

Interim Report to 30 June 2002

Positive result and cash flow in Q2 Anders Englund appointed new CEO

SUMMARY (SEK million)	Q2 2002	1 Jan-30 June 2002
Bioinformatics business area	12,1	25,8
Industry business area	31,9	56,7
Telecom business area	8,1	16,4
Other	0,9	1,7
Net sales	53,0	100,6
Operating expenses	-47,0	-99,1
Operating profit	6,0	1,5
Goodwill amortization	-0,4	-0,9
Restructuring costs		-3,1
Operating profit/loss before financial items	5,5	-2,5
Net financial income/expense	0,1	0,2
Profit/loss before tax	5,7	-2,3

- Turnover for Q2 was SEK 53.0 million (SEK 61.1 million – Q2 2001). Operating profit before goodwill amortization was SEK 6.0 million (SEK -4.2 million), an 11.3 (-6.9) per cent margin. Profit after financial items for Q2 was SEK 5.7 million (SEK -5.4 million), a 10.7 (-8.9) per cent margin. The result includes unexordinary income of SEK 2.6 million from an agreement linked to the anticipated credit loss (SEK 3.2 million) charged to Q1.
- A positive operating cash flow of SEK 3.2 million (SEK 6.6 million) was reported for Q2 and of SEK 5.3 million (SEK -6.9 million) for the first half. The Group had no interest-bearing liabilities and owns two industrial properties.
- Equity totalled SEK 56.7 million (SEK 85.4 million) at the end of the quarter, representing an equity/assets ratio of 57 (63) per cent.
- The market continued to be weak during Q2. However, Prevas increased turnover by 11 per cent during the quarter compared with Q1, improved capacity utilization and reduced costs sharply.
- During Q2, Prevas decided to replace its three business areas with two operating business units: Prevas Bioinformatics and Prevas Systems. The new organization came into operation on 1 July.
- Anders Englund, currently director of Prevas Bioinformatics and formerly director of the Consulting profit centre, has been appointed new CEO of Prevas. He will take up the post on 1 September.



Operations to 30 June 2002

The action programme begun just over a year ago achieved its effect in Q2. Compared with the corresponding period last year, the company showed a higher invoicing rate and sharply reduced operating expenses (-28 per cent). This means that Prevas has returned to profit, despite a continued weak market. A large part of the anticipated credit loss charged to Q1 was also compensated for through an agreement linked to the project concerned.

Operations in the Bioinformatics business area continued to show good profitability during the first half. However, a more selective venture capital market has had repercussions on both the start-up rate and the willingness to invest of biotech companies. Prevas, with its strong, established customer base in the sector, has good prerequisites, however, for consolidating its market position in the somewhat deteriorated market situation. During Q2, an important strategic framework agreement for the next two years was also signed with AstraZeneca. This agreement is part of the refocusing away from small biotech companies towards R&D in large pharmaceutical companies, which is currently characteristic of both Prevas' operations and the market as a whole.

Prevas showed strong growth in the Industry business area from Q1 to Q2, even though turnover for the whole period was lower than for the first half of 2001. Despite a continued strained market situation, the inflow of orders was good during Q2, in the form of both major new projects and expanded assignments for the business area's long-standing stable customer base. Profitability continued to develop positively and contributed strongly to Prevas' positive result in Q2.

The market for the Telecom business area continued to be very weak, with considerable customer uncertainty

regarding future investments. Nevertheless, Prevas was able to further increase its cooperation with Nokia in digital TV. However, both turnover and profitability for the business area as a whole continued to be highly unsatisfactory, although Prevas sees opportunities for improving profitability now that the Telecom business is part of Prevas Systems, mainly through better resource utilization.

In addition to the implemented action programme, Prevas' improved position is based on both the continued successful focus on bioinformatics and the company's traditional strengths in customized IT solutions for industry. During Q2, Prevas therefore decided to replace its three former business areas as from 1 July with two operating business units with full profit responsibility: Prevas Bioinformatics and Prevas Systems. The three former business areas have enabled the company to develop valuable sector knowledge, particularly in bioinformatics, in which a new profitable business has been created. The new organization is a natural next step, providing further opportunities for the differentiation and development of the market offering, as well as a continued focus on profitability.

Prevas Bioinformatics' objective is to be the leading IT consultant in life science in the geographical markets where Prevas decides to set up. This will be achieved through both organic growth and selective acquisitions.

Prevas Systems will continue to focus on the company's traditional areas of strength, with the objective of being the Nordic market leader in shop floor control, i.e. systems for production control, traceability, testing and quality. The division will also continue Prevas' focus on digital media.

Prevas in brief

Prevas has offices in Stockholm, Gothenburg, Gävle, Karlstad, Linköping, Lund, Uppsala, Västerås and Copenhagen.

Customers include ABB, Arla, Amersham Biosciences, AstraZeneca, Atlas Copco, Autoliv, Biacore, Biovitrum, Bioinvent, 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.

Prevas' business areas

BIOINFORMATICS

The business area's objective is to be a leader in technical IT for the life science industry in the geographical markets where Prevas Bioinformatics 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. Prevas' successful focus on the sector will be further demonstrated by the reorganization of the business area into one of two operating business units as from 1 July.

The market potential for Prevas Bioinformatics is affected to some extent by growth in the sector, but to an even greater extent by requirements to increase the efficiency of existing operations. Long lead times for product development, structural changes and investments in new research technology are forces which make the market relatively insensitive to fluctuations in general economic activity, provided there is access to venture capital for R&D projects.

The business area's main priority in Q2, as in Q1, was to maintain profitability. There was a focus on growth in certain market segments, such as R&D in the pharmaceutical industry and the Öresund geographical market segment.

In June, an important strategic framework agreement for IT services was signed with AstraZeneca, which means that Prevas, together with a small number of chosen suppliers, will deliver IT solutions and resources to AstraZeneca in Sweden for the next two years. AstraZeneca is a major purchaser of IT services and the framework agreement therefore involves interesting opportunities for Prevas.

Prevas won two new customers in Q2: Alpha Helix in Sweden and DBI, Dansk Bioteknologisk Institut in Denmark. The capacity utilization of consultants also increased as a result of new assignments for existing customers and the extension of existing assignments.

Turnover in Bioinformatics was SEK 25.8 million (SEK 34.6 million) for the first half. Turnover for offices focusing on Bioinformatics rose by 3 per cent. However, a number of offices, which had major assignments in Bioinformatics in the first half of 2001, are currently mainly focused on Industry, and turnover therefore fell overall by 25 per cent. Profitability for the business area continued to be favourable.

During Q2, a more selective venture capital market had repercussions on biotech companies. In addition to an already reduced start-up rate for new biotech companies, previously established companies are currently also showing restraint. The biotech sector has been experiencing a reduced growth rate, and is now also marked by uncertainty regarding access to venture capital. Consequently, customers have generally become more cautious when investing in new projects. However, Prevas Bioinformatics, with its established customer base – now further strengthened by the framework agreement with AstraZeneca – is well equipped for periods of stagnation among small companies dependent on venture capital. Prevas should therefore have good prerequisites for consolidating its relative market position.

INDUSTRY

The business area creates solutions for industrial customers in the areas of manufacturing systems and the development of products with an IT content. Prevas' solutions and competence provide the company's customers with competitive advantages in the form of more rapid product development and more efficient production. The Industry business area ceased to be an organizational unit as from 1 July and the operations now instead form a central part of the new operating business unit, Prevas Systems.

The business area saw a marked increase in revenue (SEK 31.9 million) in Q2, compared with Q1 (SEK 24.8 million). Turnover in Industry was SEK 56.7 million (SEK 63.1 million) for the first half, down 10 per cent. The profitability of the business area improved substantially and contributed strongly to Prevas' positive result in Q2.

Manufacturing Systems creates IT solutions for the manufacturing industry.

As a result of intensified sales activities, the inflow of orders was good in Q2. In the materials handling systems area, modernization of high-bay warehouse control was implemented for ICA. Shop floor control projects were implemented for Ericsson in the USA and AstraZeneca (the PharmaLine labelling system). Customers continued to show a great interest in Prevas' wireless hand-held computer systems solutions for production applications, leading to an increased focus on this area during Q2.

Support operations continued to show increased demand as well as rising profitability. A number of major new support contracts were signed with ICA, Scania, Arla, DN/EX, Findus and Nobel Biocare.

Prevas' business areas (cont.)

Product Applications creates IT solutions in products (embedded systems).

Prevas' solid customer base in this area continued to be stable in Q2.

New and expanded assignments were received from ABB, Aircoil, Atlas Copco, Bombardier, Haldex, Saab-Bofors Dynamics and Uponor Wirsbo.

Even though the business climate is still strained, weak optimism for the autumn has been discernible among the business area's customers. Unless the general economic situation deteriorates, there are good prospects that the inflow of orders will continue to increase during the second half.

TELECOM

The Telecom business area offers systems development and integration services to suppliers and operators in the telecoms sector. The business area's services are integrated in the new operating business unit, Prevas Systems, as from 1 July.

The market for telecoms services weakened further in Q2 and many of the business area's customers are delaying investment decisions in the present situation. Nevertheless, Prevas was able to further increase its cooperation with Nokia in digital TV. As a result, cooperation is broadened to more product platforms and Prevas will recruit further specialist competence in this area.

Turnover in Telecom was SEK 16.4 million (SEK 29.7 million) for the first half, down 45 per cent.

Prevas anticipates an unchanged weak market situation during the second half of 2002. Profitability in Telecom continued to be highly unsatisfactory, although Prevas sees opportunities for improvement now that the business is part of Prevas Systems, through better resource utilization.

New CEO

On 28 June, the company announced that the CEO Jonas Wiström would leave the company as a result of accepting an offer to become CEO of AB Ångpanneföreningen.

At a scheduled board meeting on 20 August, the Board decided to appoint Anders Englund new CEO as from 1 September.

Anders Englund has been employed at Prevas since 1998 in several senior management posts. Anders has previous long experience from SAAB and Enator.

Finance

TENDER OUTCOME

During the first half, 89 per cent of orders went to Prevas and 11 per cent to a competitor.

CAPACITY UTILIZATION

Capacity utilization, i.e. solely measured for consultants, was 79 per cent for Q2 and 74 (78) per cent for the first half.

The invoicing rate was 63 (62) per cent for Q2 and 59 (63) 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 measurement.

ASSIGNMENT DISTRIBUTION

During the first half, 33 (27) per cent of assignments were charged on a fixed-price basis and 67 (73) per cent on a time basis.

EMPLOYEES

The number of employees was 228 (291) at the end of the period. During the period, the average number of employees was 239 (290), down 18 per cent compared with the first half of 2001. The percentage of female employees was 20 per cent at the end of the period.

TURNOVER AND RESULTS FOR Q2

Turnover for Q2 was SEK 53.0 million (SEK 61.1 million), down 13 per cent. The number of working days was 59 (59).

Operating profit before goodwill amortization was SEK 6.0 million (SEK -4.2 million). This result includes lump-sum income of SEK 2.6 million from an agreement linked to the anticipated credit loss of SEK 3.2 million charged to Q1. Profit after financial items was SEK 5.7 million (SEK -5.4 million). The operating margin was 11.3 (-6.9) per cent before goodwill amortization and 10.7 (-8.9) per cent after financial items.

TURNOVER AND RESULTS TO 30 JUNE

Turnover was SEK 100.6 million (SEK 129.0 million) during the period, down 22 per cent. The number of working days was 121 (123). Operating profit was SEK 1.5 million (SEK 2.0 million) before goodwill amortization and items affecting comparability and operating loss was SEK 2.5 million (SEK -0.4 million) after these items.

The operating margin was 1.5 (1.6) per cent before goodwill amortization and items affecting comparability

and -2.5 (-0.3) per cent before financial items.

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

Depreciation totalled SEK 3.1 million (SEK 4.9 million), of which SEK 0.9 million (SEK 2.4 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.2 million (SEK 0 million). Loss after financial items was SEK 2.3 million (SEK -0.4 million), representing a profit margin of -2.3 (-0.3) per cent.

Net loss was SEK 2.1 million (SEK -1.0 million). Earnings per share after tax were SEK -0.28 (SEK -0.13).

LIQUID ASSETS

Liquid assets totalled SEK 9.4 million (SEK 3.1 million) at the end of the period. A positive operating cash flow of SEK 5.3 million (SEK -6.9 million) was reported for the first half. Prevas had no interest-bearing liabilities and the Group's two industrial properties were free of charges.

FINANCIAL POSITION

Equity totalled SEK 56.7 million (SEK 85.4 million) at the end of the period, representing an equity/assets ratio of 57 (63) per cent. Equity per share was SEK 7.49 (SEK 11.28).

INVESTMENTS

During the first half, net investments totalled SEK 0.4 million (SEK 4.3 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.

Stockholm, 21 August 2002

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FINANCIAL REPORTING

- Interim Report to 30 September 23 October 2002
- Press Release of Results for 2002 5 February 2003
- Annual General Meeting 2002 20 March 2003

Review Report

We have reviewed this interim report in accordance with the recommendation issued by FAR (the Swedish Institute of Authorized Public Accountants). A review is essentially limited compared with an audit.

Nothing has been found to indicate that the interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, 21 Augusti 2002

Bo Ribers
Authorized Public Accountant

Per-Oluf Hansen
Authorized Public Accountant

SUMMARY PROFIT AND LOSS ACCOUNTS (PREVAS GROUP)

SEK thousand	2002 Jan-June	2001 Jan-June	2001 Jan-June
Net sales	100 561	129 030	234 051
Material costs	-1 578	-2 182	-2 926
Other external expenses	-19 239	-25 930	-47 240
Staff costs	-75 979	-96 460	-180 927
Depreciation according to plan	-2 248	-2 413	-4 904
Profit/loss before depreciation goodwill and items affecting comparability	1 517	2 045	-1 946
Goodwill amortisation	-890	-2 439	-4 880
Goodwill write-down			-20 300
Items affecting comparability*	-3 145		-2 010
Operating profit/loss	-2 518	-394	-29 136
Net financial income/expense	179	-11	198
Profit/loss after financial items	-2 339	-405	-28 938
Tax	240	-587	1 353
Net profit/loss	-2 099	-992	-27 585

* Costs related to staff cuts

QUARTERLY SUMMARY PROFIT AND LOSS ACCOUNTS (PREVAS GROUP)

SEK thousand	2002 Q2	2002 Q1	2001 Q2	2001 Q1
Net sales	52 954	47 607	61 057	67 973
Material costs	-1 262	-316	-269	-1 913
Other external expenses	-7 502	-11 737	-14 811	-11 119
Staff costs	-37 127	-38 852	-48 936	-47 524
Depreciation according to plan	-1 079	-1 169	-1 238	-1 175
Profit/loss before depreciation goodwill and items affecting comparability	5 984	-4 467	-4 197	6 242
Goodwill amortisation	-445	-445	-1 219	-1 220
Items affecting comparability*	-	-3 145	-	
Operating profit/loss	5 539	-8 057	-5 416	5 022
Net financial income/expense	121	58	-6	-5
Profit/loss after financial items	5 660	-7 999	-5 422	5 017
Tax	-1 008	1 248	1 193	-1 780
Net profit/loss	4 652	-6 751	-4 229	3 237

* Costs related to staff cuts

SUMMARY BALANCE SHEETS (PREVAS GROUP)

SEK thousand	2002 30 June	2001 30 June	2001 31 Dec
Fixed assets excl. goodwill	31 509	35 209	33 350
Goodwill	9 759	33 388	10 649
Other current assets	48 462	64 132	50 657
Liquid assets incl. short-term investments	9 407	3 121	4 136
Total assets	99 137	135 850	98 792
Equity	56 702	85 423	58 798
Provisions	10 750	11 620	10 852
Interest-bearing liabilities	0	6 963	0
Non-interest-bearing liabilities	31 685	31 844	29 142
Total liabilities and equity	99 137	135 850	98 792

CHANGE IN EQUITY (PREVAS GROUP)

SEK thousand	2002 30 June	2001 30 June	2001 31 Dec
Opening balance	58 798	90 202	90 202
Dividend to shareholders	-	-3 787	-3 787
Translation difference	3	-	-31
Net profit for the period	-2 099	-992	-27 585
Closing balance	56 702	85 423	58 798

CAPITAL EMPLOYED (PREVAS GROUP)

SEK thousand	2002 30 June	2001 30 June	2001 31 Dec
Non-interest-bearing current assets	48 462	64 132	50 657
Non-interest-bearing current liabilities	-31 685	-31 844	-29 142
Net work capital	16 777	32 288	21 515
Fixed assets excl. goodwill	31 509	35 209	33 350
Provisions	-10 750	-11 620	-10 852
Capital employed excl. goodwill	37 536	55 877	44 013
Goodwill	9 759	33 388	10 649
Capital employed	47 295	89 265	54 662

CASH FLOW STATEMENTS (PREVAS GROUP)

SEK thousand	2002 Jan-June	2001 Jan-June	2001 Jan-Dec
Operating profit	-2 518	-394	-29 136
Depreciation and write-downs	3 137	4 852	30 084
Provisions	-100	22	30
Net financial income/expense	179	-11	198
Tax paid	-901	-9 263	-6 612
Change in current receivables	3 335	-2 104	13 246
Change in current liabilities	2 543	4 244	-1 853
Cash flow from ordinary activities	5 675	-2 654	5 957
Sale of business unit	-	-	-
Investment in business unit	-	-	-
Net investment in fixed assets	-404	-4 292	-4 925
Cash flow from investment activities	-404	-4 292	-4 925
Operating cash flow	5 271	-6 946	1 032
Warrants issue	-	-	-
Loans raised (+) / Repayment of loans (-)	-	-5 037	-12 000
Dividend paid	-	-3 787	-3 787
Cash flow from financing activities	0	-8 824	-15 787
Cash flow for the period	5 271	-15 770	-14 755
Opening liquid assets	4 136	18 891	18 891
Closing liquid assets	9 407	3 121	4 136
Change	5 271	-15 770	-14 755

FINANCIAL KEY RATIOS (PREVAS GROUP)

	2002 Jan-June	2001 Jan-June	2001 Jan-Dec
Gross margin	3.7%	3.5%	1.3%
Margin before goodwill amortization and items affected	1.5%	1.6%	-0.8%
Margin after goodwill amortization and items affected	-2.5%	-0.3%	-12.4%
Profit margin	-2.3%	-0.3%	-12.4%
Earnings per share after tax *	-0.28 SEK	-0.13 SEK	-3.64 SEK
Earnings per share after standard tax *	-0.22 SEK	-0.04 SEK	-2.75 SEK
Average number of shares *	7 573 600	7 573 600	7 573 600
Equity/assets ratio	57.2%	62.9%	59.5%
Equity per share *	7.49 SEK	11.28 SEK	7.76 SEK
Return on capital employed	-3.4%	0.0%	-33.9%
Return on equity	-3.6%	-1.1%	-37.0%
Average number of employees	239	290	288
Number of employees at end of period	228	291	251
Working days	121	123	250
Chargeability rate	59%	63%	60%
Turnover per employee	421 SEK	445 SEK	813 SEK

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



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