



Ortivus AB (publ) Interim Report January – September 2004

Sales amounted to MSEK 118.4 (141.4).

The result after financial items amounted to MSEK 19.5 (27.5) after a charge of MSEK 3.0 for restructuring and reducing the organization.

Net result after tax amounted to MSEK 13.9 (17.2).

Earnings per share amounted to SEK 1.01 (1.24).

Mikael Strindlund appointed new President and Chief Executive Officer of the Ortivus Group.

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 is divided into two business segments, 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 offers MIDA Coronet II, 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 makes it possible to make the right diagnosis and facilitates follow up of MI patients.

FINANCIAL RESULTS AND POSITION

Third quarter 2004

Sales for the third quarter amounted to MSEK 39.2 (34.1). Avel-Tech, which was acquired in November 2003, contributed MSEK 4.8 to sales during the quarter. The Group's earnings before tax for the third quarter amounted to MSEK 13.6 (5.3) and after tax to 8.6 (3.0).

In May Sweet/Avel-Tech initiated sales of its integrated system, with thirteen Sweet CAD systems sold and installed since the launch, according to plan.

Development of Coronet II, Ortivus' new system for cardiac monitoring continued during the quarter. Ortivus expects the first customer trial installation before the end of the year.

On July 1, 2004, Ortivus collaboration' with Philips for MIDA became nonexclusive. Philips is entitled to sell MIDA for the same license fee, based on realized sales. Nonexclusive license revenues from Philips amounted to MSEK 0.2 for the third quarter. Ortivus also acquired a license from Philips to use a five-lead ECG system for MSEK 26.4. This ECG system will be integrated into both MobiMed and Coronet II. Ortivus is marketing Coronet II, which replaces MIDA, through its own sales organizations in the Nordic countries and Great Britain. It will be sold in other markets on an OEM or license basis.

To protect the Coronet II technology during the third quarter Ortivus reached an agreement with Philips to discontinue the technology-based collaboration originally intended to continue through the end of 2005. An extraordinary item amounting to MSEK 12.5 will therefore be reflected in earnings for the year as a result of the early termination of this agreement. Closing out currency positions denominated in USD, used to hedge these revenues, gave an additional boost to earnings during the period of MSEK 7.6.

January-September

Sales

The Group's sales amounted to MSEK 118.4 (141.4) between January and September.

Sales in Cardiology amounted to MSEK 36.0 (51.9). Sales were down compared with the previous year mainly because as of July 1, Ortivus no longer receives the guaranteed license revenues from Philips. Last year these license revenues amounted to MSEK 14.3 for the third quarter.

Sales in Advanced Distance Care amounted to MSEK 74.1 (87.9). The difference compared with last year is due to the drop in sales when customers postponed procurement while awaiting the integration of Sweet and Avel-Tech's software system. 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. During the period Avel-Tech contributed MSEK 15.5 to sales.

Gross profit and overhead

Consolidated gross profit amounted to MSEK 103.6 (108.0). Gross margin increased from 76 percent to 88 percent. This improvement is due to a changed sales mix, especially a smaller percentage of MobiMed sales, as well as the effects of currency exchange rates and the termination of the technology development agreement between Ortivus and Philips.

The Group's overhead amounted to MSEK 85.6 (82.0). For comparable units—excluding Avel-Tech—costs decreased MSEK 8.7. However, the reduction in costs is actually greater because the period includes a charge for severance pay for personnel amounting to MSEK 3.0

Earnings

Operating profit for the period amounted to MSEK 17.9 (26.2). Result after financial items amounted to MSEK 19.5 (27.5). This reduction in earnings compared with the previous year is attributable to both Cardiology and Advanced Distance Care.

During the third quarter Ortivus and Philips agreed to terminate the technology agreement, which would have an effect on earnings amounting to MSEK 12.5. In addition, closing out hedging positions had an effect on earnings amounting to MSEK 7.6.

Net result after tax amounted to MSEK 13.9 (17.2), corresponding with earnings per share of SEK 1.01 (1.24).

Cash Flow, Investments, and Liquidity

Total consolidated cash flow for the period was positive, amounting to MSEK 39.7 (61.5).

Investments amounted to MSEK 30.6 (2.1). Investments in intangible fixed assets amounting to MSEK 27.8 (1.3) largely consist of licensing rights from Philips for a five-lead ECG system, as well as the investment in AMI-DSS. Investments in tangible fixed assets amounted to MSEK 2.9 (0.8). The Group's liquid assets at end of period, including current investments, amounted to MSEK 134.8 (130.8). Thus liquid assets are greater than they were before the cash acquisition of Avel-Tech in November 2003 for MSEK 29.2. The Group's interest coverage ratio amounted to 0% (0%) and net financial items to MSEK 1.6 (1.3).

Business Segments

Cardiology

Revenues for Cardiology amounted to MSEK 36.0 (51.9). Operating profit for Cardiology amounted to MSEK 28.4 (37.9). The lower operating profit compared with last year is due to the termination of previous agreements with Philips. 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.

As of July 1, 2004, Philips now has nonexclusive rights to MIDA. Consequently Ortivus can now develop and launch new generations of MIDA-based products. During the fourth quarter Ortivus will launch the new generation of Coronet, which is expected to clearly improve opportunities to quickly and safely diagnose patients with heart problems and suspected myocardial infarction. The first trial installation is planned for before the end of the year.

Advanced Distance Care

Revenues for the business segment Advanced Distance Care amounted to MSEK 74.1 (87.9). Operating result for Advanced Distance Care was MSEK -5.1 (4.4).

The business segment's revenues and performance compared with last year have mainly been affected by the launch of the integrated version of the software system from Sweet and Avel-Tech in May 2004, which meant that customers postponed orders, as well as by the weakening of the US dollar by 9%.

With the integration of Sweets' invoicing system and medical records system with Avel-Tech's dispatching system on a common platform, prospects are now excellent for fast and sustainable future growth for Ortivus' North American subsidiaries.

The healthcare IT market is rapidly growing and the National Health Service (NHS) in the UK is one driving force in this development. The NHS currently has a budget of GBP 4-5 billion with which it intends to streamline and improve healthcare by implementing a nationwide system that would provide access to IT-based information such as medical records, appointment scheduling, and prescription handling. Ortivus' electronic medical records system for emergency medical services is attracting great interest in this procurement.

MobiMed continues to pursue marketing campaigns in its high priority markets: the Nordic countries, Great Britain, France, Italy, and China. Interest in MobiMed continues to be strong, with good prospects for a breakthrough on additional markets. The British market is cautiously awaiting the results of the enormous procurement of IT systems within the framework of the "National Programme for IT" before placing any new orders.

The first full-scale installations of Ortivus' patient medical records system have been carried out in an ambulance organization in Sweden as well as an installation in Great Britain.

Other

Revenues consist mainly of currency gains and the costs refer to unallocated administration. The lower costs compared with last year can mainly be attributed to decreased administrative expenses and the fact that goodwill amortization for Biosaca is no longer included.

The table below shows Ortivus' operations, distributed by business segment for the period.

January – September	Cardiology		Advanced Distance Care		Other		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
MSEK								
Net sales	36.0	51.9	74.1	87.9	8.3	1.7	118.4	141.4
Cost of goods sold	-0.6	-6.4	-14.0	-26.2	-0.2	-0.8	-14.8	-33.4
Gross profit	35.4	45.5	60.1	61.7	8.1	0.9	103.6	108.0
Overhead/depreciation	-7.0	-7.6	-65.2	-57.3	-12.8	-17.0	-85.0	-81.8
Operating profit	28.4	37.9	-5.1	4.4	-4.7	-16.1	18.6	26.2
Operating margin %	78.9%	73.0%	-6.9%	5.0%	-	-	15.7%	18.5%

Coordination and Cost-Cutting

As a consequence of the acquisition of Avel-Tech, operations in the North American companies have now been fully integrated. The North American operation reduced its staff by fifteen employees and ten positions were eliminated in Sweden. Ortivus has initiated coordination of the North American and European business segments, with the companies' development departments sharing information and certain system solutions.

The Ortivus Group workforce, which originally had 130 employees, decreased by about twenty-five during the period. This resulted in reduced costs on an annual basis of about MSEK 20.

Order stock

At the end of the period the order backlog amounted to MSEK 59.4 (25.8), plus options not yet redeemed for a value of MSEK 7.3. The increase is due to the buildup of the North American companies' order backlog.

Organization

The new President and CEO of the Ortivus Group, Mikael Strindlund, has years of experience in medical devices. He has held leading positions at Siemens AG in Germany and Siemens-Elementa in Sweden. Most recently he was CEO at Maquet Critical Care AB, a subsidiary of the Getinge Group. He will begin working as CEO in early 2005.

Parent Company

The parent company's sales amounted to MSEK 68.4 (89.6) and earnings after financial items and taxes amounted to MSEK 24.6 (16.8).

The parent company's liquid assets at end of period, including short-term investments, amounted to MSEK 96.3 (110.3). Liquid assets 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 0.3 (1.3) and invested in intangible fixed assets amounting to 27.4 (0.1). The investment in intangible fixed assets refers to Ortivus' acquisition of a license using a five-lead ECG system from Philips, as well as an investment in AMI-DSS.

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 of 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

The result in Cardiology reflects considerable costs associated with Ortivus' new product line Coronet II and the fact that the agreement with Philips at the start of the third quarter became nonexclusive, for which Ortivus will take a one-time charge against earnings for 2004.

Within Advanced Distance Care, the earning capacity of the US subsidiaries' new integrated system will be affected during the last quarter of 2004, with a strong increase in sales expected. We expect the cost-cutting measures, including synergistic benefits in the North American operation, to achieve full effect during the last quarter.

As a consequence of measures taken to compensate for the termination of the Philips agreement, the fourth quarter is only expected to have a small negative result. Earnings after net financial items for the twelve-month period 2004 will therefore be somewhat lower than the aggregate result for the first three quarters.

Täby October 28, 2004

Ortivus AB (publ)

Board of Directors

Ortivus AB (corporate ID no. 556259-1205), Enhagsslingan 5, Box 513, 183 25 Täby, tel +46 (0)8-446 45 00.

Future reporting dates:

Interim Reports: Year-end Report February 18, 2005

Annual general meeting: March 18, 2005

For more information:

Gustaf Wettergren, acting President, Ortivus, telephone +46 (0)8-446 45 04 or mobile +46 (0)708-197575 or

e-mail: gustaf.wettergren@ortivus.se

Also visit: www.ortivus.com

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

Amounts in SEK thousand	July - Sept 2004	July - Sept 2003	Jan - Sept 2004	Jan - Sept 2003	2003
Net sales	39,235	34,089	118,419	141,431	175,207
Cost of goods sold	-2,469	-5,407	-14,799	-33,422	-37,798
Gross Profit	36,766	28,682	103,620	108,009	137,409
Selling expenses	-11,703	-11,985	-38,054	-39,176	-52,961
Administrative expenses	-6,963	-5,464	-24,867	-20,417	-28,409
R&D costs	-6,418	-6,566	-22,725	-22,416	-29,380
Other operating revenues/expenses	1,191	44	-24	188	180
Writedowns	0	0	0	0	-12,251
Operating Profit (1) 2)	12,872	4,711	17,949	26,188	14,588
Financial items, net	730	602	1,586	1,285	1,946
Profit after financial items	13,602	5,313	19,535	27,473	16,534
Current tax	-195	-251	-322	-924	351
Deferred Tax	-4,793	-2,027	-5,298	-9,369	-9,211
Net result after tax	8,615	3,035	13,916	17,180	7,674
Earnings/share, SEK (res after tax/ average number of shares)	0.21	0.22	1.01	1.24	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 re Of which amortization of intangible assets	2,466 1,947	3,064 2,623	7,444 5,840	9,345 7,883	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 Sheet

Amounts in SEK thousand	09-30-04	09-30-03	12-31-03
Fixed assets			
Intangible assets	33,967	6,976	7,051
Goodwill	48,278	42,256	53,273
Tangible assets	5,267	2,196	4,004
Financial fixed assets	25,579	31,219	41,593
Total fixed assets	113,091	82,647	105,921
Current assets			
Inventories	7,130	7,820	4,809
Current receivables	20,070	44,479	57,115
Short-term investments	51,782	7,664	56
Cash and bank balances	82,979	123,117	94,480
Total current assets	161,961	183,080	156,460
Total assets	275,052	265,727	262,381
Shareholders' equity	239,305	235,815	225,088
Provisions and long-term liabilities	684	370	752
Current liabilities	35,063	29,542	36,541
Total shareholders' equity and liabilities	275,052	265,727	262,381

During the quarter R&D-expenditures attributable to the development project AMI-DSS were capitalized for a total of SEK 1,055,000 (1,322,000).

Consolidated Statement of Cash Flow

Amounts in SEK thousand	July - Sept	July - Sept	Jan - Sept	Jan - Sept	
	2004	2003	2004	2003	2003
Current operations	13,896	8,127	26,515	36,594	33,541
Change in working capital	46,313	1,784	33,246	27,136	24,510
Investments	-27,308	-487	-30,628	-2,101	-3,595
Acquisitions	0	0	0	0	-29,178
Financing	4,141	0	10,600	-107	0
Change in liquid funds	37,043	9,424	39,733	61,522	25,278

Change in consolidated shareholders' equity

	09-30-04	09-30-03	12-31-03
Opening balance	225,088	221,171	221,171
Translation differences in subsidiaries	302	-2,536	-3,757
Result for the period	13,916	17,180	7,674
Closing balance	239,306	235,815	225,088

Business segments

SEK thousand	Cardiology		Advanced Distance Care		Other		Total	
	Jan - Sept	Jan - Sept	Jan - Sept	Jan - Sept	Jan - Sept	Jan - Sept	Jan - Sept	Jan - Sept
	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	36.0	51.9	74.1	87.9	8.3	1.7	118.4	141.4
Cost of goods sold	-0.6	-6.4	-14.0	-26.2	-0.2	-0.8	-14.8	-33.4
Gross profit	35.4	45.5	60.1	61.7	8.1	0.9	103.6	108.0
Overhead/depreciation	-7.0	-7.6	-65.2	-57.3	-12.8	-17.0	-85.0	-81.8
Operating profit	28.4	37.9	-5.1	4.4	-4.7	-16.1	18.6	26.2
Operating margin	78.9%	73.1%	-6.9%	5.0%			15.7%	18.5%

Key Financial Measures

	09-30-04	09-30-03	12-31-03	12-31-02	12-31-01	12-31-00
Net result after tax	13,916	17,180	7,674	61,361	65,901	-30,485
Net result margin	18%	19%	9%	19%	-87%	-46%
Net profit/Share, SEK	1.01	1.24	0.56	4.46	-4.80	-2.33
Return on shareholders' equity*	5%	31%	3%	35%	-32%	-14%
Return on capital employed*	12%	19%	7%	19%	-30%	-13%
Equity/Assets ratio	87%	89%	86%	87%	80%	92%
Equity/Share, SEK	17.48	17.08	16.30	16.02	11.79	15.90

* On rolling-12 month basis.