

# Interim Report to 30 June 2003

**Pre-tax loss of SEK 8.0 million**

**Positive cash flow of SEK 5.9 million**

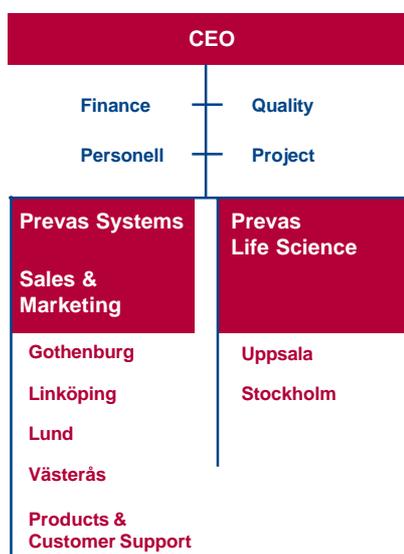
<b>SUMMARY (SEK million)</b>	<b>Q2 2003</b>	<b>1 Jan-30 June 2003</b>
Life Science business unit	8.3	17.1
Systems business unit	35.1	74.7
Other	0.8	1.6
<b>Net sales</b>	<b>44.2</b>	<b>93.4</b>
Operating expenses	-52.1	-100.4
<b>Operating profit/loss</b>	<b>-7.9</b>	<b>-7.0</b>
Goodwill amortization	-0.6	-1.1
<b>Operating profit/loss before financial items</b>	<b>-8.5</b>	<b>-8.1</b>
Net financial income/expense	0.1	0.1
<b>Profit/loss before tax</b>	<b>-8.4</b>	<b>-8.0</b>

- Turnover of SEK 44.2 million for Q2 (SEK 53.0 million - Q2 2002), down 17 per cent.
- Loss after tax of SEK 6.5 million (SEK +4.7 million) for Q2. The result was charged with total costs of SEK 2.5 million for staff redundancies and terminated leases.
- Earnings per share after tax of SEK -0.81 (SEK -0.28) for the half year. Equity per share of SEK 6.00 (SEK 7.49) at the end of the period.
- Positive cash flow of SEK 1.1 million (SEK 3.3 million) for Q2 and of SEK 5.9 million (SEK 5.3 million) for the half year. Cash was SEK 11.8 million at the end of the period (SEK 5.9 million at the year-end).
- Equity of SEK 46.7 million (SEK 56.7 million) at the end of the period, representing an equity/assets ratio of 51 (57) per cent.
- Major orders from Volvo Cars, Autoliv, Haldex and AstraZeneca, as well as the largest ever fixed-price order from Nokia in product development.
- Development of new generation software for food, pharmaceuticals and electronics was implemented and important pilot orders were received.
- Rationalization measures implemented in Q2, including the closure of two offices, proved insufficient. Further measures will therefore be implemented.



# Operations to 30 June 2003

## ORGANIZATIONAL CHART



## PREVAS IN BRIEF

Prevas AB is organized in two operating business units: Prevas Bioinformatics and Prevas Systems.

Customers include ABB, Amersham Biosciences, Arla, AstraZeneca, Atlas Copco, Autoliv, Biacore, Bioinvent, Biovitrum, Bombardier, Därfgård, Ericsson, Exiqon, Findus, FMV, Gyros, Haldex, ICA, Nokia, Personal Chemistry, Pharmacia, Pyrosequencing, Saab Bofors Dynamics, Sandvik, Scania and Volvo.

**Delivery reliability, quality and fixed price** are characteristic of the Prevas Group's solutions.

During Q2, the product development market continued to be weak in both traditional manufacturing industry and life science. In industrial systems, i.e. IT solutions to increase production efficiency, activity accelerated, resulting in an increasing number of enquiries and volume of orders. This was also reflected in developments in some of our regional offices. The Västerås office has increased the number of consultants since the year-end, while the Gothenburg and Lund offices are expected to need to recruit during the autumn.

In addition to the positive trend in industrial systems, it is also gratifying to report a continued trend towards an increased proportion of fixed-price projects. Fixed-price projects accounted for 40 per cent of turnover in Q2 and for 38 per cent for the first half of the year, compared with 33 per cent for the first half of 2002. Fixed-price projects continued to show stable positive earnings.

Overall, demand is currently insufficient, however, and both turnover growth and earnings are unsatisfactory, despite a high percentage of successful tenders. Prevas therefore continued to adapt the organization and the cost structure during the quarter and also decided on organizational changes, in addition to current economies. The Danish subsidiary Prevas Bioinformatics A/S remains but will have no employees or operations. The Danish market will for the present be developed from Sweden. Prevas' regional office in Lund was transferred to Prevas Systems as from 1 July 2003, while Prevas Bioinformatics changed its name to Prevas Life Science, in order to better reflect its operations and customer structure.

Prevas' CEO Anders Englund is the

new business unit director of Prevas Life Science.

The company also closed its regional office with three employees in Gävle and will instead develop the local market from the regional office in Västerås.

Overall, these measures have proved insufficient and further measures will therefore be implemented.

# Prevas' operating business units

## PREVAS LIFE SCIENCE

Prevas Life Science's objective is to be a leader in technical IT for the life science industry in the geographical markets where the business unit decides to set up. This will be achieved through a good understanding of the customer's business and effective problem solving, by combining in-depth computer science competence with a broad knowledge of molecular biology, statistics and mathematics.

The life science market continues to be sluggish and Prevas has therefore implemented the organizational changes in the business unit described above.

While awaiting a market upturn, Prevas Life Science continues resolutely to further develop its offering, focusing on solutions combined with customization services. Further, partnerships are being established with selected technology suppliers. One such partnership that rapidly paid dividends was a collaboration agreement with InNetics, which brought Prevas Life Science a specialist assignment for Biovitrum.

As regards customers, Q2 saw one new customer, KaroBio, and otherwise mainly increased commitments to existing customers.

Turnover in Life Science was SEK 17.1 million (SEK 25.8 million) for the half year, down 34 per cent. The business unit's operating loss, including a share of joint expenses, was SEK 4.3 million.

As previously, Prevas Life Science does not expect the market situation to change significantly in 2003, but sees opportunities for positive growth through continued sales efforts even in the current business cycle.

## PREVAS SYSTEMS

Prevas Systems creates solutions for industrial customers in the product development - R&D, industrial systems (including its own products) and customer support areas.

In Q2, Systems' operations continued to be marked by considerable restraint and low willingness to invest in product development on the part of customers. At the same time, activity accelerated significantly in industrial systems, in the form of an increased number of enquiries and an increasing volume of orders.

In product development, the largest ever fixed-price order from Nokia was received in embedded systems. Further, Prevas Systems received an expanded assignment in test development from Autoliv.

In industrial systems, the focus on traceability products continued, with a new customer in the telecoms sector, LGP. Prevas' product for traceability in the food production sector, Snitcher Food, was successfully installed and commissioned at both Dafgård's and Domstein Enghav. Both customers also placed follow-up orders for a product certification solution for their production plants. In food production, Dafgård's and Abba Seafood also placed important initial orders for pilot studies for industrial IT solutions.

In materials handling, Prevas in partnership with Univeyor received an order from Volvo Cars in Ghent. Volvo Cars also ordered a number of project deliveries within the framework of the ongoing work on the logistics system at the Köping plant. Prevas also received an order for test systems for Haldex AWD units for the same plant.

Other orders included traceability and

monitoring systems for Autoliv's Hässleholm plant, as well as project, order and time accounting systems for Strandberg's painting operations in Örnköldsvik. The latter is expected to be an interesting solution for the whole paint and corrosion protection sector.

In customer support, AstraZeneca ordered a major administration assignment for the company's facilities management systems.

Turnover in Prevas Systems was SEK 74.7 million (SEK 73.1 million) for the half year, up 2 per cent. The profitability of the business unit deteriorated slightly in Q2, as a result of unsatisfactory capacity utilization in some regional offices, as well as the costs of implemented economy measures. The business unit's operating loss, including a share of joint expenses, was SEK 3.2 million.

Prevas Systems expects the positive trend in industrial systems to continue in the second half of the year. Unless the economic situation deteriorates, customers' investments in product development should accelerate at least somewhat during the latter part of the year. Overall, this should create opportunities for relatively favourable growth in the second half.

# Finance

## BUSINESS CONCEPT

Prevas' project and IT competence shall contribute to our customers' competitiveness reaching the highest level internationally.

## VISION

Prevas shall be a leading supplier to companies based in:

- Sweden for product development
- The Nordic region for industrial systems
- Europa for bioinformatics

## STRATEGY

- Due to its sector and technical expertise, Prevas should be one of the leading suppliers in the markets where it decides to operate.
- 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.
- Sales should be generated by developing direct contacts with customers with a view to achieving good, long-term customer relationships.
- Prevas should grow organically, supported by the acquisition of companies with complementary competence or customer relationships.
- Prevas should be an attractive workplace offering stimulating assignments and a positive environment for personal development with a good work-life balance.
- Prevas' corporate culture should be marked by a businesslike and responsible approach and quality- and cost-consciousness.
- Prevas' employees should be offered a share in the company's financial success.

## FINANCIAL REPORTING

- Interim Report to 30 September, 23 October
- Press Release of Results for 2003, 5 February 2004
- Annual General Meeting 2004, 22 March 2004

## INFORMATION

For further information please contact:

Anders Englund, CEO  
Tel. +46 8-726 40 56, +46 70-620 96 59

## TENDER OUTCOME

During the period, 96 (89) per cent of orders went to Prevas and 4 (11) per cent to a competitor.

## CAPACITY UTILIZATION

Capacity utilization, i.e. solely measured for consultants, was 71 (79) per cent for Q2 and 72 (74) per cent for the first half. The invoicing rate was 60 (63) per cent for the quarter and 61 (59) per cent for the first half. 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, including management and administration, are included in the key indicator.

## ASSIGNMENT DISTRIBUTION

During the first half, 38 (33) per cent of assignments were charged on a fixed-price basis and 62 (67) per cent on a time basis.

## EMPLOYEES

The number of employees was 235 (228) at the end of the period, excluding redundancies. During the period, the average number of employees was 236 (239) and staff turnover was 5 per cent. The percentage of female employees was 16 per cent at the end of the period.

At Prevas' AGM in March, a resolution was passed on a profit sharing scheme for all employees.

## TURNOVER AND RESULTS FOR Q2

Turnover for Q2 was SEK 44.2 million (SEK 53.0), down 17 per cent. The number of working days was 59 (59).

Operating loss was SEK 7.9 million (SEK +6.0 million) before goodwill amortization. This result was charged with total costs of SEK 2.5 million for staff redundancies and terminated leases. Loss before

tax was SEK 8.4 million (SEK +5.7 million). The profit margin was -18.0 (+11.3) per cent before goodwill amortization and -19.1 (+10.7) per cent before tax.

## TURNOVER AND RESULTS TO 30 JUNE

Turnover for the period was SEK 93.4 million (SEK 100.6 million), down 7 per cent. The number of working days was 121 (121).

Operating loss was SEK 7.0 million (SEK -1.6 million) before goodwill amortization and SEK 8.1 million (SEK -2.5 million) after goodwill amortization. The operating margin was -7.5 (-1.6) per cent before goodwill amortization and -8.7 (-2.5) per cent after goodwill amortization.

Depreciation totalled SEK 3.5 million (SEK 3.1 million), of which SEK 1.1 million (SEK 0.9 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.1 million (SEK 0.2 million). Loss after financial items was SEK 8.0 million (SEK -2.3 million), representing a profit margin of -8.5 (-2.3) per cent. Net loss was SEK 6.3 million (SEK -2.1 million). Earnings per share after tax were SEK -0.81 (SEK -0.28).

## LIQUID ASSETS

Liquid assets totalled SEK 11.8 million (SEK 9.4 million) at the end of the period. A positive cash flow of SEK 5.9 million (SEK 5.3 million) was reported for the period. Prevas has no interest-bearing liabilities and the Group's two industrial properties are free of charges.

## FINANCIAL POSITION

Equity totalled SEK 46.7 million (SEK 56.7 million) at the end of the period, representing an equity/assets ratio of 51 (57) per cent. Equity per share (excluding outstanding options) was SEK 6.00 (7.49).

# Finance (cont.)

## INVESTMENTS

During the period, net investments totalled SEK 1.2 million (SEK 0.4 million). All investments related to ordinary activities and were for machinery and equipment.

## PARENT COMPANY

For the Parent Company, net sales for the period were SEK 91.7 million (SEK 97.7 million) and loss before tax was SEK 6.7 million (SEK -1.7 million). Liquid assets totalled SEK 11.3 million (SEK 8.6 million) at the end of the period and investments totalled SEK 1.2 million (SEK 0.4 million) during the period.

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with Recommendation RR 20 Interim Reporting of the Swedish Financial Accounting Standards Council. The same accounting principles and calculation methods have been applied as in the latest annual report, except where new recommendations have come into force. However, no new recommendations have affected the company's reported earnings.

Stockholm, 21 Augusti 2003

Prevas AB (publ)

*Anders Englund, CEO*

## Review report

We have reviewed this interim report in accordance with the recommendation issued by FAR (the institute for the accountancy profession in Sweden). A review is essentially limited compared with an audit. Nothing has been found to indicate that the report does not comply with the requirements of the Annual Accounts Act.

Stockholm, 21 Augusti 2003

Bo Ribers	Per-Oluf Hansen
Authorized	Authorized
Public Accountant	Public Accountant

# Consolidated financial statements

## Summary profit and loss accounts

SEK thousand	2003 Jan-June	2002 Jan-June	2002 Jan-Dec
<b>Net sales</b>	<b>93 407</b>	<b>100 561</b>	<b>184 864</b>
Material costs	-834	-1 578	-2 798
Other external expenses	-15 479	-19 239	-36 652
Staff costs	-81 729	-79 124	-150 642
Depreciation according to plan	-2 362	-2 248	-4 573
<b>Profit/loss before depreciation goodwill</b>	<b>-6 997</b>	<b>-1 628</b>	<b>-9 801</b>
Goodwill amortisation	-1 123	-890	-1 897
<b>Operating profit/loss</b>	<b>-8 120</b>	<b>-2 518</b>	<b>-11 698</b>
Net financial income/expense	143	179	557
<b>Profit/loss after financial items</b>	<b>-7 977</b>	<b>-2 339</b>	<b>-11 141</b>
Tax	1 652	240	2 102
<b>Net profit/loss</b>	<b>-6 325</b>	<b>-2 099</b>	<b>-9 039</b>
<i>Earnings per share after tax</i>	<i>-0.81 SEK</i>	<i>-0.28 SEK</i>	<i>-1.19 SEK</i>
<i>Earnings per share after tax, including options</i>	<i>-0.81 SEK</i>	<i>-0.28 SEK</i>	<i>-1.19 SEK</i>
<i>Equity per share</i>	<i>6.00 SEK</i>	<i>7.49 SEK</i>	<i>6.81 SEK</i>
<i>Equity per share, including options</i>	<i>6.54 SEK</i>	<i>7.95 SEK</i>	<i>7.31 SEK</i>

# Consolidated financial statements

<b>Quarterly summary profit and loss accounts</b>	2003	2003	2002	2002
SEK thousand	Q2	Q1	Q2	Q1
<b>Net sales</b>	<b>44 179</b>	<b>49 228</b>	<b>52 954</b>	<b>47 607</b>
Material costs	-618	-216	-1 262	-316
Other external expenses	-7 633	-7 846	-7 502	-11 737
Staff costs	-42 695	-39 034	-37 127	-41 997
Depreciation according to plan	-1 200	-1 162	-1 079	-1 169
<b>Profit/loss before depreciation goodwill and items affecting comparability</b>	<b>-7 967</b>	<b>970</b>	<b>5 984</b>	<b>-7 612</b>
Goodwill amortisation	-561	-562	-445	-445
<b>Operating profit/loss</b>	<b>-8 528</b>	<b>408</b>	<b>5 539</b>	<b>-8 057</b>
Net financial income/expense	99	44	121	58
<b>Profit/loss after financial items</b>	<b>-8 429</b>	<b>452</b>	<b>5 660</b>	<b>-7 999</b>
Tax	1 918	-266	-1 008	1 248
<b>Net profit/loss</b>	<b>-6 511</b>	<b>186</b>	<b>4 652</b>	<b>-6 751</b>

<b>Summary balance sheets</b>	2003	2002	2002
SEK thousand	30 June	30 June	31 Dec
Tangible assets	29 021	31 509	30 213
Intangible assets	12 296	9 759	13 420
Current receivables	38 473	48 462	41 893
Cash and bank balances	11 825	9 407	5 912
<b>Total assets</b>	<b>91 615</b>	<b>99 137</b>	<b>91 438</b>
Equity	46 713	56 702	53 038
Provisions	8 510	10 750	8 649
Current liabilities	36 392	31 685	29 751
<b>Total liabilities and equity</b>	<b>91 615</b>	<b>99 137</b>	<b>91 438</b>

<b>Change in equity</b>	2003	2002	2002
SEK thousand	30 June	30 June	31 Dec
Opening balance	53 038	58 798	58 798
Dividend to shareholders	-	-	-
New share issue	-	-	3 239
Translation difference	-	3	40
Net profit for the period	-6 325	-2 099	-9 039
<b>Closing balance</b>	<b>46 713</b>	<b>56 702</b>	<b>53 038</b>

# Consolidated financial statements

## Capital employed

SEK thousand	2003 30 June	2002 30 June	2002 31 Dec
Non-interest-bearing current assets	38 473	48 462	41 893
Non-interest-bearing current liabilities	-36 392	-31 685	-29 751
<b>Net work capital</b>	<b>2 081</b>	<b>16 777</b>	<b>12 142</b>
Fixed assets excl. goodwill	29 021	31 509	30 213
Provisions	-8 510	-10 750	-8 649
<b>Capital employed excl. goodwill</b>	<b>22 592</b>	<b>37 536</b>	<b>33 706</b>
Goodwill	12 296	9 759	13 420
<b>Capital employed</b>	<b>34 888</b>	<b>47 295</b>	<b>47 126</b>

## Cash flow statements

SEK thousand	2003 Jan-June	2002 Jan-June	2002 Jan-Dec
Operating profit	-8 120	-2 518	-11 698
Depreciation and write-downs	3 485	3 137	6 470
Provisions	-139	-100	-190
Net financial income/expense	143	179	557
Tax paid	-80	-901	748
Change in current receivables	5 152	3 335	12 560
Change in current liabilities	6 641	2 543	-2 580
<b>Cash flow from ordinary activities</b>	<b>7 082</b>	<b>5 675</b>	<b>5 867</b>
Investment in subsidiary	-	-	-2 161
Net investment in fixed assets	-1 169	-404	-913
<b>Cash flow from investment activities</b>	<b>-1 169</b>	<b>-404</b>	<b>-3 074</b>
<b>Operating cash flow</b>	<b>5 913</b>	<b>5 271</b>	<b>2 793</b>
Loans raised (+) / Repayment of loans (-)	-	-	-1 017
Dividend paid	-	-	-
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-1 017</b>
Cash flow for the period	5 913	5 271	1 776
Opening liquid assets	5 912	4 136	4 136
Closing liquid assets	11 825	9 407	5 912
Change	5 913	5 271	1 776

# Consolidated financial statements

## Finansiella nyckeltal

	2003 Jan-June	2002 Jan-June	2002 Jan-Dec
Gross margin	-5.0%	0.6%	-2.8%
Margin before GW amortization and items aff. comp.	-7.5%	-1.6%	-5.3%
Margin after GW amortization and items aff. comp.	-8.7%	-2.5%	-6.3%
Profit margin	-8.5%	-2.3%	-6.0%
Earnings per share after tax	-0.81 kr	-0.28 kr	-1.19 kr
Earnings per share after tax incl. outstanding share options*	-0.81 kr	-0.28 kr	-1.19 kr
Average number of shares	7 782 600	7 573 600	7 625 850
Average number of shares incl. outstanding share options*	8 282 600	8 073 600	8 125 850
Equity/assets ratio	51.0%	57.2%	58.0%
Equity per share	6.00 kr	7.49 kr	6.81 kr
Equity per share incl. outstanding share options*	6.54 kr	7.95 kr	7.31 kr
Return on capital employed	-13.6%	-3.4%	-16.8%
Return on equity	-16.2%	-3.6%	-19.9%
Average number of employees**	236	239	235
Number of employees at end of period**	235	228	237
Working days	121	121	250
Chargeability rate	61%	59%	58%
Turnover per employee	396	421	787

\* The calculations for key ratios do not include 192 700 subscribers' options with strike price of SEK 194.

\*\* Excluding redundancies during the Q2.



Prevas AB (publ) Org nr 556252-1384  
 Årstaängsvägen 9, SE-117 43 Stockholm  
 Tel. +46 8-726 40 00, Fax +46 8-726 40 01  
 info@prevas.se, www.prevas.se