

Semi-Annual Report for the period January – June 2000 for Ortivus AB (publ)

Summary

- Ortivus has agreed with Agilent Technologies to conclude two agreements. One agreement constitutes an extension of the current agreement for distribution of the MIDA technology. The other agreement involves expanded industrial cooperation between the companies. Both agreements have a term of five years. The agreements contain provisions for minimum compensation that gives Ortivus higher revenue as early as next year compared to the current agreement.
- Ortivus' subsidiary Biosys AB has agreed on development cooperation with TRW, Inc. This means that TRW will finance parts of the continued development of the Biodrow slumber warning system.
- Ortivus has received the largest order in Sweden to date for telemedical systems for monitoring of patients in ambulances. In addition, Ortivus has received 8 commercial orders for Mobimed in Sweden, Norway and Finland. That brings the total order backlog in Scandinavia to systems for 81 ambulances and 11 hospitals. In addition hereto, there are declarations of intent for purchase of systems for another 17 ambulances.
- In the United Kingdom, Ortivus UK has received two commercial orders of Mobimed for a total of 15 ambulances and 2 hospitals. Discussions are currently in progress with a large number of ambulance organizations, which are expected to generate additional orders during the fall, and revenue during year 2001.
- Net revenues amounted to MSEK 32.0 (49.1).
- The result of the Ortivus Group amounted to MSEK –13.4 (13.0). The result before amortization of goodwill was MSEK –9.4 (13.0).

Financial Report

Sales and Result

The Company's revenue amounted to MSEK 32.0 (49.1). This revenue includes sales to Agilent Technologies (Hewlett-Packard) of MSEK 24.4 (44.2) and proprietary sales of MSEK 7.6 (4.9). The result after taxes was MSEK –13.4 (13.0).

The decrease in revenue from Agilent Technologies is due to the fact that the minimum guarantee was lower during the period than during the first six months of last year. The revenue for proprietary sales does not include the bulk of this year's orders. This revenue will come in during the second half of year 2000.

Most of the negative result is explained by costs in connection with the acquisition of Biosys AB and initiatives to build up subsidiaries in the United Kingdom and the United States. The result is burdened by amortization of goodwill (MSEK 4.0) attributable to the acquisition of Biosys.



Market MIDA

Agilent Technologies increased their orders of the MIDA system during the period. The value of these orders is still less than the minimum guarantee, however. Sales of the MIDA system are expected to increase in coming years with the launch of the next generation systems during 2001.

Market Mobimed

Order bookings were strong during the period.

In Sweden, Mobimed was installed in 16 ambulances and at one hospital. Complements have also been made to previously placed orders.

Region Skåne has decided to buy Mobimed for 53 ambulances and 5 hospitals. Installation will take place this coming fall. Kalmar Landsting has decided to buy Mobimed for 10 ambulances and 1 hospital. The health care administration in Västmanland has decided to complement existing equipment with an additional two systems. The Municipality of Gotland has decided to buy Mobimed for 4 ambulances and 1 hospital. The health care administration of Uppsala County has decided to purchase additional equipment for 1 ambulance and 1 hospital. The health care administration of Örebro County has decided to complement existing equipment with 1 system. Procurement activities are currently in progress at 4 county health care administrations, 2 of which are major procurements.

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

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

In the United Kingdom, Ortivus UK has received 2 commercial orders for Mobimed for 15 ambulances and 2 hospitals. Ortivus UK is also taking part in several procurements, which is expected to result in more orders during the second half of the year and during next year. Mobimed was installed in 12 ambulances and 5 hospitals during the period.

In the United States, Mobimed is being tested at several major hospitals. Ortivus US is investing in building strong support for the Mobimed system among leading specialists, which is expected to contribute to sales of Mobimed in coming years.

Sales of Mobimed is expected to increase substantially in coming years as a result of now ongoing initiatives in building marketing strength for the Mobimed system via subsidiaries, and current and future distributors. Experience from reference installations in the United Kingdom, the United States, Norway and Finland is highly positive and Mobimed is attracting much interest at medical technical trade shows and exhibitions.

Market Biosaca

Ortivirus' 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. The software for Biosaca is currently being upgraded and this is expected to generate significantly more orders during the fall and next year.

Oxford Instruments has changed its orientation and will cease to distribute Biosaca. Efforts are underway to locate new distributors. Sales of Biosaca have therefore moderated and will be lower than expected for year 2000.

Sales of Biosaca are expected to increase significantly in coming years as a result of current initiatives to build up the marketing of Biosaca.

Organization and business development

Biosys and Ortivirus integrated their operations during the period. Development work is focused on producing a common platform for future products for the joint portfolio.

Ortivirus has sharpened its focus on marketing and sales of Mobimed and Biosaca during the period. The number of orders, and hence revenue, will increase during the fall and next year. Efforts are underway to locate suitable cooperation partners for distribution of Biosaca and Mobimed in selected markets where the Company is not currently represented. The collaboration with Agilent Technologies will be intensified during the fall and next year with the launch of new products as early as in 2001.

Development work is in progress to produce the next generation's system for Patient Informatics, which is expected to be launched during the spring of 2001. Upgrading and adaptation of the Mobimed system are now being performed for new markets and customers. Development work is also in progress for upgrading the software for Biosaca, and this is expected to increase sales during the fall.

Biohome is a development project run in cooperation with the Municipality of Umeå, the Västerbotten County health care administration, the University of Umeå and Telia. This project is expected to generate significant revenue for the Company on a long-term basis.

The Biodrow project is run by Ortivirus' subsidiary, Biosys. An agreement has been reached with the American company, TRW, Inc, one of the leaders in safety systems for the vehicle industry. The cooperation with TRW will finance portions of the continuing development work. Biodrow will be marketed together with TRW to customers in the vehicle industry. Many companies have already showed great interest in the concept.

During the period, Ortivirus has concluded agreements with three researchers at the University of Uppsala for joint development of an integrated, computer-based decision support system for early diagnosis, prognosis and treatment of patients with suspected cardiac infarction.

Negotiations with Agilent Technologies (Hewlett-Packard)

Ortivus has agreed with Agilent Technologies to conclude two agreements. One agreement constitutes an extension of the current agreement for distribution of the MIDA technology. The other agreement involves expanded industrial cooperation between the companies. Both agreements have a term of five years. The agreements contain provisions for minimum compensation that gives Ortivus higher revenue as early as next year compared to the current agreement.

An extension of the marketing agreement means that Ortivus already in the short term gets an improved revenue potential for existing products. At the same time, the agreement for broader industrial collaboration opens a great potential for future systems and products. By cooperating with a major, global company, Ortivus' technology and systems solutions will be introduced as elements of significantly more products with larger volumes.

The collaboration with Agilent will be intensified during the fall and next year with the launch of new products during 2001, among other things with MIDA integrated into Agilent's new patient monitoring system. This also means that Ortivus will be withdrawing its summons application against Agilent Technologies.

Development costs

Development costs during the period amounted to MSEK 15.7 (14.6, not including Biosys AB), including amortization of previously capitalized expenses, not including amortization of goodwill. No further capitalization of development costs has occurred during the period, MSEK 0.0 (0.0).

Capital expenditures

Capital expenditure amounted to MSEK 4.1 (1.5).

Parent Company result

The Parent Company's result after financial items and taxes amounted to MSEK -5.8 (17.7), MSEK -4.0 (0.0) of which is attributable to writedown of shares in subsidiaries equivalent to the Group's amortization of goodwill.

Liquidity and financing

The Group's liquid funds as of the end of June 30, 2000 amounted to MSEK 109.0 (123.8). Interest-bearing liabilities amounted to MSEK 1.3 (1.3). The debt equity ratio was 1 percent (1 percent). The Group's net of financial items was MSEK 2.6 (2.4).

A major portion of the net flow of US dollars was hedged during the period. Without hedging, the reported result would have been MSEK 0.1 higher.



The future

The accord with Agilent Technologies opens the way for increased sales of MIDA and distribution of Ortivus' other products. The launch of the next generation of systems for Patient Informatics and MIDA is expected to commence during spring 2001. The system will also be introduced in new markets.

Launching of the next generation of Biosaca will begin during the fall. The Biohome project means that Ortivus is positioning itself as a leading company in remote care and treatment, which is a new market segment with considerable sales potential in the longer term.

The collaboration with TRW creates opportunities for a new business area with considerable sales potential to sectors including the vehicle industry.

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

Ortivus develops, manufactures and markets systems and components for medical informatics and decision-making support in the areas of acute cardiac disease and pre-hospital care, and analysis and support in investigating sleep disturbances, epilepsy and other neurological disorders.

The Company's shares are listed on the O-list of the OM Stockholm Exchange.

This is a translation of Ortivus AB's semi-annual report in Swedish.
In the event of any discrepancy between the semi-annual report in Swedish and the translation, the former shall have precedence.

Consolidated Statement of Income January-June

Amounts in SEK thousand

	2000	1999	Full year 1999
Net sales	32 068	49 099	73 018
Cost of goods sold	-6 591	-7 562	-11 523
Gross profit	25 477	41 537	61 495
Selling expenses	-12 748	-9 697	-23 689
Administrative expenses	-10 261	-6 993	-13 861
R&D expenses	-19 681	-14 462	-29 681
Other operating income/expenses	1 150	289	50
Operating result	-16 063	10 674	-5 686
Financial items, net	2 635	2 382	4 490
Result after financial items	-13 428	13 056	-1 196
Result after taxes	-13 438	13 009	-1 244
Depreciation and amortization	7 402	3 171	7 156
Of which amortization of goodwill (R&D)	4 023	0	0

Consolidated Balance Sheet

	00-06-30	99-06-30	991231
Fixed assets	92 142	19 309	96 085
Intangible fixed assets	87 255	15 851	90 984
Tangible fixed assets	4 771	3 439	5 085
Financial assets	116	19	16
Total fixed assets	92 142	19 309	96 085
Current assets			
Inventories	5 597	3 545	5 053
Short-term receivables	33 193	44 521	22 764
Short-term investments	49 196	78 861	0
Cash and bank deposits	59 778	44 918	132 779
Total current assets	147 764	171 845	160 596
Total assets	239 906	191 154	256 681
Shareholders' equity	223 756	176 903	237 194
Minority interest	94	0	276
Provisions and long-term liabilities	1 541	1 471	1 392
Current liabilities	14 515	12 780	17 819
Total shareholders' equity and liabilities	239 906	191 154	256 681
Number of shares outstanding (thousands)	13 059	11 160	11 160
Number of options outstanding (thousands)	110	110	110

Consolidated Statement of Cash Flow

Current operations	-5 872	13 798	1 681
Change in working capital	-14 277	-22 564	5 240
Capital expenditures	-4 131	-1 518	-5 709
Financing	475	2 287	-209
Change in liquid funds	-23 805	-7 997	1 003

Financial Highlights

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Result	-13 438	-1 244	13 009	-22 639	5 804	1 392
Profit margin	-42%	-2%	27%	-54%	13%	3%
Return on equity	-7%	-1%	7%	-14%	3%	2%
Return on capital employed	-6%	0%	8%	-13%	4%	2%
Equity ratio	93%	92%	93%	92%	94%	91%
Shareholder's equity per share, SEK	17.13	18.16	15.85	14.68	16.71	16.00
Earnings per share, SEK	n/a	n/a	1,17	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 in the amount of SEK 4 023 thousand.

Biosys AB was not part of the Group in 1999.

A report for the period January-September will be published October 26, 2000.

Täby, August 24, 2000 Board of Directors

Questions will be answered by Claes Stenlander CEO, +46 8 4464500, +46 70 6633981 (claes.stenlander@ortivus.se).

Independent Auditor's Report

I have reviewed this semi-annual report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is significantly limited in comparison to an audit. Nothing came to my attention that caused me to believe that the semi-annual report does not meet the requirements of the Swedish Annual Accounts Act.

Stockholm, August 24, 2000 Bo Ribers, Authorized Public Accountant

