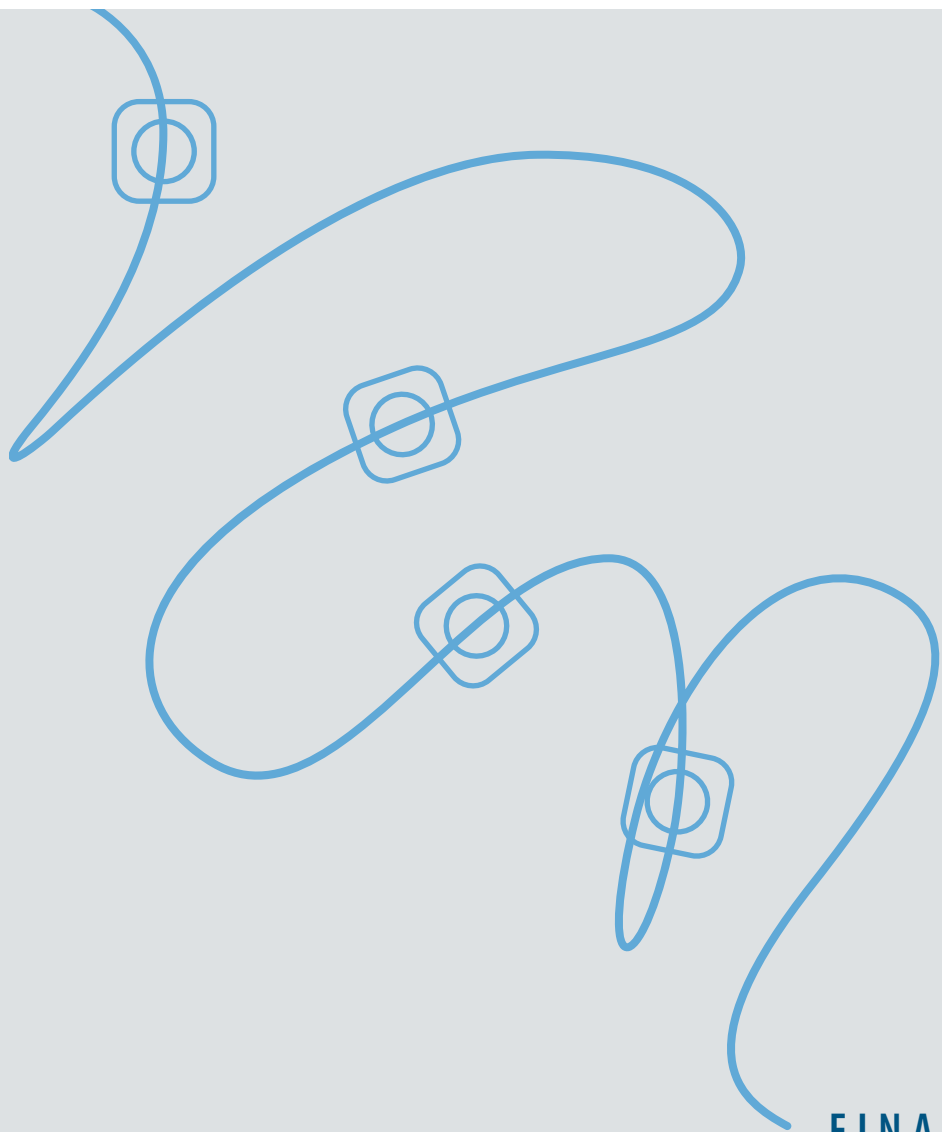




Ortivus develops and markets information and decision-making systems for the fields of Cardiology and Emergency Services.



**FINANCIAL REPORT**  
January – December 2004

## SIGNIFICANT EVENTS

- › Sales amounted to MSEK 140.8 (175.2), a 20 percent decrease compared with the previous year. The decline can be attributed to the fact that the multiyear cooperation agreement with Philips became nonexclusive as of July 1.
- › Operating profit for the year amounted to MSEK 15.1 (14.6) and the result after financial items to MSEK 18.6 (16.5).
- › Net result after tax amounted to MSEK 13.0 (7.7).
- › Earnings per share amounted to SEK 0.94 (0.56).
- › The first commercial delivery of the newly developed CoroNet system went to Capio St. Görans Sjukhus AB in December 2004.
- › Mikael Strindlund took over as new President and CEO of the Ortivus Group in January 2005.

### › OPERATIONS – BACKGROUND

Ortivus AB is a medical device company that develops and markets information systems for ambulances and emergency services, as well as clinical decision-making support systems. The operation is divided into two business areas, Cardiology and Emergency Services. 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 110 employees.

#### EMERGENCY SERVICES

The *Emergency Services* business area includes the North American products, Sweet's products for invoicing ambulance services, Sweet CAD, Sweet's medical records system, and AVeL-TECH's dispatch systems, as well as MobiMed. These products and systems offer 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 CoroNet, a complete cardiology monitoring system. CoroNet is based on the MIDA algorithm, which makes it possible to monitor oxygen levels in the cardiac muscle in patients with suspect myocardial infarction (MI) and angina pectoris, make the correct diagnosis, and follow up MI patients.

# FINANCIAL REPORT JANUARY–DECEMBER 2004

## SALES

The Group's sales amounted to MSEK 140.8 (175.2), a 20 percent decrease compared with the previous year. With unchanged exchange rates the decline was 18 percent.

SEK million Revenues,	2004 Jan–Dec	2003 Jan–Dec	%
Cardiology	37.2	67.5	–45
Emergency Services	95.8	105.9	–10
Other	7.8	1.8	
<b>Total</b>	<b>140.8</b>	<b>175.2</b>	<b>–20</b>

Revenues for the *Cardiology* business area amounted to MSEK 37.2 (67.5). Revenues are lower compared with last year because Ortivus' multiyear collaboration with Philips for MIDA became nonexclusive as of July 1, 2004. License revenues are based on actual sales and did not reach up to the previously guaranteed minimum level. Therefore the termination of the exclusive nature of the agreement meant that license revenues from Philips dropped to MSEK 0.2 during H2 2004.

To protect the CoroNet technology, Ortivus signed an agreement during the year with Philips to discontinue the technology-based collaboration, which was intended to continue to the end of 2005.

Sales for *Emergency Services* amounted to MSEK 95.8 (105.9), down 10 percent year on year. 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 HIPAA regulation requirements. Consequently, Ortivus' company in the US reported extraordinary sales for the comparative period. The Canadian subsidiary contributed MSEK 22.9 to sales during the year.

Revenues classified as Other almost exclusively refer to operations-related revenues attributable to discontinuation of currency hedges.

## GROSS PROFIT AND OVERHEAD

Consolidated gross profit amounted to MSEK 122.8 (136.5). Gross margin increased from 78 percent to 87 percent. The improvement is due to a changed sales mix: a smaller percentage of MobiMed sales, the first revenues from sales of Ortivus' electronic medical records system, and the first delivery of CoroNet, as well as termination of the technology collaboration between Ortivus and Philips.

The Group's overhead amounted to MSEK 108.1 (122.1), a year on year decline of MSEK 14.0. A total of MSEK 11.3 of this decrease is attributable to the write-down taken for Biosys the previous year. Excluding this entry, overhead for the Group decreased by MSEK 2.7. For comparable units – in other words, excluding Ortivus Inc. Canada – costs decreased by MSEK 21.6. However, the reduction in costs is actually greater because 2004 includes a charge for severance pay

for personnel amounting to MSEK 3.0. The reduced costs are also attributable to staff cutbacks in the North American companies, which have had an effect since April, while the effect in the parent company appeared gradually during autumn 2004.

## EARNINGS

Operating profit for the year amounted to MSEK 15.1 (14.6) and the result after financial items to MSEK 18.6 (16.5). The previous year was burdened by a charge for the write-down of Biosys amounting to MSEK –12.3.

During the year Ortivus reached an agreement with Philips related to the technology-based agreement, which had a negative effect on earnings amounting to MSEK 12.5. In addition, closing out hedging positions had an effect on earnings amounting to MSEK 7.6. The North American subsidiaries report positive earnings for 2004 in the local currency, which amounts to MSEK –4.4 after goodwill amortization.

The Group's currency inflow in US dollars for sales of MIDA and the technology collaboration with Philips was hedged during the year at an average exchange rate of SEK/USD 10.18 (10.35). If the company had not taken this measure, the figures reported for the period would have been MSEK 13.5 (18.0) lower than the actual result.

Net result after tax amounted to MSEK 13.0 (7.7), corresponding with earnings per share of SEK 0.94 (0.56).

## CASH FLOW, INVESTMENTS, AND LIQUIDITY

Cash flow from current operations amounted to MSEK 55.6 (60.9). However, total consolidated cash flow for the period was negative, amounting to MSEK –24.1 (28.1). The reason for the negative cash flow is that excess liquidity was invested in financial instruments that were considered to be an investment within the framework of investment activities. Cash flow from investments therefore amounted to SEK –76.9 (–32.8), with the acquisition of a license from Philips for a 5-lead ECG accounting for MSEK 26.4 (—) of this amount, and capitalized development expenditure at MSEK 3.8 (2.1). Investment of liquid funds in financial instruments amounted to MSEK 42.6 (2.8) and investments in tangible assets amounted to MSEK 4.1 (1.7).

The Group's liquid funds at end of period, including short-term investments, amounted to MSEK 120.7 (94.5). The Group's interest coverage ratio amounted to 0 percent (1.0). The Group's net financial items were MSEK 3.5 (1.9).

## BUSINESS AREAS

Operating profit for *Cardiology* amounted to MSEK 26.6 (49.8). Earnings were lower because the licensing agreement with Philips that gave exclusive sales rights to Philips in exchange for a guaranteed minimum payment was discontinued on July 1, 2004.

Operating result for *Emergency Services* amounted to MSEK –2.3 (–0.5). Earnings worsened because of negative results for the North American companies after goodwill write-downs.

SEK THOUSAND	Cardiology		Emergency Services		Other		Total	
	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Net sales	37,165	67,534	95,824	105,920	7,819	1,753	140,808	175,207
Cost of goods sold	-1,359	-7,678	-16,458	-29,480	-216	-1,587	-18,032	-38,745
<b>Gross profit</b>	<b>35,806</b>	<b>59,856</b>	<b>79,366</b>	<b>76,440</b>	<b>7,603</b>	<b>166</b>	<b>122,776</b>	<b>136,462</b>
Overhead/depreciation and amortization	-9,256	-10,043	-81,618	-76,959	-16,849	-34,872	-107,724	-121,874
<b>Operating profit</b>	<b>26,550</b>	<b>49,812</b>	<b>-2,252</b>	<b>-518</b>	<b>-9,246</b>	<b>-34,706</b>	<b>15,052</b>	<b>14,588</b>
Financial items, net							3,503	1,946
<b>Profit/loss after financial items</b>							<b>18,555</b>	<b>16,534</b>
Current tax							-463	351
Deferred Tax							-5,097	-9,211
<b>Net profit for the year</b>							<b>12,995</b>	<b>7,674</b>

The classification Other includes currency gains and unallocated administration. Administration costs amounted to MSEK 15.4 (18.9).

The table above shows Ortivus' operations, distributed by business area.

#### CARDIOLOGY

Because Ortivus expected the agreement with Philips to become nonexclusive during 2004, in 2003 the Group initiated development of a new generation of products based on MIDA. The first commercial delivery of the newly developed CoroNet system went to Capio St. Görans Sjukhus AB in December.

#### EMERGENCY SERVICES

During the year the North American subsidiaries focused operations on integration and taking advantage of synergistic effects, through coordination of management, marketing, financial services, and also development. In addition, product development was controlled by common IT platforms, resulting in additional synergies. This made it possible to trim the size of the workforce in the North American companies during the year.

Ortivus decided to change the name of the Advanced Distance Care business area to *Emergency Services*. Since the acquisition of the Canadian subsidiary AVeL-TECH with its dispatching and other systems for police and emergency services, the previous name no longer provided an appropriate description for the area. The new name *Emergency Services* is an internationally accepted concept that encompasses ambulance, police, and emergency service operations.

Five months after the acquisition of AVeL-TECH the first phase of system integration was completed in May 2004 and sales of Sweet-CAD began. During the second half of the year some twenty Sweet-CAD systems were installed, suggesting that customers appreciate the system with its user-friendly interface.

The work of documenting the health economics advantages and clinical benefit of the MobiMed system has continued at Lehigh Valley Hospital in Pennsylvania, USA. The assessment is that by Q4

2005, enough clinical data will be available to apply to Medicare for reimbursement for using MobiMed in ambulances in the United States.

MobiMed was successfully introduced in Italy on January 1 when a first commercial order was signed with a health care administration in Italy. Specifications for MobiMed have been provided for a number of procurement processes in recent times, which means that prospects for further additional orders in Italy are good. The reference facility in southern France will be substantially upgraded.

#### DEVELOPMENT DURING FOURTH QUARTER 2004

Sales during the fourth quarter amounted to MSEK 22.4 (33.8), a 34 percent decrease. Sales were down year on year because the agreement with Philips Medical became nonexclusive.

The first commercial delivery of the newly developed CoroNet system went to Capio St. Görans Sjukhus AB in December.

Operating profit during the fourth quarter amounted to MSEK -2.9 (-11.6) and earnings after financial items to MSEK -1.0 (-10.9).

Profitability improved during Q4 2004 compared with the previous year because last year's figures reflected a charge for the write-down of Biosys amounting to MSEK -12.3.

Earnings after tax amounted to MSEK -0.9 (-9.5), resulting in earnings per share of SEK -0.07 (-0.68).

#### PARENT COMPANY

The parent company's sales during 2004 amounted to MSEK 73.5 (113.0), and earnings after financial items and taxes amounted to MSEK 18.1 (5.5). A total of 11.3 (15.8) of the year's sales were attributable to companies within the Group. The parent company did not make any purchases during 2004 or the previous year from companies within the group. The average number of employees amounted to 34 (43).

The parent company's liquid funds at end of period, including short-term investments, amounted to MSEK 89.0 (79.8). During the period the company invested in intangible fixed assets totaling MSEK 28.1 (0) and tangible assets totaling 0.3 (0.4). Investments in

financial assets amounted to MSEK 42.0 (2.1) for investment of excess liquidity in financial instruments. The company has no interest-bearing liabilities.

#### STAFF

The average number of employees in the Group amounted to 115 (108). The number of employees at the end of the financial year amounted to 110 (139). During the year coordination of the North American companies has resulted in synergistic benefits. As a result and combined with other efficiency measures, it has been possible to implement staff cutbacks of some twenty-five people, ten of whom were based with the parent company in Sweden, eleven from the subsidiary Ortivus Inc. USA, and four from Ortivus Inc. Canada.

#### TRANSITION TO IFRS

As of January 1, 2005, Ortivus' consolidated financial statements will comply with the International Financial Commentaries Standards (IFRS). The differences between previous accounting policies and IFRS, as well as the effects of the transition on the Group's income statements and balance sheets have been analyzed in depth.

Because Swedish accounting rules are relatively compliant with existing IFRS in most areas, the transition will not have a significant impact on the financial statements. The most important change for the Ortivus Group when applying IFRS is that goodwill will no longer be written off, but instead will be tested for impairment annually. Internal reporting during 2004 was carried out according to both the previous regulations and IFRS. Implementation of IAS 39 as of January 1, 2005, which addresses valuation of certain financial instruments, is not expected to have any repercussions on the Ortivus Group's earnings or position.

As a result of the IFRS regulations, beginning on January 1, 2005, Ortivus will no longer write off the goodwill associated with the acquisitions of the North American subsidiaries. On January 1, 2005, the residual value for this goodwill amounted to MSEK 37.1. Assuming all other factors are equal, no longer taking these write-downs will mean an increase in the Ortivus Group's current earnings amounting to MSEK 5.6 on an annual basis. The new IFRS regulations do not involve any change in shareholder's equity. Ortivus intends to publish converted comparative figures for previously published 2004 quarterly earnings in a separate press release during first quarter 2005.

#### EVENTS AFTER THE END OF THE PERIOD

Mikael Strindlund took over as new President and CEO of the Ortivus Group in January 2005.

After the end of the period, the Board of Directors resolved to propose to the Annual General Meeting to establish an employee option program for 13-14 senior executives in the Ortivus Group's Swedish and international companies. Options will be earned over a three-year period on condition that specific performance targets are

achieved for organic growth of net sales, as long as the Group maintains profitability. The Board recommends issuing a maximum of 500,000 options to those involved, entitling them to the same number of Ortivus B-shares. The Board proposes a hedge to guard against the risk that full exercise could be associated with increased social fees, amounting to 165,000 options. Dilution defined as the potential increase in number of shares owned in relation to the number of outstanding shares may amount to a maximum of 4.8 percent. Economic dilution, calculated as the difference between redemption price and the market price at the time of redemption for the Ortivus B-share, is calculated, based on certain premises, to between 0.45 and 1.81 percent.

The Board of Directors also resolved to propose that the Annual General Meeting should authorize the Board, if considered appropriate, to buy back stock on the stock exchange for a maximum of 10 percent of Ortivus' outstanding shares.

#### DIVIDEND

The Board of Directors proposes that no dividend be paid for the 2004 financial year.

#### FORECAST FOR 2005

Ortivus is now building up a broader corporate management structure to take better advantage of the Group's strong and integrated product portfolio. The Group's products will be marketed and sold more intensively in order to achieve established organic growth targets. In addition, the Group will grow by acquiring companies that serve as functioning sales channels on each market or that have products to complement Ortivus' existing line of products.

Sales and profits are expected to increase in Ortivus' *Emergency Services* business area during 2005. The integration of the North American companies' systems and the coordination of the companies' management strengthens the market-leading position of the US subsidiaries. With a well-rounded product portfolio, a stronger customer offer, and a strong sales organization, prospects for growth and positive developments are excellent.

In Ortivus' *Cardiology* business area, the agreement with Philips Medical System for MIDA expired in June 2004. Since then, MIDA license revenues have been based on actual sales. The launch of CoroNet and other products developed during 2004 within *Cardiology* mean that revenues for the business area in early 2005 are expected to be low because the products are in an introductory phase. Later in 2005 Ortivus expects growth to increase. All factors considered, this means that Ortivus expects results in the *Cardiology* business area to decrease during 2005 compared with 2004.

For the Ortivus Group as a whole, the expected increase in profits in *Emergency Services* will not fully offset lower earnings from *Cardiology*. For this reason, with comparable accounting rules, the Group expects earnings after net financial items in 2005 to be lower than in 2004.

## CONSOLIDATED STATEMENT OF INCOME

Amounts in SEK thousand	Oct-Dec 2004	Oct-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Net sales	22,389	33,776	140,808	175,207
Cost of goods sold	-3,233	-5,323	-18,032	-38,745
<b>Gross profit</b>	<b>19,156</b>	<b>28,453</b>	<b>122,776</b>	<b>136,462</b>
Selling expenses	-10,636	-13,785	-48,690	-52,961
Administrative expenses	-5,340	-7,992	-30,207	-28,409
R&D costs	-6,518	-18,268	-29,243	-40,684
Other operating revenues/expenses	440	-8	416	180
<b>Operating profit<sup>1</sup></b>	<b>-2,897</b>	<b>-11,600</b>	<b>15,052</b>	<b>14,588</b>
Financial items, net	1,917	661	3,503	1,946
<b>Profit after financial items</b>	<b>-980</b>	<b>-10,939</b>	<b>18,555</b>	<b>16,534</b>
Current tax <sup>2</sup>	-141	1,275	-463	351
Deferred Tax	201	158	-5,097	-9,211
<b>Net result after tax</b>	<b>-921</b>	<b>-9,506</b>	<b>12,995</b>	<b>7,674</b>
Earnings/share, SEK (res after tax/ average number of shares)	-0.07	-0.68	0.94	0.56
Number of shares per closing day (thousands)	13,805	13,805	13,805	13,805
Average number of shares (thousands)	13,805	13,805	13,805	13,805
<sup>1</sup> Depreciation and amortization charged to these results	1,627	2,580	9,071	11,925
Of which amortization of intangible assets	844	2,074	6,684	9,957

<sup>2</sup> Current tax is attributable to the subsidiary Ortivus Inc. USA

## CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	12-31-04	12-31-03
<b>Fixed assets</b>		
Intangible assets	35,963	7,051
Goodwill	37,078	53,273
Tangible assets	6,825	4,004
Financial fixed assets	24,942	41,593
<b>Total fixed assets</b>	<b>104,808</b>	<b>105,921</b>
<b>Current assets</b>		
Inventories	5,593	4,809
Current receivables	27,723	57,115
Short-term investments	52,574	56
Cash and bank balances	68,173	94,480
<b>Total current assets</b>	<b>154,063</b>	<b>156,460</b>
<b>Total assets</b>	<b>258,871</b>	<b>262,381</b>
Shareholders' equity	224,475	225,088
Provisions and long-term liabilities	552	752
Current liabilities	33,844	36,541
<b>Total shareholders' equity and liabilities</b>	<b>258,871</b>	<b>262,381</b>

During the twelve-month period, R&D expenditures related to a development project at Akademiska Hospital in Uppsala, a project for CoroNet, and one in Canada for RMS were capitalized for SEK 3,799,000 (2,141,000).

## CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in SEK thousand	Oct-Dec 2004	Oct-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
Current operations	-981	-3,053	25,534	33,541
Change in working capital	-4,023	-2,626	29,223	24,510
Investments <sup>1</sup>	-46,270	-1,494	-76,898	-3,595
Acquisitions	0	-29,178	0	-29,178
Financing	-13,373	107	-2,773	0
<b>Change in liquid funds</b>	<b>-64,647</b>	<b>-36,244</b>	<b>-24,914</b>	<b>25,278</b>

<sup>1</sup> Including current investments

## CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

Amounts in SEK thousand	12-31-04	12-31-03
Opening balance	225,088	221,171
Translation differences in subsidiaries	-13,608	-3,757
Result for the period	12,995	7,674
<b>Closing balance</b>	<b>224,475</b>	<b>225,088</b>

## BUSINESS AREAS

SEK million	Cardiology		Emergency Services		Other		Total	
	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2003
<b>Net sales</b>	<b>37.2</b>	<b>67.5</b>	<b>95.8</b>	<b>105.9</b>	<b>7.8</b>	<b>1.8</b>	<b>140.8</b>	<b>175.2</b>
Cost of goods sold	-1.4	-7.7	-16.5	-29.5	-0.2	-1.6	-18.0	-37.8
<b>Gross profit</b>	<b>35.8</b>	<b>59.9</b>	<b>79.3</b>	<b>76.4</b>	<b>7.6</b>	<b>0.2</b>	<b>122.8</b>	<b>137.4</b>
Overhead/depreciation	-9.3	-10.0	-81.6	-77.0	-16.8	-34.9	-107.7	-122.8
<b>Operating profit</b>	<b>26.6</b>	<b>49.8</b>	<b>-2.3</b>	<b>-0.5</b>	<b>-9.2</b>	<b>-34.7</b>	<b>15.1</b>	<b>14.6</b>
<b>Operating margin, %</b>	<b>71.5</b>	<b>73.8</b>	<b>-2.3</b>	<b>-0.5</b>			<b>10.7</b>	<b>8.3</b>

## KEY FINANCIAL MEASURES

	12-31-04	12-31-03	12-31-02	12-31-01	12-31-00
Net result after tax	12,995	7,674	61,361	-65,901	-30,485
Net result margin, %	13	9	19	41	-46
Net profit/Share, SEK	0.94	0.56	4.46	-4.80	-2.33
Return on shareholders' equity <sup>1</sup> , %	5	3	35	-32	-14
Return on capital employed <sup>1</sup> , %	10	7	19	-30	-13
Equity/Assets ratio, %	87	86	87	80	92
Equity/Share, SEK	16.26	16.30	16.02	11.79	15.90

<sup>1</sup> On rolling-12 month basis

Täby February 18, 2005

Ortivus AB (publ)  
Org. no. 556259-1205  
Board of Directors

### FUTURE REPORTING DATES

Annual Report for fiscal year 2004 will be published and available in the Ortivus office on March 4. Shareholders will receive the annual report by mail.

The Annual General Meeting will be held at 4 pm on Friday March 18, 2005, at Konferens Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm.

Interim Report January–March will be published May 11, 2005.

Interim Report January–June will be published August 24, 2005.

The company's auditors did not examine this financial report.



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