

Ortivus AB (publ) **Interim Report January – June 2004**

Sales amounted to MSEK 79.2 (107.3).

Result after financial items was MSEK 5.9 (22.2) after a charge of MSEK 3.0 for restructuring and downsizing the organization.

Net result after tax amounted to MSEK 5.3 (14.1).

Earnings per share amounted to SEK 0.38 (1.02).

Sweet and Avel-Tech's integrated system launched on May 1; successfully received by the North American market.

After the end of the period, Ortivus' license agreement with Philips for cardiac monitoring using MIDA was replaced by a new non-exclusive license agreement. The technology development agreement between Ortivus and Philips is terminated during H2. A non-recurrent income will therefore be reflected in 2004 amounting to MSEK 15.

Operations - Background

Ortivus AB is an IT company that develops and markets information systems for emergency services as well as clinical decision-making support systems. The operation has two divisions, Cardiology and Advanced Distance Care. Ortivus AB is listed on the OM O list of the Stockholm Stock Exchange (OM Stockholmsbörsen AB) and was established in 1985. Ortivus has subsidiaries in Great Britain, Canada, and the United States. The company has approximately 100 employees.

Advanced Distance Care

Advanced Distance Care includes MobiMed, Sweet's Amazon products, and Avel-Tech's products. These products and systems comprise solutions that cover the information needs of emergency services, the police, and the fire department for dispatching vehicles to the scene of accidents, systems for transporting, diagnosing, and treating patients, and for following up operations.

Cardiology

Cardiology includes MIDA, a system for hospital intensive care departments that monitors oxygen levels in the cardiac muscle in patients with suspect myocardial infarction (MI) and angina pectoris. MIDA makes it possible to make the right diagnosis and facilitates follow up of MI patients.

FINANCIAL RESULTS AND POSITION

Second Quarter 2004

Sales for the second quarter amounted to MSEK 34.1 (48.6). Avel-Tech, which was acquired in November 2003, contributed MSEK 6.6 to sales during the quarter. The Group's result before tax for the second quarter amounted to MSEK -2.3 (11.0) and net result after tax amounted to -0.4 (7.3) after a charge of MSEK 3.0 for costs related to downsizing the organization.

The result for the Ortivus Group for the quarter was heavily affected by the fact that sales for the North American subsidiaries were held back because of the integration of the companies' systems. May 1 marked the launch of sales and installation of Sweet and Avel-Tech's integrated system, which was successfully received by the market.

In Great Britain negotiations are underway pertaining to Ortivus electronic patient journal for emergency medical services.

During the quarter, Ortivus downsized its work force in the US, Canada, and Sweden, which when combined with other measures is expected to result in annual savings of about MSEK 20. Severance pay has had an effect on the result for the period amounting to MSEK 3.0.

The development of Coronet II, which is Ortivus' new cardiac monitoring system, has during the quarter been continued with full force.

During the period deferred taxes increased by MSEK 1.8, attributable to conversion of deductions for losses in Avel-Tech to an investment credit and an accompanying increase in the amount that will be tax deductible in the future.

Also during the period, Ortivus received formal approval from the Chinese regulating authority SFDA to market MobiMed in China.

Events after the End of the Period - new non-exclusive license agreement with Philips

At the end of the period, Ortivus' license agreement with Philips for cardiac monitoring using MIDA was replaced by a new non-exclusive licensing agreement. According to this agreement Philips has a license to sell MIDA for the same license fee, based on realized sales. Ortivus acquired a license from Philips to use a five-lead ECG system for a non-recurrent amount of MUSD 3.0. This ECG-system will be integrated in MobiMed and in Ortivus' new Coronet II cardiac monitoring system.

The technology development agreement between Philips and Ortivus that originally expired at the end of 2005 will be terminated during H2 2004, one year earlier than originally stated. Philips will, as stipulated in the agreement, pay Ortivus MUSD 4. An extraordinary item will therefore be reflected in 2004 revenues amounting to MSEK 12.2, which according to the agreement should have been earned in 2005. Another non-recurrent item will be posted to reflect the closing of the company's hedging positions.

January to June 2004

Sales

The Group's sales amounted to MSEK 79.2 (107.3) during the first six months of the year. The lower sales (-26%) compared with the same period last year can mainly be attributed to the integration of Sweet and Avel-Tech's systems, which held sales back between January and April. The integrated system was launched on May 1, which means that it has only been for sale during

two months of the period. The comparison with last year is also affected by the fact that between January and May 2003 emergency services in the United States upgraded their systems to comply with new HIPPA regulation requirements. Consequently, Sweet recorded extraordinary sales during the comparative period.

Avel-Tech contributed MSEK 10.6 to sales in the Group during the period.

Sales in Cardiology amounted to MSEK 28.3 (36.1). The difference between the years depends mainly on sale during the previous year of ECG-modules amounting to MSEK 5.6.

MobiMed sales for the period were MSEK 17.4 (37.0). The difference between the years is due to unusually good sales in Great Britain during 2003. During 2004 and early 2005 the market in Great Britain can be described as wait and see due to the extensive procurement in progress within the framework of the "National Programme for IT".

Gross Profit and Overhead

Consolidated gross profit amounted to MSEK 66.9 (79.3). Gross margin increased from 74 percent to 84 percent. This improvement is due to a changed sales mix, especially a smaller proportion of MobiMed sales, as well as the effects of currency exchange rates.

The Group's overhead amounted to MSEK 63.0 (58.0). For comparable units—excluding Avel-Tech and severance pay for personnel amounting to MSEK 3.0—costs decreased by MSEK 6.9, mainly because of lower costs in local currency for the US subsidiary Sweet, a weaker USD, as well as cost-cutting measures in the Swedish operation.

Earnings

Operating profit for the period amounted to MSEK 5.1 (21.5). Result after financial items amounted to MSEK 5.9 (22.2). Earnings were lower compared with the previous year mainly due to lower earnings for the subsidiaries Sweet and Avel-Tech, but also due to decreased earnings for the parent company and Ortivus in Great Britain, as well as a charge for severance pay for personnel amounting to MSEK 3.0.

The Group's currency inflow in dollars for sales of MIDA and the technology development with Philips has been hedged at an average exchange rate of SEK/USD 10.07 (10.50). If the company had not taken this measure, the figures reported for the period would have been MSEK 8.0 (9.5) lower than the actual result.

Net result after tax amounted to MSEK 5.3 (14.1), corresponding with earnings per share of SEK 0.38 (1.02).

Cash Flow, Investments, and Liquidity

Total consolidated cash flow for the period was positive, amounting to MSEK 2.7 (52.1).

The reason for the increase in working capital was growing accounts receivable by MSEK 12.2, which is paid after the end of the period.

Investments amounted to MSEK 3.3 (1.6). Investments in intangible fixed assets amounted to MSEK 1.0 (0.9) and investments in tangible assets to MSEK 2.3 (0.7). The Group's liquid funds at end of period, including current investments, amounted to MSEK 97.2 (121.4). Liquid funds decreased compared with the previous year due to the acquisition of the subsidiary Avel-Tech in Canada, at a price of MUSD 3.5, equivalent to MSEK 29.2. The Group's interest coverage ratio amounted to 0% (0%) and the Group's net financial items to MSEK 0.9 (0.7).

Business areas

Cardiology

Revenues for Cardiology amounted to MSEK 28.3 (36.6). Operating profit for Cardiology amounted to MSEK 22.9 (25.0). The slight drop depends on the term currency contracts in USD,

at which the income is denominated was somewhat lower during the first six months of 2004 than during the previous year. In addition, last year Ortivus sold spare parts for MIDA amounting to MSEK 5.6 at a low margin, which also affects the comparison between the years.

Revenues from Philips Medical Systems for MIDA amounted to MSEK 24.8 (26.8), which coincides with the guaranteed minimum royalty income. Revenues from the technology and product development agreement during the period amounted to MSEK 6.4 (6.4), half of which, MSEK 3.2 (3.2), is reported in the Cardiology and the other half in Advanced Distance Care.

As of the end of this period, Philips no longer has exclusive rights to MIDA. Consequently Ortivus can now develop and launch new generations of MIDA-based products. During the period programmers have been moving full speed ahead developing the new generation of MIDA for decision-making support systems for doctors when diagnosing cardiac patients. Coronet II, which will be launched during the fourth quarter, will provide the cardiologists with clearly improved tools to quickly and safely diagnose patients with heart problems and suspected myocardial infarction using MIDA and "biological markers", which together with other tools to help decision-making will be included in Coronet II.

Coronet II will be marketed by the Group's sales organization in the Nordic countries and Great Britain and in other markets on an OEM or license basis.

The Group has decided to acquire the AMI-DSS project, which is based on biological markers and which researchers at Akademiska Hospital in Uppsala have developed over a number of years.

Advanced Distance Care

Revenues for Advanced Distance Care were 28% lower than last year and amounted to MSEK 50.1 (69.3). Operating profit for Advanced Distance Care amounted to MSEK -6.8 (8.6).

The business area's revenues and earnings compared with last year were mainly affected by the launch of the integrated version of Sweet and the Canadian subsidiary Avel-Tech's software in May 2004, which caused customers to hold back placing orders, a weakening of the USD by 11% compared with the previous year, a cautious approach about placing new orders in Great Britain while procurement of the IT system within the framework for the "National Programme for IT" is underway, as well as severance pay for terminated employees amounting to MSEK 3.0.

In addition, Sweet experienced extraordinary sales during the comparative period last year since customers were upgrading their billing systems to comply with HIPPA regulation requirements in the US.

Earning capacity for the important new software platform created during the beginning of the year through the integration of the North American subsidiaries' systems has only been available for a limited portion of the period. Coordination of Sweet's Billing and Field Data system with Avel-Tech's dispatch system into a common platform means that Ortivus established preconditions for sustainable and rapid future growth in the US market.

MobiMed continues to pursue marketing campaigns in its high priority markets: the Nordic countries, Great Britain, France, Italy, and China. There is great interest in MobiMed with prospects for breakthroughs to be achieved in additional markets.

The healthcare IT market is rapidly growing. The National Health Service (NHS) in Great Britain is a driving force in this development. NHS currently has a budget of GBP 4-5 billion with which it intends to streamline and improve healthcare while increasing patient safety by implementing a nationwide system that would provide access to IT-based information such as medical records, appointment scheduling, and prescription handling to all healthcare providers. A number of countries in Europe are closely monitoring developments in Great Britain with the idea of following suit, opening the potential for considerable growth, though as yet this is all in an early phase.

The first full-scale installations of Ortivus' patient medical records system are underway in an ambulance organization in Sweden and in an installation in Great Britain.

The group Other includes unallocated administration costs. The lower costs compared with last year are mainly because goodwill amortization for Biosaca were included in H1 2003.

In summary, Ortivus' revenues by division were distributed as follows:

Revenues, MSEK	Jan - June	Jan - June
	2004	2003
Cardiology	28.3	36.6
<i>MIDA</i>	25.1	32.9
<i>Technology and product development agreements</i>	3.2	3.2
Advanced Distance Care	50.2	69.3
<i>MobiMed</i>	17.4	37.0
<i>Sweet</i>	19.0	29.1
<i>Avel-Tech</i>	10.6	0
<i>Technology and product development agreements</i>	3.2	3.2
Other	0.7	1.4
Total	79.2	107.3

The table below shows Ortivus' operations, distributed by business segment, from January to June.

MSEK	Cardiology		Advanced Distance care		Other		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	28.3	36.1	50.1	69.3	0.7	1.4	79.2	107.3
Cost of sold goods	-0.5	-5.8	-11.7	-21.5	-0.1	-0.7	-12.3	-28.0
Gross profit	27.8	30.3	38.4	47.8	0.6	0.7	66.9	79.3
Overhead/Depreciation & Amortization	-4.9	-5.8	-45.2	-39.2	-11.6	-12.8	-61.8	-57.8
Operating profit	22.9	24.5	-6.8	8.6	-11.0	-12.1	5.1	21.5
Operating margin %	80.8%	67.8%	-13.6%	12.4%	-	-	6.4%	20.0%

Coordination and Cost-Cutting

The Group has since the acquisition of Avel-Tech taken advantage of opportunities for coordination and cost-cutting measures.

The parent company includes solutions in medical technology and telemedicine for emergency medical services. Sweet offers administrative solutions for US emergency services and Avel-Tech has products and services involving locating of vehicles and mobile data transmission.

Since the acquisition of Avel-Tech, the North American subsidiaries have coordinated operations through joint management with common marketing, business, technology, and development departments. In North America, fifteen jobs were cut.

Following negotiations with the labor unions in Sweden ten positions were eliminated.

Thus the Ortivus Group, which originally had 130 employees, has cut its staff by about 25 people, leading to a reduction of costs of about MSEK 20 per year.

Severance pay to employees was charged against the result for the period at an amount of MSEK 3.0.

Orderbacklog

At the end of the period the orderbacklog amounted to MSEK 54.8 (34.8). In addition comes options not yet redeemed worth MSEK 7.3. The main reason for the increase compared with the previous year is the build up of orders for Sweet and the addition of Avel-Tech to the Ortivus Group.

Organization

As was previously announced, the Board of Directors of Ortivus AB has initiated the recruitment process for a new president since the former President and CEO gave notice and left his position on June 30. The company's CFO is serving as CEO until a new CEO takes over the position, which should be filled by late 2004 or early 2005.

Parent Company

The parent company's sales amounted to MSEK 43.5 (66.5) and earnings after financial items and taxes amounted to MSEK 4.7 (12.2).

The parent company's liquid funds at end of period, including short-term investments, amounted to MSEK 68.5 (100.2). Liquid funds are lower due to the cash acquisition of the subsidiary Avel-Tech for MSEK 29.2 in November 2003. During the period the company invested in tangible assets totaling MSEK 0.4 (0.1) and invested in intangible assets amounting to MSEK 1.0 (0.9).

Accounting Policies

This report has been compiled in accordance with the recommendation of the Swedish Financial Accounting Standards Council, RR 20 Interim reporting. The interim financial statements follow the same accounting policies and methods as the most recent Annual Report. This Interim Report fulfills the requirements of the Swedish Stock Exchange and Annual Accounts Acts. The Swedish Financial Accounting Standards Council recommendation RR 29 Employee Remuneration, which shall apply beginning in 2004, has been applied and had no effect on the accounts.

Forecast for 2004

In Advanced Distance Care earning capacity for the US subsidiaries' integrated system will not have full impact this year. During the second half of the year we expect a strong increase in sales. The British market is currently cautious because of the ongoing procurement in Great Britain within the framework of the "National Programme for IT." MobiMed is currently being introduced on several new markets with prospects of a breakthrough in additional markets.

Earnings in Cardiology will be affected by the new agreement with Philips which is no longer exclusive as of the end of the period. It will have temporary effects on Ortivus' 2004 earnings of about MSEK 15. In the future Ortivus could receive license revenues from Philips on the order of 20-50 percent of the previously guaranteed minimum income per year of MUSD 5.

Overall, Ortivus has specified its forecast for 2004 as follows:

The Ortivus Group expects in 2004 a lower result after financial items (including non-recurrent income amounting to about MSEK 15) than 2003 when it amounted to MSEK 28.8, disregarding a write-down.

Täby August 23, 2004

Ortivus AB (publ)

Board of Directors

Audit Report

I have reviewed this semi-annual report according to the recommendations issued by the Swedish Institute of Authorized Public Accountants. A review is considerably limited in comparison with an audit. Nothing has come to my attention that causes me to believe that the semi-annual report does not comply with the requirements of the Stock Exchange or Annual Accounts Act.

Stockholm August 23, 2004

Helene Willberg, authorized public accountant

Future Reporting Dates:

Interim Reports:

January – September will be published October 28, 2004

Year-end Report February 18, 2005

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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.

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Consolidated Statements of Income

Amounts in SEK thousand	Apr - June 2004	Apr - June 2003	Jan - June 2004	Jan - June 2003	2003
Net sales	34,077	48,606	79,184	107,342	175,207
Cost of goods sold	-3,805	-10,382	-12,330	-28,015	-37,798
Gross Profit	30,272	38,224	66,854	79,327	137,409
Selling expenses	-14,478	-14,279	-27,419	-27,191	-52,961
Administrative expenses	-10,625	-5,943	-18,539	-14,953	-28,409
R&D costs	-8,556	-7,652	-17,027	-15,850	-29,380
Other operating revenues/expenses	865	-234	1,208	144	180
Items affecting comparability	0	0	0	0	-12,251
Operating Profit 1) 2)	-2,522	10,116	5,077	21,477	14,588
Financial items, net	245	862	856	683	1,946
Profit after financial items	-2,277	10,978	5,933	22,160	16,534
Current tax	-39	-203	-127	-673	351
Deferred Tax	1,946	-3,508	-505	-7,342	-9,211
Net result after tax	-370	7,267	5,301	14,145	7,674
Earnings/share, SEK (res after tax/ average number of shares)	-0.03	0.52	0.38	1.02	0.56
Number of shares per closing day (thousands)	13,805	13,805	13,805	13,805	13,805
Average number of shares (thousands)	13,805	13,805	13,805	13,805	13,805
1) Depreciation and amortization charged to these results Of which amortization of intangible assets	2,518 1,951	3,311 2,621	4,978 3,893	6,281 5,260	11,925 9,957
2) Writedown of goodwill relating to Biosys charged against this result	-	-	-	-	10,668

3) Current tax is attributable to the subsidiary Ortivus Inc. USA (Sweet Computer Services, Inc.)

Consolidated Balance Sheets

Amounts in SEK thousand	June 30, 2004	June 30, 2003	Dec 31, 2003
Fixed assets			
Intangible assets	7,580	7,343	7,051
Goodwill	49,943	44,218	53,273
Tangible assets	5,163	2,643	4,004
Financial fixed assets	33,707	33,994	41,593
Total fixed assets	96,393	88,198	105,921
Current assets			
Inventories	6,446	7,683	4,809
Current receivables	68,236	50,943	57,115
Short-term investments	9,125	5,289	56
Cash and bank balances	88,101	116,067	94,480
Total current assets	171,908	179,982	156,460
Total assets	268,301	268,180	262,381
Shareholders' equity	231,317	233,725	225,088
Provisions and long-term liabilities	752	370	752
Current liabilities	36,232	34,085	36,541
Total shareholders' equity and liabilities	268,301	268,180	262,381

R&D costs associated with a research project at Akademiska Hospital in Uppsala amounting to SEK 1,016,000 (918,000) were capitalized during the six-month period.

Consolidated Statements of Cash Flow

Amounts in SEK thousand	Apr - June 2004	Apr - June 2003	June 30, 2004	June 30, 2003	Dec 31, 2003
Current operations	2,457	14,534	12,619	28,467	33,541
Change in working capital	-16,428	8,435	-13,067	25,352	24,510
Investments	-1,649	-1,197	-3,320	-1,614	-3,595
Acquisitions	0	0	0	0	-29,178
Financing	6,563	-107	6,459	-107	0
Change in liquid funds	-9,057	21,665	2,690	52,098	25,278

Change in consolidated shareholders' equity

	June 30, 2004	June 30, 2003	Dec 31, 2003
Opening balance	225,088	221,171	221,171
Translation differences in subsidiaries	698	-1,591	-3,757
Result for the period	5,301	14,145	7,674
Closing balance	231,087	233,725	225,088

Divisions

SEK thousand	Cardiology		Adv. Distance Care		Other		Total	
	Jan - June 2004	Jan - June 2003	Jan - June 2004	Jan - June 2003	Jan - June 2004	Jan - June 2003	Jan - June 2004	Jan - June 2003
Net sales	28.3	36.6	50.1	69.3	0.7	1.4	79.2	107.3
Cost of goods sold	-0.5	-5.8	-11.7	-21.5	-0.1	-0.7	-12.3	-28.0
Gross profit	27.8	30.8	38.4	47.8	0.6	0.7	66.9	79.3
Overhead/depreciation	-4.9	-5.8	-45.2	-39.2	-11.6	-12.8	-61.8	-57.8
Operating profit	22.9	25.0	-6.8	8.6	11.0	-12.1	5.1	21.5
Operating margin	80.8%	68.3%	13.6%	12.4%			6.4%	20.0%

Key Financial Measures

	06-30-04	06-30-03	12-31-03	12-31-02	12-31-01	12-31-00
Net result after tax	5,301	14,145	7,674	61,361	-65,361	-30,485
Net result margin	7%	21%	9%	19%	-41%	-46%
Net profit/Share, SEK	0.38	1.02	0.56	4.46	-4.80	-2.33
Return on shareholders' equity*	5%	28%	3%	35%	-32%	-14%
Return on capital employed*	5%	45%	7%	19%	-30%	-13%
Equity/Assets ratio	86%	87%	86%	87%	80%	92%
Equity/Share, SEK	16.76	16.93	16.30	16.02	11.79	15.90

* On rolling-12 month basis.