

## **Ortivus AB (publ) Financial Report January-December 2003**

Sales amounted to MSEK 175.2 (179.1), a 2% decline. Excluding changes in exchange rates, sales rose 5%.

Result after financial items amounted to MSEK 16.5 (33.5); excluding items affecting comparability, earnings amounted to MSEK 28.8. The result is in line with the most recent forecast.

The result was charged with a write-down of intangible assets and inventories within sleep and neurology amounting to MSEK 12.3

Result after tax amounted to MSEK 7.7 (61.4).

Earnings per share amounted to SEK 0.56 (4.46), excluding items affecting comparability 1.42.

Total consolidated cash flow for the period was strongly positive, amounting to MSEK 25.3 (3.3).

Canadian software company Avel-Tech was acquired in November.

### **Operations - background**

Ortivus AB is an IT company that develops and markets information systems for ambulances, as well as clinical decision-making support systems. The operation has two divisions: Cardiology and Advanced Distance Care. Ortivus AB, which is listed on the OM O-list of the Stockholm Stock Exchange (OM Stockholmsbörsen AB), was established in 1985. Ortivus has subsidiaries in Great Britain, Canada, and the United States. The company has approximately 130 employees.

#### **Advanced Distance Care**

The Advanced Distance Care application area includes the product MobiMed, Sweet's Amazon products, and Avel-Tech's products. These products and systems comprise solutions that cover the information needs of emergency services, including dispatching vehicles, transporting, diagnosing, and treating patients, and for following up operations.

#### **Cardiology**

Cardiology includes the product MIDA, a system for the hospital's intensive care department that monitors oxygen levels in the cardiac muscle in patients with suspect myocardial infarction (MI) and angina pectoris. MIDA enables doctors to make the right diagnosis and facilitates follow up of MI patients.

## FINANCIAL RESULTS AND POSITION

### Sales

The Group's sales amounted to MSEK 175.2 (179.1), a 2% decline. With unchanged exchange rates between the years, sales increased 5%. This decrease can be attributed partly to lower revenues from the technology and product development agreement with Philips and partly to lower sales for the US subsidiary Sweet within the Advanced Distance Care division. Revenues are distributed per division as follows:

Revenues, MSEK	Jan - Dec 2003	Jan - Dec 2002
Cardiology	67.5	68.1
<i>MIDA</i>	61.2	55.5
<i>Technology and product dev. agreements</i>	6.3	12.6
Advanced Distance Care	105.9	107.6
<i>MobiMed</i>	48.4	12.0
<i>Sweet</i>	51.2	83.1
<i>Technology and product dev. agreements.</i>	6.3	12.6
Other	1.8	3.4
<b>Total</b>	<b>175.2</b>	<b>179.1</b>

Revenues for the Cardiology division amounted to MSEK 67.5 (68.1). Ortivus has two cooperation agreements with Philips Medical System: a distribution agreement for the MIDA technology, as well as a technology and product development agreement. The latter grants Philips preferred vendor status to commercially sell Ortivus' newly developed products internationally. Revenues from MIDA amounted to MSEK 61.2 (55.5) and were in line with the contractual minimum guarantee. Revenues from the technology and product development agreement during the period amounted to MSEK 12.6 (25.1), half of which, MSEK 6.3 (12.6), is reported in the Cardiology division and the other half in Advanced Distance Care. Revenues from the technology agreement with Philips are lower because the company sent a final invoice for a large amount from the first part of the agreement and reported the amount as revenue during fourth quarter 2002. The second part of the agreement, which expires at the end of 2005, is for a total of MUSD 4, is hedged at an exchange rate of SEK/USD 9.46 and is reported as revenue on a straight line with MSEK 12.6 per year beginning on January 2003 through December 2005.

Revenues for the Advanced Distance Care division decreased 2% and amounted to MSEK 105.9 (107.6). Sales are somewhat lower mainly because of lower revenues from the subsidiary Sweet. This decline is partly because of the weakening of the dollar during the period with 17% compared with the previous year, and partly because a large part of the company's customers upgraded their Amazon systems to the Windows environment during 2002 to comply with requirements from US health authorities.

MobiMed sales showed a strong trend during 2003. Revenues increased by MSEK 36.4 and amounted to MSEK 48.4 (12.0). Surging sales to Swedish customers as well as major orders placed in Great Britain during 2002 and delivered during 2003 are two factors underlying this substantial increase in revenues. The company also achieved a commercial breakthrough with orders from and deliveries to China.

### **Gross Profit and Overhead**

Consolidated gross profit amounted to MSEK 137.4 (160.6). The gross margin fell from 90% to 78%. This decline was the result of a changed sales mix, with MobiMed accounting for a larger percentage of sales.

The Group's overhead expenses decreased MSEK 18.5 compared with the previous year, down to MSEK 110.7. This reduction is mainly due to adjusted lower expenses in the local currency for the US subsidiary Sweet, as well as the depreciation of the US dollar.

### **Items Affecting Comparability**

In December 2003, the Board of Directors decided to focus operations on the Cardiology and Advanced Distance Care divisions, with the purpose of refining Ortivus' business. This means that Ortivus' sleep and neurology products, Biosaca and Sleep Studio, no longer fulfill the criteria for Ortivus' core business. Consequently, the company recorded a charge for a write-down of intangible assets and inventories within Sleep and Neurology. This write-down amounted to MSEK 12.3, with an equal amount charged against earnings. The write-down had a negative impact on earnings per share in the amount of SEK 0.86 for 2003.

### **Earnings**

Operating profit for the year amounted to MSEK 14.6 (31.8). Excluding items affecting comparability, profit amounted to MSEK 26.8.

Result after financial items amounted to 16.5 (33.5); excluding items affecting comparability, earnings amounted to MSEK 28.8. The reduction in earnings compared with the previous year is mainly because of lower revenues from the technology agreement with Philips, as well as lower profits for the US subsidiary Sweet. Nevertheless, Sweet shows continued good profitability during 2003.

The Group's currency inflow in dollars for sales of MIDA and the technology collaboration with Philips Medical Systems has been hedged at an average exchange rate of SEK 10.35 (10.72). If the company had not taken this measure, the figures reported for the period would have been MSEK 18 (12) lower than the actual result.

Net result after tax amounted to MSEK 7.7 (61.4), which corresponds with earnings per share of SEK 0.56 (4.46). Excluding items affecting comparability, earnings per share amounted to SEK 1.42. A deferred tax during 2002 had a positive effect on after-tax earnings for a total of MSEK 35.5, which improved earnings per share by 2.57 SEK.

### **Cash Flow, Investments, and Liquidity**

Total consolidated cash flow for the period was strongly positive, amounting to MSEK 25.3 (3.3). The positive cash flow was an effect of the positive results and decreased working capital. Investments amounted to SEK million 32.8 (11.2) and the acquisition of Avel-Tech accounted for MSEK 26.1 of this amount.

Investments in intangible fixed assets amounted to MSEK 2.1 (3.9) and investments in tangible assets to MSEK 1.7 (3.8). Investments in tangible fixed assets amounted to MSEK 2.8 (3.4). The Group's liquid funds at end of period, including current investments, amounted to MSEK 94.5 (69.3). The interest coverage ratio for the Group amounted to 1% (0%). Net financial items for the Group amounted to MSEK 1.9 (1.7).

## Divisions

Operating profit for Cardiology amounted to MSEK 49.8 (53.4). Earnings decreased because of a lower gross margin, which can mainly be attributed to a changed product mix.

Operating profit for Advanced Distance Care amounted to MSEK -0.5 (-1.6). The improved performance is due to a substantial increase in sales of MobiMed. Earnings for the division are lower this year compared with last because of lower profits in the local currency for the US subsidiary Sweet, as well as decreased revenues from the technology agreement with Philips.

Revenues and expenses for sleep studies and administration are among those classified under the heading "Other." Administration costs amounted to MSEK 18.9 (15.5). Non-comparable items include a write-down of intangible assets and inventories within Biosaca amounting to MSEK -12.3. The table below shows Ortivus' operations, distributed by division.

MSEK Jan. – Dec.	Cardiology		Advanced distance care		Other		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Net sales</b>	<b>67.5</b>	<b>68.1</b>	<b>105.9</b>	<b>107.6</b>	<b>1.8</b>	<b>3.4</b>	<b>175.2</b>	<b>179.1</b>
Cost of sold goods	-7.7	-2.3	-29.5	-14.0	-0.6	-2.3	-37.8	-18.6
<b>Gross profit</b>	<b>59.8</b>	<b>65.8</b>	<b>76.4</b>	<b>93.6</b>	<b>1.1</b>	<b>1.1</b>	<b>137.4</b>	<b>160.6</b>
Overhead/Depreciation & Amortization	-10.0	-12.4	-77.0	-95.3	-23.6	-21.2	-110.5	-128.8
Items affecting comparability					-12.3		-12.3	
<b>Operating profit</b>	<b>49.8</b>	<b>53.4</b>	<b>-0.5</b>	<b>-1.6</b>	<b>-34.7</b>	<b>-20.0</b>	<b>14.6</b>	<b>31.8</b>
<b>Operating margin %</b>	<b>74%</b>	<b>78%</b>	<b>-0.5%</b>	<b>-1.5%</b>	<b>-</b>	<b>-</b>	<b>8.3%</b>	<b>17.7%</b>

## Fourth Quarter 2003 Sales and Earnings

Sales during the fourth quarter amounted to MSEK 33.8 (53.3), a 37% reduction compared with the corresponding period the previous year. The main reason for the decrease was lower revenues from the technology agreement with Philips, which during the fourth quarter amounted to MSEK 3.2 (14.4), as well as lower sales in local currency for the US subsidiary Sweet.

Expenditures during the period amounted to MSEK 28.7 (32.7), down 12% compared with the same period last year.

Operating profit for the fourth quarter amounted to MSEK -11.6 (13.5). Excluding items affecting comparability, profit amounted to MSEK 0.7. The lower earnings are mainly attributable to lower revenues from the technology agreement with Philips.

Financial items for the period amounted to MSEK 0.7 (0.6). Earnings after financial items amounted to MSEK -10.9 (14.2). Net result after tax amounted to MSEK -9.5 (49.5).

## Parent Company

The parent company's sales during 2003 amounted to MSEK 113.0 (95.7) and earnings after financial items and taxes amounted to MSEK -1.4 (41.5).

The parent company's liquid funds at end of period, including short-term investments, amounted to MSEK 79.8 (50.6). During the period the company invested in intangible fixed assets totaling MSEK 0 (3.9) and tangible assets totaling MSEK 0.4 (0.2).

### **Acquisition of Avel-Tech Inc.**

Ortivus AB acquired the Canadian software company Avel-Tech on November 21, 2003. As a result of the acquisition of Avel-Tech, Ortivus has gained access to one of the market's most competitive dispatch systems (CAD system), which rounds off its portfolio of products and services within emergency medical services. The acquisition strengthens Ortivus' offer to its customers, its product portfolio, and it also strengthens the leading position of US subsidiary Sweet Computer Services Inc. in the North American market.

The purchase price, which was paid in cash, amounted to just over MUSD 3.5. Goodwill amounting to MSEK 23.6 occurred in connection with the acquisition, which will have a ten-year amortization period beginning on January 1, 2004.

### **The Market**

The Market for Ortivus' products within the Advanced Distance Care division has developed favorably during the financial year. The market's acceptance and need for prehospital medical care can be seen in the rising sales for the MobiMed product. Ortivus has achieved a commercial breakthrough with deliveries to China's leading manufacturer of ambulances and medical equipment, Landcom. The company also received major orders from the Swedish and British markets. Ortivus installed a reference facility in France and initiated collaboration with France Telecom involving a GPRS application for MobiMed.

Distributors have been signed on in China and Italy. Marketing efforts are targeting potential customers in Sweden, Norway, Finland, Great Britain, France, Italy, China, Canada, and the United States. The backlog of orders for MobiMed amounts to MSEK 20 with an option for additional sales totaling MSEK 9. Sweet is successfully carrying out an intensive marketing campaign targeting customers in the US market for its Amazon products and the products that Ortivus received through the acquisition of Canadian Avel-Tech. Good synergistic effects will arise now that Avel-Tech's sales team can also market Sweet's administrative products in the Canadian market.

The company expects surging sales in the North American market during 2004 because of its stronger range of products and larger customer base. North America is expected to account for over half of Ortivus' total revenues during 2004.

In Cardiology, Ortivus sees an increased need from the market for a new and improved method of taking care of patients with acute chest pain and suspect myocardial infarction. Ortivus is pursuing an extensive ongoing program to develop new and existing products. The decision-making support system is under development in cooperation with Uppsala University Hospital. R&D projects are underway in collaboration with Karolinska hospital and Östra Hospital to create new methods for analyzing ECGs.

The five-year agreement with Philips Medical System for MIDA expires in June 2004, after which revenues from Philips will be based on actual sales. MIDA was launched in 1990 and the original version is now approaching the end of its product life cycle. New versions of MIDA and brand new products for decision-making support systems are under development. In addition to the agreement for MIDA, Ortivus has another technology and product development cooperation agreement with Philips, which will expire in late 2005. The latter grants Philips preferred vendor status to commercially sell Ortivus' newly developed products internationally.

## **Forecast for 2004**

Ortivus expects sales and earnings to increase during 2004 within the Advanced Distance Care division, driven mainly by the North American market. Sales in the North American market are expected to be substantially higher during 2004, accounting for over half of Ortivus total revenues.

The acquisition of Avel-Tech has strengthened the US subsidiary Sweet's market leading position. This more complete product portfolio strengthens the customer offer and combined with a strong sales organization, prospects are excellent for positive growth. The company will continue to extensively cultivate existing markets in Sweden, Great Britain, and China. Ortivus' goal for 2004 is to achieve a commercial breakthrough in the rest of the Nordic countries and in the French and Italian markets.

In Ortivus' Cardiology division, the agreement with Philips Medical System for MIDA will expire in June 2004. After that, revenues from Philips will be based on actual sales. The actual sales over the past two years, per quarter, have amounted to between 20-50% of the contractual minimum guarantee. Discussions are in progress with Philips about further collaboration. New products will be launched during the second half of the year. These products will only provide a slight boost to earnings during 2004, after which they will increase the following year. All factors considered, we expect earnings in Cardiology to fall during 2004.

For the Ortivus Group as a whole, we do not expect the increased earnings in Advanced Distance Care to fully compensate for lower earnings in Cardiology. Consequently we expect a lower profit after net financial items in 2004 compared with 2003 earnings, which amounted to MSEK 28.8, excluding items affecting comparability.

## **Dividends**

The Board of Directors proposes that no dividend be paid for fiscal year 2003.

Täby February 17, 2004

Ortivus AB (publ)

The Board of Directors

Ortivus AB (Org no 556259-1205), Enhagsslingan 5, Box 513, SE-183 25 Täby, Sweden, phone +46 8 446 45 00

## **Future Reporting Dates:**

Press conference / analyst meeting February 19; invitations will be distributed in a separate notice.

Annual Report for fiscal year 2003 will be published and available in the Ortivus office in March. Shareholders will receive the annual report by mail.

Annual General Meeting will be held on Thursday, March 25, 2004, 4 pm, at Konferens Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm

Interim Reports:

January – March published April 29, 2004

January – June published August 23, 2004

January – September published October 28, 2004

## **For more information:**

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Amounts in SEK thousand	Consolidated Statements of Income			
	Oct-Dec 2003	Oct-Dec 2002	Jan-Dec 2003	Jan-Dec 2002
Net sales	33,776	53,277	175,207	179,140
Cost of goods sold	-4,376	-7,083	-37,798	-18,560
<b>Gross Profit</b>	<b>29,400</b>	<b>46,194</b>	<b>137,409</b>	<b>160,580</b>
Selling expenses	-13,785	-13,526	-52,961	-55,935
Administrative expenses	-7,992	-9,723	-28,409	-36,453
R&D costs	-6,964	-9,424	-29,380	-36,826
Other operating revenues/expenses	-8	18	180	402
Items affecting comparability	-12,251	0	-12,251	0
<b>Operating Profit 1) 2)</b>	<b>-11,600</b>	<b>13,539</b>	<b>14,588</b>	<b>31,768</b>
Financial items, net	661	644	1,946	1,699
<b>Profit after financial items</b>	<b>-10,939</b>	<b>14,183</b>	<b>16,534</b>	<b>33,467</b>
Current tax	1,275	-141	351	-7,572
Deferred Tax	158	35,466	-9,211	35,466
<b>Net result after tax</b>	<b>-9,506</b>	<b>49,508</b>	<b>7,674</b>	<b>61,361</b>
1) Depreciation and amortization charged to these results	2,580	3,730	11,925	14,382
Of which amortization of intangible assets	2,074	3,274	9,957	12,511
2) Writedown of goodwill relating to Biosys charged against this result	10,668	0	10,668	0
			<b>Dec 31, 2003</b>	<b>Dec 31, 2002</b>
Earnings/share, SEK (res after tax/average number of shares)			0.56	4.46
			<b>Dec 31, 2003</b>	<b>Dec 31, 2002</b>
Number of shares per closing day (thousands)			13,805	13,805
Average number of shares (thousands)			13,805	13,744

#### Consolidated Balance Sheets

Amounts in SEK thousand	Dec 31, 2003	Dec 31, 2002
<b>Fixed assets</b>		
Intangible assets	60,324	56,252
Tangible assets	4,004	3,483
Financial fixed assets	41,593	42,655
<b>Total fixed assets</b>	<b>105,921</b>	<b>102,390</b>
<b>Current assets</b>		
Inventories	4,809	12,628
Current receivables	57,115	70,992
Short-term investments	56	5,771
Cash and bank balances	94,480	63,487
<b>Total current assets</b>	<b>156,460</b>	<b>152,878</b>
<b>Total assets</b>	<b>262,381</b>	<b>255,268</b>
Shareholders' equity	225,088	221,171
Minority interest	0	0
Provisions and long-term liabilities	752	370
Current liabilities	36,541	33,727
<b>Total shareholders' equity and liabilities</b>	<b>262,381</b>	<b>255,268</b>

R&D expenses for the year include goodwill amortization amounting to SEK 3,556,000 (3,556,000).

Selling expenses for the year include goodwill amortization amounting to SEK 4,295,000 (4,207,000).

R&D costs associated with a development project at University Hospital in Uppsala were capitalized during the year for SEK 2,141,000 (2,717,000).

A total of SEK 351,000 of the year's taxes are attributable to the subsidiary Sweet Computer Services, Inc.

#### Accounting policies:

Ortivus complies with the recommendations and urgent issues task force statements of the Swedish Financial Accounting Standards Council. Recommendations to be applied beginning in 2003 and that affected the presentation of this report are RR 22 Presentation of financial statements and RR 25 Segment Reporting. Otherwise, the company's accounting policies are unchanged compared with the previous year.

**Consolidated Statements of Cash Flow**

<b>Amounts in SEK thousand</b>	<b>Dec 31, 2003</b>	<b>Dec 31, 2002</b>
Current operations	33,541	44,338
Change in working capital	24,510	-29,908
Investments	-32,773	-11,170
Financing	0	0
<b>Change in liquid funds</b>	<b>25,278</b>	<b>3,260</b>

**Change in consolidated shareholders' equity**

	<b>Dec 31, 2003</b>	<b>Dec 31, 2002</b>
Opening balance	221,171	161,874
Translation differences in subsidiaries	-3,757	-3,064
New share issue	0	1,000
Result for the period	7,674	61,361
<b>Closing balance</b>	<b>225,088</b>	<b>221,171</b>

**Key Financial Measures**

	12-31-03	12-31-02	12-31-01	12-31-00	12-31-99
Net result after tax	7,674	61,361	-65,901	-30,485	-1,244
Net result margin	9%	19%	-41%	-46%	-2%
Earnings/Share, SEK	0.56	4.46	-4.80	-2.33	-0.11
Return on shareholders' equity*	3%	35%	-32%	-14%	-1%
Return on capital employed*	7%	19%	-30%	-13%	-1%
Equity/Assets ratio	86%	87%	80%	92%	92%
Equity/Share, SEK	16.30	16.02	11.79	15.90	18.16

\* On rolling-12 month basis.

*This is a translation of Ortivirus 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.*