

Ortivus AB (publ)

Interim Report January – June 2005

- As part of its ongoing change process and the Group's new growth strategy, Ortivus acquired the German Medos Group on May 30. Medos' 2005 annual sales will total about MSEK 90. The purchase price including acquisition costs was MSEK 72.9.
- Sales reached MSEK 58.4 (79.2). Sales were lower because of the conclusion of the exclusive license agreement with Philips Medical Systems.
- Profit after financial items was MSEK -1.9 (8.7).
- Net result after tax was MSEK -2.0 (8.1).
- Net profit per share was SEK -0.14 (0.59).
- The Group expects a loss after financial items for the twelve-month period.

Ortivus – an overview

Ortivus AB is an IT-Healthcare company that offers total information and decision-making support systems for health care and emergency services based on medical device products and IT solutions. 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 about 170 employees with subsidiaries in Denmark, Germany, Great Britain, Canada, and the US.

RESULTS AND FINANCIAL POSITION

Second Quarter 2005

Sales for the second quarter totaled MSEK 33.8 (34.1). The Medos Group, which was acquired on May 30, 2005, contributed MSEK 6.1 to sales.

The Group's profit after financial items for the second quarter totaled MSEK -2.3 (-0.9) and earnings after tax were -2.1 (1.0), with Medos contributing MSEK 0.2 (0).

During the period, Ortivus initiated installations of its newly developed cardiology system CoroNet for customers such as Västra Götaland Region. All cardiac care units at hospitals in the Göteborg area are being equipped with Ortivus' new monitoring system.

Orders for CoroNet have exceeded expectations during the quarter for both the Swedish and Finnish markets.

During the quarter Ortivus sold the rights for Biosaca. The purchase price was MSEK 0.5, with the right to royalties on future sales. Ortivus retained the right to apply the technology in home healthcare.

According to a decision made at the Ortivus AB 2005 Annual General Meeting, earnings for the quarter were charged with expenses of MSEK 0.2 for employee stock options to senior executives within the Ortivus Group to comply with the regulations in IFRS 2. For more information please refer to the section below "Application of IAS/IFRS".

Acquisition of the Medos Group

As of May 30 Ortivus AB acquired all shares in the German Medos Group with associated companies for a purchase price of MSEK 72.9, including acquisition costs of MSEK 3.2. The purchase agreement includes an agreement for a supplementary purchase price of a maximum of MSEK 6.5 if certain sales and bonus targets are met over a three-year period. Almost half of the purchase price was paid in liquid funds and the remainder with long-term financing.

The Group expects Medos to post sales of about MSEK 90 for the twelve-month period of 2005, including MSEK 60 expected after Ortivus' acquisition at the end of May this year. Ortivus expects an addition to its operating profit of MSEK 5-8 after depreciation of acquired software systems, service agreements, and similar entries.

A more detailed report of the distribution of the purchase price among asset entries for Medos is provided in the section below "Application of IAS/IFRS".

The acquisition of Medos is a key component in Ortivus' growth strategy. Medos, which has a total of 63 employees, provides Ortivus with direct access to the German hospital market.

Medos have three main product lines:

- Information systems for all hospital departments
- PACS (picture archiving and communication system)
- Workstations for hospitals

Medos has marketed its systems exclusively in Germany and Denmark. Ortivus will assess the potential for sales in additional markets. The intention is to use the Medos

sales organization to sell selected parts of the Ortivus line of products in Germany. Preparations have begun. Income is expected to arise first during 2006.

First Six Months of 2005

Sales

The Group's sales during the first six months of the year totaled MSEK 58.4 (79.2).

SEK MILLION	2005	2004
<u>Income,</u>	<u>Jan.–June</u>	<u>Jan.–June</u>
Cardiology	1.0	28.3
Emergency Services	55.9	50.1
Other	<u>1.4</u>	<u>0.7</u>
Total	58.4	79.2

The reduction in sales can be attributed to the conclusion of the exclusive license agreement with Philips. By doing so Ortivus has ensured an independence that makes it possible to launch the newly developed CoroNet system on its own.

The launch of CoroNet is proceeding according to plan in the Scandinavian markets.

Gross Profit and Overhead

Consolidated gross profit reached MSEK 44.1 (66.9). Gross margins decreased from 84% to 75% because of the changed product mix. The most important individual factors are the loss of license revenues from Philips for a decrease of MSEK 31.1, as well as the newly added gross profit from Medos of MSEK 3.8.

The Group's overhead decreased to MSEK 49.5 (60.2). This reduction can be explained in part because of implemented and ongoing efficiency measures, and in part by the capitalization of R&D costs of MSEK 8.1 (0.5). Capitalized expenditures during the first six months of the year are mainly attributable to developing CoroNet, MSEK 6.3, and have been balanced according to the new IFRS regulations.

Earnings

Operating loss for the period amounted to MSEK 5.3 (income: 7.9). Earnings after financial items were MSEK -1.9 (8.7). This reduction in earnings compared with the same period last year is due to the loss of license revenues from Philips, which has been offset by decreased operating costs and the acquisition of Medos.

Earnings after taxes totaled MSEK -2.0 (8.1), corresponding with earnings per share of SEK -0.14 (0.59).

Cash flow, investments, and liquidity

Current operations gave a surplus of MSEK 3.5 (12.6). Through the acquisition of the Medos Group for MSEK -73.1 (0), which was financed with a cash payment of MSEK 31.8 and long-term financing of MSEK 41.3, liquid funds changed by MSEK -55.4 (2.7). Funds tied up in working capital increased by MSEK 8.8 (13.1).

Investments totaled MSEK 18.4 (3.3), including intangible fixed assets of MSEK 13.5 (1.0), investments in tangible assets MSEK 4.8 (2.3), and investments in financial fixed assets of MSEK 0.1 (0).

The Group's liquid funds at end of period, including current investments, amounted to MSEK 71.9 (97.2). The Group's net financial items were MSEK 3.3 (0.9). The improvement compared with last year is due to an increase in interest income from MSEK 1.0 in 2004 to MSEK 2.8 for the first six months of 2005, as well as favorable differences in exchange rates for internal balances of MSEK 0.7.

The Group's debt/equity ratio after taking out financing for part of the purchase price for Medos was 26% (0%).

Business Areas

Emergency Services

Revenues for Emergency Services rose to MSEK 55.9 (50.1).

Sales of the new software system Sweet CAD continue to be successful. To date, installations have been carried out for over thirty customers, which exceeds expectations.

MobiMed sales are on a par with the results for the comparative period. Continued internationalization of MobiMed in countries such as Italy generated a first order with delivery during the beginning of the year. During the period MobiMed was specified in several procurement processes in Italy, which means prospects for additional orders are good.

In Great Britain the procurement process for the ambulance medical record system (National Program for IT) has been substantially delayed, which means that income within the framework of this program cannot be expected during 2005.

Operating profit for Emergency Services totaled MSEK 5.9 (loss: 4.0). This improved performance shows that the Emergency Services business area is on the right path.

Cardiology

Revenues for Cardiology totaled MSEK 1.0 (28.3). The lower income compared with the same period last year, can be attributed to the conclusion of the exclusive license agreement with Philips.

As expected, revenues for the Cardiology business area are low during early 2005 since the newly developed patient monitoring system CoroNet is currently being launched. The introduction of CoroNet is proceeding according to plan. Interest in CoroNet in the Swedish and Finnish markets is great and several orders are expected during the year.

Operating loss for Cardiology totaled MSEK 3.7 (profit: 22.8). Net profit is lower because of the loss of license revenues from Philips and the costs for introducing the newly developed CoroNet system.

Other

The group Other includes income from currency transactions, costs for unallocated administration, and minor costs and revenues that cannot be attributed to either of the business areas.

The table below shows Ortivus' operations, broken down by business area.

SEK million Jan. – June	Cardiology		Emergency Services		Other		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	1.0	28.3	55.9	50.1	1.4	0.7	58.4	79.2
Cost of goods sold	-0.7	-0.5	-13.4	-11.7	-0.2	-0.1	-14.3	-12.3
Gross profit	0.3	27.8	42.5	38.4	1.2	0.6	44.1	66.9
Overhead/Depreciation & Amortization	-4.0	-5.0	-36.6	-42.4	-8.7	-11.6	-49.3	-59.0
Operating profit/loss	-3.7	22.8	5.9	-4.0	-7.5	-11.0	-5.2	7.9
Operating margin %		81%	11%	-8%			-9%	10%

Application of IAS/IFRS

This interim report was prepared according to IAS 34, Interim Financial Reporting. A recently published separate press release showed the restated quarterly figures for the Ortivus Group for 2004 using the guidance of the International Financial Reporting Standard.

The press release shows that the transition to IFRS reporting on January 1 had no effect on the Ortivus Group's shareholders' equity. The Ortivus Group's income statement has changed because depreciation of goodwill for the first six months of the year was reversed in the amount of MSEK 2.8 beginning in 2004.

The purchase price for Medos shares, including the costs of the acquisition of MSEK 72.9, followed IFRS guidelines and was provisionally distributed among intangible assets as follows; software MSEK 5.1, service agreements MSEK 14.9, and backlog of orders at time of acquisition MSEK 1.9. A total of MSEK 62.6 of the purchase price was classified as goodwill. This allocation is provisional because of the short time between the acquisition of Medos with associated companies and the time of this report.

Ortivus AB's 2005 Annual General Meeting approved an employee option program for senior executives in the Ortivus Group. According to IFRS 2, Share-based Payments, all share-based payments to employees shall be reported at fair value in the Income Statement and the Balance Sheet. The 2005 general meeting assessed the 221,667 options with the help of Black & Schole to a price of SEK 6.32 per option and a volatility of 40%. Volatility was determined based on the historic performance of Ortivus' Class B shares. Taking into account that the options are not transferable, the reduction of value was determined to be 35% and the options were therefore valued at 4.11.

Exchange rate fluctuations for the long-term financing obtained for the acquisition of Medos are charged against equity since this financing meets the criteria for hedge accounting according to IAS 39.

Parent Company

The parent company's sales totaled SEK million 15.9 (43.5) and earnings after financial items and taxes were MSEK -4.8 (4.7).

The parent company's liquid assets at end of period, including short-term investments, amounted to MSEK 46.7 (68.5). The company invested MSEK 0.4 (0.4) in property, plant and equipment during the period and also acquired financial fixed assets through the purchase of all outstanding shares in the legal entities Medos AG and its subsidiaries and associated companies.

Forecast for the Group for 2005

The major IT investment in health care in the UK within the framework of the National Program for IT is substantially delayed, which means that expected revenues will not occur this year.

The successful introduction of the newly developed CoroNet monitoring system is not expected during the introductory year 2005 to compensate for the loss of the net contribution from the concluded exclusive agreement with Philips.

Ortivus is working on strengthening Group management and is further developing an international sales and marketing organization.

Taken together, Ortivus expects a negative result after net financial items for 2005, which is a change from the previous forecast.

Täby August 24, 2005

Ortivus AB (publ)

Board of Directors

Future reporting dates:

Interim Reports:

January – September: October 25, 2005

Yearend Report: February 22, 2006

The company's auditors did not review this Interim Report.

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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 Statement of Income

Amounts in SEK thousand	Apr - June 2005	Apr - June 2004	Jan - June 2005	Jan - June 2004	Jan - Dec 2004
Net sales	33,831	34,078	58,407	79,184	140,808
Cost of goods sold	-10,524	-3,806	-14,324	-12,330	-18,032
Gross Profit	23,307	30,272	44,083	66,854	122,776
Selling expenses	-11,241	-13,625	-22,981	-25,742	-45,366
Administrative expenses	-6,590	-10,625	-11,168	-18,539	-30,207
R&D costs	-10,403	-8,000	-15,309	-15,917	-26,990
Other operating revenues	783	2,229	1,093	2,631	2,077
Other operating expenses		-1,363	-968	-1,422	-1,661
Operating Profit 1)	-4,144	-1,112	-5,250	7,865	20,629
Financial income	1,951	295	3,548	968	3,897
Financial expenses	-145	-50	-203	-112	-394
Profit after financial items	-2,338	-867	-1,905	8,721	24,132
Current tax 2)	-2,818	-39	-2,968	-127	-463
Deferred Tax	3,034	1,946	2,908	-505	-5,097
Net result after tax	-2,122	1,040	-1,965	8,089	18,572
Earnings/share, SEK (res after tax/ average number of shares)	-0.15	0.08	-0.14	0.59	1.35
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 results	2,628	2,518	4,388	4,978	9,071
Of which amortization of intangible assets	1,813	1,951	3,014	3,893	6,684

2) Current tax is attributable to the subsidiary Ortivus Inc. USA

Consolidated Balance Sheet

Amounts in SEK thousand	June 30, 2005	June 30, 2004	Dec 31, 2004
Fixed assets			
Intangible assets	73,396	7,580	35,963
Goodwill	104,330	52,731	42,655
Tangible assets	16,176	5,163	6,825
Financial fixed assets	43,078	33,707	24,942
Total fixed assets	236,980	99,181	110,385
Current assets			
Inventories	9,435	6,446	5,593
Current receivables	50,322	68,236	27,723
Short-term investments	56,876	9,125	52,574
Cash and bank balances	15,057	88,101	68,173
Total current assets	131,690	171,908	154,064
Total assets	368,670	271,089	264,448
Shareholders' equity	231,714	234,105	230,052
Provisions and long-term liabilities	10,603	752	552
Long-term liabilities	60,132	0	0
Current liabilities	66,221	36,232	33,844
Total shareholders' equity and liabilities	368,670	271,089	264,448

During the period R&D expenditures were capitalized totaling SEK 8,074,000 (461,000) for the development of CoroNet and RMS.

Consolidated Statement of Cash Flow

Amounts in SEK thousand	Apr - June 2005	Apr - June 2004	Jan - June 2005	Jan - June 2004	Jan - Dec 2004
Current operations	2,607	2,457	3,507	12,619	25,534
Change in working capital	-6,830	-16,428	-8,845	-13,067	30,035
Investments	-12,218	-1,649	-18,425	-3,320	-76,898
Acquisitions	-72,873	0	-73,052	0	0
Financing	41,342	6,563	41,342	6,459	-2,773
Change in liquid funds	-47,972	-9,057	-55,473	2,691	-24,102

Change in consolidated shareholders' equity

	June 30, 2005	June 30, 2004	Dec 31, 2004
Opening balance	230,052	225,088	225,088
Translation differences in subsidiaries	3,627	928	-13,608
Result for the period	-1,965	5,301	18,572
Closing balance	231,714	231,317	230,052

Business areas

SEK million	Cardiology		Emergency Services		Other		Total	
	Jan - June 2005	Jan - June 2004	Jan - June 2005	Jan - June 2004	Jan - June 2005	Jan - June 2004	Jan - June 2005	Jan - June 2004
Net sales	1.0	28.3	55.9	50.1	1.4	0.7	58.4	79.2
Cost of goods sold	-0.7	-0.5	-13.4	-11.7	-0.2	-0.1	-14.3	-12.3
Gross profit	0.3	27.8	42.5	38.4	1.2	0.6	44.1	66.9
Overhead/depreciation	-4.0	-5.0	-36.6	-42.4	-8.7	-11.6	-49.3	-59.0
Operating profit	-3.7	22.8	5.9	-4.0	-7.5	-11.0	-5.2	7.9
Operating margin	-	81%	11%	-8%	-	-	-9%	10%

Key Financial Measures

	06-30-05	06-30-04	12-31-04	12-31-03
Net result after tax	-1,965	8,089	-1,965	7,674
Net result margin	-3%	11%	17%	9%
Net profit/Share, SEK	-0.14	0.59	-0.14	0.56
Net profit per share after full dilution, SEK	-0.14	n/a	n/a	n/a
Return on shareholders' equity*	-1%	3%	5%	3%
Return on capital employed*	-1%	4%	13%	7%
Equity/Assets ratio	63%	86%	87%	86%
Debt/equity ratio	26%	1%	0%	0%
Equity/Share, SEK	16.78	16.96	16.66	16.30
Equity per share after full dilution, SEK	16.01	n/a	n/a	n/a
Average number of employees	124	140	115	108

Key figures are calculated according to IFRS for the comparative year 2004. Earlier periods have not been restated.

Medos AG

Amounts in SEK thousand

Acquired net assets at time of acquisition June 1, 2005

	Opening value	Adjusted fair value	Carrying value
Tangible assets	5,449		5,449
Intangible assets	8,994	5,055	14,049
Inventories	1,007		1,007
Financial fixed assets	13,140		13,140
Other current receivables	8,774	16,770	25,544
Cash and bank balances	33		33
Provisions	-9,110		-9,110
Deferred tax		-7,835	-7,835
Long-term loans	-9,127		-9,127
Other current liabilities	-22,822		-22,822
Goodwill			62,578
Acquired net assets	-3,662		
Purchase price paid			72,907
Liquid funds in the acquired company			-33
Impact on liquid funds for the Group			72,874