

## Interim Report to 30 September 2002

**Pre-tax loss of SEK 2.6 million for Q3**

**Positive cash flow of SEK 0.5 million for Q3**

**Entry into defence and automotive markets through acquisition**

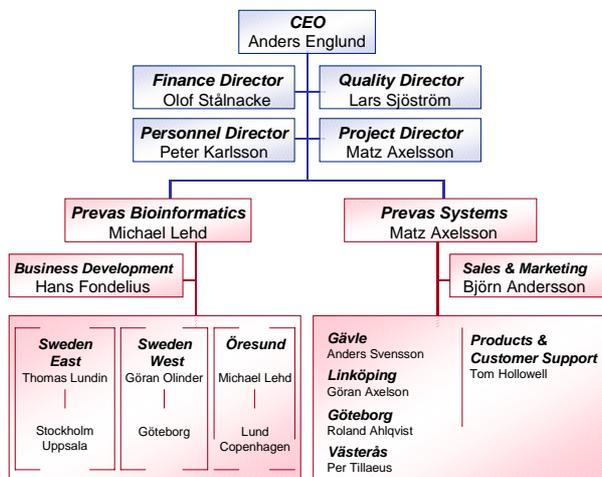
**Cooperation agreement with ABB**

<b>SUMMARY (SEK million)</b>	<b>Q3 2002</b>	<b>1 Jan-30 Sep 2002</b>
Bioinformatics business unit	6.8	32.3
Systems business unit	28.7	102.2
Other	0.8	2.4
<b>Net sales</b>	<b>36.3</b>	<b>136.9</b>
Operating expenses	-38.7	-137.8
<b>Operating loss</b>	<b>-2.4</b>	<b>-0.9</b>
Goodwill amortization	-0.4	-1.3
Restructuring costs		-3.1
<b>Operating loss before financial items</b>	<b>-2.9</b>	<b>-5.4</b>
Net financial income/expense	0.3	0.5
<b>Loss before tax</b>	<b>-2.6</b>	<b>-4.9</b>

- Turnover for Q3 was SEK 36.3 million (SEK 53.9 million - Q3 2001). Operating loss before goodwill amortization was SEK 2.4 million (+ SEK 2.3 million), a margin of -6.7 (+4.3) per cent. Loss after financial items for Q3 was SEK 2.6 million (SEK +1.2 million), a margin of -7.1 (+2.2) per cent.
- A positive operating cash flow of SEK 0.5 million (SEK 2.4 million) was reported for Q3 and of SEK 5.7 million (SEK -4.5 million) for the period to 30 September.
- Equity totalled SEK 54.8 million (SEK 85.9 million) at the end of the quarter, representing an equity/assets ratio of 61 (68) per cent.
- Prevas has signed a cooperation agreement with ABB under which Prevas will partner ABB in the integration of systems and products within the framework of ABB's Industrial IT concept. The agreement was reached at the beginning of October and cooperation has already resulted in a major order from Sandvik.
- In September, Prevas acquired ICE Sweden AB as from 1 October. ICE Sweden strengthens Prevas Systems' operations in Linköping and Gothenburg, particularly with assignments in defence and automotive electronics, and enhances Prevas' earnings from the acquisition date.
- Prevas Bioinformatics has been affected by the sharp downturn in biotech, but retains its market position and continues to diversify in the life science industry.



# Operations to 30 September 2002



Prevas' organizational chart

## Prevas in brief

Since 1 July 2002, Prevas AB has been organized in two operating business units: Prevas Bioinformatics and Prevas Systems. The operations of Prevas Bioinformatics are concentrated in the Uppsala, Stockholm, Gothenburg, Lund and Copenhagen offices.

Prevas Systems was established by coordinating the operations of the Industry and Telecom business areas and comprises the Gävle, Gothenburg, Linköping and Västerås offices, as well as the operations of Products & Customer Support mainly based in Karlstad.

Customers include ABB, Amersham Biosciences, Arla, AstraZeneca, Atlas Copco, Autoliv, Biacore, Bioinvent, Biovitrum, Bombardier, Ericsson, Exiqon, Findus, 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.

The third quarter is generally the weakest for a consulting business, due to the impact of the holiday period in the form of considerably fewer hours worked and the resulting lower revenue. In the current weak market, this effect was exacerbated by the longer than normal post-holiday period and the invoicing rate was consequently unsatisfactory. Despite continued good control of costs (down 25 per cent on Q3 2001) and fixed-price projects, Prevas therefore shows a loss for Q3.

Prevas Bioinformatics felt the impact of the weakened biotech market in Q3, in the form of a lower invoicing rate following the completion of a couple of major projects. However, Prevas' strong, established customer base, which was further strengthened in June through a framework agreement with AstraZeneca, provides prospects of a recovery. The business unit continues to refocus away from small biotech companies towards R&D in major pharmaceutical companies.

When Anders Englund took up the post of CEO of Prevas in Q3, the company's Danish CEO Michael Lehd was appointed new director of Prevas Bioinformatics.

Prevas Systems had a stable but somewhat weak market in Q3, with an increasing inflow of orders during September. Products & Customer Support continued to show favourable development and entered the food production market. Prevas Systems was also strengthened with regard to both customers and competence by the acquisition of ICE Sweden AB. Despite the weak market, Prevas views the continued development of the business unit with optimism.

# Prevas' operating business units

## BIOINFORMATICS

Prevas Bioinformatics' 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.

When Anders Englund took up the post of CEO of Prevas on 1 September, the company's Danish CEO Michael Lehd was appointed director of the Bioinformatics business unit. Michael Lehd has led the start-up of Prevas in Denmark and has also successfully coordinated operations on both sides of the Öresund into an integrated region.

During Q3, the business unit won two new customers: Got-a-Gene in Sweden and Maxygen in Denmark. In addition, the quarter saw new assignments for existing customers and the extension of existing assignments. Nevertheless, the invoicing rate fell during the quarter, as a result of the completion of a couple of major assignments.

Turnover in Bioinformatics was SEK 32.3 million (SEK 47.9 million) for the period to 30 September. Turnover for offices included in the Bioinformatics business unit fell by 18 per cent. A number of offices, which had major assignments in Bioinformatics in 2001, have been mainly focused on Systems in 2002, and turnover therefore fell overall by 33 per cent. Profitability for the business unit has, however, been satisfactory so far this year.

The reduced rate of growth and uncertainty regarding access to venture capital, which marked the biotech sector in Q2, has further strengthened. Prevas Bioinformatics continues to refocus away from small biotech companies towards R&D in major pharmaceutical companies, in order to reduce the dependence on the currently stagnant biotech market. The ongoing development of the relationship with AstraZeneca, based on the framework agreement signed in June, is an important part of this refocus. Owing to AstraZeneca's breadth of operations in Sweden and its magnitude as an IT purchaser, the framework agreement involves interesting opportunities not only for Prevas Bioinformatics but also for Prevas Systems.

## SYSTEMS

Prevas Systems creates solutions for industrial customers in the areas of product development - R&D, industrial systems and customer support.

Systems saw a stable but somewhat weak market in Q3. July and August are normally weak months for consulting operations, but the inflow of orders rose again in September. The framework agreement with AstraZeneca has resulted in a major ER/ES assurance project.

During the quarter, Prevas Systems also negotiated a cooperation agreement with ABB under which Prevas will partner ABB in the integration of systems and products within the framework of ABB's Industrial IT concept. The agreement was reached at the beginning of October and cooperation has already resulted in a major order from Sandvik.

One area that has shown very favourable development during the year is Products & Customer Support. PharmaLine, which is Prevas' product for traceability in labelling, won its first customer in the food industry in Q3. The company sees considerable potential in this important market.

The most important event during the quarter was, however, the acquisition of the company ICE Sweden AB. ICE brings with it new customers and assignments in defence and automotive electronics, as well as 18 experienced consultants with sound competence in embedded systems and electronics design. These new customers include Autoliv, FMV (Swedish Defence Materiel Administration) and FOI (Swedish Defence Research Agency). The integration of ICE with Prevas Systems' operations in Linköping and Gothenburg has proceeded wholly according to plan and the acquisition of ICE enhances Prevas' earnings from the acquisition date of 1 October.

Turnover in Prevas Systems was SEK 102.2 million (SEK 129.4 million) for the period to 30 September, down 21 per cent. This reduction in turnover is mainly an effect of the downturn in the telecoms business. Profitability for the areas of Prevas included in Systems has improved substantially in the past two quarters.

The increasing inflow of orders at the end of the quarter, combined with positive development within several areas of Prevas Systems, due in part to the acquisition of ICE,

## (Prevas' operating business units cont.)

causes Prevas to view Q4 optimistically for Systems, despite the continued weak market.

Prevas Systems' areas of focus are:

### **Product development - R&D**

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 the chance of customers succeeding in their product development and gives them an opportunity of focusing on their core competence. The company has the considerable experience and high competence required for the development of advanced IT products. Prevas' areas of competence are embedded systems, communications, telematics and electronics development.

### **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 area of control and supervision for the process industry and the power generation industry in particular.

*Shop Floor Control* - systems solutions in production control and manufacturing processes.

*Materials Handling Systems* - software solutions for logistics, automated warehousing and driverless trucks.

*Traceability Products* - products and systems solutions in traceability, testing and quality for electronics, pharmaceuticals and food production.

### **Support**

Prevas Customer Support offers a wide range of different support services, including operating responsibility and product administration services.

## Finance

### **TENDER OUTCOME**

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

### **CAPACITY UTILIZATION**

Capacity utilization, i.e. solely measured for consultants, was 69 (72) per cent for Q3 and 73 (77) per cent for the first nine months.

The invoicing rate was 56 (57) per cent for Q3 and 58 (62) per cent for the period to 30 September. 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 measurement.

### **ASSIGNMENT DISTRIBUTION**

During the first nine months, 33 (28) per cent of assignments were charged on a fixed-price basis and 67 (72) per cent on a time basis.

### **EMPLOYEES**

The number of employees was 229 (297) at the end of the period. During the period, the average number of employees was 236 (291), down 19 per cent compared with the same period of 2001. The percentage of female employees was 19 per cent at the end of the period.

### **TURNOVER AND RESULTS FOR Q3**

Turnover for Q3 was SEK 36.3 million (SEK 53.9 million), down 33 per cent. The number of working days was 66 (65).

Operating loss before goodwill amortization was SEK 2.4 million (SEK +2.3 million). Loss after financial items was SEK 2.6 million (SEK +1.2 million). The profit margin was -6.7 (+4.3) per cent before goodwill amortization and -7.1 (+2.2) per cent after financial items.

### **TURNOVER AND RESULTS TO 30 SEPTEMBER**

Turnover was SEK 136.9 million (SEK 182.9 million) during the period, down 25 per cent. The number of working days was 187 (188). Operating loss was SEK 0.9 million (SEK +4.4 million) before goodwill amortization and items affecting comparability and SEK 5.4 million (SEK +0.7

## (Finance cont.)

million) after these items.

The operating margin was -0.7 (+2.4) per cent before goodwill amortization and items affecting comparability and -3.9 (+0.4) per cent before financial items.

The result was charged with costs of SEK 3.1 million for staff cuts in Q1.

Depreciation totalled SEK 4.7 million (7.3), of which SEK 1.3 million (SEK 3.7 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.5 million (SEK 0.1 million). Loss after financial items was SEK 4.9 million (SEK +0.8 million), representing a profit margin of -3.6 (+0.4) per cent.

Net loss was SEK 4.1 million (SEK -0.5 million). Earnings per share after tax were SEK -0.54 (SEK -0.06).

### LIQUID ASSETS

Liquid assets totalled SEK 9.9 million (SEK 4.1 million) at the end of the period. A positive operating cash flow of SEK 5.7 million (SEK -4.5 million) was reported for the period to 30 September. Prevas had no interest-bearing liabilities and the Group's two industrial properties were free of charges.

Stockholm, 23 October 2002

Prevas AB (publ)

*Anders Englund, CEO*

For further information please contact: Anders Englund, CEO  
Olof Stålnacke, CFO

+46 8-726 40 56, 070-620 96 59  
+46 8-726 40 62, 0730-511 331

### FINANCIAL POSITION

Equity totalled SEK 54.8 million (SEK 85.9 million) at the end of the period, representing an equity/assets ratio of 61 (68) per cent. Equity per share was SEK 7.23 (SEK 11.35).

### INVESTMENTS

During the period, net investments totalled SEK 0.8 million (SEK 5.2 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 RR20 Interim Reporting of the Swedish Financial Accounting Standards Council. The report has also been prepared in other respects in accordance with the Council's recommendations. No accounting principles have been changed with an effect on this report compared with the principles applied in the latest annual report.

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## FINANCIAL REPORTING

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- Press Release of Results for 2002 5 February 2003
- Annual General Meeting for 2002 20 March 2003

## SUMMARY PROFIT AND LOSS ACCOUNTS (PREVAS GROUP)

SEK thousand	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
Net sales	136 879	182 900	234 051
Material costs	-1 990	-2 330	-2 926
Other external expenses	-26 612	-35 465	-47 240
Staff costs	-105 810	-137 088	-180 927
Depreciation according to plan	-3 370	-3 639	-4 904
<b>Profit/loss before depreciation goodwill and items affecting comparability</b>	<b>-903</b>	<b>4 378</b>	<b>-1 946</b>
Goodwill amortisation	-1 335	-3 660	-4 880
Goodwill write-down			-20 300
Items affecting comparability*	-3 145		-2 010
<b>Operating profit/loss</b>	<b>-5 383</b>	<b>718</b>	<b>-29 136</b>
Net financial income/expense	465	48	198
<b>Profit/loss after financial items</b>	<b>-4 918</b>	<b>766</b>	<b>-28 938</b>
Tax	855	-1 239	1 353
<b>Net profit/loss</b>	<b>-4 063</b>	<b>-473</b>	<b>-27 585</b>

\* Costs related to staff cuts

## QUARTERLY SUMMARY PROFIT AND LOSS ACCOUNTS (PREVAS GROUP)

SEK thousand	2002 Q3	2002 Q2	2002 Q1	2001 Q3	2001 Q2	2001 Q1
Net sales	36 318	52 954	47 607	53 870	61 057	67 973
Material costs	-412	-1 262	-316	-148	-269	-1 913
Other external expenses	-7 373	-7 502	-11 737	-9 535	-14 811	-11 119
Staff costs	-29 831	-37 127	-38 852	-40 628	-48 936	-47 524
Depreciation according to plan	-1 122	-1 079	-1 169	-1 226	-1 238	-1 175
<b>Profit/loss before depreciation goodwill and items affecting comparability</b>	<b>-2 420</b>	<b>5 984</b>	<b>-4 467</b>	<b>2 333</b>	<b>-4 197</b>	<b>6 242</b>
Goodwill amortisation	-445	-445	-445	-1 221	-1 219	-1 220
Items affecting comparability*	-	-	-3145		-	
<b>Operating profit/loss</b>	<b>-2 865</b>	<b>5 539</b>	<b>-8 057</b>	<b>1 112</b>	<b>-5 416</b>	<b>5 022</b>
Net financial income/expense	286	121	58	59	-6	-5
<b>Profit/loss after financial items</b>	<b>-2 579</b>	<b>5 660</b>	<b>-7 999</b>	<b>1 171</b>	<b>-5 422</b>	<b>5 017</b>
Tax	615	-1 008	1 248	-653	1 193	-1 780
<b>Net profit/loss</b>	<b>-1 964</b>	<b>4 652</b>	<b>-6 751</b>	<b>518</b>	<b>-4 229</b>	<b>3 237</b>

\* Costs related to staff cuts

## SUMMARY BALANCE SHEETS (PREVAS GROUP)

SEK thousand	2002 30 Sep	2001 30 Sep	2001 31 Dec
Fixed assets excl. goodwill	30 794	34 850	33 350
Goodwill	9 314	32 169	10 649
Other current assets	39 562	55 135	50 657
Liquid assets incl. short-term investments	9 881	4 057	4 136
<b>Total assets</b>	<b>89 551</b>	<b>126 211</b>	<b>98 792</b>
Equity	54 774	85 942	58 798
Provisions	10 593	11 482	10 852
Interest-bearing liabilities	0	5 456	0
Non-interest-bearing liabilities	24 184	23 331	29 142
<b>Total liabilities and equity</b>	<b>89 551</b>	<b>126 211</b>	<b>98 792</b>

## CHANGE IN EQUITY (PREVAS GROUP)

SEK thousand	2002 30 Sep	2001 30 Sep	2001 31 Dec
Opening balance	58 798	90 202	90 202
Dividend to shareholders	-	-3 787	-3 787
Translation difference	39	-	-31
Net profit for the period	-4 063	-473	-27 585
<b>Closing balance</b>	<b>54 774</b>	<b>85 942</b>	<b>58 798</b>

## CAPITAL EMPLOYED (PREVAS GROUP)

SEK thousand	2002 30 Sep	2001 30 Sep	2001 31 Dec
Non-interest-bearing current assets	39 562	55 135	50 657
Non-interest-bearing current liabilities	-24 184	-23 331	-29 142
<b>Net work capital</b>	<b>15 378</b>	<b>31 804</b>	<b>21 515</b>
Fixed assets excl. goodwill	30 794	34 850	33 350
Provisions	-10 593	-11 482	-10 852
<b>Capital employed excl. goodwill</b>	<b>35 579</b>	<b>55 172</b>	<b>44 013</b>
Goodwill	9 314	32 169	10 649
<b>Capital employed</b>	<b>44 893</b>	<b>87 341</b>	<b>54 662</b>

## CASH FLOW STATEMENTS (PREVAS GROUP)

SEK thousand	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
Operating profit	-5 383	718	-29 136
Depreciation and write-downs	4 704	7 299	30 084
Provisions	-220	-94	30
Net financial income/expense	465	48	198
Tax paid	-933	-9 744	-6 612
Change in current receivables	12 883	6 893	13 246
Change in current liabilities	-4 958	-4 377	-1 853
<b>Cash flow from ordinary activities</b>	<b>6 558</b>	<b>743</b>	<b>5 957</b>
Sale of business unit	-	-	-
Investment in business unit	-	-	-
Net investment in fixed assets	-813	-5 246	-4 925
<b>Cash flow from investment activities</b>	<b>-813</b>	<b>-5 246</b>	<b>-4 925</b>
<b>Operating cash flow</b>	<b>5 745</b>	<b>-4 503</b>	<b>1 032</b>
Warrants issue	-	-	-
Loans raised (+) / Repayment of loans (-)	-	-6 544	-12 000
Dividend paid	-	-3 787	-3 787
<b>Cash flow from financing activities</b>	<b>0</b>	<b>-10 331</b>	<b>-15 787</b>
Cash flow for the period	5 745	-14 834	-14 755
Opening liquid assets	4 136	18 891	18 891
Closing liquid assets	9 881	4 057	4 136
Change	5 745	-14 834	-14 755

## FINANCIAL KEY RATIOS (PREVAS GROUP)

	2002 Jan-Sep	2001 Jan-Sep	2001 Jan-Dec
Gross margin	1.8%	4.4%	1.3%
Margin before GW amortization and items aff. comp.	-0.7%	2.4%	-0.8%
Margin after GW amortization and items aff. comp.	-3.9%	0.4%	-12.4%
Profit margin	-3.6%	0.4%	-12.4%
Earnings per share after tax *	-0.54 SEK	-0.06 SEK	-3.64 SEK
Earnings per share after standard tax *	-0.47 SEK	0.07 SEK	-2.75 SEK
Average number of shares *	7 573 600	7 573 600	7 573 600
Equity/assets ratio	61.2%	68.1%	59.5%
Equity per share *	7.23	11.35	7.76
Return on capital employed	-7.2%	1.1%	-33.9%
Return on equity	-10.3%	-0.1%	-37.0%
Average number of employees	236	291	288
Number of employees at end of period	229	297	251
Working days	187	188	250
Chargeability rate	58%	62%	60%
Turnover per employee	580	629	813

The number of shares does not include 341,950 outstanding staff share options.



Prevas AB (publ) Org nr 556252-1384  
SE-117 71 Stockholm  
Phone +46 8-726 40 00, Fax +46 8-726 40 01,  
[www.prevas.se](http://www.prevas.se)