

# Interim Report 1 January - 30 June 2000

**Prevas focuses on Internet/IT and sells Prevas Engineering to ABB**

**Turnover rose 38% in Q2, combined with continued good profitability**

**Prevas Bioinformatics is now a market leader in Sweden**

**Important positioning in mobile Internet and video**

- Turnover rose 38% in Q2 to SEK 57.3 million (SEK 41.6 million). Operating profit before goodwill amortization was SEK 4.2 million (SEK 4.1million), a 7.4% (9.9%) margin. This results in a 31% increase in turnover for the first half of the year to SEK 108.5 million (SEK 82.9 million). Operating profit before goodwill amortization for the first half was SEK 11.3 million (SEK 12.6 million), a 10.4% (15.3%) margin. The future repayment of SPP funds has **not been accounted** for in the Interim Report.

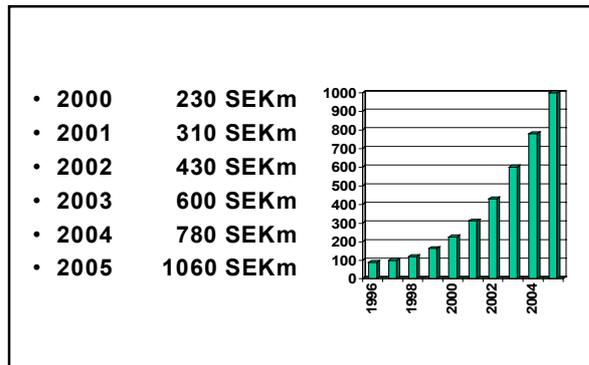
This result was achieved, while investments were made in our new business areas.

- Prevas Bioinformatics grew 49% in the first half. The bioinformatics sector is experiencing explosive growth worldwide, and Prevas' leading position in Sweden provides a good basis for international operations.
- The focus on mobile Internet in media.com has resulted in a strategic development project for picture and video transmission over next generation telecoms networks (3G).
- Prevas e-security consolidated its position as a leading supplier of secure e-commerce.
- The acquisition of Ericsson Infotech's SFC operations has developed very favourably and made a positive contribution to earnings in its first three months.
- The number of employees rose 18% in the first half to 257 (217). Staff turnover was 5.0%.

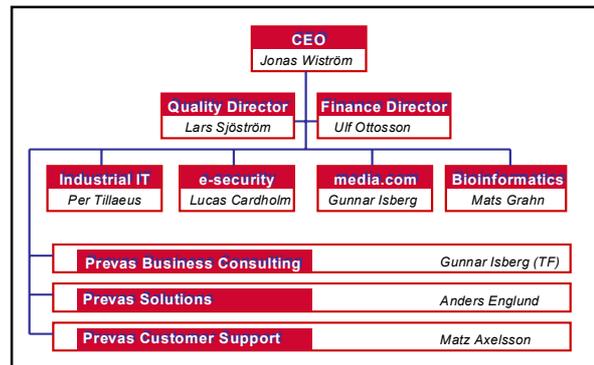
*The figures relate to Prevas excluding the operations of Prevas Engineering, which have been sold.*



## Prevas in brief



Prevas' growth targets



New organizational structure as from 1 July 2000

Prevas AB has offices in Gothenburg, Karlstad, Linköping, Malmö, Skövde, Stockholm, Västerås and Uppsala.

Customers include ABB, Astra, Atlas Copco, Ericsson, Nestlé, Nokia, Personal Chemistry, Pharmacia, Pyro Sequencing, Rymdbolaget, Sandvik, Scania, Sign On, Visual Bioinformatics and Volvo.

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

## Operations for the period 1 January to 30 June 2000

The period was strongly characterized by Prevas' transformation into solely an Internet/IT company, which began when Jonas Wiström was appointed CEO in November 1999. The most important components of this change are:

- The sale of Prevas Engineering
- Continued investments in Prevas' business areas
- A new organizational structure with a focus on package solutions

We note with satisfaction that all the changes and investments for the future were implemented, while continuing to expand and maintain good profitability. Particularly as this took place in a market characterized by weaker demand during the first half for many companies in the sector.

### Prevas Engineering

On 30 June, Prevas signed a Letter of Intent to sell its production automation operations to ABB. ABB took over the entire operations as from 1 July 2000 and offered employment with ABB to all 60 employees of Prevas Engineering in Västerås and Gothenburg.

Within ABB, the expertise developed by Prevas Engineering will gain exposure to a considerably larger market.

As a result, Prevas is now wholly focused on the business areas described below. All its resources and management can now concentrate on accelerated growth combined with continued good profitability.

## Prevas' business areas

### Bioinformatics (Life Science)

The bioinformatics and biotechnology market is currently experiencing rapid global expansion, not least in Sweden. We have only seen the beginning of this revolutionary technology, which is growing exponentially.

Prevas' customers include both large established companies and institutions, such as Amersham Pharmacia Biotech, AstraZeneca and Pharmacia Corporation, and small fast-growing research and development-intensive companies.

The very largest market growth is found in the small research and development companies. In Sweden alone, there are currently about 350 companies. Prevas has acquired a detailed knowledge of the need for IT solutions of many of these companies, and can therefore meet the market requirements optimally.

Prevas has gained a clear market leading position among Sweden's IT consultants in this highly interesting growth area. A number of key customers on the leading edge in this area in Sweden have signed long-term contracts with Prevas over the past six months, under which Prevas as a strategic partner will provide these companies with development capacity for advanced bioinformatics solutions. This combined with specialist staff means that Prevas has an excellent market position, which significantly facilitates both contacts with new customers and the recruitment of very competent staff.

Since Sweden is a leading country in the bioinformatics sector, Prevas' position provides a good platform for future start-ups abroad. Prevas will also take an active part in the discussions on structural matters and start-ups in the bioinformatics sector, which can be expected in Sweden in the near future.

### e-security

e-security operations offer secure e-commerce and long-term storage solutions.

Growth was favourable during the first half, and an increasing number of people have noticed Prevas' unique combination of IT lawyers, business consultants and technical security experts gathered in the same business area.

The trade magazine "Aktuell säkerhet" (Issue no. 3, 2000) carried out a survey of Swedish companies working in e-security, in which Prevas was ranked number one in three out of four categories.

The business area won a number of interesting assignments during the first half. These included:

- ABB, Validation of international e-commerce solution

- Volvo Group, Global Security System
- SignOn, Legal validation of Internet commerce system
- Vattenfall, Global Security Platform
- Sensel, overall responsibility for security and legal matters

In addition, there were a number of confidential assignments.

During the first half, cooperation agreements were signed with Lloyd's Register and SignOn. Both agreements are expected to result in increased volumes during the second half of the year. Prevas e-security consolidated its position as a leading supplier on the Swedish market. With these two cooperation partners, its international presence will also increase in the immediate future.

### Partners

Our alliance with Ericsson/Tibco/Roxen/Zoomon on modular business-to-business e-commerce solutions developed further with activities such as a joint seminar in June at Ericsson's "future lab" in Älvsjö, and participation in setting up an Internet portal for Telia.

Research and development was carried on jointly with our customers and partners. In particular, one of the world's largest scientific studies in the secure e-commerce area was carried on jointly with Helsinki University of Technology, and the results will be presented internationally during the year.

### Industrial IT

This business area delivers embedded systems solutions and IT solutions for production control. The business has developed over many years and provides an important basis for Prevas' consultancy operations.

Our customers are leading companies in manufacturing industry and have experienced rising demand during the period. Mobile IT solutions are of increasing importance even within traditional production applications.

Business activities during the first half included the following:

- **Ericsson**

A number of major orders for our new products for Shop Floor Control, Testnet 95, Bartrack and QSP were received from Ericsson's production units. Cooperation with Ericsson also increased internationally, with orders from production units in China, Brazil, the USA, etc. Increased cooperation with Ericsson also led to a number of major orders in test systems, production systems and embedded systems.

- **ABB**  
Cooperation with ABB increased on a number of levels in Industrial IT. This included ABB's investment in e-production and embedded systems. In the case of embedded systems, Prevas won a number of orders for the development of next generation products. ABB Robotics continues to be a major and important customer of Prevas in e-production, and cooperation increased sharply during the first half.

### **media.com**

This business area delivers Internet solutions with the main focus on mobile Internet telecoms and Internet TV/Video. Next generation telecoms networks (3G) provide the market and potential for us to become a leading knowledge company in mobile Internet/Video solutions through our unique competence.

A WAP/Multimedia lab is now available at Prevas.

Prevas focuses on systems solutions for picture and video transmission via mobile/fixed Internet/Intranet. The greatest potential is in systems rather than in terminals. During Q2, Prevas won a number of strategic assignments. The following were of particular note.

- **Ericsson**  
Development of servers, communications gateways and broadband platforms for applications including professional Internet video. Switches, compilers and support systems for next generation mobile systems. Testing and maintenance of GPRS systems, and maintenance and development of mobile Internet applications.
- **Sveriges Television**  
Five new satellites for news items via Intranet were installed in Leksand, Gävle, Västerås, Östersund and Luleå.

## **Finance**

### **Tender outcome**

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

In Internet/IT, 90% (89%) of orders went to Prevas and 10% (11%) to a competitor.

### **Capacity utilization**

Capacity utilization is currently rising despite continued staff expansion and increased competition on the market. Customer demand for package solutions, quality and delivery reliability benefits Prevas.

### **Assignment distribution**

During the first half, 44% of Group assignments were charged on a fixed-price basis and 56% on a time basis. The figures for Internet/IT were 30% and 70% respectively.

### **Employees**

On 30 June 2000, the Group had 318 (277) employees, a 15% increase since the year-end. During the first half, 55 employees joined and 14 employees left the Group, representing staff turnover of 4.6%. During the first half, the average number of employees was 302 (261), a 15.7% increase since the year-end.

### **Turnover and profit**

Turnover in Internet/IT continues to increase despite a tough market. Turnover for the first half was SEK 108.5 million (SEK 82.9 million), up 31%, of which 25% was organic growth. Turnover for Q2 was very satisfactory, with a 38% increase on Q2 the previous year. Despite the development of new growth areas, the operating margin was 10.4% (15.3%) before goodwill amortization and 8.3% (12.5%) after goodwill amortization. Operating profit was SEK 11.3 million (SEK 12.6 million) before goodwill amortization and SEK 9.0 million (SEK 10.4 million) after goodwill amortization.

As mentioned above, Prevas signed a Letter of Intent to sell the operations of Prevas Engineering to ABB. Since ABB took over the business as from 1 July 2000, the result for the first half is reported in the Group accounts. The sale results in an operating profit, which is estimated to be equivalent to a write-down of remaining goodwill of SEK 14.8 million. The items are included in Group operating profit.

Turnover in Prevas Engineering was SEK 31.9 million (SEK 42.7 million) for the first half. The reduction was due to the weak start in Q1. However, turnover rose 11% in Q2, compared with Q2 the previous year. Operating profit was SEK -0.8 million (SEK 2.9 million) before goodwill amortization and SEK -1.8 million (SEK 1.9 million) after goodwill amortization.

Group turnover was SEK 140.4 million (SEK 125.6 million) for the first half, a 12% rise. Operating profit before goodwill amortization was SEK 10.5 million (SEK 15.6 million), a 7.5% (12.4%) margin. Operating profit after goodwill amortization was SEK 7.3 million (SEK 12.4 million), representing an operating margin of 5.2% (9.8%).

According to previous information from SPP, Prevas will receive a repayment of pension funds of approximately SEK 6 million. Since the amount of the repayment has been queried by Prevas, Prevas has chosen not to report these funds in the accounts.

Depreciation totalled SEK 5.8 million (SEK 5.7 million), of which SEK 3.2 million (SEK 3.2 million) related to goodwill amortization.

Net financial income/expense amounted to SEK -0.4 million (SEK -0.5 million). Profit after financial items was SEK 6.8 million (SEK 11.8 million), representing a profit margin of 4.9% (9.4%).

Net profit/loss was SEK -0.1 million (SEK 7.6 million). The profit was charged with a provision for tax of SEK 4.1 million for the operating profit arising as a result of the sale of Prevas Engineering.

Earnings per share after tax were SEK -0.01 (SEK 1.01). Earnings per share after standard tax were SEK 0.65 (SEK 1.13).

## Financial position

Group equity totalled SEK 84.5 million (SEK 87.5 million) at the end of the period, representing an equity/assets ratio of 54% (49%). The Group's interest-bearing liabilities totalled SEK 15.7 million (SEK 35.5 million). The loans were raised in the second half of 1998 in connection with a company acquisition and an extension to a business property. The Group's liquid assets totalled SEK 5.9 million (SEK 9.5 million) at the end of the period. Cash flow for the first half was SEK -2.1 million (SEK -0.1 million). Loans of SEK 14.3 million were repaid during the first half.

## Investments

Group investments for the first half totalled SEK 5.1 million (SEK 3.0 million), of which SEK 1.1 million related to net investment in a business acquired. The remaining investments related to ordinary activities, and were for machinery and equipment.

Stockholm, 14 Augusti 2000  
Prevas AB (publ)  
Jonas Wiström, CEO

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## Financial reporting

- Interim Report 1 January - 30 September 26 October 2000
- Press Release 5 February 2001
- Annual General Meeting 20 March 2001

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## Summary profit and loss accounts

SEK thousand	2000 Jan-June	1999 Jan-June	1999 Jan-Dec
Net sales	140 396	125 649	232 704
Raw materials and consumables	-11 299	-15 857	-26 226
Other external expenses	-28 200	-19 954	-42 642
Staff costs	-87 833	-71 760	-145 755
Depreciation according to plan	-5 811	-5 710	-11 108
<b>Operating profit *</b>	<b>7 253</b>	<b>12 368</b>	<b>6 973</b>
Net financial income/expense	-408	-526	-1 038
<b>Profit after financial items</b>	<b>6 845</b>	<b>11 842</b>	<b>5 935</b>
Item affecting comparability **	-4 137	-	-
Tax	-2 806	-4 206	-3 631
<b>Net profit/loss for the period</b>	<b>-98</b>	<b>7 636</b>	<b>2 304</b>

\* The sale of the operations of Prevas Engineering results in an operating profit, which is estimated to a write-down of remaining goodwill of SEK 14,838 thousand. The items are included in operating profit.

\*\* Relates to a provision for tax on the operating profit arising as a result of the sale of the operations of Prevas Engineering.

## Quarterly summary profit and loss accounts

SEK thousand	2000 Q2	2000 Q1	1999 Q2	1999 Q1
Net sales	79 972	60 424	61 968	63 681
Operating expenses	-73 704	-56 200	-57 305	-52 738
<b>Operating profit before goodwill amortization</b>	<b>6 268</b>	<b>4 224</b>	<b>4 663</b>	<b>10 943</b>
Goodwill amortization	-1 619	-1 619	-1 619	-1 619
<b>Operating profit</b>	<b>4 649</b>	<b>2 605</b>	<b>3 044</b>	<b>9 324</b>
Net financial income/expense	-118	-290	-231	-295
<b>Profit after financial items</b>	<b>4 531</b>	<b>2 315</b>	<b>2 813</b>	<b>9 029</b>
<i>Gross margin, %</i>	9.5	9.0	9.6	19.1
<i>Margin before goodwill amortization, %</i>	7.8	7.0	7.5	17.2
<i>Operating margin after goodwill amortization, %</i>	5.8	4.3	4.9	14.6
<i>Profit margin, %</i>	5.6	3.8	4.5	14.2

## Quarterly summary profit and loss accounts excluding Prevas Engineering

SEK thousand	2000 Q2	2000 Q1	1999 Q2	1999 Q1
Net sales	57 324	51 172	41 626	41 325
Operating expenses	-53 101	-44 124	-37 486	-32 813
<b>Operating profit before goodwill amortization</b>	<b>4 223</b>	<b>7 048</b>	<b>4 140</b>	<b>8 512</b>
Goodwill amortization	-1 122	-1 122	-1 122	-1 122
<b>Operating profit</b>	<b>3 101</b>	<b>5 926</b>	<b>3 018</b>	<b>7 390</b>
Net financial income/expense	-176	-266	-235	-357
<b>Profit after financial items</b>	<b>2 925</b>	<b>5 660</b>	<b>2 783</b>	<b>7 033</b>
<i>Gross margin, %</i>	8.8	15.1	11.5	22.1
<i>Margin before goodwill amortization, %</i>	7.4	13.8	9.9	20.6
<i>Operating margin after goodwill amortization, %</i>	5.5	11.6	7.3	17.9
<i>Profit margin, %</i>	5.1	11.1	6.7	17.1

## Summary balance sheets

SEK thousand	2000 30 June	1999 30 June	1999 31 dec
Fixed assets excl. goodwill	36 903	41 153	42 997
Goodwill	36 885	58 200	54 961
Other current assets	77 351	68 268	58 915
Liquid assets incl. short-term investments	5 884	9 527	8 035
<b>Total assets</b>	<b>157 023</b>	<b>177 148</b>	<b>164 908</b>
Equity	84 534	87 498	82 166
Provisions	15 553	17 370	19 998
Interest-bearing liabilities	15 868	35 533	30 183
Non-interest-bearing liabilities	41 068	36 747	32 561
<b>Total liabilities and equity</b>	<b>157 023</b>	<b>177 148</b>	<b>164 908</b>

## Capital employed

SEK thousand	2000 30 June	1999 30 June	1999 31 dec
Non-interest-bearing current assets	77 351	68 268	58 915
Non-interest-bearing current liabilities	-41 068	-36 747	-32 472
<b>Net working capital</b>	<b>36 283</b>	<b>31 521</b>	<b>26 443</b>
Fixed assets excl. goodwill	36 903	41 153	42 997
Provisions	-15 553	-17 370	-20 088
<b>Capital employed excl. goodwill</b>	<b>57 633</b>	<b>55 304</b>	<b>49 352</b>
Goodwill	36 885	58 200	54 961
<b>Capital employed</b>	<b>94 518</b>	<b>113 504</b>	<b>104 313</b>

## Cash flow statements

SEK thousand	2000 Jan-June	1999 Jan-June	1999 Jan-Dec
Operating profit	7 253	12 368	6 973
Depreciation	5 811	5 710	11 109
Provisions	4 163	-19	590
Net financial income/expense	-408	-526	-1 038
Tax	-6 943	-4 206	-3 631
Change in current receivables	-3 598	2 594	11 947
Change in current liabilities	8 506	-1 960	-6 235
<b>Cash flow from ordinary activities</b>	<b>14 784</b>	<b>13 961</b>	<b>19 715</b>
Investment in fixed assets excl. goodwill	-5 087	-3 039	-4 934
<b>Cash flow from investment activities</b>	<b>-5 087</b>	<b>-3 039</b>	<b>-4 934</b>
Issue of warrants	2 466	-	-
Loans raised/Repayment of loans	-14 314	-3 444	-8 795
Dividend	-	-7 574	-7 574
<b>Cash flow from financing activities</b>	<b>-11 848</b>	<b>-11 018</b>	<b>-16 369</b>
<b>Cash flow for the period</b>	<b>-2 151</b>	<b>-96</b>	<b>-1 588</b>
Opening liquid assets	8 035	9 623	9 623
Closing liquid assets	5 884	9 527	8 035
Change	-2 151	-96	-1 588

## Key ratios

	2000	1999	1999
	Jan-June	Jan-June	Jan-Dec
Gross margin, %	9.3	14.4	7.8
Margin before goodwill amortization, %	7.5	12.4	5.8
Operating margin after goodwill amortization, %	5.2	9.8	3.0
Profit margin, %	4.9	9.4	2.6
Earnings per share after tax, SEK	-0.01	1.01	0.30
Earnings per share after standard tax, SEK	0.65	1.13	0.56
Average number of shares	7 573 600	7 573 600	7 573 600
Equity/assets ratio, %	53.8	49.4	49.8
Equity per share, SEK	11.16	11.55	10.85
Return on equity, %	0.0	8.7	2.7
Return on capital employed, %	7.4	10.1	5.2
Average number of employees	302	251	261
Number of employees at end of period	318	262	277
Turnover per employee, SEK thousand	465	501	892

## Audit report

We have carried out a review of this Interim Report in compliance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is very limited compared with an audit. Nothing has been found to indicate that the Interim Report does not comply with the requirements of the Financial Statements Act.

Stockholm 14 August 2000

Bo Ribers  
Authorized Public Accountant

Per-Oluf Hansen  
Authorized Public Accountant