical equipment. The new version complies with the new requirements of the US FDA (Food & Drug Administration) on the use of electronic records and electronic signatures (CFR 21 Part 11).

Events after the financial year-end

In January 2004, the shares in one of the Group's two property management subsidiaries, Prevas Fastighets i Göteborg AB, were sold. The sale will result in a positive cash flow of approximately SEK 9 million in Q1 2004 and a profit after tax of approximately SEK 2 million.

Tender outcome

Prevas has a stable customer base and a very high level of repeat business. During the

year, 92 (84) per cent of orders went to Prevas and 8 (16) per cent to a competitor.

Invoicing rate and turnover

As a result of the restructuring in Q3 and the rising demand for fixed-price IT projects, the invoicing rate for the full year rose to 62 (58) per cent.

The invoicing rate, which is one of Prevas' performance indicators, is measured as the number of hours invoiced divided by the total hours used in the company.

All employees in consulting operations, including management and administration, are included in the measurement.

Turnover per employee was SEK 866 thousand (856).

Assignment distribution

During the year, 41 (33) per cent of consultancy assignments were charged on a fixed-price basis and 59 (67) per cent on a time basis.

Employees

The adjusted number of employees was 169 (220) at the year-end, down 23 per cent.

During the year, 21 new employees joined the company and staff turnover was 12 per cent. Female employees accounted for 18 (18) per cent of the workforce at the year-end.

Net sales and results

Net sales fell by 5 per cent during the year to SEK 175.8 million (184.9). The decline was mainly attributable to a weak Q2. Following the EMU referendum, demand fortunately rose again. The number of working days was 249 (250). The operating loss, which was charged with restructuring costs of SEK 16.1 million (6.4), was SEK 19.6 million (-11.7). The operating margin was -11.1 (-6.3) per cent.

Depreciation totalled SEK 8.6 million (6.5), of which SEK 3.7 million (1.9) related to goodwill amortization and write-down. Net financial income/expense amounted to SEK 0.2 million (0.6). Loss after financial items was SEK 19.4 million (-11.1), representing a margin of -11 (-6) per cent.

Net loss was SEK 15.3 million (-9). Earnings per share after tax were SEK -1.97 (-1.19).

Financial position

Equity totalled SEK 37.7 million (53.0) at the year-end, representing an equity/assets ratio of 49 (58) per cent. The return on equity was -33.7 (-19.9) per cent. Liquid assets totalled SEK 5.0 million (5.9) at the year-end, representing a negative cash flow of SEK 0.9 million. Cash flow was considerably better than the company's earnings mainly due to very active cash management. The limited investments relative to depreciation and write-downs as well as the fact that part of the restructuring costs will not be charged to cash flow until 2004 were also contributory factors.

The Group's two industrial properties are free of charges.

Investments

Group net investments during the year totalled SEK 2.2 million (3.1), of which SEK 1.3 million related to machinery and equipment and SEK 0.9 million to product development.

Currency exposure

A very small part of the Group's invoicing is in foreign currency and the Group's currency exposure is therefore negligible.

Work of the Board

During the financial year 2003, seven minuted board meetings were held. The Board works in accordance with rules of procedure, which regulate the Board's duties, including the number of ordinary board meetings and the obligatory matters to be dealt with at these meetings. Special terms of reference regulate the division of duties between the Board and the Chief Executive Officer.

The Board has also laid down terms of reference for financial reporting. The company's auditors shall report annually on the audit carried out and give an opinion on the internal control.

The Board appoints a nomination committee for the Annual General Meeting. For the 2004 Annual General Meeting, this comprises Jan Karlsson (Länsförsäkringar Bergslagen, external), Claes Dinkelspiel and Göran Lundin.

Furthermore, there is a remuneration committee with the task of approving and supervising the company's incentive schemes. The committee comprises Torbjörn Ek, Bernt

Ericson and Göran Lundin, and is charged by the Board with reviewing and approving the salaries and remuneration of the CEO and the other senior executives.

Finally, there is an audit committee with the task of preparing for the election of auditors and supervising the company's internal control and accounting policies. The committee comprises Göran Lundin and Stieg Westin.

Changeover to IFRS

As from the financial year 2005, Prevas will prepare its consolidated accounts in accordance with International Financial Reporting Standards (IFRS). At least one comparative year should also be presented in accordance with IFRS.

Prevas has (together with external accounting experts) assessed the present differences between current Swedish regulations and IFRS and the possible effects that the changeover may have on the Group's financial reports. The assessment also took into account proposed changes to both current IFRS regulations and those expected to be adopted by the International Accounting Standards Board (IASB) in Q1 2004.

Since Swedish accounting regulations in most areas comply relatively well with existing IFRS, we consider that the effects on Prevas' financial reports will not be significant. However, it may be noted that a proposed change in IFRS means that goodwill will not be amortized in future. Instead the need to write down goodwill will be reviewed annually. It may also be noted that a proposed change in IFRS means that assets, which are intended to be sold in the immediate future, are to be disclosed. Furthermore, IFRS has strict requirements for component depreciation of tangible assets. In connection with the changeover to IFRS, it may be appropriate to reclassify part of goodwill as capitalized development expenditure. The above differences may have effects on Prevas.

Future prospects, risks and opportunities

Prevas' market offering comprises consultancy services and products. Consultancy services are provided to companies that develop products with a large IT component or need to streamline or automate their operations.

The demand for software in products, including embedded systems, is linked to economic activity. An improvement in the economic situation leads to increased demand for product development and thus increased demand for Prevas' services. The company considers that demand for product development will rise gradually during 2004.

The demand for industrial systems, i.e. IT solutions to streamline and automate production, was favourable in 2003. Moreover, an increase in enquiries in this area was noted during the autumn. Demand is forecast to continue to be favourable during 2004.

Prevas offers software products to manage customers' traceability requirements in the production of pharmaceuticals, food and electronics. Demand has so far proved to be relatively non-cyclical. The company considers that demand will continue to rise during 2004. The increase in demand is partly a result of targeting a larger geographical market, but also of launching new products in the portfolio.

Proposal to deal with the company's loss

The accumulated deficit in the parent company amounts to:

Profit/loss brought forward	1,800,258 SEK
Net loss for the year	-15,331,032 SEK
Total	-13,530,774 SEK

The Board of Directors and the Chief Executive Officer propose that the share premium reserve is reduced by an amount equivalent to the accumulated deficit of SEK 13,530,774. No transfers to restricted reserves are proposed in subsidiaries of Prevas AB.

Profit and loss account

Operating income, SEK thousand	Note	Group		Parent Company	
		2003	2002	2003	2002
Net sales	1	175,774	184,864	172,452	177,694
Activated work on own behalf		912		912	
Operating expenses					
Raw materials and consumables		-1,735	-2,798	-1,735	-2,780
Other external expenses		-30,638	-36,652	-31,314	-37,270
Staff costs	2	-155,299	-150,642	-153,221	-143,736
Depreciation tangible assets	8,9	-4,919	-4,573	-3,744	-3,360
Goodwill amortisation	6	-2,192	-1,897	-238	-238
Goodwill write-down	6	-1,500	-	-	-
Total operating expenses		-196,283	-196,562	-190,252	-187,384
Operating profit/loss	1	-19,597	-11,698	-16,888	-9,690
Profit/loss from financial investments					
Profit from participations in group companies	3			-5,869	-2,493
Interest income and similar profit/loss items	4	343	639	255	553
Interest expenses		-104	-82	-34	-26
Total financial items		239	557	-5,648	-1,966
Profit/loss after financial items		-19,358	-11,141	-22,536	-11,656
Appropriations				3,676	6,257
Profit/loss before tax		-19,358	-11,141	-18,860	-5,399
Tax on profit for the year	5	4,063	2,102	3,529	700
Net profit/loss for the year		-15,295	-9,039	-15,331	-4,699

Operating margin, %	-11.1	-6.3	-9.7	-5.5
Profit/loss margin, %	-11.0	-6.0	-13.0	-6.6
Earnings per share after tax, SEK	-1.97	-1.19		
Earnings per share including options, SEK	-1.97	-1.19		
Equity per share, SEK	4.85	6.81		
Equity per share including options, SEK	5.46	7.31		

Average number of shares presents on page 19.

Balance sheet

Assets, SEK thousand	Note	Group		Parent Company		
		2003	2002	2003	2002	
<i>Fixed assets</i>						
INTANGIBLE ASSETS						
Goodwill	6	9,727	13,420	1,188	1,426	
Capitalized expenses for development work	7	912	–	912	–	
Total		10,639	13,420	2,100	1,426	
TANGIBLE ASSETS						
Equipment	8	5,631	8,184	5,599	7,709	
Buildings and land	9	20,600	21,708	–	–	
Total		26,231	29,892	5,599	7,709	
FINANCIAL ASSETS						
Participations in group companies	10			45,132	49,291	
Other long-term receivables	11	321	321	2,929	100	
Total		321	321	48,061	49,391	
Total fixed assets		37,191	43,633	55,760	58,526	
<i>Current assets</i>						
CURRENT RECEIVABLES						
Trade debtors		22,341	30,772	21,992	28,823	
Receivables from group companies				4,404	6,638	
Other receivables		494	1,427	44	243	
Prepaid expenses and accrued income	12	12,038	9,694	12,037	8,498	
Total current receivables		34,873	41,893	38,477	44,202	
Cash and bank balances	13	4,991	5,912	4,775	4,973	
Total		4,991	5,912	4,775	4,973	
Total current assets		39,864	47,805	43,252	49,175	
TOTAL ASSETS		77,055	91,438	99,012	107,701	

Balance sheet

Equity, provisions and liabilities, SEK thousand	Note	Group		Parent Company	
		2003	2002	2003	2002
<i>Equity</i>	14				
RESTRICTED EQUITY					
Share capital (7,782,600 shares, par value SEK 2.50 each)		19,456	19,456	19,456	19,456
Share premium reserve		23,470	40,629	20,770	37,929
Other restricted reserve		13,673	16,322	3,507	3,507
Total		56,599	76,407	43,733	60,892
NON-RESTRICTED EQUITY					
Profit/loss brought forward		-3,562	-14,330	1,800	-12,459
Net profit/loss for the year		-15,295	-9,039	-15,331	-4,699
Total		-18,857	-23,369	-13,531	-17,158
Total equity		37,743	53,038	30,202	43,734
<i>Untaxed reserves</i>	15			13,595	17,271
PROVISIONS					
Provisions for taxation		4,060	8,128	-	-
Other provisions		440	521	440	520
Total		4,500	8,649	440	520
CURRENT LIABILITIES					
Trade creditors		4,867	5,493	4,838	5,367
Liabilities to group companies				20,597	20,792
Other liabilities		6,639	7,743	6,606	6,328
Accrued expenses and deferred income	17	23,306	16,515	22,734	13,689
Total current liabilities		34,812	29,751	54,775	46,176
TOTAL EQUITY AND LIABILITIES		77,055	91,438	99,012	107,701
Pledged assets	18	79,610	83,415	56,777	57,612
Contingent liabilities	18	3,834	2,536	3,834	2,442

Change in equity

Change in equity, SEK thousand		Group		Parent Company	
		2003	2002	2003	2002
Opening balance		53,038	58,798	43,734	43,394
New share issue			3,239		3,239
Translation difference			40		
Group contribution received				2,500	2,500
Tax effect on paid group contribution				-700	-700
Net profit/loss for the year		-15,295	-9,039	-15,331	-4,699
Closing equity		37,743	53,038	30,202	43,734

In Note 14 on page 31, the reconciliation between the opening and closing balance for the different sub-components of equity is shown.

Cash flow statement

	Group		Parent Company	
Ordinary activities, SEK thousand	2003	2002	2003	2002
Operating profit/loss	-19,597	-11,698	-16,888	-9,690
Depreciation and write-down	8,612	6,470	3,982	3,598
Provisions etc.	-81	-190	-81	-230
Interest received	239	557	221	527
Tax repaid/paid	721	748	359	803
Cash flow from ordinary activities before changes in working capital	-10,106	-4,113	-12,407	-4,992
CHANGE IN WORKING CAPITAL				
Change in current receivables	6,294	12,560	3,675	9,446
Change in current liabilities	5,061	-2,580	8,580	-1,736
Cash flow from ordinary liabilities	1,249	5,867	-152	2,718
INVESTMENT ACTIVITIES				
Investment in subsidiaries *	-	-2,161	-	-3,386
Net investment in intangible assets	-912	-	-912	-
Net investment in tangible assets	-1,258	-913	-1,634	-797
Cash flow from investment activities	-2,170	-3,074	-2,546	-4,183
FINANCING ACTIVITIES				
Amortisation (-) increase (+) of dept	-	-1,017	-	-
Group contributions received			2,500	2,500
Cash flow from financing activities	0	-1,017	2,500	2,500
Net cash flow for the year	-921	1,776	-198	1,035
Liquid assets on 1 January 2003	5,912	4,136	4,973	3,938
Liquid assets on 31 December 2003	4,991	5,912	4,775	4,973
Change	-921	1,776	-198	1,035

* Investment in subsidiaries

Value of acquired companies' assets and liabilities, each according to the following:

Group	2002
Tangible assets	302
Current receivables	4,746
Long-term liabilities	-1,017
Provisions	-110
Other current liabilities	-3,189
Subtotal	732
Goodwill	4,668
Purchase sum	-5,400
Non-cash issue	3,239
Effect on liquid asset of group	-2,161
Parent Company	2002
Cash paid purchase sum on acquisition of subsidiaries	-2,161
New share issue in subsidiaries	-1,225
Effect on liquid assets of parent company	-3,386

Accounting policies

Accounting policies

The Prevas Group complies with the Swedish Financial Accounting Standards Council's recommendations, the emerging issues task force statements and the Annual Accounts Act. Of the recommendations that came into force in 2003, adjustment has been made to comply with RR 22, RR 24, RR 25, RR 26 and RR 27, which are applicable to the Prevas Group's operations. This adjustment has not had any impact on the Group's performance and financial position, but has solely affected the content and formulation of the financial reports.

Consolidated accounts

The consolidated accounts comprise Prevas AB (publ) and subsidiaries. A subsidiary is defined as a legal entity in which Prevas AB directly or indirectly holds more than 50 per cent of the voting rights or otherwise has a controlling influence on the company.

The consolidated accounts have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 1: 00 using the acquisition method of accounting. This means that the assets and liabilities of subsidiaries acquired are shown at their market value as per an acquisition analysis.

If the acquisition value of shares in a subsidiary exceeds the estimated market value of the company's net assets as per the acquisition analysis, the difference amounts to group goodwill, which is amortized over its estimated economic life. Only earnings arising after the acquisition date are included in consolidated equity.

The results of companies acquired during the year are included in the consolidated accounts as from the acquisition date. The results of subsidiaries sold are included in the consolidated accounts up to the disposal date.

The financial statements of the foreign subsidiary are translated to Swedish kronor using the current method. This means that assets and liabilities are translated at the year-end rate, while all income statement items are translated at the average rate for the period. Translation differences arising are taken direct to consolidated equity.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the year-end rate, which means that unrealized exchange gains and losses are included in the results.

Revenue

Revenue recognition for consultancy services is carried out both for assignments charged on a time basis and fixed-price assignments. In both cases, revenue is recognized in accordance with the percentage of completion method. For assignments charged on a time basis, this means that revenue is recognized in the period the work is carried out.

For fixed-price assignments, revenue is recognized at the rate the assignment is completed, provided that the revenue and cost of the assignment can be reliably quantified. The company continuously estimates the final assignment cost.

The percentage of completion at the end of each accounting period is equivalent to the assignment cost incurred in relation to the estimated final cost.

The assignment revenue for the period is esti-

mated as the proportion of total revenue that the percentage of completion equates to.

In the case of assignments that do not cover their costs, full provision for the loss is made as soon as it is anticipated.

Revenue relating to the sale of products is recognized on delivery and acceptance by the customer.

Customer support agreements are taken up as revenue on a straight-line basis over the term of the agreement.

Taxes

Total tax comprises current tax and deferred tax.

Current tax is tax that is to be paid or received for the current year. It also includes adjustments of current tax relating to earlier periods.

Deferred tax is calculated in accordance with the balance sheet method, on the basis of temporary differences between reported and written-down values of assets and liabilities.

When calculating deferred tax, the tax rates that are agreed or announced are applied.

Deferred tax receivables relating to loss carry-forward are reported, if it is probable that the allowance can be utilized in the immediate future.

Leasing

Financial leasing agreements mainly relate to company cars and home PCs. Since the scope is not significant, these agreements are reported as operational. For the same reason, supplementary disclosures with respect to the agreements have not been made.

Tangible assets

Tangible assets, comprising equipment, computers and properties held for investment purposes, are reported at historical acquisition value after deducting accumulated depreciation according to plan.

In the case of properties held for investment purposes, the historical cost comprises the purchase price including direct purchase overhead costs together with additional expenditure relating to property upgrading.

Intangible assets

Goodwill relating to subsidiaries and businesses acquired is amortized on a straight-line basis over the estimated economic life. Amortization periods in excess of five years are used for acquisitions of major strategic importance.

Expenditure relating to the development of Prevas' standard products, the Snitcher range, which in all probability will lead to future financial benefit, is capitalized as an intangible asset. Development expenditure is capitalized at cost price.

All purchases of software, licences and components for the maintenance and operation of the Group's networks are regarded as expendable equipment with a life of less than three years and these investments are therefore written off at the time of acquisition.

Depreciation

Depreciation according to plan is based on the acquisition value of the fixed asset and is calculated according to the estimated life of the asset. The following depreciation rates are applied:

* Equipment	20 %
* Computer hardware	20-33 %

* Industrial properties	4 %
* Land	Ingen avskrivning
* Goodwill	10 %
* Capitalized development expenditure	33 %

Write-downs

When there are indications that an asset has fallen in value, an assessment is made of the asset's reported value. In cases where an asset's reported value exceeds its estimated replacement value, the asset is written down to its replacement value.

Receivables

Receivables are shown at the amounts at which they are expected to be received on a case-by-case basis.

Provisions

Provisions are defined as liabilities that are of uncertain amount or timing. In the balance sheet, deferred tax expenses and guarantee-related costs are shown as provisions. Provision is made for estimated costs for actualized guarantees and for standardized costs based on historical cost for non-actualized guarantees.

Pensions

Prevas AB complies with the ITP plan. The ITP plan is a plan that provides a predetermined level of pension benefit to each employee based on the employee's final salary and the number of years within the ITP plan. In order to secure the pensions, the company pays premiums mainly to Alecta, which makes the undertaking towards the beneficiaries in the plan. The premiums paid by the company to Alecta are shown as a personnel cost.

Classification

Receivables and liabilities, which are shown as "current" in the balance sheet, are expected to fall due within twelve months of the balance sheet date.

Accounting by segment

The Group's internal accounting system is designed to monitor the return on the Group's products and services, and segments are therefore the primary basis for classification. Since operations are solely carried on in Sweden, secondary segments are not reported.

Group contributions and shareholders' contributions

Shareholders' contributions are taken direct to equity by the recipient and are shown as an asset under shares and participations by the contributor, to the extent write-down is not required.

Group contributions are reported according to financial purport. This means that group contributions paid to minimize the Group's total tax are reported direct against retained profits after deduction for their current tax effect.

Interest

Interest received and paid is taken to income currently in the period it arises.

Notes

NOTE 1 Segments information	Group		Parent Company	
	2003	2002	2003	2002
Operating income, SEK thousand				
Consultancy services	137,442	149,273	137,427	145,336
Products and customer support	35,937	32,358	35,937	32,358
Administration properties	3,307	3,233	—	—
Total	176,686	184,864	173,364	177,694
Operating profit/loss, SEK thousand				
Consultancy services	-25,036	-16,035	-20,603	-12,328
Products and customer support	3,715	2,638	3,715	2,638
Administration properties	1,724	1,699	—	—
Total	-19,597	-11,698	-16,888	-9,690
Profit margin, %				
Consultancy services	-18.2	-10.7	-15.0	-8.5
Products and customer support	10.3	8.2	10.3	8.2
Administration properties	52.1	52.6	—	—
Total	-11.1	-6.3	-9.7	-5.5
Other disclosures, SEK thousand				
	Consultancy services	Products and customer support	Administration properties	Total
				2003
Distributed assets	42,329	7,878	21,536	71,743
Distributed liabilities	26,574	8,227	451	35,252
Investments	981	1,189	—	2,170
Depreciations	5,287	716	1,108	7,111
				2002
Distributed assets	53,644	8,445	23,116	85,205
Distributed liabilities	23,437	6,356	479	30,272
Investments	6,176	42	—	6,218
Depreciations	4,740	622	1,108	6,470
NOTE 2 Employees and personnel costs	Group		Parent Company	
	2003	2002	2003	2002
Average number of employees				
Women	36	41	36	41
Men	168	175	167	167
Total	204	216	203	208
of which employed in Denmark	1	4		
Reporting of gender distribution in senior management				
Proportion of women on the Board	26%	3%	11%	10%
Proportion of women in senior management	10%	0%	10%	0%
Salaries, other remuneration and payroll overheads, SEK thousand				
Salaries and other remuneration	101,841	99,538	99,821	93,785
Payroll overhead incl. pensions	50,695	46,426	50,686	45,414
of which pension costs	15,129	12,047	15,129	11,887
Salaries and other remuneration distributed between Board, CEO and others				
Board and CEO	1,792	2,120	1,792	2,120
Other employees	100,049	97,418	98,029	91,665
Total	101,841	99,538	99,821	93,785
Senior executives and Board of Directors				
A fee is paid to the Chairman of the Board and the Board of Directors in accordance with a resolution adopted at the Annual General Meeting. A separate fee is not paid for committee work. Employee representatives do not receive a board fee.				

Remuneration to the Chief Executive Officer and other senior executives comprises a basic salary, flexible remuneration, other benefits, pension and financial instruments. "Other senior executives" is defined as the 10 people, who together with the Chief Executive Officer form the company's senior management. For the composition of the company's senior management, see page 34.

NOT 2 Employees and personnel costs cont.

The distribution between basic salary and flexible remuneration should be in proportion to the executive's responsibility and powers. For the Chief Executive Officer, flexible remuneration is a maximum of 50 per cent of the basic salary. For 2003, the flexible part was based 70 per cent on the Group's operating profit and 30 per cent on individual targets set by the Board.

For other senior executives, flexible remuneration is a maximum of 20-40 per cent of the basic salary. For 2003, it was based 40 per cent on the Group's operating profit, 30 per cent on the result in the executive's area of responsibility and 30 per cent on individual targets.

SEK thousand	Basic salary/ fee to Board	Flexible remuneration	Other benefits	Pension costs	Sum
Chairman of the Board	626			118	744
Non-executive directors	200				200
Chief Executive Officer	948		48	230	1,226
Other senior executives	5,594	70	239	1,319	7,222
Sum	7,368	70	287	1,667	9,392

The period of notice is six months at the CEO's request and twelve months at the company's request. Other senior executives in the parent company and the Group have market employment conditions and there are no agreements relating to severance payments or salary for a period of more than 12 months. The Chief Executive Officer and other senior executives are entitled to pension benefits without obligation after termination and otherwise in accordance with market conditions equivalent to the ITP plan or similar.

Restructuring expenses

Staff costs include restructuring expenses of SEK 9,422 thousand (SEK 4,947 thousand) for employees given notice of termination of employment.

Share option scheme

At the Annual General Meeting on 20 March 2002, a share option scheme was approved, with a total of 375,000 staff options targeted at all Prevas' employees.

Each staff option entitles the holder to acquire one new Class B share in Prevas during the period 15 May 2003 to 30 April 2009. The issue price is SEK 15 per share, based on the average price paid in the period 6–19 March 2002. There was no subscription in 2003.

The aim of the scheme is to create broad involvement in the company's earnings trend and thus facilitate both the retention of competent employees and the recruitment of new employees.

For information on the shareholdings of senior executives, see page 34.

Profit-sharing scheme

At the Annual General Meeting on 20 March 2003, a resolution was adopted on a profit-sharing scheme for 2003 to include all Prevas' employees. Profit sharing amounts to one-third of Prevas' full-year profit after tax and after a reasonable return to shareholders.

As Prevas reports a loss for the full-year 2003, the profit-sharing scheme has no outcome.

Absence due to illness	Group		Parent Company	
	2003-07-01 - 2003-12-31	2003-07-01 - 2003-12-31	2003-07-01 - 2003-12-31	2003-07-01 - 2003-12-31
Total absence due to illness as a proportion of regular working hours, %		2.2		2.2
Proportion of total absence due to illness relating to consecutive absence of 60 days or more, %		37.0		37.0
– Absence due to sickness, men, %		1.6		1.6
– Absence due to sickness, women, %		5.8		5.8
– Employees under 30 years of age, %		8.1		8.1
– Employees 30-49 years of age, %		1.7		1.7
– Employees over 50 years of age, %		1.4		1.4

NOTE 3 Profit from participations in group companies, SEK thousand	Group		Parent Company	
	2003	2002	2003	2002
Write-down of receivables on subsidiaries			-1,710	-
Write-down of shares in subsidiaries			-4,159	-2,493
Total			-5,869	-2,493

NOTE 4 Interest income and similar profit/loss items, SEK thousand	Group		Parent Company	
	2003	2002	2003	2002
Interest, group companies	50	15	50	15
Interest, other	293	624	205	538
Total	343	639	255	553

NOTE 5 Taxes, SEK thousand	Group		Parent Company	
	2003	2002	2003	2002
Tax on profit for the year	-4	-6	-	-
Tax relating to group contribution received			700	700
Deferred tax	4,067	2,108	2,829	-
Total	4,063	2,102	3,529	700

Deferred tax claims attributed to deficit deductions are reported to the extent that it is likely that the sum will be utilised against future taxable profit. As at 31 December 2003, the group had deductions for loss amounting to SEK 2,846 thousand that were not taken into consideration when calculating deferred tax claims.

Reconciliation of effective tax

Profit/loss before tax	-19,358	-11,141	-18,860	-5,399
Tax as per tax rate for parent company	5,420	3,119	5,281	1,512
Amortisation of goodwill on consolidation	-967	-465		
Write-down of shares in subsidiaries			-1,165	-698
Write-down of receivables in subsidiaries			-479	-
Other non-deductible expenses	-110	-133	-110	-121
Non-taxable income	11	13	2	7
Increase in deficit deduction without corresponding activation of deferred tax	-311	-479	-	-
Effect of different tax rate in Denmark	20	47		
Net tax	4,063	2,102	3,529	700

Specification of deferred tax liabilities and tax claims

Deferred tax liabilities:				
Tax allocation reserves	3,907	4,817		
Tangible assets	2,982	3,310		
Deficit deductions	-2,829	-		
Total	4,060	8,127		
Deferred tax claims:				
Deficit deductions	221	221	2,829	-
Total	221	221	2,829	-

NOTE 6 Goodwill, SEK thousand	Group		Parent Company	
	2003	2002	2003	2002
Opening acquisition value	53,463	48,795	2,380	2,380
Purchases/investments	-	4,668	-	-
Closing acquisition value	53,463	53,463	2,380	2,380
Opening amortisation	-40,043	-38,146	-954	-716
Disposals/write-downs	-1,500	-	-	-
Amortisation for the year	-2,192	-1,897	-238	-238
Accumulated amortisation	-43,736	-40,043	-1,192	-954
Book value	9,727	13,420	1,188	1,426

NOTE 7 Capitalized development expenditure, SEK thousand	Group		Parent Company	
	2003	2002	2003	2002
Opening acquisition value	-	-	-	-
Purchases/investments	912	-	912	-
Closing acquisition value	912	-	912	-
Amortisation for the year	-	-	-	-
Book value	912	-	912	-

	Group		Parent Company	
NOTE 8 Equipment, SEK thousand	2003	2002	2003	2002
Opening acquisition value	19,256	21,384	16,207	18,937
Acquisitions for the year	1,372	1,391	1,372	1,133
Acquisitions for the year attributable to company acquisitions	—	344	487	—
Sale/disposal for the year	-2,430	-3,863	-2,274	-3,863
Closing acquisition value	18,198	19,256	15,792	16,207
Opening accumulated depreciation	-11,072	-10,950	-8,498	-8,666
Accumulated depreciation attributable to company acquisitions	—	-185	-219	—
Adjustment for sale/disposal	2,315	3,528	2,268	3,528
Depreciation for the year	-3,810	-3,465	-3,744	-3,360
Accumulated depreciation	-12,567	-11,072	-10,193	-8,498
Book value	5,631	8,184	5,599	7,709

	Group		Parent Company	
NOTE 9 Buildings and land, SEK thousand	2003	2002	2003	2002
Opening acquisition value	28,573	28,573	—	—
Acquisitions for the year	0	0	—	—
Closing acquisition value	28,573	28,573	—	—
Opening depreciation	-6,865	-5,757	—	—
Depreciation for the year	-1,108	-1,108	—	—
Accumulated depreciation	-7,973	-6,865	—	—
Book value	20,600	21,708	—	—

The tax assessment value of properties was SEK 12,026 thousand, of which land was SEK 2,729 thousand. The market value of the properties totals SEK 27-29 million as per external valuation.

	Parent Company	
NOTE 10 Participations in group companies, SEK thousand	2003	2002
Opening balance	49,291	44,234
Write-down of shares in subsidiaries	-4,159	-2,493
Acquisition of/subscription for new shares	—	7,550
Book value on 31 December 2003	45,132	49,291

An infusion of capital totalling SEK 1,225 thousand was made in 2002 to Prevas Bioinformatics A/S, after which the holding was written off by a corresponding amount.

	Corporate identity no.	Percentage of share	No. of shares	Book value
Prevas Bioinformatics A/S	261 80 287	100 %	5,000	0
Trinova Software Systems AB	556376-3910	100 %	8,000	9,136
Prevas Engineering AB	556380-1132	100 %	5,000	3,824
Prevas Inhold AB	556350-5758	100 %	5,000	20,882
Prevas Fastighets i Västerås AB	556238-7331	100 %	1,000	7,200
Pharmaline AB	556266-3210	100 %	3,000	620
International Consultancy and Engineering Sweden AB	556594-2967	100 %	1,000	3,470
Total				45,132

	Group		Parent Company	
NOTE 11 Long-term receivables, SEK thousand	2003	2002	2003	2002
Deferred tax claims	221	221	2,829	—
Other securities held as fixed assets	100	100	100	100
Total	321	321	2,929	100

	Group		Parent Company	
NOTE 12 Prepaid expenses and accrued income, SEK thousand	2003	2002	2003	2002
Fixed-price projects in progress, value of work completed	15,049	—	15,049	—
Less invoicing	-10,331	—	-10,331	—
Accrued income from work on a time basis	5,160	7,948	5,160	6,860
Other items	2,160	1,746	2,159	1,638
Total	12,038	9,694	12,037	8,498

	Group		Parent Company	
NOTE 13 Cash and bank balances, SEK thousand	2003	2002	2003	2002
Unused credits which are not included in liquid assets	20,000	22,000	20,000	20,000
Total	20,000	22,000	20,000	20,000

NOTE 14 Equity, SEK thousand

Group	Share capital	Restricted reserves	Non-restricted reserves
Opening equity, 1 January 2003	19,456	56,951	-23,369
Reducing share premium reserve		-17,159	17,159
Transfer between restricted and non-restricted reserves		-2,649	2,649
Net profit/loss for the year			-15,295
Closing equity, 31 December 2003	19,456	37,143	-18,857
Moderbolaget	Share capital	Share premium reserve	Statutory reserve
Opening equity, 1 January 2003	19,456	37,929	3,507
Reducing share premium reserve		-17,159	
Group contribution received			2,500
Tax effect on group contribution received			-700
Net profit/loss for the year			-15,331
Closing equity, 31 December 2003	19,456	20,770	3,507
Outstanding options:			
192,700 Subscribers' options, issue price SEK 194, subscription period 15 February to 15 August 2004.			
375,000 Employee share options, issue price SEK 15, subscription period 15 May 2003 to 30 April 2009.			
125,000 Other options, issue price SEK 15, subscription period 15 May 2003 to 30 April 2009.			

Parent Company

NOTE 15 Appropriations and untaxed reserves, SEK thousand	2003	2002
Appropriations		
Cancellation of tax allocation reserve	3,060	5,909
Difference between book depreciation and depreciation according to plan	616	348
Total	3,676	6,257
Untaxed reserves		
Tax allocation reserve tax year 1998	—	3,060
Tax allocation reserve tax year 1999	2,696	2,696
Tax allocation reserve tax year 2000	2,531	2,531
Tax allocation reserve tax year 2001	8,368	8,368
Difference between book depreciation and depreciation according to plan	—	616
Total	13,595	17,271

NOTE 16 Provisions, SEK thousand	Group	Parent Company	2003	2002
Provisions for taxes			4,060	8,128
Guarantee reserve			440	521
Total	4,500	8,649	440	520

NOTE 17 Accrued expenses and deferred income, SEK thousand	Group	Parent Company	2003	2002
Fixed price projects in progress, customer invoiced			25,857	25,555
Less value of work completed			-20,404	-24,108
Accrued salaries and holiday pay liabilities			8,186	5,974
Accrued social security charges			2,489	3,245
Other items			7,178	5,849
Total	23,306	16,515	22,734	13,689

NOTE 18 Pledged assets and contingent liabilities, SEK thousand	Group	Parent Company	2003	2002
Pledged assets for liabilities to credit institutions				
Floating charges			26,500	29,000
Blocked bank accounts			735	—
Property mortgages			10,000	10,000
Shares in subsidiaries			42,375	44,415
Total	79,610	83,415	56,777	57,612
Contingent liabilities				
Guarantees for advance payment guarantees			3,834	2,536
Total	3,834	2,536	3,834	2,442

NOTE 19 Remuneration to auditors, SEK thousand	Group	Parent Company	2003	2002
KPMG, audit			241	250
KPMG, other assignments			151	127
Total	392	377	356	352

Stockholm, 10 February 2004

Göran Lundin
Chairman

Claes Dinkelspiel
Director

Anders Englund
Director, CEO

Bernt Ericson
Director

Lisbeth Gustafsson
Director

Erik Hallberg
Director

Stieg Westin
Director

Anders Hallqvist
Staff representative

Matts Hultén
Staff representative

Audit report

To the Annual General Meeting of Prevas AB (Publ)
Corporate identity no. 556252-1384

We have audited the annual accounts, the consolidated accounts, the accounting records, and the administration of Prevas AB by the Board of Directors and the Chief Executive Officer for the financial year 2003. The Board and the Chief Executive Officer are responsible for the accounting documents and the administration. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of our audit.

The audit was conducted in accordance with generally accepted auditing standards in Sweden. This means that we planned and performed the audit to provide reasonable assurance that the annual accounts and the consolidated accounts do not contain material errors.

An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the accounting documents.

An audit also includes an assessment of the accounting policies and their application by the Board and the Chief Executive Officer, and an evaluation of the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion on discharge from liability, we have examined important decisions, actions taken and circumstances in the company, in order to assess whether a Director or the Chief Executive Officer is liable to pay compensation to the company. We have also examined whether a Director or the Chief Executive Officer has otherwise acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We consider that our audit provides a reasonable basis for our opinions below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and they provide a true and fair view of the company's and the group's results and financial position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the profit and loss accounts and balance sheets of the parent company and the group, deal with the deficit of the parent company in accordance with the proposal in the Directors' Report and discharge the Directors and the Chief Executive Officer from liability for the financial year.

Stockholm, 12 February 2004

Bo Ribers
Authorised Public Accountant
KPMG

Per-Oluf Hansen
Authorised Public Accountant
KPMG

Board of Directors and auditors

**Göran Lundin**

Västerås, born 1944.
Chairman since 2000 and Director since 1985.
Other assignments: Chairman of Aldano AB and MPA Rostskydd AB. Director of IVA and Västmanlands R&D Council.
Shareholdnings (incl. family): 400,000 A shares and 2,842,340 B shares.

**Claes Dinkelspiel**

Stockholm, born 1941.
Chairman of E. Öhman J:or AB.
Director since 2000.
Other assignments: Chairman E. Öhman J:or Fondkommission AB and Nordnet AB.
Director of various other companies and institutions.
Shareholdnings: 8,500 B shares.

**Anders Englund**

Stockholm, born 1960.
CEO Prevas AB. Director since 2003.
Other assignments: Director of Östsvenska IT-föreningen.
Shareholdnings: 8,200 B shares, 5,000 subscribers' options and 10,000 employee share options.

**Bernt Ericson**

Stockholm, born 1945.
Honorary Doctor of Uppsala University. Former Vice President Ericsson. Director since 2000.
Other assignments: Chairman Interactiva Institutet AB, IMIT and Stiftelsen Chester Carlsson fonder. Director of Linköpings University, IVAs avd II and Institut för Framtidssstudier.
Shareholdnings: 1,600 B shares.

**Lisbeth Gustafsson**

Stockholm, born 1947.
Vice President of Sales Posten.
Director since 2000.
Other assignments: Director of CSN, IT-Företagen, Karolinska Universitetssjukhuset, WM-data and Svensk Handel.
Shareholdnings: 800 B shares.

**Erik Hallberg**

Stockholm, born 1956.
Senior Vice President, Head of Market Area Baltic Countries, TeliaSonera AB.
Director since 1999.
Other assignments: Director of Confidence AB.
Shareholdnings: 8,000 B shares.

**Stieg Westin**

Skövde, born 1938.
Former Vice President of Volvo Lastvagnar AB. Director since 1986.
Other assignments: Chairman of Gothia Science Park AB and the programme council for IT-Verkstad. Director of SMT Tricpt AB.
Shareholdnings (incl. company): 64,000 A shares and 49,000 B shares.

**Anders Hallqvist**

Västerås, born 1959.
Director since 2000.
Staff representative.
Shareholdnings: 22,400 A shares and 3,200 B shares, 500 subscribers' options and 1,800 employee share.

**Matts Hultén**

Göteborg, born 1957.
Director since 2003.
Staff representative.
Shareholdnings: 4,000 B shares, 500 subscribers' options and 1,000 employee share options.

AUDITORS:

Bo Ribers

Stockholm, born 1942.
Authorised Public Accountant KPMG.
Accountant to Prevas since 1998.

Per-Oluf Hansen

Västerås, born 1947.
Authorised Public Accountant KPMG.
Accountant to Prevas since 1998.

Senior management

Roland Ahlqvist

Göteborg, born 1958.
Regional Director Gothenburg.
Education: Economics and marketing.
Employed since 2001.
Shareholdings:
7,000 employee share options.



Björn Andersson

Västerås, born 1957.
Sales Director Västerås.
Education: Master of Engineering.
Employed since 1985.
Shareholdings: 100,000
A shares, 208,000 B shares and 9,000 employee share options.



Anders Englund

Stockholm, born 1960.
Chief Executive Officer Prevas AB.
Education: Master of Engineering.
Employed since 1998.
Shareholdings: 8,200 B shares, 5,000 subscribers' options and 10,000 employee share options.



Måns Forsberg

Lund, born 1973.
Regional Director Lund.
Education: Master of Engineering.
Employed since 2001.
Shareholdings:
4,000 employee share options.



Katarina Hillman

Västerås, born 1963.
Director of Finance Prevas AB.
Education: Master of Economics.
Employed since 2003.
Shareholdings:
9,000 employee share options.



Tom Hollowell

Karlstad, born 1961.
Chef Products & Customer Support.
Education: Master of Engineering.
Employed since 2001.
Shareholdings:
5,000 employee share options.



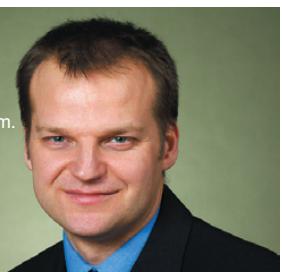
Peter Karlsson

Västerås, born 1965.
Director of Personnel Prevas AB.
Education: Economics and marketing.
Employed since 2001.
Shareholdings: 2,500 B shares and 5,000 employee share options.



Thomas Lundin

Uppsala, born 1967.
Regional Director Uppsala/Stockholm.
Education: Master of Engineering.
Employed since 2000.
Shareholdings:
6,000 employee share options.



Anders Redin

Linköping, born 1957.
Regional Director Linköping
Education: Master of Economics.
Employed since 2003.
Shareholdings:
5,000 employee share options.



Lars Sjöström

Västerås, born 1949.
Quality Director Prevas AB.
Education: Master of Engineering.
Employed since 1985.
Shareholdings: 10,880 A shares and 2,400 B shares, 500 subscribers' options and 5,000 employee share options.



Per Tillaeus

Västerås, born 1964.
Regional Director Västerås.
Education: Master of Engineering.
Employed since 1994.
Shareholdings: 3,300 B shares, 1 500 subscribers' options and 5,500 employee share options.



Definitions

Margins

GROSS MARGIN
Profit/loss before depreciation as a percentage of operating income.

OPERATING MARGIN
Operating profit/loss as a percentage of operating income.

PROFIT MARGIN
Profit/loss after financial items as a percentage of operating income.

Return

RETURN ON OPERATING CAPITAL
Operating profit/loss as a percentage of average operating capital.

RETURN ON CAPITAL EMPLOYED
Profit/loss before financial items plus financial income as a percentage of average capital employed.

RETURN ON EQUITY
Profit/loss after financial items minus tax paid and deferred tax on the year's appropriations as a percentage of average equity.

Capital structure

OPERATING CAPITAL
Total capital employed minus liquid assets and non interest-bearing liabilities including deferred tax liability on untaxed reserves.

CAPITAL EMPLOYED

Total capital employed minus non interest-bearing liabilities.

EQUITY

Equity including 72 per cent of untaxed reserves.

NET INTEREST-BEARING LIABILITIES

Interest-bearing liabilities minus liquid assets.

NET DEBT/EQUITY RATIO

Net interest-bearing liabilities divided by equity calculated as above.

EQUITY/ASSETS RATIO

Equity calculated as above as a percentage of total capital employed.

PERCENTAGE OF RISK-BEARING CAPITAL

Equity calculated as above plus deferred tax liability as a percentage of total capital employed.

Cash flow and liquidity

CASH FLOW BEFORE INVESTMENTS

Profit/loss before depreciation minus increase in working capital.

LIQUID ASSETS

Liquid assets and short-term investments.

Employees

AVERAGE NUMBER OF EMPLOYEES
Hours paid by the company in relation to normal annual working hours.

TURNOVER PER EMPLOYEE

Operating income divided by the average number of yearly employees.

Per share data

AVERAGE NUMBER OF SHARES
Average number of shares during the year adjusted for bonus issue and split.

EARNINGS PER SHARE AFTER FULL TAX

Profit/loss after financial items minus full tax, divided by the average number of shares.

EQUITY PER SHARE

Equity calculated as above divided by the number of shares at the year-end.

Prevas' project quality and applied expertise in software development assure the customer's investment.

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