

Interim Report to 31 March 2002

Continued positive cash flow in Q1

Profit in March following completion of action programme

SUMMARY Q1 (SEK million)	
Bioinformatics business area	13.7
Industry business area	24.8
Telecom business area	8.3
Other	0.8
Net sales	47.6
Operating expenses	-48.9
Provision for anticipated credit loss	-3.2
Operating loss	-4.5
Goodwill amortization	-0.4
Restructuring costs	-3.1
Operating loss before financial items	-8.1
Net financial income/expense	0.1
Loss before tax	-8.0

- Turnover for Q1 was SEK 47.6 million (SEK 68.0 million). Operating loss before goodwill amortization and items affecting comparability was SEK 4.5 million (SEK +6.2 million), a -9.4 (+9.2) per cent margin. Loss after financial items for Q1 was SEK 8.0 million (SEK +5.0 million), a -16.8 (+7.4) per cent margin. Restructuring costs of SEK 3.1 million related to staff cuts.
- Operating loss before goodwill amortization was charged with an anticipated credit loss, after Done Logistics AB was unexpectedly declared bankrupt by its Finnish parent company in April. The provision of SEK 3.2 million is equivalent to the maximum risk for Prevas.
- The market generally continued to be weak during Q1 2002. The completion of Prevas' action programme, which led to sharply reduced costs and intensified sales, resulted, however, in a gradual improvement in capacity utilization and thus profitability during the quarter. Prevas showed a profit before tax for March.
- A positive operating cash flow of SEK 2.0 million (SEK -13.6 million) was reported for Q1. The Group had no interest-bearing liabilities and its two industrial properties were free of charges.
- Equity totalled SEK 52.0 million (SEK 89.7 million) at the end of the quarter, representing an equity/assets ratio of 55 (64) per cent.
- The Bioinformatics business area won new customers in both Sweden (AstraZeneca R&D, Sangtech Medical) and Denmark (Combio, Maxygen) during the quarter. Profitability was good, and the Danish operations started up in November made a small positive contribution to profit in March.
- The Industry business area received orders for systems from Volvo Personvagnar and Scania and showed a relatively good inflow of orders, despite uncertain industrial activity. Profitability for the quarter as a whole was not satisfactory, but developed in the right direction.



PREVAS IN BRIEF

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

Customers include ABB, Agder Energi AS, Amersham Biosciences, AstraZeneca, Atlas Copco, Biacore, Biovitrum, Bioinvent, Electrolux, Ericsson, Exiqon, Gyros, Nokia, Personal Chemistry, Pharmacia, Pyrosequencing, Saab, Sandvik, Sveriges Television and Volvo.

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

Operations to 31 March 2002

Following the strong downturn in 2001, the market continued to be depressed. During Q1, the market for Telecom weakened further, while the market for Industry continued to be weak. During the quarter, Prevas therefore completed the final stage of the action programme initiated at the end of the first half of 2001. The conditional staff initiatives involving temporary salary cuts, which started at several offices in Q4, were evaluated as planned in February. The evaluation resulted in further redundancies, mainly in the Telecom business area. The number of employees was 233 at the end of Q1, a reduction of 18 since the year-end. When the action programme was fully implemented in March, Prevas had reduced its operating costs by 25 per cent compared with September 2001.

Together with intensified market development, which led to an increased inflow of orders, the action programme in Q1 resulted in increased capacity utilization and thus rising profitability. Capacity utilization rose continuously from a low of 64 per cent in December to 75 per cent in March, an increase that has continued during the first weeks of April. Prevas also again showed a profit before tax for March.

Operations in the Bioinformatics business area continued to develop favourably, with a number of new customers in both Sweden and Denmark during the quarter. The offices focused on this area continued to show growth and very good profitability. Operations in Denmark continued to develop according to plan and showed a small profit in March. In the Öresund region, Prevas also strengthened its focus on Bioinformatics during the quarter, by coordinating operations in Lund and Copenhagen under the management of the Danish Managing Director.

Prevas showed growth in the Industry business area, despite weak industrial activity. Well-established relationships with customers and their great confidence in the company's competence and solutions, together with intensive sales activities, resulted in a number of new orders during the quarter.

Profitability in Industry, as for Prevas as a whole, is currently not satisfactory and also deteriorated substantially, due to a provision for a large anticipated credit loss in Q1. However, profitability developed in the right direction during the period.

The market for the Telecom business area weakened further in Q1 and Prevas anticipates an unchanged weak market in Q2. The company, like many of its competitors, has been negatively affected by the developments at Ericsson, but has at the same time strengthened cooperation with Nokia, with a continued increased commitment in Q2. Overall, developments in the business area are, however, highly unsatisfactory, with a sharp fall in turnover and a loss.

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, innovative structural capital and effective problem solving, by combining in-depth computer science competence with a broad knowledge of molecular biology, statistics and mathematics.

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 the existing operations of major established companies. 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.

The year opened with an expectant market, which had, however, begun to recover. Ongoing assignments for existing customers, together with new assignments for both old and new customers, contributed to increasing capital utilization in both Uppsala and the Öresund region, the regions focused on Bioinformatics. The business area also showed good profitability.

In Sweden, the business area focused on maintaining profitability and developing selected key markets during the period. New customers in Sweden included AstraZeneca R&D in Lund and Sangtech Medical in Stockholm. In Denmark, the business area's operations continued to develop, focusing on growth and broad market development. New customers included Combio and Maxygen.

As part of Prevas' action programme, operations in Copenhagen and Lund were coordinated under the management of Michael Lehd, Managing Director of Prevas Bioinformatics A/S. The focus on the business area was thus strengthened in Lund and provided synergies in the Öresund region.

At the beginning of the year, Mats Grahm, Vice President of Proteomics Product Management at Amersham Biosciences, was elected a Director of Prevas Bioinformatics A/S.

Turnover in Bioinformatics was SEK 13.7 million (SEK 17.1 million) for Q1. Turnover for offices focusing on Bioinformatics rose by 4 per cent. However, a number of offices, which had major assignments in Bioinformatics in Q1 2001, are currently mainly focused on Industry, and turnover therefore fell overall by 20 per cent.

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 intensified sales activities begun during the second half of 2001 led to an increasing inflow of orders in Q1. The number of customer enquiries also rose slightly and Prevas therefore expects a continued relatively good inflow of orders, despite generally weak industrial activity. Profitability in Industry is currently not satisfactory and also deteriorated substantially, due to a provision for a large anticipated credit loss in Q1. However, profitability developed in the right direction during the quarter.

Manufacturing Systems creates IT solutions for the manufacturing industry.

In the materials handling system area, Volvo Personvagnar ordered a system for the administration and control of material flows for its Köping plant. Moreover, ICA ordered a system for one of its automated distribution centres.

Scania in Södertälje ordered a system for packing knock-down kits based on the latest technology using hand-held computers and wireless networks. Autoliv ordered a traceability system for production.

Shop Floor Control operations in Karlstad received new orders for BarTrack and TestNet including an order from Sanmina-SCI in Hungary. Ericsson in Japan ordered the new TULP system for traceability based on a hand-held computer solution.

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

During Q1, Prevas received new orders from Westinghouse-Atom, Kvaerner-Pulping, Aircoil, Rolls-Royce Marine Division, Assalub and ABB. ABB ordered a major sub-project in the power monitoring system area for an international end customer.

In the telematics area, orders were received from Hewlett-Packard and Vikon Vibrationskonsult.

Turnover in Industry was SEK 24.8 million (SEK 23.6 million) for Q1, up 5 per cent.

TELECOM

The Telecom business area offers systems development and integration services to suppliers and operators in the telecoms sector.

The market for telecoms services weakened further in Q1, partly as a result of Ericsson continuing to reduce its use of consultants. Furthermore, Prevas will not renew the framework R&D agreement with Ericsson for 2002. However, cooperation with Nokia has developed very positively, resulting in an increased commitment to Nokia in Q2.

Prevas' cutting-edge competence in the systems integration of streaming media solutions, i.e. real-time digital sound and picture transmission via mobile or fixed networks, is still a critical component for operators developing broadband services. However, the Nordic market for these services has developed considerably more slowly than expected.

Prevas anticipates an unchanged market situation in Q2. Profitability in Telecom is currently highly unsatisfactory, and a large part of the action programme implemented related to resources linked to this business area.

Turnover in Telecom was SEK 8.3 million (SEK 23.5 million) for Q1, down 65 per cent.

Finance

TENDER OUTCOME

During the quarter, 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 per cent for Q1 and 75 per cent for March.

The invoicing rate was 55 (64) per cent for Q1 and 61 per cent for March. 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 quarter, 30 (29) per cent of assignments were charged on a fixed-price basis and 70 (71) per cent on a time basis.

EMPLOYEES

The number of employees was 233 (293) at the end of the period, down 7 per cent since the year-end. During the period, the average number of employees was 242 (289), down 16 per cent compared with Q1 2001. The percentage of female employees was 20 per cent at the end of Q1.

TURNOVER AND RESULTS FOR Q1

Turnover for Q1 was SEK 47.6 million (SEK 68.0 million), down 30 per cent. The number of working days was 62 (64).

Operating loss before goodwill amortization and items affecting comparability was SEK 4.5 million (SEK +6.2 million). This result was charged with a provision for an anticipated credit loss of SEK 3.2 million, after the customer Done Logistics AB was declared bankrupt by its Finnish parent company. Operating loss before financial items was SEK 8.1 million (SEK +5.0 million). The operating margin was -9.4 (+9.2) per cent before goodwill amortization and items affecting comparability and -16.9 (+7.4) per cent before financial items.

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

Depreciation totalled SEK 1.6 million (SEK 2.4 million), of which SEK 0.4 million (SEK 1.2 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.1 million (0). Loss after financial items was SEK 8.0 million (SEK +5.0 million), representing a profit margin of -16.8 (+7.4) per cent.

Net loss was SEK 6.8 million (SEK +3.2 million). Earnings per share after tax were SEK -0.89 (SEK +0.43).

OUTCOME FOR FIXED-PRICE PROJECTS

During the period, the variance from the project budget for the company's fixed-price projects was SEK 0.3 million (SEK -1.5 million).

LIQUID ASSETS

Liquid assets totalled SEK 6.1 million (SEK 1.9 million) at the end of Q1. A positive cash flow of SEK 2.0 million was reported for Q1 and Prevas had no interest-bearing liabilities. The company's two industrial properties were free of charges.

FINANCIAL POSITION

Equity totalled SEK 52.0 million (SEK 89.7 million) at the end of the period, representing an equity/assets ratio of 55 (64) per cent. Equity per share was SEK 6.87 (SEK 11.84).

INVESTMENTS

During the quarter, net investments totalled SEK 0.01 million (SEK 3.1 million). All investments related to ordinary activities and were for machinery and equipment.

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Prevas AB (publ)

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FINANCIAL REPORTING

- Interim Report to 30 June 21 August 2002
- Interim Report to 30 September 23 October 2002
- Press Release of Results for 2002 5 February 2003
- Annual General Meeting 2002 20 March 2003

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SUMMARY PROFIT AND LOSS ACCOUNTS (PREVAS GROUP)

SEK thousand	2002 Jan-March	2001 Jan-March	2001 Jan-Dec
Net sales	47 607	67 973	234 051
Material costs	-316	-1 913	-2 926
Other external expenses*	-11 737	-11 119	-47 240
Staff costs	-38 852	-47 524	-180 927
Depreciation according to plan	-1 169	-1 175	-4 904
Profit/loss before depreciation goodwill and items affecting comparability	-4 467	6 242	-1 946
Goodwill amortisation	-445	-1 220	-4 880
Goodwill write-down			-20 300
Items affecting comparability**	-3 145		-2 010
Operating profit/loss	-8 057	5 022	-29 136
Net financial income/expense	58	-5	198
Profit/loss after financial items	-7 999	5 017	-28 938
Tax	1 248	-1 780	1 353
Net profit/loss	-6 751	3 237	-27 585

* Include a provision for an anticipated credit loss of SEK 3.2 million

** Costs related to staff cuts

SUMMARY BALANCE SHEETS (PREVAS GROUP)

SEK thousand	2002 31 March	2001 31 March	2001 31 Dec
Fixed assets excl. goodwill	32 191	35 213	33 350
Goodwill	10 204	34 608	10 649
Other current assets	46 653	68 637	50 657
Liquid assets incl. short-term investments	6 100	1 923	4 136
Total assets	95 148	140 381	98 792
Equity	52 048	89 653	58 798
Provisions	10 864	11 516	10 852
Interest-bearing liabilities	0	12 374	0
Non-interest-bearing liabilities	32 236	26 838	29 142
Total liabilities and equity	95 148	140 381	98 792

CHANGE IN EQUITY (PREVAS GROUP)

SEK thousand	2002 31 March	2001 31 March	2001 31 Dec
Opening balance	58 798	90 202	90 202
Dividend to shareholders	-	-3 787	-3 787
Translation difference	1	-	-31
Net profit for the period	-6 751	3 237	-27 585
Closing balance	52 048	89 653	58 798

CAPITAL EMPLOYED (PREVAS GROUP)

SEK thousand	2002 31 March	2001 31 March	2001 31 Dec
Non-interest-bearing current assets	46 653	68 637	50 657
Non-interest-bearing current liabilities	-32 236	-26 838	-29 142
Net work capital	14 417	41 799	21 515
Fixed assets excl. goodwill	32 191	35 213	33 350
Provisions	-10 864	-11 516	-10 852
Capital employed excl. Goodwill	35 744	65 496	44 013
Goodwill	10 204	34 608	10 649
Capital employed	45 948	100 104	54 662

CASH FLOW STATEMENTS (PREVAS GROUP)

SEK thousand	2002 Jan-March	2001 Jan-March	2001 Jan-Dec
Operating profit	-8 057	5 022	-29 136
Depreciation	1 615	2 395	30 084
Provisions	12	-51	30
Net financial income/expense	58	-5	198
Tax paid	-1 165	-8 575	-6 612
Change in current receivables	6 417	-6 609	13 246
Change in current liabilities	3 094	-2 675	-1 853
Cash flow from ordinary activities	1 974	-10 498	5 957
Net investment in fixed assets	-10	-3 057	-4 925
Cash flow from investment activities	-10	-3 057	-4 925
Operating cash flow	1 964	-13 555	1 032
Loans raised (+) / Repayment of loans (-)	-	374	-12 000
Dividend paid	-	-3 787	-3 787
Cash flow from financing activities	0	-3 413	-15 787
Cash flow for the period	1 964	-16 968	-14 755
Opening liquid assets	4 136	18 891	18 891
Closing liquid assets	6 100	1 923	4 136
Change	1 964	-16 968	-14 755

FINANCIAL KEY RATIOS (PREVAS GROUP)

	2002	2001	2001
	Jan-March	Jan-March	Jan-Dec
Gross margin	-6.9%	10.9%	1.3%
Margin before goodwill amortization and items affecting comparabi	-9.4%	9.2%	-0.8%
Margin after goodwill amortization and items affecting comparabilit	-16.9%	7.4%	-12.4%
Profit margin	-16.8%	7.4%	-12.4%
Earnings per share after tax	-0.89 SEK	0.43 SEK	-3.64 SEK
Earnings per share after standard tax	-0.76 SEK	0.48 SEK	-2.75 SEK
Average number of shares	7 573 600	7 573 600	7 573 600
Equity/assets ratio	54.7%	63.9%	59.5%
Equity per share	6.87 SEK	11.84 SEK	7.76 SEK
Return on capital employed	-12.0%	5.0%	-33.9%
Return on equity	-14.4%	3.6%	-37.0%
Average number of employees	242	289	288
Number of employees at end of period	233	293	251
Working days	62	64	250
Chargeability rate	55%	64%	60%
Turnover per employee, SEK	197	235	813

