

Ortivus AB (publ) Interim Report January – September 2003

Sales increased by 12% to MSEK 141.4 (125.9).

Operating profit amounted to MSEK 26.2 (18.2) and net result after tax amounted to MSEK 17.2 (11.9).

Earnings per share amounted to SEK 1.24 (0.86).

During the period the company received orders for MobiMed units from Sweden, Great Britain, and China for a value of MSEK 44.7.

Total consolidated cash flow for the period was strongly positive, amounting to MSEK 61.5 (3.6).

As was stated in the previous report, the company expects to achieve consolidated earnings after financial items for financial year 2003 on a par with the outcome for 2002.

Operations - background

Ortivus develops, manufactures, and markets systems and components that monitor patient health in ambulances, at hospitals, and in the home. Ortivus' areas of operation include patient monitoring and decision-making support in the area of acute cardiac disease, pre-hospital monitoring, as well as analyzers used in investigations of sleep disturbances. Operations are divided into three divisions: Cardiology, Advanced Distance Care, and Other.

Cardiology

Cardiology includes the product MIDA, a system 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. Philips Medical System is licensed to market MIDA.

Advanced Distance Care

MobiMed is a telemedicine and information management system for emergency medical services. The Advanced Distance Care division also includes operations from the wholly owned US subsidiary Sweet Computer Services, Inc. Sweet is the market leading company in the United States for administrative programs for emergency medical services with its Amazon product series.

Other

Biosaca and Sleep Studio are Ortivus' sleep analysis systems. Biosaca is a measurement unit used in medical care to analyze sleep disturbances, epilepsy, and other neurologic diseases. The Sleep Studio software interprets and analyzes the signals that instruments such as Biosaca produce during sleep analysis.

FINANCIAL RESULTS AND POSITION

Sales

The Group's sales increased during the first nine months of the year by 12%, amounting to MSEK 141.4 (125.9). This increase is attributable to substantially increased MobiMed sales within Advanced Distance Care. Revenues are distributed as follows:

Revenues, MSEK	Jan.-Sept.	Jan.-Sept.	Full-year
	2003	2002	2002
Cardiology	51.9	46.8	67.7
<i>MIDA</i>	47.2	41.4	55.1
<i>Technology and product dev. agreements</i>	4.7	5.4	12.6
Advanced Distance Care	87.9	77.5	107.7
<i>MobiMed</i>	42.7	6.2	12.0
<i>Sweet</i>	40.6	65.9	83.1
<i>Technology and product dev. agreements</i>	4.7	5.4	12.6
Other	1.7	1.5	3.8
Total	141.4	125.9	179.1

Revenues for the Cardiology division amounted to MSEK 51.9 (46.8). 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 47.2 (41.4) and were in line with the contractual minimum guarantee. Revenues from the technology and product development agreement during the period amounted to MSEK 9.4, half of which, MSEK 4.7, is reported in the Cardiology division and the other half in Advanced Distance Care.

Revenues for the Advanced Distance Care division rose 13% and amounted to MSEK 87.9 (77.5). The increased MobiMed sales are mainly attributable to healthy sales to Swedish customers, as well as large orders from Great Britain placed in 2002 and delivered in 2003. The company has also achieved a commercial breakthrough with orders from China. The subsidiary Sweet's sales fell partly because of the 17% depreciation of the US dollar during the period compared with the previous year, and also because many of the company's customers complied with US health care authority requirements during 2002 and upgraded Sweet's Amazon system to the Windows environment.

Gross Profit and Overhead

The Group's gross profit amounted to MSEK 108.0 (114.4). Gross margin fell from 91% to 76%. This decreased gross margin was the result of a changed sales mix, with MobiMed accounting for a larger percentage of sales.

The Group's overhead dropped MSEK 14.5 compared with the previous year, down to MSEK 82.0. The reduction in expenses is mainly due to lower expenses in the local currency for the US subsidiary Sweet as well as the depreciation of the US dollar.

Net Profit

Operating profit for the period amounted to MSEK 26.2 (18.2) and the result after financial items to MSEK 27.5 (19.3). The improved financial performance compared with the previous year is mainly because of a substantial improvement in earnings for the MobiMed product group within the Advanced Distance Care division.

The Group's currency inflow in dollars for sales of MIDA and the technology collaboration with Philips has been hedged at an average exchange rate of SEK 10.40. If the company had not taken this measure, the profit reported for the period would have been MSEK 13 lower than the actual outcome.

Net result after tax amounted to MSEK 17.2 (11.9), which corresponds with earnings per share of SEK 1.24 (0.86).

Cash Flow, Investments, and Liquidity

Total consolidated cash flow for the period was strongly positive, amounting to MSEK 61.5 (3.6). The positive cash flow was an effect of the positive results and decreased working capital.

Investments in intangible fixed assets amounted to MSEK 1.3 (3.0) and investments in tangible assets to MSEK 0.8 (1.7). The Group's liquid funds at end of period, including current investments, amounted to MSEK 130.8 (69.6). The Group has no interest bearing liabilities. The Group's net financial items amounted to MSEK 1.3 (1.1).

Divisions

Operating profit for Cardiology amounted to MSEK 37.9 (35.9). The improved performance is due to lower overhead. Operating profit for Advanced Distance Care amounted to MSEK 4.4 (-2.9). The improved performance is due to a substantial increase in sales of MobiMed.

Revenues and expenses for sleep studies and unallocated administration are among those classified under the heading "Other." Unallocated administration costs amounted to MSEK 13.5 (12.0). The table below shows how Ortivus' operations performed by division.

MSEK Jan. – Sept.	Cardiology		Advanced Distance Care		Other		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Net sales	51.9	46.9	87.9	77.6	1.7	1.5	141.5	126.0
Cost of goods sold	-6.4	-1.7	-26.2	-8.9	-0.8	-1.0	-33.4	-11.6
Gross profit	45.5	45.2	61.7	68.7	0.9	0.5	108.1	114.4
Overhead/Depreciation & Amortization	-7.6	-9.3	-57.3	-71.6	-17.0	-15.2	-81.9	-96.1
Operating profit	37.9	35.9	4.4	-2.9	-16.1	-14.7	26.2	18.3
Operating margin %	73%	77%	5%	-4%	-	-	19%	15%

Third Quarter 2003 Sales and Earnings

Sales during the third quarter amounted to MSEK 34.1 (41.9), down 19% compared with the corresponding period the previous year, mainly because of lower sales in the local currency for the US subsidiary Sweet.

Expenditures during the period amounted to MSEK 24.0 (29.8), down 19% compared with the same period last year.

Operating profit for the third quarter amounted to MSEK 4.7 (10.2). Financial items for the period amounted to MSEK 0.6 (0.4). Profit after financial items amounted to MSEK 5.3 (10.6). Net result after tax amounted to MSEK 3.0 (8.2)

Parent Company

The parent company's sales during the first nine months of the year amounted to MSEK 89.6 (59.4) and the result after financial items and taxes to MSEK 16.8 (14.0).

The parent company's liquid funds at end of period, including short-term investments, amounted to MSEK 110.3 (55.2). During the period the company invested in intangible fixed assets totaling MSEK 1.3 (3.0) and tangible assets totaling MSEK 0.1 (0.2).

Market

The market for Ortivus Advanced Distance Care products has continued to develop favorably during the period. The market's acceptance and need for pre-hospital medical care can be seen in the rising sales for the MobiMed product. The company has achieved a commercial breakthrough with orders in Sweden, Great Britain, and China. Distributors in China and Italy have signed agreements. Marketing efforts are being directed at 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 27, with options for additional sales totaling MSEK 9. Sweet is successfully carrying out an intensive marketing campaign for its Amazon products, aimed at customers in the US market.

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, continuous program to develop new and existing products. The decision-making support system is under development in cooperation with Uppsala University Hospital. A cooperative research project is underway with Karolinska and Östra hospitals to create new methods for analyzing ECGs.

The five-year agreement with Philips Medical System for MIDA expires in June 2004. After that, revenues from Philips will be based on actual sales and at the same time MIDA will become available for cooperative agreements with other distributors. Discussions are in progress with Philips about the time when the agreement becomes nonexclusive, which could result in a distribution of revenues for the period between July 2003 and June 2004 at a later date.

Forecast for 2003

As stated in the last report, the Ortivus Group will achieve consolidated earnings after financial items for the financial year 2003 on a par with the outcome for 2002.

Täby October 24, 2003

Ortivus AB (publ)

Board of Directors

This interim report has not been examined by the company's auditors.

Future Reporting Dates:

Financial report for January-December will be published on February 17, 2004.

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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.

Consolidated Statements of Income

Amounts in SEK thousand	July - Sept 2003	July - Sept 2002	Jan - Sept 2003	Jan - Sept 2002	Full-year 2002
Net sales	34,089	41,910	141,431	125,863	179,140
Cost of goods sold	-5,407	-1,990	-33,422	-11,477	-18,560
Gross Profit	28,682	39,920	108,009	114,386	160,580
Selling expenses	-11,985	-11,300	-39,176	-42,409	-55,935
Administrative expenses	-5,464	-9,727	-20,417	-26,730	-36,453
R&D costs	-6,566	-8,764	-22,416	-27,402	-36,826
Other operating revenues/expenses	44	85	188	384	402
Items affecting comparability	0	0	0	0	0
Operating Profit ¹⁾	4,711	10,214	26,188	18,229	31,768
Financial items, net	602	386	1,285	1,055	1,699
Profit after financial items	5,313	10,600	27,473	19,284	33,467
Current tax	-251	-2,449	-924	-7,431	-7,572
Deferred Tax	-2,027	0	-9,369	0	35,466
Net result after tax	3,035	8,151	17,180	11,853	61,361
1) Depreciation and amort. charged to these results	3,064	3,322	9,345	10,652	14,382
Of which amortization of intangible assets	2,623	3,109	7,883	9,237	12,511

	09-30-03	09-30-02	12-31-02
Earnings/share, SEK	1.24	0.86	4.44

	09-30-03	09-30-02	12-31-02
Number of shares outstanding (thousands)	13,805	13,805	13,805

Consolidated Balance Sheets

Amounts in SEK thousand	09-30-03	09-30-02	12-31-02
Fixed assets			
Intangible assets	49,232	59,116	56,252
Tangible assets	2,196	3,725	3,483
Financial fixed assets	31,219	8,289	42,655
Total fixed assets	82,647	71,130	102,390
Current assets			
Inventories	7,820	13,380	12,628
Current receivables	44,479	56,737	70,992
Short-term investments	7,664	30,745	5,771
Cash and bank balances	123,117	38,874	63,487
Total current assets	183,080	139,736	152,878
Total assets	265,727	210,866	255,268
Shareholders' equity	235,815	173,548	221,171
Minority interest	0	0	0
Provisions and long-term liabilities	370	590	370
Current liabilities	29,542	36,728	33,727
Total shareholders' equity and liabilities	265,727	210,866	255,268

R&D expenses for the nine months include goodwill amortization amounting to SEK 2,667,000 (2,667,000).

Selling expenses for the nine months include goodwill write-offs amounting to SEK 3,221,000 (3,123,000).

R&D costs associated with a research project at Uppsala University were capitalized during the nine month period for SEK 1,322,000 (1,756,000).

Current tax SEK 924,000 of the year's taxes are attributable to the subsidiary Sweet Computer Services, Inc.

Accounting policies:

This interim report has been established in accordance with the recommendations and of the Swedish Financial Accounting Standards Council and Urgent Issues Task Force Statements.

Consolidated Statements of Cash Flow

Amounts in SEK thousand	09-30-03	09-30-02	12-31-02
Current operations	36,594	24,334	44,338
Change in working capital	27,136	-12,567	-29,908
Investments	-2,102	-8,146	-11,170
Financing	-107	0	0
Change in liquid funds	61,523	3,621	3,260

Change in consolidated shareholders' equity

	09-30-03	09-30-02	12-31-02
Opening balance	221,171	161,874	161,874
Translation differences in subsidiaries	-2,536	-1,179	-3,064
New share issue	0	1,000	1,000
Result for the period	17,180	11,853	61,361
Closing balance	235,815	173,548	221,171

Key Financial Measures

	09-30-03	12-31-02	09-30-02	12-31-01	12-31-00	12-31-99	12-31-98
Net result after tax	17,180	61,361	11,853	-65,901	-30,485	-1,244	-22,639
Net result margin	19%	19%	15%	-41%	-46%	-2%	-54%
Earnings/Share, SEK	1.24	4.44	0.86	-4.80	-2.33	-0.11	-2.03
Return on shareholders' equity*	31%	32%	-24%	-36%	-14%	-1%	-13%
Return on capital employed*	19%	18%	-19%	-33%	-13%	0	-13%
Equity/Assets ratio	89%	87%	82%	80%	92%	92%	92%
Equity/Share, SEK	17.08	16.02	12.57	11.79	15.90	18.16	14.68

* On rolling-12 month basis.