

# Interim Report to 30 September 2003

***Pre-tax loss of SEK 24.4 million,  
of which SEK 16.1 million related to restructuring during the period***

***Satisfactory inflow of orders of SEK 43.5 million for Q3***

<b>SUMMARY (SEK million)</b>	<b>Q3 2003</b>	<b>Jan-Sep 2003</b>	<b>Jan-Sep 2002</b>
<b>Net sales</b>	<b>36.7</b>	<b>130.1</b>	<b>136.8</b>
Operating expenses (incl. restructuring)	-51.1	-151.5	-140.9
<b>Operating profit/loss</b>	<b>-14.4</b>	<b>-21.4</b>	<b>-4.1</b>
Goodwill amortization	-0.6	-1.7	-1.3
Goodwill write-down	-1.5	-1.5	-
<b>Operating profit/loss before financial items</b>	<b>-16.5</b>	<b>-24.6</b>	<b>-5.4</b>
Net financial income/expense	0.1	0.2	0.5
<b>Profit/loss before tax</b>	<b>-16.4</b>	<b>-24.4</b>	<b>-4.9</b>

- Turnover of SEK 36.7 million for Q3 (SEK 36.3 million - Q3 2002), up 2 per cent.
- Loss before tax of SEK 16.4 million (SEK -2.6 million) for Q3. The result was charged with total restructuring costs of SEK 13.6 million for staff redundancies, terminated leases and goodwill write-down.
- Earnings per share after tax of SEK -2.41 (SEK -0.54) for the period. Equity per share of SEK 4.40 (SEK 7.23) at the end of the period.
- The inflow of orders totalled SEK 43.5 million (SEK 23.6 million) for Q3, up 85 per cent. However, the total market remained weak.
- Fixed-price projects continued to show positive results. As market interest in fixed-price projects increases, Prevas' documented competence in implementation and quality assurance will be an increasingly important competitive advantage.
- Restructuring implemented during the period resulted in volume adjustment and a reduction in overheads. Overall, operating expenses were reduced by more than SEK 30 million per year.
- Liquid assets totalled SEK 0.9 million (SEK 9.9 million) at the end of the period. A negative cash flow of SEK 10.9 million (SEK +0.5 million) was reported for Q3. Prevas has no interest-bearing liabilities and the Group's two industrial properties are free of charges.



# Operations to 30 September 2003

## ORGANIZATIONAL CHART



## PREVAS IN BRIEF

Prevas AB is a project-oriented, hi-tech IT company offering consultancy services, products and support to customers operating in product development, production and life sciences. Prevas is listed on Stockholm Stock Exchange.

Customers include ABB, Amersham Biosciences, Arla, AstraZeneca, Atlas Copco, Autoliv, Biacore, Bioinvent, Biovitrum, Bombardier, Dafgård, Ericsson, Finbus, Flextronics, FMV, FOI, Gyros, Haldex, ICA, Nokia, Pharmacia, Pyrosequencing, Saab, Sandvik, Sanmina SCI, Scania, Sectra, Solectron, Volvo and Westinghouse.

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

The generally weak business cycle results in customers seeking to minimize risks and surprises in the implementation of new IT solutions. The importance of long-term customer relationships is increasing and customers are choosing to work with suppliers with good references and the capability to deliver high-quality solutions on time and at a fixed price. As a result, the market trend towards an increased percentage of fixed-price projects continued, benefiting Prevas. During the period, fixed-price projects accounted for 40 per cent of turnover, compared with 33 per cent during the corresponding period of 2002. Fixed-price projects continued to show stable positive results.

During the first three quarters of the year, the market was characterized by excess capacity and downward pricing pressure, which was continuously corrected by reductions in capacity and the exclusion of companies from the market. As a result, the balance between supply and demand is being restored.

During Q3, a programme of change was implemented, to increase Prevas' sales focus and make operations more efficient. The changes resulted in reduced central costs and a flatter organization. Prevas' regional offices now report direct to the CEO and the Life Science and Systems business units have therefore been abolished. Consequently, results are no longer reported by business unit.

The new organization was implemented on 15 September and entails a return to a previous organizational structure.

Prevas' market offering is unchanged and comprises:

- Consultancy services
- Products
- Customer support

To companies operating in:

- Product development
- Production
- Life sciences

Parallel to the reorganization, capacity is being reduced to increase the invoicing rate to 70 per cent, which is necessary to achieve long-term profitability in excess of 10 per cent. The invoicing rate is Prevas' indicator for capacity utilization, defined as total hours invoiced divided by total hours worked in the company.

The costs of these measures were charged to Q3.

# Prevas' market offering

## CONSULTANCY SERVICES

Prevas offers consultancy services in product development and industrial systems:

### Product development

The IT and computer power element in products has increased dramatically in recent years. Ever-increasing demands are made on companies to manage IT elements in the development of new products. Prevas increases customers' prospects of successful product development and enables them to focus on their core competence. The company has the considerable experience and high level of competence required for the development and quality assurance of advanced IT products. Areas of competence are embedded systems, communications, telematics and electronics development. Prevas offers competence and resource consultancy as well as entire projects. Customers are mainly to be found in the engineering industry, telecommunications, life sciences and the defence industry.

Demand in product development rose somewhat in Q3. In particular, the inflow of venture capital in life sciences increased, representing a change in the trend. During the quarter, Prevas received its largest ever project order from a digital video broadcasting operator. A direct order from an operator marks a breakthrough for Prevas and enables the company to reach a larger market than previously. Further orders were signed with ABB, Amersham Biosciences, Atlas Copco, Nokia and Saab during the period.

### Industrial systems

Prevas offers IT solutions that increase the efficiency of industrial processes and production and improve profitability through the increased utilization of production equipment:

#### Supervisory & control systems

Systems and competence in the control and supervision area for the process industry and the power generation industry in particular.

#### Shop floor control

Systems solutions in production control and manufacturing processes.

#### Material handling systems

Software solutions for logistics, automated warehousing and driverless trucks.

In industrial systems, the trend in the first half for an increase in the number of enquiries and order volume continued. Orders were signed with ABB, Sandvik and Westinghouse.

## PRODUCTS

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

The market for traceability products continued to be stable and orders were received from Ericsson, Elcoteq (Estonia) and Solectron (Romania). Snitcher Food (food traceability) was commissioned at Domstein Enghav (formerly Festab) in Q3 and the product was developed to support both movement certificates and SSCC codes.

## SUPPORT

Prevas Customer Support offers a wide range of different support services, including operating responsibility and product administration services. A number of customer support agreements were signed in Q3, including an agreement with Ericsson.

# 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

- 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

Katarina Hillman, Finance Director  
Tel: +46 21-360 19 19, +46 70-690 17 18

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

## TENDER OUTCOME

During the period, 94 (87) per cent of orders went to Prevas and 6 (13) per cent to a competitor.

## CAPACITY UTILIZATION

The invoicing rate was 58 (56) per cent for the quarter and 58 (59) per cent for the period. 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 period to 30 September, 40 (33) per cent of assignments were charged on a fixed-price basis and 60 (67) per cent on a time basis.

## EMPLOYEES

The number of employees was 202 (229) at the end of the period. During the period, the average number of employees was 231 (236) and staff turnover (excluding redundancies) was 6 per cent. The percentage of female employees was 17 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 Q3

Turnover for Q3 was SEK 36.7 million (SEK 36.3 million), up 2 per cent. The number of working days was 66 (66).

Operating loss was SEK 14.4 million (SEK -2.4 million) before goodwill amortization. This result was charged with total costs of SEK 12.1 million for staff redundancies and terminated leases. Loss after financial items was SEK 16.4 million (SEK -2.6 million).

## TURNOVER AND RESULTS TO 30 SEPTEMBER

Turnover for the period was SEK 130.1 million (SEK 136.9 million), down 5 per cent. The number of working days was 187 (187).

Operating loss was SEK 21.4 million (SEK -4.1 million) before goodwill amortization and SEK 24.6 million (SEK -5.4 million) after goodwill amortization. The operating margin was -16.5 (-3.0) per cent before goodwill amortization and -18.9 (-3.9) per cent after goodwill amortization. The operating loss was charged with total restructuring costs of SEK 16.1 million for staff redundancies, terminated leases and goodwill write-down.

Depreciation totalled SEK 6.8 million (SEK 4.7 million), of which SEK 3.2 million (SEK 1.3 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.2 million (SEK 0.5 million). Loss after financial items was SEK 24.4 million (SEK -4.9 million). Net loss was SEK 18.8 million (SEK -4.1 million). Earnings per share after tax were SEK -2.41 (SEK -0.54).

## LIQUID ASSETS

Liquid assets totalled SEK 0.9 million (SEK 9.9 million) at the end of the period. A negative cash flow of SEK 5.0 million (SEK +5.7 million) was reported for the period. Prevas has no interest-bearing liabilities and the Group's two industrial properties are free of charges. Prevas has an ongoing bank overdraft facility of SEK 20 million.

## FINANCIAL POSITION

Equity totalled SEK 34.3 million (SEK 54.8 million) at the end of the period, representing an equity/assets ratio of 41 (61) per cent. Equity per share (excluding outstanding options) was SEK 4.40 (SEK 7.23).

# Finance (cont.)

## INVESTMENTS

During the period, net investments totalled SEK 1.3 million (SEK 0.8 million).

All investments related to ordinary activities and were for machinery and equipment.

## 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, 23 October 2003

Prevas AB (publ)

Anders Englund, CEO

# Consolidated financial statements

## Summary profit and loss accounts

SEK thousand	2003 Jan-Sep	2002 Jan-Sep	2002 Jan-Dec
<b>Net sales</b>	<b>130 149</b>	<b>136 879</b>	<b>184 864</b>
Material costs	-1 131	-1 990	-2 798
Other external expenses	-24 225	-26 612	-36 652
Staff costs	-122 617	-108 955	-150 642
Depreciation according to plan	-3 588	-3 370	-4 573
<b>Profit/loss before depreciation goodwill</b>	<b>-21 412</b>	<b>-4 048</b>	<b>-9 801</b>
Goodwill amortisation	-1 685	-1 335	-1 897
Goodwill write-down	-1 500		
<b>Operating profit/loss *</b>	<b>-24 597</b>	<b>-5 383</b>	<b>-11 698</b>
Net financial income/expense	193	465	557
<b>Profit/loss after financial items</b>	<b>-24 404</b>	<b>-4 918</b>	<b>-11 141</b>
Tax	5 632	855	2 102
<b>Net profit/loss</b>	<b>-18 772</b>	<b>-4 063</b>	<b>-9 039</b>
<i>Earnings per share after tax</i>	<i>-2.41 kr</i>	<i>-0.54 kr</i>	<i>-1.19 kr</i>
<i>Earnings per share after tax, including options</i>	<i>-2.41 kr</i>	<i>-0.54 kr</i>	<i>-1.19 kr</i>
<i>Equity per share</i>	<i>4.40 kr</i>	<i>7.23 kr</i>	<i>6.81 kr</i>
<i>Equity per share, including options</i>	<i>5.04 kr</i>	<i>7.71 kr</i>	<i>7.31 kr</i>

\* The operating loss was charged with total restructuring costs of SEK 16.1 million for staff redundancies, terminated leases and goodwill write-down.

# Consolidated financial statements

## Quarterly summary profit and loss accounts

SEK thousand	2003 Q3	2003 Q2	2003 Q1	2002 Q3	2002 Q2	2002 Q1
<b>Net sales</b>	<b>36 742</b>	<b>44 179</b>	<b>49 228</b>	<b>36 318</b>	<b>52 954</b>	<b>47 607</b>
Material costs	-297	-618	-216	-412	-1 262	-316
Other external expenses	-8 746	-7 633	-7 846	-7 373	-7 502	-11 737
Staff costs	-40 888	-42 695	-39 034	-29 831	-37 127	-41 997
Depreciation according to plan	-1 226	-1 200	-1 162	-1 122	-1 079	-1 169
<b>Profit/loss before depreciation goodwill and items affecting comparability</b>	<b>-14 415</b>	<b>-7 967</b>	<b>970</b>	<b>-2 420</b>	<b>5 984</b>	<b>-7 612</b>
Goodwill amortisation	-562	-561	-562	-445	-445	-445
Goodwill write-down	-1 500					
<b>Operating profit/loss</b>	<b>-16 477</b>	<b>-8 528</b>	<b>408</b>	<b>-2 865</b>	<b>5 539</b>	<b>-8 057</b>
Net financial income/expense	50	99	44	286	121	58
<b>Profit/loss after financial items</b>	<b>-16 427</b>	<b>-8 429</b>	<b>452</b>	<b>-2 579</b>	<b>5 660</b>	<b>-7 999</b>
Tax	3 980	1 918	-266	615	-1 008	1 248
<b>Net profit/loss</b>	<b>-12 447</b>	<b>-6 511</b>	<b>186</b>	<b>-1 964</b>	<b>4 652</b>	<b>-6 751</b>

## Summary balance sheets

SEK thousand	2003 30 Sep	2002 30 Sep	2002 31 Dec
Tangible assets	27 906	30 794	30 213
Intangible assets	10 234	9 314	13 420
Current receivables	44 558	39 562	41 893
Cash and bank balances	940	9 881	5 912
<b>Total assets</b>	<b>83 638</b>	<b>89 551</b>	<b>91 438</b>
Equity	34 268	54 774	53 038
Provisions	8 462	10 593	8 649
Current liabilities	40 908	24 184	29 751
<b>Total liabilities and equity</b>	<b>83 638</b>	<b>89 551</b>	<b>91 438</b>

## Change in equity

SEK thousand	2003 30 Sep	2002 30 Sep	2002 31 Dec
Opening balance	53 038	58 798	58 798
Dividend to shareholders	-	-	-
New share issue	-	-	3 239
Translation difference	2	39	40
Net profit for the period	-18 772	-4 063	-9 039
<b>Closing balance</b>	<b>34 268</b>	<b>54 774</b>	<b>53 038</b>

# Consolidated financial statements

<b>Capital employed</b>	2003	2002	2002
SEK thousand	30 Sep	30 Sep	31 Dec
Non-interest-bearing current assets	44 558	39 562	41 893
Non-interest-bearing current liabilities	-40 908	-24 184	-29 751
<b>Net work capital</b>	<b>3 650</b>	<b>15 378</b>	<b>12 142</b>
Fixed assets excl. goodwill	27 906	30 794	30 213
Provisions	-8 462	-10 593	-8 649
<b>Capital employed excl. goodwill</b>	<b>23 094</b>	<b>35 579</b>	<b>33 706</b>
Goodwill	10 234	9 314	13 420
<b>Capital employed</b>	<b>33 328</b>	<b>44 893</b>	<b>47 126</b>

<b>Cash flow statements</b>	2003	2002	2002
SEK thousand	Jan-Sep	Jan-Sep	Jan-Dec
Operating profit	-24 597	-5 383	-11 698
Depreciation and write-downs	6 773	4 704	6 470
Provisions	-187	-220	-190
Net financial income/expense	193	465	557
Tax paid	-255	-933	748
Change in current receivables	3 224	12 883	12 560
Change in current liabilities	11 157	-4 958	-2 580
<b>Cash flow from ordinary activities</b>	<b>-3 692</b>	<b>6 558</b>	<b>5 867</b>
Investment in subsidiary	-	-	-2 161
Net investment in fixed assets	-1 280	-813	-913
<b>Cash flow from investment activities</b>	<b>-1 280</b>	<b>-813</b>	<b>-3 074</b>
<b>Operating cash flow</b>	<b>-4 972</b>	<b>5 745</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	-4 972	5 745	1 776
Opening liquid assets	5 912	4 136	4 136
Closing liquid assets	940	9 881	5 912
Change	-4 972	5 745	1 776

# Consolidated financial statements

## Financial key ratios

	2003 Jan-Sep	2002 Jan-Sep	2002 Jan-Dec
Gross margin	-13.7%	-0.5%	-2.8%
Margin before GW amortization and items aff. comp.	-16.5%	-3.0%	-5.3%
Margin after GW amortization and items aff. comp.	-18.9%	-3.9%	-6.3%
Profit margin	-18.8%	-3.6%	-6.0%
Earnings per share after tax	-2.41 kr	-0.54 kr	-1.19 kr
Earnings per share after tax incl. outstand. share options*	-0.47 kr	-0.47 kr	-1.19 kr
Average number of shares	7 782 600	7 573 600	7 625 850
Average number of shares incl. outstand. share options*	8 282 600	8 073 600	8 125 850
Equity/assets ratio	41.0%	61.2%	58.0%
Equity per share	4.40 kr	7.23 kr	6.81 kr
Equity per share incl. outstand. share options*	5.04 kr	7.71 kr	7.31 kr
Return on capital employed	-60.7%	-7.2%	-16.8%
Return on equity	-56%	-10.3%	-19.9%
Average number of employees**	231	236	235
Number of employees at end of period**	202	229	237
Working days	187	187	250
Chargeability rate	59%	58%	58%
Turnover per employee	564	580	787

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

\*\* Excluding redundancies.



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