

## 3rd quarter 2016

- Sales ended at MNOK 67.9 for the quarter (MNOK 61.6), a 10.2 % growth. Sales as of September increased by 13.5 % and ended at MOK 200.6 (MNOK 176.8)
- The revenue growth is driven by sales ow own products and currency neutral growth was 13.0 % for the quarter and 16.1 % YTD
- Operating profit (EBIT) for the quarter ended at MNOK 15.9 (MNOK 12.7). Operating profit as of September ended at MNOK 46.6 (MNOK 34.3.) an increase of 36.0 %
- New record quarter in the US with a currency neutral growth of 14.9 %
- Strong sales of ultrasound imaging products in Asia and Australia in the 3<sup>rd</sup> quarter
- Profit per share increased with 8.6 % for the quarter and ended at NOK 0.62 (NOK 0.57). Accumulated profit per share was NOK 1.83 (NOK 1.56).

## 3rd quarter 2016

### FINANCIAL DEVELOPMENT

(Comparative numbers for 2015 in parenthesis)

#### *Sales and geographic split*

Sales in the 3rd quarter ended at MNOK 67.9 (MNOK 61.6), a 10.2 % increase. USA had a strong quarter with an 18.5 % growth in sales. In Asia sales increased with 83.6 % while in the rest of the world sales increased with 163.3 %. Sales in Europe decreased with 17.4 % mainly because of lower sales of 3. party products, but also because of weaker system sales of own products.

Sales as of September increased with 13.5 % and ended at MNOK 200.6 (MNOK 176.8). There was a growth measured in NOK in all regions except Europe. In the US there was a 22.6 % growth. In Asia and the rest of the world there was a growth of 47.8 % and 75.3 % respectively. In Europe there was a decrease of 1.2 % because of weaker sales of 3. Party products. Sales of own products increased with 8.4 % while sales of 3 part products decreased with 8.9 %.

#### *The effect from currency*

With the same rates as in 2015 sales would have amounted to MNOK 64.7 for the quarter, a currency neutral growth of 5.0 %. Similar as of September would have resulted in sales of MNOK 191.5, a currency neutral growth of 8.3 %.

#### *Split of own products and 3.party products.*

Sales of own products amounted to MNOK 53.6 (MNOK 44.5). Sales of 3.party products ended at MNOK 14.3 (MNOK 17.1). As of September sales of own products ended at MNOK 150.3 (MNOK 121.6) and sales of 3.party products ended at MNOK 50.3 (MNOK 55.1)

#### *Cost of goods sold*

Cost of goods sold ended at MNOK 15.4 for the quarter (MNOK 13.8) and cost of goods sold represent a percentage of 22.7 % of total sales (22.4 %). As of September cost of goods sold ended at MNOK 48.4 (MNOK 44.5), which represent a percentage of 24.1 % (25.2 %).

#### *Salary, social and other operating expenses*

Salaries and social expenses ended at MNOK 23.3 (MNOK 21.3) for the quarter. Other operating expenses ended at MNOK 10.2 (MNOK 11.2) for the quarter.

As of September salaries and social expenses ended at MNOK 64.4 (MNOK 55.7). Other operating expenses ended at MNOK 32.5 (MNOK 31.2). The increase in salary expenses was related to the US initiative and the 40 % increase in the salesforce. The change had effect from the 3<sup>rd</sup> quarter last year. The company has also strengthen its competence within the medical department and the QA/REG department.

### *R & D expenses*

For the quarter MNOK 2.6 (MNOK 2.5) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 20.3 (MNOK 16.4). This equals a margin of 29.9 % (26.6 %). During the quarter MNOK 1.3 of the R & D expense was activated in the balance sheet (MNOK 1.3).

As of September MNOK 7.1 (MNOK 7.8) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 60.2 (MNOK 48.6). This equals a margin of 30.0 % (27.5 %). As of september MNOK 2.3 (MNOK 4.5) of the R & D expense was activated in the balance sheet.

### *Earnings*

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 18.9 (MNOK 15.3).

Operating profit before depreciation (EBITDA) as of September ended at MNOK 55.3 (MNOK 45.3).

Result before tax and finance (EBIT) ended at MNOK 15.9 (MNOK 12.7) for the quarter. As of September result before tax and finance (EBIT) ended at MNOK 46.6 (MNOK 34.3). During 2015 profit was charged with a provision of NOK 3.2 million. The provision was related to the termination of the distribution agreement Medistim Norway has with Medtronic.

Net finance ended negative with MNOK 0.6 for the quarter (positive MNOK 1.6).

As of September net finance ended negative with MNOK 1.7 (positive MNOK 4.2).

Net finance was related to realized and unrealized gains or losses related to currency, hedging contracts, cash in USD and EUR and customer receivables.

Result before tax was MNOK 15.3 (MNOK 14.2) for the quarter. Result after tax for the quarter was MNOK 11.2 (MNOK 10.3).

As of September result before tax was MNOK 44.9 (MNOK 38.5). Result after tax as of September was MNOK 33.3 (MNOK 28.2).

Result per share for the quarter was NOK 0.62 (NOK 0.57). Result per share as of September was NOK 1.83 (NOK 1.56).

Average number of shares outstanding was 18.151.336 (18. 113.336) by end of September 2016.

### *Balance sheet*

Equity by the end of September was MNOK 159.2 (MNOK 142.7). This equals an equity ratio of 77.3 % (71.0 %).

Cash as of 30<sup>th</sup> of September was MNOK 21.7 (MNOK 35.7) and the company had MNOK 6.6 in interest bearing debt. A dividend of MNOK 29.9 was paid in May.

Compared to last year working capital has increased with MNOK 20.0. The reason for the increase in working capital is related to build up of component to the new productline MiraQ, while the VeriQ productline still needs to be maintained. Increased sales and securing critical components has also contributed to increased working capital.

The balance sheet ended at MNOK 206.0, down MNOK 12.4 from MNOK 218.4 by the beginning of the year.

## OPERATIONAL STATUS

### Europe

In Europe there was a decrease in both sales of own products and sales of 3.party products. 3. Party products decreased with MNOK 2.8 or 16.1 % due to the lost Medtronic agency. Sales of own products ended at MNOK 13.9, a 18.5 % decrease.

As of September sales of 3.party products decreased with MNOK 4.9, a 9.7 % decrease. Sales of own products ended at MNOK 47.8, which represent a 8.4 % increase. Adjusted for currency sales was at the same level as last year.

In total for the first half there was sold 23 flow systems and 5 flow- and imaging systems. 17 of the flow systems sold were on the new platform MiraQ, and equally all of the flow- and imaging systems were on the new platform.

During the quarter Medistim followed up its vascular opportunity and participated at the ESVS (European Society of Vascular Surgery). The global vascular market represents a significant opportunity for Medistim and is estimated to represent approximately 600,000 procedures annually. In comparison, cardiac bypass surgery, a segment where Medistim has its strongest position with a global market penetration of 20-25%, represent 700,000 procedures annually.

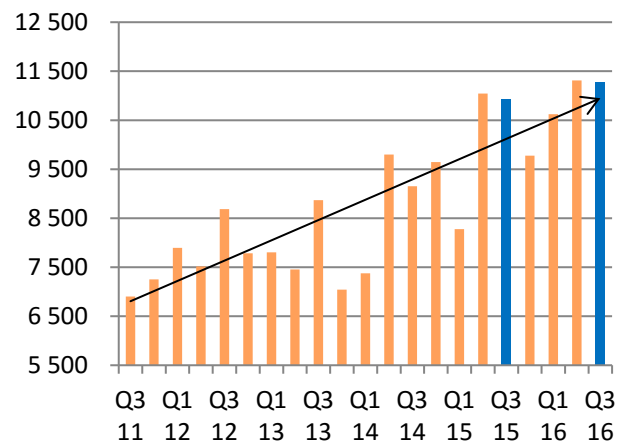
### USA

Medistim has a business model in the US that is mainly based upon a leasing model and sale of procedures, but also offer capital sale as in other markets.

The US had a strong third quarter and sale increased with 18.5 % compared to last year. Currency neutral growth was 14.9 %. For the quarter there was sold 11.270 procedures compared to last year 10.936. During the quarter 1.512 (1.297) procedures was sold to customers using the imaging system. Further, 9.758 flow procedures were sold (9.639) during the quarter. Capital sales increased with 87 %. Sales increased with 22.6 % as of September 2016. The currency neutral growth was 13.2 %. As of September there were sold 33.206 procedures (30.258) of which 4.000 were imaging procedures (3.160) and 29.206 flow procedures

(27.098). Increase in the total number of procedures was 9.7 %. Capital sales increased with 61 %

Number of procedures sold per quarter in the US



In the US about 80 % of the bypass surgeries are performed with no other quality assurance of blood flow other than the surgeons experience by feeling pulse on the vessels using the finger. It is clinically proven that this method is not reliable. It is therefore a large potential and need for Medistims products in the US. Medistim has large ambitions in the US market. So far Medistim has achieved a market penetration of more than 16.0 % of the total market of approximately 240.000 bypass surgery procedures performed annually. Medistim has a market penetration of about 70 % in Germany, Scandinavia and Japan. Medistim expect that the market penetration in the US will develop in the same manner over time.

### Asia

In Asia there was an increase in sales for the quarter with 83.5 %, while as of September sales increased with 47.8 %. Sale of flowsystems was at the same level as last year. Sale of imaging and flow systems increased with close to 100 %, while the consumables probes increased with over 90 %.

### Other markets (Middle-East, Africa, South America and Canada)

In other markets sales for the quarter increased with 163 % and ended at MNOK 7.3. As of September sales increased with 75 % and ended at MNOK 13.4. The reason for this strong development was growth in sales of imaging- and flowsystems in Australia. Of the 4 flowsystems sold 2 was on the newest MiraQ platform and of the 8 imaging and flowsystems all except 1 was on the new platform.

## R & D

### Optimizing production line for new products

After the launch of vascular products late 2015 in Europe and the launch of the same products in the US in the first half, focus for the development resources has been to

establish and optimize the production line for the new products.

## PROSPECTS AND TRENDS

### *Goals and vision*

The company aims to develop products to meet surgeons' growing need for quality control of heart-bypass surgery, peripheral vascular surgery and transplant surgery. Our vision is that Medistim's solutions should represent the «standard of care» for clinical practice and that blood flow measurements and intraoperative ultrasound imaging are performed on all patients.

### *Strategy*

Medistim's focus is to strengthen the company's ability to effectively commercialize existing product portfolio on a global basis. One of the key tasks to achieve this is closer contact with customers through a strengthened sales and marketing organization. Another important task is to produce enhanced clinical documentation and focus on putting blood flow measurements, ultrasound imaging, surgical guidance and quality assurance on the agenda in relevant forums and channels.

Continuous technology and product development will secure Medistim's products and leading position within cardiac surgery also in the future. The company also has ambitions to launch new products adapted to specialities within vascular- and transplant surgery.

### *Market size and trends*

On a global basis it is performed more than 700,000 heart bypass surgeries per year. The US represents the largest market for Medistim's products with 1/3 of the world market. The global number of procedures has in the past been constant. The decrease in number of procedures performed in the western countries has been compensated by an increase in the BRIC countries (Brazil, Russia, India and China). It is therefore expected to have a stabil growing trend in the years to come.

Adding intraoperative ultrasound imaging to flow measurements more than doubles Medistim's market potential, because of new applications and relevance and higher pricing compared to traditional flow measurement technology. Total market size within cardiac surgery is estimated to be 2 billion NOK annually. The imaging functionality makes MiraQ™ and VeriQC relevant in other cardiac surgeries and not just by pass surgery. Medistim estimates this potential to be 1 billion NOK.

In addition, the company has a significant potential within the global vascular market, which is estimated to be about 600,000 vascular procedures annually. Total market size within vascular surgery is estimated to be over 1 billion NOK.

The trend in surgery moves towards less intervention and keyhole surgery, which gives the surgeon less workspace and the ability to control in a traditional way. It is therefore an increased need to verify the desired result in the future.

Global demographic trends are an important driving force for the many cost-efficiency measures around the world, with America's health care reform as very important. Focus on quality is growing, driven by the need to reduce costs, particularly related to correction of errors, the need for repeated treatments and repeated hospital admissions. Medistim therefore has a good opportunity to position their products as an important contributor to achieving these goals.

### *Position and Competition*

Medistim's flow meters have been in use in more than 1.5 million patients worldwide since it came on the market, and the company is the clear leader in its niche. The equipment is used today in more than 25 % of the total number of by-pass surgeries performed worldwide.

Medistim's penetration and market share is expected to increase gradually as quality assurance in surgery is getting more attention and acceptance.

There are competitors that use the transit time measurement principle. Equipment from competitors is estimated to be in use in about 7 % of the procedures performed. This means that in about 65 % of the cases where by pass surgery is performed there is no equipment in use to verify blood flow. This market represents Medistim's largest opportunity.

With Medistim's Ultrasound imaging technology and MiraQ™ platform, the company has acquired a new edge compared to competitors, with unique and differentiated products that is currently alone in its segment.

### *Exposure towards currency*

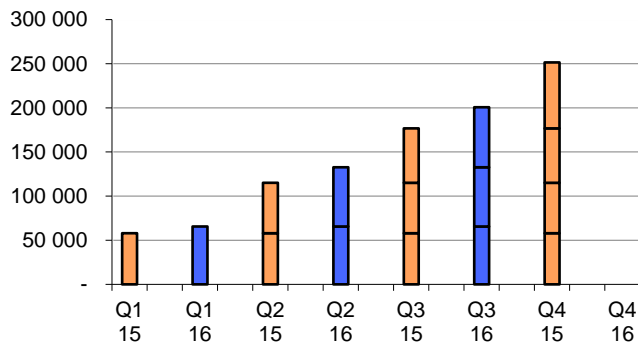
The company is exposed to EUR and USD. Exposure can vary depending on how large share of revenues and costs USD and EUR account for of total income and expenses. For 2016 a 10 % change in the exchange rate against USD and EUR would result in a 7.5 % change in sales and a 20.8 % change in operating result. The company partly secures its positions with hedging contracts.

## SHAREHOLDER AFFAIRS

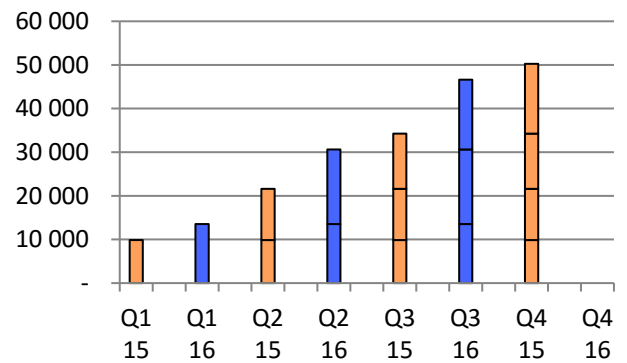
The company had 186.000 Medistim shares by the end of June 2016. The shares were purchased at a price per share of NOK 14.70. The share price was NOK 62.50 per share at the end of the quarter. The number of shares traded as of September 2016 was 2.841.533.

The five largest shareholders by the end of September 2016 were Intertrade Shipping AS with 3.850.000 shares, Salvesen & Thams Invest with 1.862.500 shares, Skagen Vekst with 1.070.072 shares, Follum Capital with 1.000.000 shares and Stenshagen Invest AS with 961.729 shares.

*Accumulated sales per quarter*



*Accumulated operating profit per quarter*



Oslo 18<sup>th</sup> of October 2016,  
Board of Directors and managing director in Medistim ASA

<b>Profit &amp; loss</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
All numbers in NOK 1000					
<b>Sales</b>	67 933	61 646	200 627	176 807	251 429
Cost of goods sold	15 420	13 796	48 428	44 562	64 653
Salary and sosial expenses	23 320	21 347	64 409	55 724	79 102
Other operating expenses	10 231	11 175	32 492	31 180	44 027
Total operating expenses	48 971	46 318	145 329	131 466	187 783
<b>Opr. res.before. depr. and write offs</b>	<b>18 962</b>	<b>15 328</b>	<b>55 298</b>	<b>45 341</b>	<b>63 646</b>
<i>EBITDA %</i>	<i>27,9 %</i>	<i>24,9 %</i>	<i>27,6 %</i>	<i>25,6 %</i>	<i>25,3 %</i>
Depreciation	2 978	2 670	8 692	7 872	10 642
Write offs and accruals	-	-	-	3 200	-
<b>Operating result</b>	<b>15 983</b>	<b>12 658</b>	<b>46 606</b>	<b>34 269</b>	<b>53 004</b>
<b>EBIT %</b>	<b>23,5 %</b>	<b>20,5 %</b>	<b>23,2 %</b>	<b>19,4 %</b>	<b>21,1 %</b>
Financial income	573	2 517	4 126	13 637	10 755
Financial expenses	1 213	952	5 844	9 439	5 367
<b>Net finance</b>	<b>(640)</b>	<b>1 565</b>	<b>(1 719)</b>	<b>4 198</b>	<b>5 388</b>
<b>Pre tax profit</b>	<b>15 344</b>	<b>14 224</b>	<b>44 887</b>	<b>38 467</b>	<b>58 392</b>
Tax	4 113	3 906	11 630	10 272	15 223
<b>Result</b>	<b>11 230</b>	<b>10 317</b>	<b>33 257</b>	<b>28 195</b>	<b>43 169</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>29 950</b>	<b>25 362</b>	<b>25 362</b>
<b>Comprehensive income</b>					
Result after tax	11 230	10 317	33 257	28 195	40 422
Exchange differences arising on translation of foreign operations	(355)	(113)	(466)	444	807
<b>Total comprehensive income</b>	<b>10 875</b>	<b>10 204</b>	<b>32 791</b>	<b>28 639</b>	<b>41 229</b>

<b>Key figures</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
Equity share	77,3 %	71,0 %	77,3 %	71,0 %	71,5 %
Earnings per share	0,62	0,57	1,83	1,56	2,38
Earnings per share diluted	kr 0,62	kr 0,57	kr 1,83	kr 1,56	kr 2,38
Average shares outstanding in 1000	18 151	18 116	18 150	18 113	18 118
Average shares outstanding in 1000 diluted	18 151	18 116	18 150	18 113	18 118

<b>Split of operating profit per segment</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
All numbers in NOK 1000					
Res from Medistim products	16 647	10 128	42 254	28 229	39 991
Margin Medistim products	31,1 %	22,8 %	28,1 %	23,2 %	22,8 %
Res from 3rd party products	(664)	2 530	4 352	6 040	10 266
Margin 3rd party products	-4,6 %	14,8 %	8,7 %	10,9 %	13,5 %
<b>Totalt result</b>	<b>15 983</b>	<b>12 658</b>	<b>46 606</b>	<b>34 269</b>	<b>50 257</b>
<b>Margin</b>	<b>23,5 %</b>	<b>20,5 %</b>	<b>23,2 %</b>	<b>19,4 %</b>	<b>20,0 %</b>

<b>Balance sheet</b>	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>31.12.2015</b>
All numbers in NOK 1000			
<b>Assets</b>			
Intangible assets	53 195	53 394	55 122
Fixed assets	16 501	14 804	14 158
<b>Total tangible and fixed assets</b>	<b>69 696</b>	<b>68 198</b>	<b>69 280</b>
Inventory	56 105	48 250	46 613
Customers receivables	50 176	40 861	44 831
Other receivables	8 295	7 980	8 787
Cash	21 734	35 702	48 925
<b>Total current assets</b>	<b>136 310</b>	<b>132 792</b>	<b>149 156</b>
<b>Total assets</b>	<b>206 007</b>	<b>200 990</b>	<b>218 436</b>
<b>Equity and liability</b>			
Share capital	4 585	4 585	4 585
Share premium reserve	41 852	41 852	41 852
Other equity	112 716	96 236	109 727
<b>Total equity</b>	<b>159 153</b>	<b>142 673</b>	<b>156 164</b>
<b>Total long term debt</b>	<b>3 664</b>	<b>7 280</b>	<b>7 001</b>
<b>Total short term debt</b>	<b>43 190</b>	<b>51 036</b>	<b>55 271</b>
<b>Total equity and liability</b>	<b>206 007</b>	<b>200 990</b>	<b>218 436</b>
<b>Net interest bearing debt</b>	<b>(15 171)</b>	<b>(22 889)</b>	<b>(37 883)</b>

<b>Change in equity</b>	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>31.12.2015</b>
All numbers in NOK 1000			
Equity start of period	156 164	139 097	139 097
Result for the period	33 257	28 195	40 422
Dividend	(29 950)	(25 362)	(25 362)
Medistim shares	150	300	1 200
Changes in exchangerates	(468)	444	807
<b>Equity end of period</b>	<b>159 153</b>	<b>142 674</b>	<b>156 164</b>

<b>Cash flow analysis</b>	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>31.12.2015</b>
All numbers in NOK 1000			
Result for the period	33 257	28 195	40 422
Cash flow from operation	(18 818)	(3 930)	2 298
<b>Cash flow from operation</b>	<b>14 438</b>	<b>24 265</b>	<b>42 720</b>
Cash flow from investments	(7 252)	(7 365)	(11 726)
Cash flow from financial activities	(34 428)	(30 673)	(31 544)
Change in cash for the period	(27 242)	(13 773)	(550)
Cash at start of period	48 975	49 475	49 475
<b>Cash by the end of period</b>	<b>21 733</b>	<b>35 702</b>	<b>48 925</b>

<b>Geographic split of sales</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
All numbers in NOK 1000					
USA	23 465	19 806	69 117	56 351	76 219
Asia	8 872	4 833	20 057	13 569	21 703
Europe	28 294	34 234	98 062	99 247	141 715
Rest of the world	7 302	2 773	13 391	7 640	11 792
<b>Total sales</b>	<b>67 933</b>	<b>61 646</b>	<b>200 627</b>	<b>176 807</b>	<b>251 429</b>

<b>Geographic split of sales in number of units</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
<b>USA</b>					
Procedures flow measurement	9 758	9 639	29 206	27 098	36 048
Procedures imaging and flow	1 512	1 297	4 000	3 160	3 988
Capital sales MiraQ and VeriQ flowmeasureme	1	1	3	3	3
Capital sales MiraQ and VeriQC imaging and flc	2	1	6	4	6
<b>Asia</b>					
MiraQ and VeriQ flowmeasurement instrument	7	7	18	21	29
MiraQ and VeriQC imaging and flowmeasureme	8	5	12	8	16
Imaging probes	8	4	17	16	28
Flowmeasurement probes	520	271	1 331	877	1 190
<b>Europe</b>					
MiraQ and VeriQ flowmeasurement instrument	3	11	23	24	33
MiraQ and VeriQC imaging and flowmeasureme	-	4	5	7	20
Imaging probes	1	5	9	13	21
Flowmeasurement probes	910	916	2 796	2 849	4 124
<b>Rest of the world</b>					
MiraQ and VeriQ flowmeasurement instrument	4	2	8	5	5
MiraQ and VeriQC imaging and flowmeasureme	8	2	12	8	13
Imaging probes	12	8	18	13	20
Flowmeasurement probes	177	216	499	501	590
<b>Total sales outside the US in units</b>					
<b>Number of MiraQ and VeriQ flow instruments</b>	14	20	49	50	67
<b>MiraQ and VeriQC imaging and flowmeasureme</b>	16	11	29	23	49
<b>Total number of imaging probes</b>	21	17	44	42	69
<b>Total number of flowmeasurement probes out</b>	1 607	1 403	4 626	4 227	5 904

<b>Split of sales per segment</b>	<b>3. quarter 16</b>	<b>3. quarter 15</b>	<b>As of 30.09.16</b>	<b>As of 30.09.15</b>	<b>2015</b>
All numbers in NOK 1000					
<b>USA</b>					
Procedural revenue	20 896	18 434	61 647	51 708	69 729
Capital sales MiraQ and VeriQ flowmeasureme	733	297	1 986	1 171	1 192
Capital sales MiraQ and VeriQC imaging and fl	1 835	1 076	5 483	3 472	5 298
<b>Outside USA</b>					
MiraQ and VeriQ flowmeasurement instrument	2 929	2 796	10 093	8 060	11 668
MiraQ and VeriQC imaging and flowmeasureme	6 559	5 130	12 711	9 491	17 974
Imaging probes	1 212	942	2 558	2 102	3 885
Flowmeasurement probes	18 147	15 407	52 948	44 188	64 135
Other	1 256	430	2 920	1 450	1 459
<b>Total sale of Medistim products</b>	<b>53 567</b>	<b>44 511</b>	<b>150 347</b>	<b>121 642</b>	<b>175 340</b>
Sale of 3 party products	14 366	17 135	50 280	55 165	76 089
<b>Total sales</b>	<b>67 933</b>	<b>61 646</b>	<b>200 627</b>	<b>176 807</b>	<b>251 429</b>