

Ortivus AB
Financial Report
January – December 2000

Important events

- Ortivus has concluded two agreements with Agilent Technologies (Hewlett-Packard). One of the agreements involves an extension of the present distribution agreement for the MIDA technology. The other agreement involves increased industrial cooperation, which has since begun. Both agreements are for a term of five years and contain minimum compensation of USD 32 million.
- Net revenue amounted to MSEK 66.7 (73.0 last year not including Biosys). The result after financial items was MSEK –30.4 (–1.2 last year, not including Biosys).
- In Sweden, Ortivus received the largest order to date for a telemedical system for patient monitoring in ambulances. The aggregate backlog of orders is thus equivalent to systems for 104 ambulances and 18 hospitals.
- In the U.K., Ortivus has received three commercial orders for Mobimed for a total of 15 ambulances and two hospitals. In the United States, the first commercial order was received for one ambulance and one hospital.
- Ortivus has initiated cooperation with three researchers at Uppsala University for development of a computer-based decision making support system for early diagnosis, risk evaluation and treatment of patients with suspected myocardial infarction.
- Ortivus has acquired the U.S. company Sweet Computer Services, Inc. (SCS) as of January 1, 2001. The price paid was MUSD 4. SCS had sales of MUSD 4,6 for year 2000 and has 52 employees.

Sales and result

Consolidated revenue amounted to MSEK 66.7 (73.0*). MSEK 51.9 (65.6*) of this revenue referred to sales to Agilent Technologies; proprietary Mobimed sales amounted to MSEK 11.1 (5.7) and other sales amounted to MSEK 3.7 (1.7*). The revenue from Agilent Technologies was determined under the contractual minimum guaranty.

Development costs amounted to MSEK 41.0 (29.7), including amortization of goodwill (MSEK 8.0) and previously capitalized expenses, MSEK 4.9 (5.5). MSEK 1.6 (0.0) is included in the development costs regarding the cooperation with researchers at Uppsala University. No further capitalization of development expenses was effected during the period. Investments in building sales organizations in the United States and the U.K. had the effect of increasing selling expenses to MSEK 26.1 (23.7).

The result after financial items amounted to MSEK –30.4 (–1.2*).

The lower result is explained by reduced licensing revenue from Agilent Technologies, marketing initiatives in the subsidiaries in the U.K. and the United States, and investments in development of new software for Mobimed and Biosaca.

Investments in tangible fixed assets were made in an amount of MSEK 2.3 (4.2).

The Group's liquid funds amounted to MSEK 95.6 (132.8). Interest-bearing liabilities amounted to MSEK 1.1 (1.3). The debt equity ratio was 1% (1%). The Group's net financial items amounted to MSEK 4.0 (4.5).

The Group had hedged estimated currency inflows in US dollars. Without hedging, the reported result would have been MSEK 0.3 lower.

The Parent Company's result after financial items amounted to MSEK –12.0 (+10.). This result has been charged with depreciation and amortization of MSEK 13.8, of which write-downs of shares in subsidiary Biosys (R&D) amounted to MSEK 8.0 (0.0) and amortization of previously capitalized costs amounted to MSEK 4.9 (5.5).

The Parent Company's liquid funds amounted to MSEK 94.4 (127.6) and net financial items were MSEK 3.5 (3.7)

** not including Biosys*

Market

MIDA

Cooperation agreement with Agilent Technologies (Hewlett-Packard)

Ortivus has concluded two agreements with Agilent Technologies (Hewlett-Packard). One of the agreements involves an extension of the present distribution agreement for the MIDA technology. The other agreement involves increased industrial cooperation. Both agreements are for a term of five years and contain provisions for minimum compensation of USD 32 million. In conjunction herewith, Ortivus has withdrawn its summons application against Agilent Technologies. Agilent Technologies increased its orders for the MIDA system during the year. The value of the orders still fell short of the minimum guarantee, however.

Mobimed

The flow of new orders was very good during the year. The number of orders for Mobimed was for a total 121 PWS** (1999: 26) and 18 HWS** (1999: 9). Installations of these systems are ongoing, which means that a large portion of revenue will not be booked until 2001.

Marketing and selling efforts have resulted in several large orders. In Sweden, two additional county councils have invested in Mobimed and six county councils have added to existing systems. Three orders were received from Norway and one order was received from Finland. Ortivirus UK has received three orders during the year for a total of 15 PWSs and two HWSs. In the United States, Ortivirus received its first commercial order for one HWS and one PWS.

The number of bids in the process of procurement currently are for a total 66 PWSs and seven HWSs. In addition, offers have been submitted for 385 PWSs and 63 HWSs, which are judged to be more uncertain and may not result in sales until during the years 2001–2003.

The experience from all reference installations is very positive, based on which orders have also been received. Discussions are in progress with future distributors to conclude sales and distribution agreements for Mobimed systems in countries where Ortivirus currently lacks representation.

*** PWS – Patient Workstation, patient unit. HWS – Hospital Workstation, hospital unit.*

Biosaca

Ortivirus received several orders for Biosaca during the year. Shipments of these orders have been delayed due to a need to improve the design of Biosaca according to standards in force. This means that four Biosaca have been delivered to customers of fourteen systems on order.

Oxford Medical has changed its direction and has therefore ceased to distribute Biosaca.

A software upgrade for Biosaca is currently underway for the American market. For other markets, cooperation has been initiated with Judex A/S, Denmark. This means that Biosaca has evolved into a complete system for sleep investigation. A renewed rollout of Biosaca will take place in 2001.

Organization and operations

Biosys and Ortivus integrated their respective operations during the year. The president of Biosys left the company October 12, 2000. All operations have been transferred to the Parent Company's organization. All development work is focused on a common technical platform for the future product portfolio.

Development work during the year was focused on developing the next generation system for Patient Informatics. Rollout of the systems is scheduled for spring 2001. Upgrading and adaptation of the Mobimed system has also been made for new and existing markets and customers. Development work is also in progress for upgrading the software for Biosaca. Launching these systems is expected to increase sales of Mobimed and Biosaca.

Biohome is an umbrella term for Ortivus' activities in care outside traditional care institutions, such as home care. Among other things, a project was carried out in cooperation with the Municipality of Umeå, the County Council of Västerbotten, the University of Umeå and Telia. Via Biohome, Ortivus intends to establish itself as a leading supplier of products and services in the emerging market for remote care and treatment, a market segment to which a significant commercial potential is attached.

Project Biodrow is conducted by the Biosys subsidiary. Development work was conducted during 2000 in cooperation with TRW, Inc., a leader in security systems for the vehicle industry. One of the results of this cooperation has been that TRW has financed parts of the development work. The cooperation is now on hold awaiting results from studies aimed at clinically verifying the slumber warning system. The need for slumber warning systems in the vehicle industry is judged to be very large. The Swedish National Road Administration recently reported (publication 2000:74) that 10–20 percent of all accidents are caused by the driver slumbering behind the wheel.

During the past year Ortivus initiated a project together with three researchers at the University of Uppsala to develop an integrated, computer-based decision making support system for early diagnosis, prognosis and treatment of patients with suspected myocardial infarction. The system is based on measurement of biochemical infarction markers. Together with Ortivus' MIDA and Mobimed systems, a complete system can be formed to include both biochemical markers and electro-physical signals (ECG) for taking care of patients with suspected heart disease. The development work and productification is being conducted by the researchers in corporate form. An agreement has been signed giving Ortivus the rights to utilize the results of the project and also to acquire the company.

The organization was strengthened during the year with new manpower in the areas of marketing and sales. The average number of employees during the year was 60, which is on a par with the preceding year (59 employees).

Year 2001

Cooperation agreement with Agilent Technologies (Hewlett-Packard)

The settlement with Agilent Technologies opens the way for increased sales of MIDA and distribution of Ortivus' other products. The industrial cooperation has begun, which means that joint projects have been identified and are in the process of being evaluated. Cooperation with Agilent Technologies has thus been intensified and is expected to result in new product rollouts as early as in 2002, among other things with MIDA integrated into Agilent Technologies' new patient monitoring system. Thanks to cooperation with a global company, Ortivus' technology and systems solutions can become components in a significantly larger number of products, and in much greater volumes. Philips Medical has agreed with Agilent Technologies to acquire Agilent's "Health Sector" on the condition that the transaction is approved by the federal authorities. Philips Medical is one of the world's three largest suppliers of hospital equipment, along with Siemens and General Electric.

Acquisition of Sweet Computer Services Inc.

Effective January 1, 2001, Ortivus acquired the American company Sweet Computer Services, Inc., the market leader in the US market for administrative programs for ambulance health care. Together with Ortivus' clinical systems, a complete product program for ambulance care can be launched in the United States.

The price paid for the acquisition was MUSD 4, of which MUSD 1.873 was paid in cash January 1, 2001. The remaining amount (MUSD 2.127) was paid by issuing 672,884 Ortivus class B shares.

Sweet has recently launched software that offers ambulance care a complete administrative system for alarms, invoicing and patient records, which has been very well received. SCS's existing sales and service organization and customer base of 1,700 customers across the United States prepares the way for introduction of the Mobimed system in the U.S. market. The acquisition of Sweet is expected to increase Ortivus' revenues significantly. Sweet had sales of MUSD 4.6 during 2000 and the company has 52 employees.

Mobimed

Sales of the Mobimed system are expected to increase in coming years since the health care system is placing increasing demands for early treatment of cardiac infarction with, for instance, thrombolysis. The Mobimed system in ambulances allows initiation of early remote intervention, which is true for other forms of illness as well and means computerized management of patient data, observation and treatment directly in the field.

Experience is highly positive from all reference installations, which should lead to additional commercial orders during the year. Discussions are in progress with distributors-to-be aimed at concluding sales and distribution agreements for the Mobimed systems in those European countries where Ortivus currently lacks representation. Sales will also increase through the conclusion of service, training and upgrading agreements with county councils who have installed Mobimed in their ambulances, and by the rollout of Mobimed in new markets.

Biosaca

Biosaca will be re-launched during the spring of 2001. Sales of Biosaca are expected to increase significantly in coming years as a result of current efforts to build up marketing of Biosaca. Discussions are in progress with distributors-to-be to conclude sales and distribution agreements in those countries where distributors have yet to be appointed.

The Group

Based on completed activities around MIDA, Mobimed, Biosaca and the acquisition of Sweet Computer Services, Inc., a strong increase in sales is expected, while the result is expected to be substantially better than for year 2000.

Conversion of class A shares to class B shares

By the opening of today's Board of Director's meeting, no requests have been received by the Company for conversion of shares. The distribution of shares as of December 31, 2000 was 738,970 class A shares and 12,320,480 class B shares. A total of 672,884 class B shares were issued in connection with the acquisition of Sweet Computer Services, Inc.

The Company's option program, which is aimed at its employees, gives them an opportunity to subscribe for up to 110,000 class B shares during the period December 1, 2001 – January 31, 2002, inclusive. The subscription price is SEK 80. By December 31, 2000, 78,300 options had been acquired by the Company's employees. The remaining options are intended for future employees of the Company.

Dividend

The Board of Directors propose that no dividend be declared for the year.

Financial information from Ortivus AB

The Annual Report for the 2000 operating year is estimated to be published March 19, 2001. It will then be available at the Company's head office, Ortivus AB, Enhagsslingan 5, Täby, Sweden and will also be available on the Company's Web page, www.ortivus.se. The Annual Report will be distributed to shareholders registered with VPC, the Swedish Securities Register Centre.

The Annual General Meeting of shareholders will be held at 4:00 p.m. at Scandic Anglais Hotel, Stockholm.

Interim Report for the period January – March will be published April 26, 2001.
Interim Report for the period January – June will be published August 21, 2001.
Interim Report for the period January – September will be published November 7, 2001.

Consolidated Statement of Income January–December

Amounts in SEK thousand

	2000	1999
Net sales	66 706	73 018
Cost of goods sold	–15 734	–11 523
Gross profit	50 972	61 495
Selling expenses	–26 101	–23 689
Administrative expenses	–19 833	–13 861
R&D expenses	–41 025	–29 681
Other operating income and expense	1 640	50
Operating result	–34 347	–5 686
Financial items, net	3 954	4 490
Result after financial items	–30 393	–1 196
Result after taxes	–30 485	–1 244
Depreciation and amortization	15 346	7 156
charged against this result		
Of which amortization of goodwill(R&D)	8 049	0

Consolidated Balance Sheet

	12/31/00	12/31/99
Fixed assets		
Intangible fixed assets	80 661	90 984
Tangible fixed assets	6 073	5 085
Financial assets	109	16
Total fixed assets	86 843	96 085
Current assets		
Inventories	7 214	5 053
Short-term receivables	37 323	22 764
Short-term investments	49 243	0
Cash and bank balances	46 368	132 779
Total current assets	140 148	160 596
Total assets	226 991	256 681
Shareholders' equity	208 664	237 194
Minority interest	92	276
Provisions and long-term liabilities	1 212	1 392
Current liabilities	17 023	17 819
Total shareholders' equity and liabilities	226 991	256 681
Number of shares outstanding (thousands)	13 059	11 160
Number of options outstanding (thousands)	110	110

Consolidated Statement of Cash Flow

Current operations	–14 654	1 681
Change in working capital	–17 516	5 240
Capital expenditures	–5 088	–5 709
Financing	90	–209
Change in liquid funds	–37 168	1 003

Financial Highlights

	12/31/00	12/31/99	12/31/98	12/31/97	12/31/96	12/31/95
Result	-30 485	-1 244	-22 639	5 804	1 392	-969
Profit margin	-46%	-2%	-54%	13%	3%	-3%
Return on shareholders' equity	-14%	-1%	-13%	3%	2%	-3%
Return on capital employed	-13%	0%	-13%	4%	2%	1%
Equity ratio	92%	92%	92%	94%	91%	82%
Equity per share, SEK	15.98	18.16	14.68	16.71	16.00	6.50
Earnings per share, SEK	n/a	n/a	n/a	0.52	0,12	n/a

Ratios have not been adjusted to account for the dilutive effect of outstanding subscription options as the effect is deemed insignificant.

R&D expenses include amortization of goodwill in an amount of SEK 8 049 thousand.

Biosys AB was not included in the Group in 1999.

A report for the period January–March will be published April 26, 2001.

Täby, February 15, 2001

Board of Directors

This is a translation of Ortivus AB's financial report in Swedish.

In the event of any discrepancy between the financial report in Swedish and the translation, the former shall have precedence.