

## ORTIVUS TO FOCUS ON CORE BUSINESS

### SALE OF NORTH AMERICAN OPERATIONS PLACED IN STRATEGIC PERSPECTIVE

#### *Ortivus' strategic direction*

Since the company was formed in 1985, Ortivus' core business has been monitoring solutions for patients during emergency and cardiac care. Operations have evolved and expanded over the years as concerns both the products and the services on offer, as well as the geographical market the company covers.

After a strategy review in 2008, the Board decided to focus Ortivus' further development on its core operations. The company's core business includes products and services for mobile and flexible clinical decision support for modern medical care.

Consequently Ortivus will offer solutions based on its unique expertise in mobile solutions, IT and medical technology in combination with clinical knowledge focused on cardiac monitoring and pre-hospital care. Ortivus products will ensure that patients have access to the right medical treatment and competence throughout the entire care process, including the provision of continuous decision support to doctors and other health professionals in a care process that starts in the ambulance.

#### *Ortivus' products and services*

Ortivus has several strong, independently developed products such as MobiMed and CoroNet. These will be enhanced by the addition of new applications and services such as patient journal ePR for ambulances including Emergency and Cardiac Journal. The company's own OBT (Ortivus Blue Tooth), robust wireless transmission of high resolution vital data, is offered as technology.

The Ortivus increased focus on modern software ensures strong post-sales offerings. Ortivus' solid expertise in medical technology and the CE certification of its applications are best in class and provide a competitive edge now that healthcare authorities are increasingly requiring quality rating for IT in the sector.

#### *Patient benefit, patient security and care efficiency in the spotlight*

Ortivus' products and services are intended to contribute to better medical outcomes, increased patient security and to provide improved efficiency levels for the entire health care system. Effectiveness and proper use of medical resources is an issue that is very high on the agenda all over the Western world. Over the years Ortivus has continuously developed products and

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services to meet the needs that are now in a rapid development phase, not least in Europe.

#### *Implementation of established strategy*

During the last two years, Ortivus has taken significant measures and made substantial investments in order to execute its strategy for developing its core business as outlined above. Some operations have been sold, savings programmes have been undertaken and the implementation of the decision to focus on core operations with its strongest products MobiMed and CoroNet, with associated services, has continued.

#### *Macro economic impact on operational development*

The economic crisis in the world has affected the health sector's propensity to invest. Decision-making processes among customers in the healthcare sector have been prolonged, which has been particularly evident in the countries in the Southern European market. In spite of the economic climate, this year Ortivus signed an agreement on a number of strategic deals, which include the Swedish Västra Götaland Region's decision to equip all ambulances with MobiMed. This is one of many examples that confirm that Ortivus' products play a central role in modern medical care

#### *Focus on core business*

After the sale of Ortivus' German company in 2008, the company's turnover has primarily come from the Swedish and North American markets. North American operations have, unlike the rest of Ortivus, been entirely focused on the sale of administrative systems for police and fire departments plus ambulance services. These are products and services that, according Ortivus strategy, are not included in core operations.

#### *More on Ortivus in North America*

North American operations originate from the acquisitions of Sweet in the U.S. in 2002 and of AVer-TECH Canada in 2003. The aim was to build a customer base in the ambulance organisations of North America in order to, at the next stage, be able to expand MobiMed and other parts of Ortivus' core operations into that market.

These operations develop and sell software solutions with a focus on billing practices, and solutions for the dispatch of vehicles within Public Safety i.e. police and fire departments and ambulance organisations. The business has occupied a strong market position and demonstrated good underlying profitability. However, the expansion and integrating of MobiMed onto the North American market after this acquisition has been assessed as premature as the American health care system lacked funding mechanisms (reimbursement) for equipment that promotes cross-border healthcare solutions, for example the transmission of ECGs from ambulances to hospitals.

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In 2008, steps were taken to ensure the continued competitiveness, profitability and financial position of North American operations and a new management team was appointed. In 2009 the business returned to its historically high level of profitability and the company launched an advanced IT-based product, Fusion ePCR, which met with great interest on the U.S. market.

North American operations currently consist of a company based in Iowa, USA and another in Montreal, Canada which generated a combined turnover of SEK 51 million for the nine first months 2009. EBITDA was SEK 12.7 million for the period in question.

#### *The transaction and its financial implications*

The sale of Ortivus' North American operations is a natural consequence of the company's established strategy i.e. that Ortivus will focus on core operations. The Board has also assessed that building up this core business in the U.S. would be too costly for a company of Ortivus' size.

The buyer of the subsidiaries in question is a privately-owned U.S. company - TriTech Software Systems. Over the past eighteen years they have built up a strong position on the North American market with offerings to the police, fire and ambulance services. With the Ortivus billing solutions, TriTech will be able to further broaden its range of products.

This transaction means that TriTech Systems acquires 100 percent of the shares of Ortivus Inc. (USA) and Ortivus Inc. (Canada). The purchase price amounts to USD 11.5 million (approximately SEK 83 million).

This business deal will strengthen Ortivus' financial position and open up for major investments in the further development of its core operations towards healthy profitability and strong cash flow. After transaction costs the net price is approximately SEK 77 million, and in connection with this transaction, Ortivus will repay loans of up to SEK 29 million. Through this transaction Ortivus will become completely debt free, will strengthen its financing by initially approximately SEK 38 million and will recognise capital gains of about SEK 14 million.

The sales contract with TriTech Systems follows U.S. law and customary obligations which means, among other measures, that around SEK 10 million will be set aside in escrow accounts for a period of up to 18 months in order to deal with potential litigation and tax management.

#### *Ortivus' way forward*

This strong financial position will allow for the continued development of core operations so that Ortivus will be able to generate good growth while

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maintaining profitability. The long-term business structure is also a prerequisite for reaching out and processing markets outside Sweden, which has previously been neglected. Consequently at the beginning of this year the company strengthened its management by recruiting a new Sales and Marketing Manager among others.

Ortivus is active in a market where demand is driven by society's willingness and ability to invest and improve medical care. Ortivus' solutions not only meet these growing market needs but also provide incentives for investment by offering both efficiency gains and increased quality of care. Trends in computerised knowledge support through mobile units to connect to where the expertise is, and the integration of care systems, can be found in many markets however Europe is clearly at the leading edge.

Ortivus has, following the divestment of its U.S. subsidiaries, remained fully entitled to sell solutions for clinical decision support in North America. In Canada, where there is a relatively well-developed market for clinical information technology systems for medical care, there already are MobiMed installations in place.

Traditionally, competition has come from established suppliers of defibrillators and cardiac monitoring systems. The increased emphasis on IT solutions in health care means that there are now new actors to deal with. However Ortivus enjoys a strong position with its broad knowledge and experience in both these fields. Leading edge competence in medical engineering and IT, combined with a unique understanding of mobility and clinical benefit, provides a good starting position in a rapidly emerging market.

Ortivus will prioritise the European market in the future and also sees interesting potential in Eastern European markets where medical care is investing in cost-effective, flexible knowledge systems to supply modern health care to their growing populations.

Through this sale, long-term basic financial security for the company has been created as well as the continued development of its core operations primarily for the European medical care market.

#### *The Board of Directors recommendation*

Ortivus styrelse rekommenderar Ortivus aktieägare att godkänna den ovan beskriva affären, som stärker bolagets finanser och rustar Ortivus för en lönsam tillväxt på marknaden för mobila kliniska beslutsstöd integrerade i den moderna sjukvården. The Ortivus Board recommends shareholders to approve this transaction as it will strengthen the company's finances and equip Ortivus for profitable growth in the market for mobile clinical decision support integrated into modern medical care.

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