

Interim Report for the period January – September 2000 for Ortivus AB (publ)

Summary

- Ortivus has received the largest Swedish order so far for a telemedical system for monitoring of patients in ambulances. This puts the total order backlog in Scandinavia at 103 systems for ambulances and 16 for hospitals. In the U.K., Ortivus has received two commercial orders for Mobimed for a total of 15 ambulances and 2 hospitals.
- Ortivus has agreed with Agilent Technologies (Hewlett-Packard) to conclude two agreements. The first agreement is an extension of the present distribution agreement for the MIDA technology. The other agreement involves extended industrial cooperation between the two companies. Both agreements have a term of five years and contain provisions for guaranteed minimum compensation providing Ortivus with higher revenue than at the present time. Negotiation of the agreements has come to closure and a formal signing is expected to occur within 10 days. In connection with the signing of the agreements, Ortivus will withdraw its summons application against Agilent Technologies.
- Ortivus has concluded an agreement-in-principle to acquire the American company Sweet Computer Services, Inc. (SCS). SCS is a market-leader in the United States in administrative programs for ambulance health care and has an established sales and service organization that has delivered systems to and has service contracts with 1,700 customers all over the United States.
- Ortivus' subsidiary Biosys AB has reached agreement with TRW, Inc. regarding development work. This means that TRW will finance parts of the development going forward of the Biodrow slumber warning system.
- Net sales amounted to MSEK 46.2 (59.1).
- The result of the Ortivus Group was MSEK –17.9 (7.1). The result before amortization of goodwill was MSEK – 11.9 (7.1).

Sales and Result

The Company had revenues of MSEK 46.2 (59.1). MSEK 36.2 (54.9) of this amount was sales to Agilent Technologies (Hewlett-Packard) (primarily in the form of licensing fees), while own sales amounted to MSEK 10.0 (4.2). The result after taxes was MSEK –17.9 (7.1).

Lower licensing fees from Agilent and costs for initiatives to build subsidiaries in the United Kingdom and the United States explain the lower result.

Market MIDA

Agilent Technologies increased its orders for the MIDA system during the period. The value of these orders is less than the minimum guarantee, however.

Market Mobimed

The flow of new orders was very good during the period.

In Sweden, Mobimed was installed in 33 ambulances and 3 hospitals during the period. Deliveries to complement prior orders have also been made. The total order backlog in Scandinavia is equivalent to systems for 103 ambulances and 16 hospitals. The order backlog includes an order from the county council of Kronoberg for systems for 20 ambulances and 2 hospitals. Procurement processes are currently in progress at 5 county councils, one of which is a major procurement.

Ortivus' distributor in Norway has received orders for Mobimed for 8 ambulances and 3 hospitals. One major procurement process is in progress.

In Finland, orders for Mobimed for 2 ambulances have been received and several procurement processes are under way.

In the United Kingdom, Ortivus UK has received 2 commercial orders for Mobimed for 15 ambulances and 2 hospitals. These orders have been installed. In addition, Ortivus UK is participating in several procurement processes, which are expected to yield several orders during the fourth quarter and next year.

Sales of Mobimed are expected to increase substantially as a result of current initiatives into building our marketing organization for the Mobimed system via subsidiaries, as well as present and new distributors. The experience from reference installations in the United Kingdom, the United States, Norway and Finland is highly positive and Mobimed is arousing much interest at medical technical exhibitions and trade shows.

Market Biosaca

Ortivus' distributors received orders for 14 Biosaca units during the period. Five of these have been delivered to customers in Sweden and the others have been delivered to customers in Europe and the United States. Oxford Instruments has changed its focus and has therefore ceased to distribute Biosaca. A software upgrade for Biosaca for the American market is currently under way. For other markets a cooperation with Judex A/S, Denmark, for Biosaca's software has been initiated. This means that Biosaca has been developed into a complete system for sleep investigation in the home. The cooperation also generates access to new distributors.

Sales of Biosaca are expected to grow substantially in coming years as a result of current initiatives in building marketing strength for Biosaca.

Organization and business development

During the period Biosys and Ortivus have integrated their operations. The president of Biosys left the company as of October 12, 2000. Operative responsibilities have been transferred to the organization of the Parent Company. The development work is focused on producing a common technical platform for the future product portfolio.

Ortivus has sharpened its focus on marketing and sales of Mobimed and Biosaca during the period. The number of orders and revenues will continue to grow during the current and next year. Work is in progress to identify suitable cooperation partners for distribution of Biosaca and Mobimed in selected markets where the Company is not represented today. The cooperation with Agilent Technologies has commenced during the fall and will be intensified next year with launching of new products already in 2001.

Efforts are in progress to develop the next generation of systems for Patient Informatics, which is estimated to be launched during the spring of 2001. Upgrading and customization of the Mobimed system are under way for new and existing markets and customers. Development work is also in progress to upgrade the software for Biosaca, which is expected to increase sales during the rest of the year.

Biohome is a development project conducted in cooperation with the Municipality of Umeå, the University of Umeå and Telia. This project is expected to generate considerable revenue for the Company in the future.

The Biodrow project is conducted in the Biosys subsidiary in cooperation with the American company TRW, Inc. The company is one of the leaders in safety systems for the vehicle industry. Under the cooperation, TRW finances parts of the continued development work. Biodrow will be marketed together with TRW to customers in the vehicle industry. Several companies have already showed interest in the concept.

Together with three researchers at Uppsala University, Ortivus initiated a project during the period to develop a computer-based decision support system for early diagnosis, prognosis and treatment of patients with suspected cardiac infarction.

Agreement with Agilent Technologies (Hewlett-Packard)

Ortivus has agreed with Agilent Technologies to conclude two agreements. The first agreement is an extension of the present distribution agreement for the MIDA technology. The second agreement involves expanded industrial cooperation between the two companies. Both agreements have a term of five years and contain provisions for guaranteed minimum compensation providing Ortivus with higher revenue than at the present time. Negotiation of the agreements has come to closure and a formal signing is expected to occur within 10 days. In connection with the signing of the agreements, Ortivus will withdraw its summons application against Agilent Technologies.

An extension of the marketing agreement means that Ortivus already in the short term will gain improved revenue potential for existing products. At the same time, an agreement for broader industrial cooperation opens a great potential for future systems and products. Thanks to cooperation with a global company, Ortivus' technology and systems solutions will be introduced as elements of significantly more products and at greater volumes.

The coming industrial cooperation has begun. This means that joint projects have been identified and are being evaluated. The cooperation with Agilent has thus been intensified and is expected to generate the launch of new products as early as next year, in part with MIDA integrated into Agilent's new patient monitoring system.

Development costs

Development costs during the period amounted to MSEK 21.5 (20.2 not including Biosys AB), including amortization of previously capitalized costs, but excluding amortization of goodwill. No additional development costs were capitalized during the period.

Capital expenditures

Capital expenditures amounted to MSEK 5.2 (3.3).

Parent Company's result

The Parent Company's result after financial items and taxes amounted to MSEK –6.9 (16.1) of which MSEK –6.0 (0.0) is attributable to writedown of shares in subsidiaries equivalent to amortization of goodwill in the Group

Liquidity and financing

The Group's liquid funds as of the end of September 30, 2000 amounted to MSEK 119.5 (139.7). Interest-bearing liabilities amounted to MSEK 1.3 (1.3). The debt equity ratio was 1 percent (1). The Group's net of financial items was MSEK 4.2 (3.3).

A major portion of the net flows denominated in US dollars during the first six months of the year were hedged. Without any hedging operations, the reported result would have been higher by MSEK 0.1.

The future

The accord with Agilent Technologies means the opportunity of increased sales of MIDA and distribution of Ortivus' other products. The launch of the next generation's systems for Patient Informatics and MIDA is estimated to take place during spring of 2001. The system will also be introduced in new markets.

Sweet Computer Services (SCS) and Ortivus are active in the same customer segments and the products of the two companies complement each other. With the planned acquisition of SCS, Ortivus will be able to deliver complete information systems to the American emergency health care system. The companies will be able to supply systems that handle clinical data about the patient's medical status as well as administrative routines surrounding the patient. With invoicing, alarm functions and patient data systems added to Mobimed's clinical functions, a product can now be developed that offers a complete array of the necessary information systems for the ambulance. As the need for Mobimed's groundbreaking system for clinical communication becomes ever more evident in American health care, the need for SCS's three systems is already well established. SCS's existing sales and service organization, and its customer base of 1,700 customers all over the United States, thus prepares the way for an introduction of the Mobimed system in the American market.

Sales of the Mobimed system are expected to increase in the years to come since health care places growing requirements for early treatment of thrombolysis. The Mobimed system in the ambulance creates opportunities for early, remote thrombolytic intervention. The increase will be derived from sales, maintenance and upgrading of Mobimed systems in existing markets, and also by introducing Mobimed in new markets.

Launching of the next generation of Biosaca will begin during the first half of 2001. The Biohome project means that Ortivus positions itself as a leading company in remote care and treatment, which is a new market segment with considerable sales potential over time.

The cooperation with TRW creates opportunities for a new business area with a substantial sales potential, in part to the vehicle industry.

The result before amortization of goodwill for the year 2000 will be on a par with the aggregate result for Ortivus and Biosys for the preceding year.

Ortivus AB combines IT and telecommunications in medical/technical applications. The Company develops, manufactures and markets systems and components that save lives and monitor patients' health in ambulances, at hospitals and in the home. The most important business areas are Patient Informatics and decision support in the field of emergency cardiac disease, pre-hospital care and analysis and support in connection with investigations of sleep disturbances, epilepsy and other neurological conditions. Ortivus AB was established in 1985 in Sweden. In addition to subsidiary Biosys, subsidiaries are established in the United Kingdom and the United States.

The Ortivus share is listed on the O-list of the OM Stockholm Stock Exchange.

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

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

Consolidated Statement of Income January–September

Amounts in SEK thousand

	2000	1999	Full year 1999
Net sales	46 175	59 115	73 018
Cost of goods sold	–8 786	–9 626	–11 523
Gross profit	37 389	49 489	61 495
Selling expenses	–18 544	–15 760	–23 689
Administrative expenses	–14 428	–9 909	–13 861
Research and development expenses	–27 556	–20 713	–29 681
Other operating income/expenses	1 130	792	50
Operating result	–22 009	3 899	–5 686
Net financial items	4 173	3 291	4 490
Result after financial items	–17 836	7 190	–1 196
Result after taxes	–17 920	7 142	–1 244
Depreciation and amortization charged to this result	11 265	5 072	7 156
Of which amortization of goodwill (R&D)	6 036	0	0

Consolidated Balance Sheet

	9/30/00	9/30/99	12/31/99
Fixed assets			
Intangible assets	84 095	14 507	90 984
Tangible assets	4 977	4 707	5 085
Financial assets	112	19	16
Total fixed assets	89 184	19 233	96 085
Current assets			
Inventories	6 239	4 213	5 053
Short-term receivables	20 194	20 697	22 764
Short-term investments	84 707	79 482	0
Cash and bank deposit	34 790	60 216	132 779
Total current assets	145 930	164 608	160 596
Total assets	235 114	183 841	256 681
Shareholders' equity	219 274	171 036	237 194
Minority interest	93	0	276
Provisions and long-term liabilities	1 524	1 401	1 392
Current liabilities	14 223	11 404	17 819
Total shareholders' equity and liabilities	235 114	183 841	256 681
Number of shares outstanding (thousands)	13 059	11 160	11 160
Options outstanding (thousands)	110	110	110

Consolidated Statement of Cash Flow

Current operations	–6 585	8 923	1 681
Change in working capital	–2 522	–784	5 240
Capital expenditures	–5 218	–3 343	–5 709
Financing	1 043	3 126	–209
Change in liquid funds	–13 282	7 922	1 003

Financial Highlights

	9/30/00	12/31/99	9/30/99	12/31/98	12/31/97	12/31/96
Result	–17 920	–1 244	7 142	–22 639	5 804	1 392
Profit margin	–39%	–2%	12%	–54%	13%	3%
Return on equity	–9%	–1%	4%	–14%	3%	2%
Return on capital employed	–8%	0%	4%	–13%	4%	2%
Equity ratio	93%	92%	93%	92%	94%	91%
Shareholders equity per share, SEK	16.79	18.16	15.33	14.68	16.71	16.00
Earnings per share, SEK	n/a	n/a	0.64	n/a	0.52	0.12

Ratios have not been recalculated to reflect the dilutive effect of outstanding options.

R&D expenses include amortization of goodwill by KSEK 6 036.

Biosys AB was not part of the Group in 1999.

A report for the period January–December will be published February 15, 2001.

Questions will be answered by Claes Stenlander, President, +46-8-446 45 00, (claes.stenlander@ortivus.se).

Täby, October 26, 2000

Board of Directors

This report has not been subject to review by the Company's auditors.