

# Interim Report January - September 2001

## ***Positive result and cash flow for Q3***

- Turnover for Q3 was SEK 53.9 million (SEK 56.6 million). Operating profit before goodwill amortization was SEK 2.3 million (SEK 7.7 million), a 4.3 % (13.6 %) margin. Profit after financial items was SEK 1.2 million (SEK 6.9 million), a 2.2 % (12.1 %) margin.
- Positive cash flow of SEK 2.4 million during Q3.
- Turnover for the first nine months was SEK 182.9 million (SEK 166.2 million). Operating profit before goodwill amortization was SEK 4.4 million (SEK 19.3 million), a 2.4 % (11.6 %) margin. Profit after financial items was SEK 0.8 million (SEK 13.7 million), a 0.4 % (8.3 %) margin.
- During the first nine months, a total of SEK 5.6 million was taken as operating costs for development projects and the start-up of new operations.
- Equity totalled SEK 85.9 million (SEK 89.1 million) at the end of the period, representing an equity/assets ratio of 68 % (54 %).
- The e-security business was disposed of within the framework of the action programme decided on in Q2.
- The Bioinformatics business area showed 34 % growth during the first nine months. The establishment of operation in Denmark continued according to plan. The new company is called Prevas Bioinformatics A/S and operations start on 1 November.
- The Telecom business area signed a strategic agreement with Agder Energi AS in Norway in Q3.
- The Industry business area received orders from ABB, Atlas Copco, Bombardier, Ericsson, Flextronics, etc.
- Capacity utilization for consultants was 77 % during the first nine months.

\* The turnover figure for last year is excluding the subsidiary Prevas Engineering, which was sold to ABB on 1 July 2000.



*Bioinformatics*



*Industry*



*Telecom*

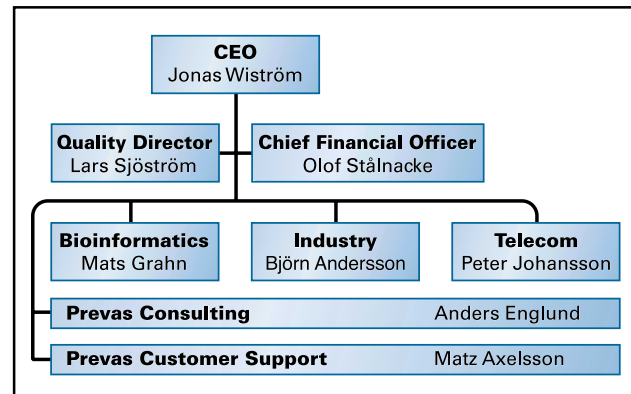


# Prevas in brief

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

Customers include ABB, Agder Energi AS, Amersham Pharmacia Biotech, AstraZeneca, Atlas Copco, Biacore, Electrolux, Ericsson, Exiqon, Gyros, MTH, Nokia, Personal Chemistry, Pharmacia, Pyro Sequencing, Saab, Sandvik, Sveriges Television and Volvo.

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



*Organizational structure*

## Operations January-September 2001

The market situation for Telecom has deteriorated considerably since May and the trend continued to be negative during Q3. The market situation for Industry has also deteriorated but to a lesser extent. Prevas considers that the market for Bioinformatics continued to grow during Q3, though at a lower growth rate.

Prevas' development projects in Industry and Telecom were completed according to plan, while the investments in Bioinformatics continued.

It is gratifying that the development project in Telecom (Streaming-in-a-box) resulted in a significant order from Agder Energi in Norway. The project began in August and is expected to continue for a further six months.

On 1 November, Prevas will start up a subsidiary in Denmark to utilize the company's unique competence in Bioinformatics on the growing market in Medicon Valley.

The facility to offer fixed-price projects has been an important competitive tool in a declining market.

### **Growth and profitability**

The market was weak during Q3, with increased price pressure and fewer orders for consulting assignments as a result.

Turnover for Q3 was SEK 53.9 million (SEK 56.6 million), down 5 % (up 39 %). Turnover for the nine months to 30 September was SEK 182.9 million (SEK 166.2 million), equivalent to 10 % (35 %) growth.

Profit after financial items was SEK 1.2 million (SEK 4.2 million) for Q3 and SEK 0.8 million (SEK 13.7 million) for the first nine months.

Growth in the Bioinformatics business area was 34 % during the period and profitability was good.

Growth in Industry was 11 %, while turnover in Telecom fell by 17 %.

As previously reported in the Interim Report to 30 June, an action programme has been implemented in all profit centres, as a result of the change in the market situation. The main points of the action programme are:

- Organizational changes and new methods for monitoring all fixed-price projects
- Cost savings and measures to increase efficiency
- Intensified focus on proactive sales

The measures to monitor fixed-price projects already had a positive impact on profit during Q3 and will be fully effective in Q2 of 2002.

The programme for cost savings and efficiencies is gradually having a positive impact on profit and will be fully implemented as from February 2002. The disposal of e-security to Ernst & Young on 1 October is the single largest measure. The disposal resulted in the e-security business showing a profit of SEK 0.4 million for the first nine months.

Marketing more than doubled in Q3, measured by the number of customer calls.

## Prevas business areas

### Bioinformatics

The business area aims Prevas to be regarded by its customers as an IT partner with broad experience of various biotech application areas. The company therefore offers employees with broad experience of the sector, a number of whom have a molecular biology education combined with IT.

During Q3, the focus was on the start-up in Denmark and the Öresund region, with marketing, concrete discussions with customers and the implementation of sold pilot study projects. In addition, Prevas started work on the first major customer project, which involves the design of a customized bioinformatics system to be delivered before the end of the year.

Negotiations are in progress with external partners concerning the further development of the BioFrame development platform. The negotiations aim to create opportunities for a more complete customer offer. BioFrame comprises services based on Prevas' unique competence in IT solutions for biotech analysis and will shorten the lead time significantly for customers wanting to develop advanced IT solutions in bioinformatics.

Particularly during Q3, the market was characterized by increasing competition for instrument-related assignments and by customers taking considerably longer to decide on new assignments. Despite this, market shares were maintained and turnover was increased.

Turnover in Bioinformatics was SEK 47.9 million (SEK 35.7 million) in the first nine months, up 34 %.

### Industry

The business area's objective is to increase the competitiveness of industrial customers by delivering IT solutions of high delivery accuracy and quality in product development and production.

In order to clarify Prevas' market offer, Industry has now packaged the following areas:

- Manufacturing Systems, which works with IT solutions for the manufacturing industry
- Product Applications, which works with IT solutions in products, such as embedded systems, user applications and telematics

During the period, the business area experienced the general turbulence in the market. Despite this, Prevas received a number of important orders as a result of extensive sales activities.

In Manufacturing Systems, the following may be noted:

- Operations for Shop Floor Control in Karlstad grew 33 % in Q3
- The SFC products Testnet and QSP were delivered to Ericsson in the USA
- Prevas received a number of orders from Flextronics for system solutions in their plants in Sweden and abroad

- In cooperation with ABB, a number of orders in industrial IT were received, including production systems for delivery to Sandvik and Haldex

In Product Applications, the following may be noted:

- New development orders were received from Atlas Copco Assembly Systems for a control system for screw tightening applications
- A consulting assignment was received from Bombardier for train control
- Rolls-Royce commissioned a consulting assignment for a control system for marine applications
- ABB commissioned a consulting assignment for real-time software for their industrial control systems

Turnover in Industry was SEK 90.4 million (SEK 81.5 million) in the first nine months, up 11%.

### Telecom

The Telecom business area delivers systems development and solutions for telecoms companies. The business area's objective is to be the leading consultant in the streaming media area, i.e. real-time sound and picture transmission.

Investments in the telecoms sector have fallen sharply this year. System suppliers are currently implementing major cost savings and staff cuts. Only projects which include core activities are prioritized. Telecoms operators are also restrictive in making new investments.

The market situation means that Prevas has broadened its customer base. The investment in streaming media has given the company new types of customer, such as energy companies and local network owners. The increased interest of partners in Prevas' product investment in Streaming-in-a-box and in the company's knowledge within systems development is gratifying.

During Q3, Prevas signed a strategic contract with Agder Energi AS in Norway for the delivery of a major broadband solution. Prevas is responsible for the project management, specification, development and integration of the system's technical and administrative sub-systems.

Customers include Ericsson, Nokia, Telia and Agder Energi AS.

Turnover in Telecom was SEK 39.0 million (SEK 47.1 million) in the first nine months, down 17 %.

## Other initiatives

### Customer Support

The profit centre's vision is to offer skilled support with high technical competence, where the customer always receives a rapid answer and personal treatment.

During the first nine months, a number of new support and administration agreements were signed with customers such as Arla, AstraZeneca, Pharmacia&Upjohn, Amersham Pharmacia Biotech, Sandvik and Personal Chemistry. The assignments are characterized by operation-critical applications, where short down times, preventive support and around-the-clock support are required.

Product support has developed positively. Given the current market situation, the business volume in the other support areas has, however, not yet reached a satisfactory level. This means that the other support areas show a loss in Q3. In order to adjust the organization to the current market situation, staff cuts have been made. In these circumstances, all the support areas are expected to achieve profitability at the end of the year.

## Finance

### Tender outcome

During the first nine months, 89 % of orders went to Prevas and 11 % to competitors.

### Capacity utilization

Capacity utilization, i.e. solely measured for consultants, was 72 % for Q3 and 77 % for the first nine months.

The invoicing rate for the first nine months was 62 % (65 %). 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, 28 % (29 %) of assignments were charged on a fixed-price basis and 72 % (71 %) on a time basis.

### Employees

The number of employees was 297 (285) at the end of the period. The disposal of e-security took place on 1 October and resulted in 17 employees leaving the company, reducing the number of employees to 280. Staff turnover was 20.2 % during the first nine months.

### Turnover and results for Q3

Turnover for Q3 was SEK 53.9 million (SEK 56.6 million), down 5 %. The number of working days was 65 (65). Operating profit before goodwill amortization was SEK 2.3 million (SEK 7.7 million). Profit after financial items was SEK 1.2 million (SEK 6.9 million). The operating margin was 4.3 % (13.6 %) before goodwill amortization and 2.2 % (12.1 %) after financial items.

The market continued to deteriorate during Q3. The efforts to deal with negative cost variances in fixed-price projects have, however, produced results.

The result for Q3 was charged with SEK 1.0 million for the expansion of Customer Support operations and SEK 0.7 million for the costs of the start-up in Denmark.

### Turnover and results to 30 September

Turnover rose to SEK 182.9 million (SEK 166.2 million) during the period, equivalent to 10 % growth. The number of working days was 188 (188). Operating profit was SEK 4.4 million (SEK 19.3 million) before goodwill amortization and SEK 0.7 million (SEK 14.3 million) after this item. The operating margin was 2.4 % (11.6 %) before goodwill amortization and 0.4 % (8.6 %) after goodwill amortization.

Depreciation totalled SEK 7.3 million (SEK 6.8 million), of which SEK 3.7 million (SEK 3.6 million) related to goodwill amortization.

Net financial income/expense amounted to SEK 0.1 million (SEK -0.6 million). Profit after financial items was SEK 0.8 million (SEK 13.7 million), representing a profit margin of 0.4 % (8.3 %).

Net loss was SEK 0.5 million (SEK +4.5 million). Earnings per share after tax were SEK -0.06 (SEK 0.60). The period's high effective tax rate is mainly a consequence of non-deductible goodwill amortization. Earnings per share after standard rate tax were SEK 0.07 (SEK 1.30).

The result was charged with provisions of SEK 3.4 million for cost variances in some major fixed-price projects. The start-up in Denmark has to date cost SEK 1.4 million. In addition, SEK 2.1 million was invested in internal development projects, of which SEK 1.1 million was invested in Telecom and SEK 1.0 million in Bioinformatics. The result was charged with SEK 2.1 million for the expansion of Customer Support operations.

### Liquid assets

Liquid assets totalled SEK 4.1 million (SEK 5.5 million) at the end of the period. A positive cash flow of SEK 2.4 million is reported for Q3, which led to the repayment of interest-bearing loans of SEK 1.5 million. The disposal of e-security will not have an impact on cash flow until Q4. Prevas is expected to be clear of loans in Q4.

### Financial position

Equity totalled SEK 85.9 million (SEK 89.1 million) at the end of the period, representing an equity/assets ratio of 68 % (54 %). Equity per share was SEK 11.35 (SEK 11.77).

### Investments

During the first nine months, investments totalled SEK 5.2 million (SEK 6.3 million). All investments related to ordinary activities, and were for machinery and equipment.

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Prevas AB (publ)

*Jonas Wiström, CEO*

For further information please contact: Jonas Wiström, CEO  
Olof Stålnacke, CFO

+46 8-726 40 11, +46 70-608 12 20  
+46 8-726 40 62, +46 730-511 331

**Summary profit and loss accounts (Prevas Group)**

SEK thousand	2001 Jan-Sep	2000 Jan-Sep	2000 Jan-Dec
Net sales	182,900	166,188	237,496
Raw materials and consumables	-2,330	-6,237	-9,179
Other external expenses	-35,465	-29,996	-43,673
Staff costs	-137,088	-107,443	-156,910
Depreciation according to plan	-3,639	-3,250	-4,109
<b>Operating profit/loss before GW and I.A.C</b>	<b>4,378</b>	<b>19,262</b>	<b>23,625</b>
Goodwill amortization (GW)	-3,660	-3,571	-4,881
Items affecting comparability (I.A.C)	-	-3,369	-
Items affecting comparability (I.A.C)	-	2,013	-2,189
<b>Operating profit/loss</b>	<b>718</b>	<b>14,335</b>	<b>16,555</b>
Net financial items	48	-614	-671
<b>Profit/loss after financial items</b>	<b>766</b>	<b>13,721</b>	<b>15,884</b>
Item affecting comparability	-	-4,137	-4,137
Tax	-1,239	-5,075	-6,288
<b>Net profit/loss for the period</b>	<b>-473</b>	<b>4,509</b>	<b>5,459</b>
<b>Key ratios</b>			
Margin before GW and items affecting comp.	2.4%	11.6%	9.9%
Margin after GW and items affecting comp.	0.4%	8.6%	7.0%
Profit/loss margin	0.4%	8.3%	6.7%

**Summary profit and loss accounts (Prevas AB) \***

SEK thousand	2001 Jan-Sep	2000 Jan-Sep	2000 Jan-Dec
Net sales	180,533	164,335	234,834
Raw materials and consumables	-2,330	-6,237	-9,179
Other external expenses	-35,164	-29,779	-43,372
Staff costs	-137,088	-107,432	-156,900
Depreciation according to plan	-2,775	-2,343	-2,950
<b>Operating profit/loss before GW and I.A.C</b>	<b>3,176</b>	<b>18,544</b>	<b>22,433</b>
Goodwill amortization	-3,454	-3,406	-4,606
Items affecting comparability (I.A.C)	-	2,013	1,283
<b>Operating profit/loss</b>	<b>-278</b>	<b>17,151</b>	<b>19,110</b>
Net financial items	-20	-627	-833
<b>Profit/loss after financial items</b>	<b>-298</b>	<b>16,524</b>	<b>18,277</b>
<b>Key ratios</b>			
Margin before GW and items affecting comp.	1.8%	11.3%	9.6%
Margin after GW and items affecting comp.	-0.2%	10.4%	8.1%
Profit/loss margin	-0.2%	10.1%	7.8%

In August 1998, Prevas AB (parent company) took over all the shares in Trinova Software Systems AB (Trinova). On 1 January 1999, the parent company took over the entire operations of Trinova. In order to better reflect the earnings trend of the parent company, consolidated goodwill amortization has therefore been charged to the parent company's result. The result from participations in group companies and appropriations have not been taken into account, and the above full-year result for 2000 does not therefore correspond to that reported in the Annual Report.



### Quarterly summary profit and loss accounts (Prevas Group)

SEK thousand	2001 Q3	2001 Q2	2001 Q1	2000 Q3	2000 Q2	2000 Q1
Net sales	53,870	61,057	67,973	56,594	57,873	51,721
Raw materials and consumables	-148	-269	-1,913	-3,585	-1,249	-1,403
Other external expenses	-9,535	-14,811	-11,119	-9,808	-11,475	-8,713
Staff costs	-40,628	-48,936	-47,524	-34,409	-39,614	-33,420
Depreciation according to plan	-1,226	-1,238	-1,175	-1,094	-1,171	-986
<b>Operating profit/loss before</b>	<b>2,333</b>	<b>-4,197</b>	<b>6,242</b>	<b>7,698</b>	<b>4,364</b>	<b>7,199</b>
Goodwill amortization (GW)	-1,221	-1,219	-1,220	-1,190	-1,190	-1,190
Items affecting comparability (I.A.C)	-	-	-	-1,440	1,475	-3,404
Items affecting comparability (I.A.C)	-	-	-	2,013	-	-
<b>Operating profit/loss</b>	<b>1,112</b>	<b>-5,416</b>	<b>5,022</b>	<b>7,081</b>	<b>4,649</b>	<b>2,605</b>
Net financial items	59	-6	-5	-206	-118	-290
<b>Profit/loss after financial items</b>	<b>1,171</b>	<b>-5,422</b>	<b>5,017</b>	<b>6,875</b>	<b>4,531</b>	<b>2,315</b>
Item affecting comparability	-	-	-	-	-4,137	-
Tax	-653	1,193	-1,780	-2,268	-1,714	-1,093
<b>Net profit/loss for the period</b>	<b>518</b>	<b>-4,229</b>	<b>3,237</b>	<b>4,607</b>	<b>-1,320</b>	<b>1,222</b>
<b>Key ratios</b>						
Margin before GW and I.A.C	4.3%	-6.9%	9.2%	13.6%	7.5%	13.9%
Margin after GW and I.A.C	2.1%	-8.9%	7.4%	12.5%	8.0%	5.0%
Profit/loss margin	2.2%	-8.9%	7.4%	12.1%	7.8%	4.5%

### Summary balance sheets (Prevas Group)

SEK thousand	2001 30 Sep	2000 30 Sep	2000 31 Dec
Fixed assets excluding goodwill	34,850	34,345	33,329
Goodwill	32,169	35,695	35,828
Other current assets	55,135	90,050	62,028
Liquid assets incl. short-term investments	4,057	5,473	18,891
<b>Total assets</b>	<b>126,211</b>	<b>165,563</b>	<b>150,076</b>
Equity	85,942	89,141	90,202
Provisions	11,482	15,015	11,598
Interest-bearing liabilities	5,456	26,996	12,000
Non-interest-bearing liabilities	23,331	34,411	36,276
<b>Total liabilities and equity</b>	<b>126,211</b>	<b>165,563</b>	<b>150,076</b>

### Change in equity (Prevas Group)

SEK thousand	2001 30 Sep	2000 30 Sep	2000 31 Dec
Opening equity	90,202	82,166	82,166
Issue of warrants	-	2,466	2,577
Dividend paid	-3,787	-	-
Net profit/loss for the period	-473	4,509	5,459
<b>Closing equity</b>	<b>85,942</b>	<b>89,141</b>	<b>90,202</b>

**Capital employed (Prevas Group)**

SEK thousand	2001 30 Sep	2000 30 Sep	2000 31 Dec
Non-interest-bearing current assets	55,135	90,050	62,028
Non-interest-bearing current liabilities	-23,331	-34,411	-36,276
<b>Net working capital</b>	<b>31,804</b>	<b>55,639</b>	<b>25,752</b>
Fixed assets excluding goodwill	34,850	34,345	33,329
Provisions	-11,482	-15,015	-11,598
<b>Capital employed excluding goodwill</b>	<b>55,172</b>	<b>74,969</b>	<b>47,483</b>
Goodwill	32,169	35,695	35,828
<b>Capital employed</b>	<b>87,341</b>	<b>110,664</b>	<b>83,311</b>

**Cash flow statements (Prevas Group)**

SEK thousand	2001 Q3	2001 Jan-Sep	2000 Q3	2000 Jan-Sep	2000 Jan-Dec
Operating profit/loss	1,112	718	7,081	14,335	16,555
Depreciation	2,447	7,299	2,347	8,158	10,326
Provisions	-115	-94	820	4,983	664
Net financial income/expense	59	48	-206	-614	-670
Tax	-481	-9,744	-2,268	-9,212	-6,458
Change in current receivables	8,997	6,893	-11,470	-15,068	-4,471
Change in current liabilities	-8,622	-4,377	-6,656	1,850	3,781
<b>Cash flow from ordinary activities</b>	<b>3,397</b>	<b>743</b>	<b>-10,352</b>	<b>4,432</b>	<b>19,727</b>
Sale of business operations	-	-	-	-	13,909
Acquisition of business operations	-	-	-	-1,100	-
Acquisition of equipment	-954	-5,246	-1,186	-5,173	-7,497
Sale of equipment etc.	-	-	-	-	323
<b>Cash flow from investment activities</b>	<b>-954</b>	<b>-5,246</b>	<b>-1,186</b>	<b>-6,273</b>	<b>6,735</b>
Issue of warrants	-	-	-	2,466	2,577
Loans raised (+) / Repayment of loans (-)	-1,507	-6,544	11,127	-3,187	-18,183
Dividend paid	-	-3,787	-	-	-
<b>Cash flow from financing activities</b>	<b>-1,507</b>	<b>-10,331</b>	<b>11,127</b>	<b>-721</b>	<b>-15,606</b>
<b>Cash flow for the period</b>	<b>936</b>	<b>-14,834</b>	<b>-411</b>	<b>-2,562</b>	<b>10,856</b>
Opening liquid assets	3,121	18,891	5,884	8,035	8,035
Closing liquid assets	4,057	4,057	5,473	5,473	18,891
Change	936	-14,834	-411	-2,562	10,856

**Financial key ratios (Prevas Group)**

	2001 Jan-Sep	2000 Jan-Sep	2000 Jan-Dec
Gross margin	4.4%	13.5%	11.7%
Margin before GW and items affecting comp.	2.4%	11.6%	9.9%
Margin after GW and items affecting comp.	0.4%	8.6%	7.0%
Profit margin	0.4%	8.3%	6.7%
Earnings per share after tax	-0.06 kr	0.60 kr	0.72 kr
Earnings per share after standard tax	0.07 kr	1.30 kr	1.51 kr
Average number of shares	7,573,600	7,573,600	7,573,600
Equity/assets ratio	68.1%	53.8%	50.1%
Equity per share	11.35 kr	11.77 kr	11.91 kr
Return on equity	-0.05%	5.20%	6.30%
Return on capital employed	1.11%	12.70%	15.40%
Average number of employees	291	251	256
Number of employees at end of period	297	277	285
Working days	188	188	251
Chargeability rate	61.6%	65.0%	65.0%
Turnover per employee, SEK	629	662	928

**Financial reporting**

- Press Release of Results 4 februari 2002
- Annual General Meeting 20 mars 2002

Prevas AB, SE-117 71 Stockholm, Visiting address: Årstaängsvägen 21 C,  
Phone +46 8 726 40 00, Fax +46 8 726 40 01  
[www.prevas.se](http://www.prevas.se)

