MEDISTIM

CORPORATE ANNUAL REPORT 2021

Contents

1. MEDISTIM IN BRIEF

Cardiac and vascular diseases continue to be the most common cause of death in the western world. Globally, more than 700,000 patients undergo coronary artery bypass surgery annually while about 600,000 patients have vascular surgery procedures performed. Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis, and thereby help improve the quality and outcome of cardiac and vascular surgery.

One million beating hearts later, Medistim has set the standard in the field.

Today, Medistim's proprietary products are regarded to be standard-of-care in most European countries and Japan, while market adoption is growing in the USA, Asia and the Middle East. In addition, Medistim in Norway represents about 100 different medical technology companies, as a distributor of their products in this country.

Medistim is a market leader within intra-operative transit time flow measurement (TTFM) and ultrasound imaging, providing the MiraQ™ system to the global market. These systems enable medical professionals to reduce risk and enhance quality of cardiac, vascular and transplant surgery. They provide clinically relevant information that empowers surgeons to make better-informed decisions in the operating room.

The company's devices are developed by working closely together with surgeons, who in turn have produced a growing amount of clinical data and studies that point to their efficacy and cost-effectiveness. Medistim is committed to continuing to serve the cardiac and vascular surgeons by investing in new product development.

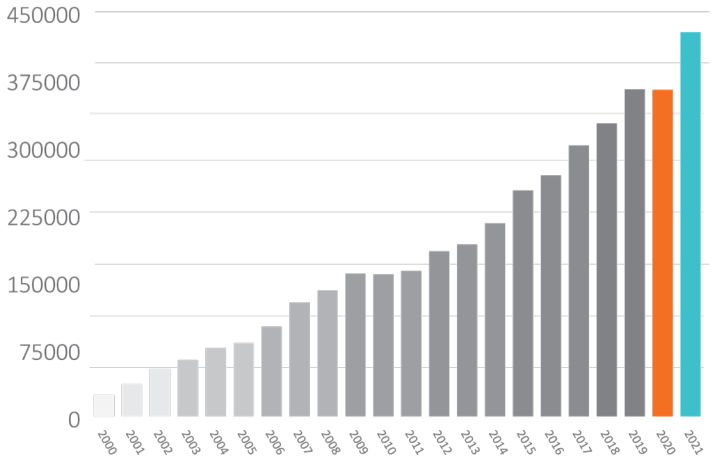
Medistim has wholly owned subsidiaries with marketing and sales organizations in the USA, Germany, the United Kingdom, Spain, Denmark and Norway, in addition to a global distributor network representing the company in more than 65 countries and 3,150 systems in Asia, Europe, America and Africa. Medistim ASA is listed on the Oslo Stock Exchange and has its global head office in Oslo, Norway.

"Our vision is that blood flow measurements and intra-operative ultrasound imaging shall benefit all patients and surgeons, regardless of where in the world they are located, and that Medistim's device and solution represent standard clinical practice in all countries.

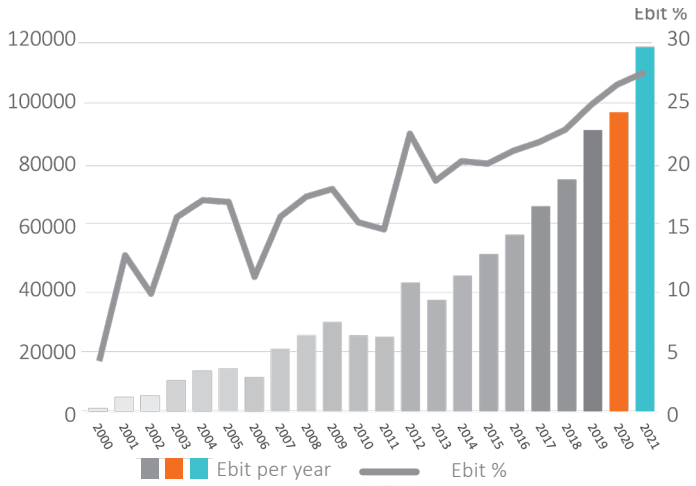
- Kari E. Krogstad - CEO

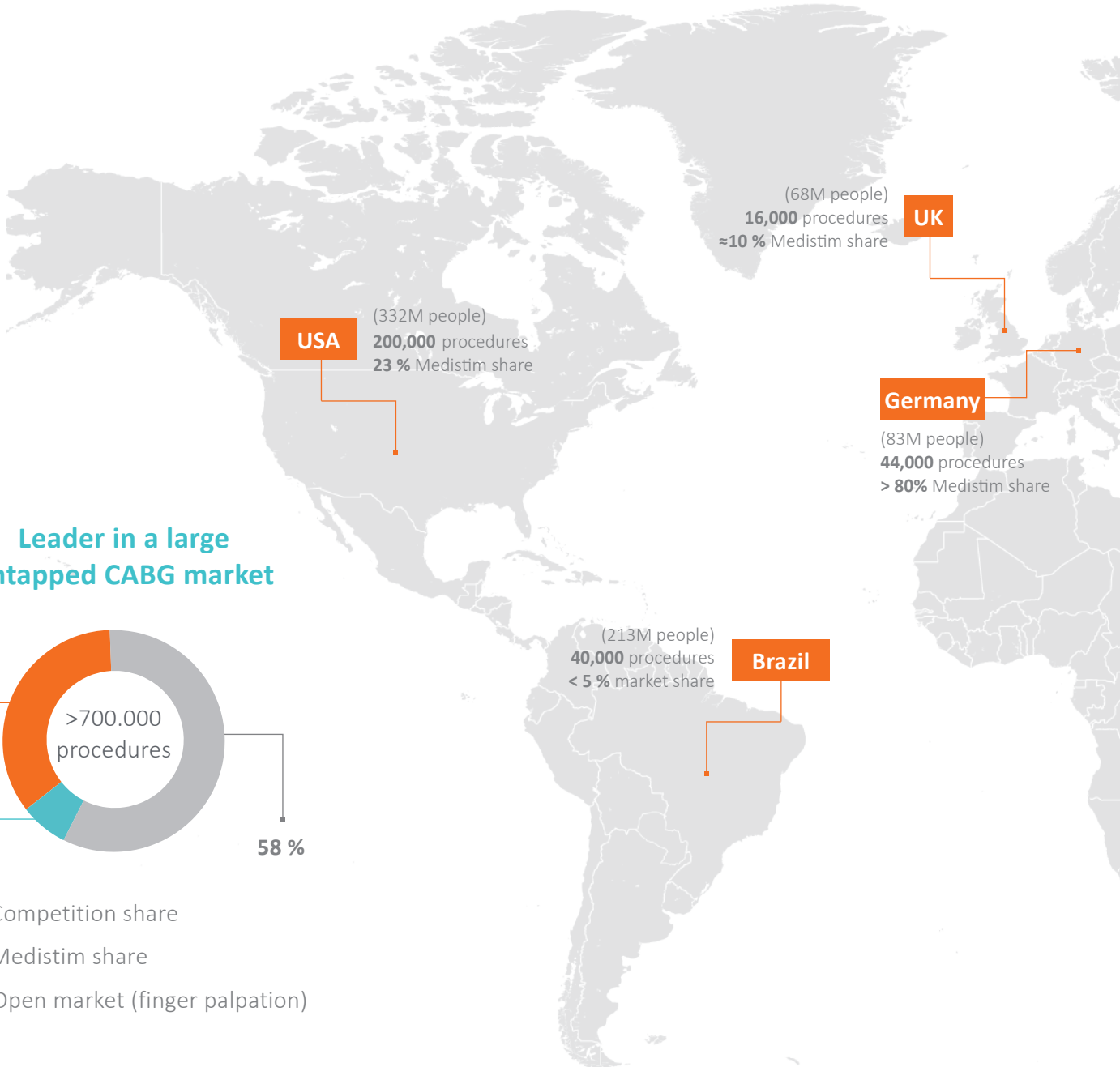
2. KEY FIGURES

Sales in TNOK



EBIT in TNOK and EBIT %

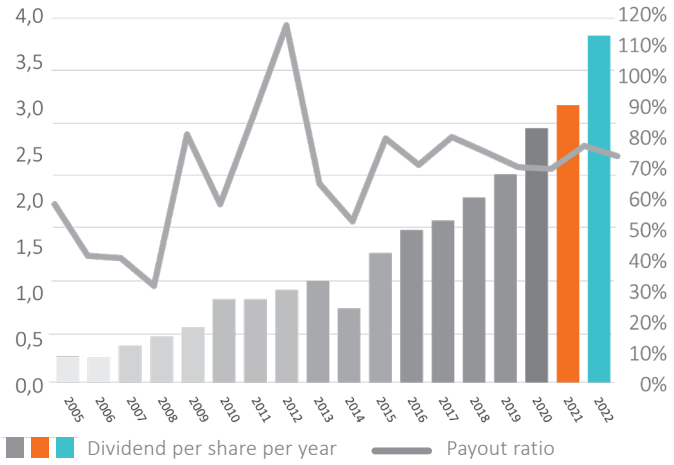




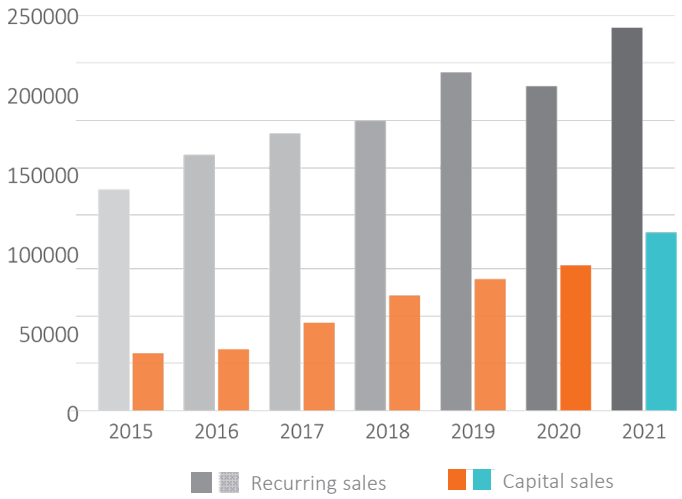
Leader in a large untapped CABG market

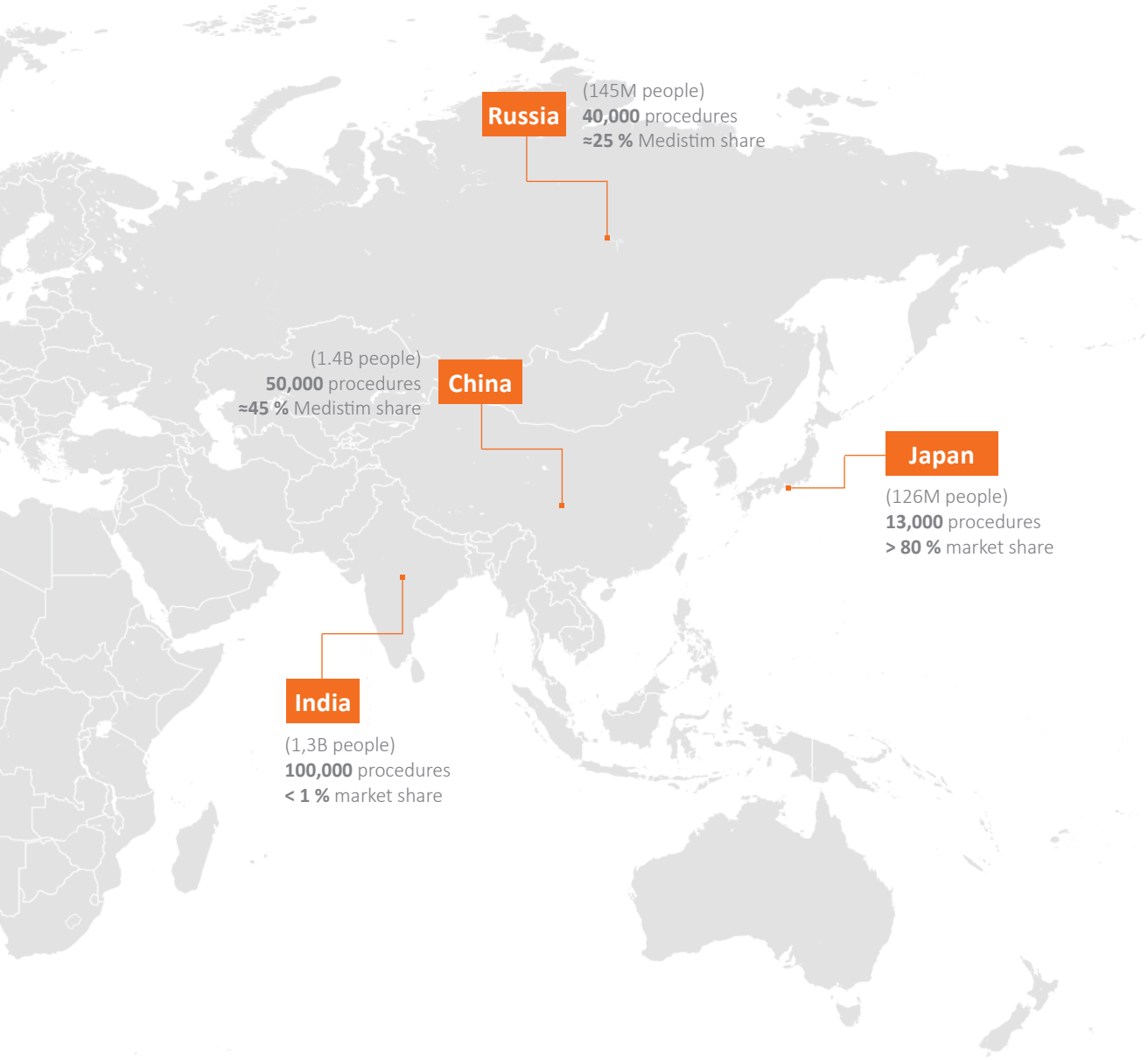
- Competition share
- Medistim share
- Open market (finger palpation)

Dividend in NOK per share and Pay-out ratio



Capital sales and recurring sales of own products in TNOK





Headquartered in Oslo, with production facilities in Horten, Norway. Medistim sells its products through more than 60 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain and Norway.

3. HISTORY

Medistim's

1984 — Medi-Stim AS Founded

1994 — CardioMed™ launched in Europe

1997 — Butterfly™ launched in Europe

1998 — Manufacturing established in Horten, Norway

1999 — FDA clearance for the Butterfly ™ in the USA

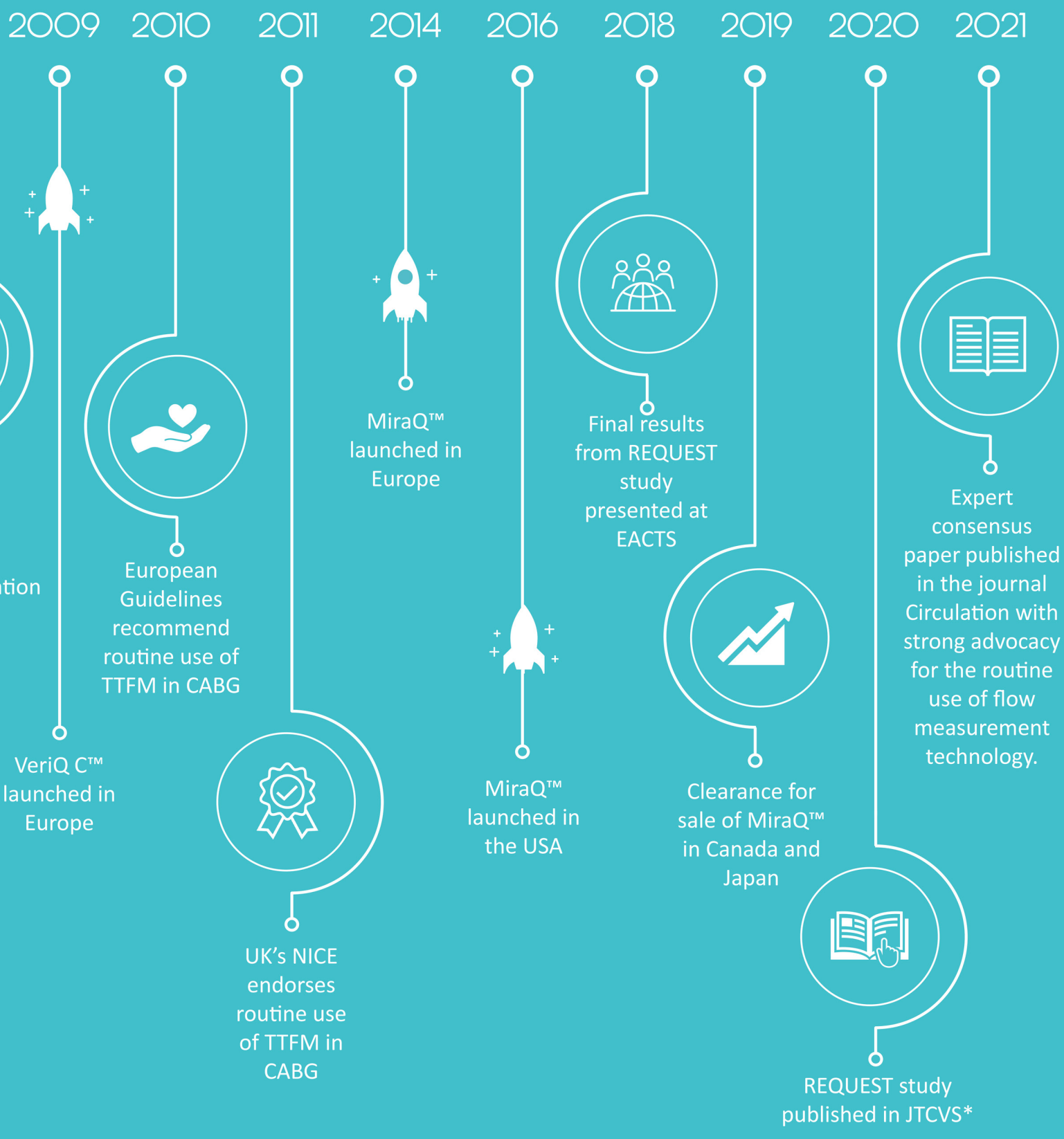
2003 — VeriQ™ launched in Europe

2004 — Listing on the Oslo Stock Exchange

2006 — Acquisition of Kir-Op AS - a Norwegian distribuor of medical devices

2008 — Awarded Innovation Norway's "Internationaliza Award"

Milestones



*The Journal of Thoracic and Cardiovascular Surgery
**The European Journal of Vascular and Endovascular Surgery

4. LETTER FROM THE CEO

What a joy and relief it is to report that 2021 was the year when we put most of the COVID-19 pandemic behind us, and we can report record numbers in several areas:

- *17.7% total revenue growth to MNOK 427.3.*
- *Imaging portfolio growing 29%*
- *Vascular portfolio growing 21%*
- *EBIT margin at 27.3%*
- *Pre-tax profit at MNOK 90.9*
- *And, when adjusting for the unfavorable currency effects, we get 26% growth for Medistim own products, which is really the most important indicator for our performance.*

This means that we have more than caught up with the lack of growth during the first pandemic year 2020, and that we are all set to continue our growth path, consistent with the previous two decades of solid performance.

We have seen strong rebound from all geographical markets; Europe, Asia, and particularly from our largest market USA, with 28% sales growth in USD and 28% growth in number of procedures for the full year. This reflects the high activity level in the surgical operating rooms driven by the need to treat patients put on waiting lists during the first year of the pandemic. While it is a challenge to estimate a realistic market penetration in an extraordinary situation, we believe it is fair to say that Medistim now supports more then 25% of the coronary bypass surgeries in the USA. Our strong and consistently growing position in this key market is a result of priority and determination, executing on strategic initiatives over many years.

It is rewarding to experience the positive response from the market.

In the low end of the market penetration scale, we can look to India, which we predict to be a future considerable growth market for the company, about half the size of the USA, and where we have less than 1% of the market today. LivaNova, our new distribution partner there since the beginning of 2021, was challenged by a huge Covid outbreak and was prevented from executing on many of their planned marketing activities. Still, progress have been made and we look forward to 2022 and the first results of the initiatives.

While numbers and records are important and speak for themselves, unquestionable, the most important news to report from 2021 is the publication of an expert group consensus paper in the top medical journal Circulation. Here, 19 world renowned cardiac surgeons have, on their own initiative, found it pressing to advocate for routine use of transit time flow measurement (TTFM) during every CABG surgery, performed by all cardiac surgeons – for the benefit of the patients' health and life expectancy. We believe this paper will contribute to cement the clinical value of the technology and accelerate change in clinical practice. Entering 2022, we will continue our work to support influential opinion leaders in the field, with the goal of achieving surgical guideline support from associations and geographies that are still lacking them.

As we close another great year in Medistim's proud history, I take the opportunity to thank every Medistim colleague around the globe, as well as our partners, for their relentless efforts and stamina throughout the pandemic period, and for a spectacular 2021 result.

When writing this, an unjust, inapprehensible war is going on in Ukraine. It reminds us of the unpredictable world we live in and forces us all to imagine the unimaginable. Our thoughts, compassion and support go out to our friends in the affected areas and to all that are suffering.

March 2022
Kari E. Krogstad
President and CEO

5. EXECUTIVE MANAGEMENT & BOARD OF DIRECTORS

5.1 Management Team

Kari Eian Krogstad

President and CEO, Medistim ASA

Kari E. Krogstad joined Medistim as CEO in September 2009. She has 30 years of experience from the biomedical industry, from commercial leadership roles within the international pharma, biotech and medtech sectors. Before joining Medistim, she spent 11 years at Dynal and held the position as General Manager of Invitrogen Dynal after the acquisition from U.S. based Invitrogen in 2005. Krogstad holds a Cand. Scient. degree in Molecular Biology from the University of Oslo as well as a Business degree from IHM Business School.

Helge Børslid

VP Manufacturing, Medistim ASA

Helge Børslid joined Medistim as Vice President Manufacturing in January 2017 from the position as production manager at Halliburton. Previous experience includes roles as test engineer and quality engineer at Norautron, Infineon Technologies, Kongsberg Maritime, and Sensor Development. Børslid holds a B.Sc. in Electronics Engineering from Vestfold University in Norway and is currently completing his final year of a Master's degree in Management from the BI Norwegian Business School.

Mike Farbelow

President, Medistim USA, Inc.

Mike Farbelow joined Medistim as Vice President of the US sales team in May 2012. He has extensive sales and management experience from the medical device industry. He served for many years with Smith & Nephew's Endoscopy division both as a sales representative and the Director of Sales for the central region. His most recent position prior to joining Medistim was with Richard Wolf USA where he served as their national sales manager in spinal endoscopy. Farbelow holds a degree in management from the University of Minnesota Carlson School of Management.

Håkon Grøthe

Chief Innovation Officer, Medistim ASA

Håkon Grøthe joined Medistim as CIO in April 2019. He is an experienced leader with a passion for increasing customer value through digital innovation. Grøthe has put disruptive technologies such as AI, VR and Machine learning into work in his leadership roles from IT technology companies such as Impact Reality and Inspera. He also brings methodology experience relevant for agile processes, such as Google Sprint, Design Thinking and Kanban. Grøthe holds an M.Sc. degree in Industrial Economics/Computer Science from the Norwegian University of Science and Technology (NTNU).

Thomas Jakobsen

CFO, Medistim ASA

Thomas Jakobsen joined Medistim as VP Finance in 2001. He has broad experience from financing positions, including Controller and Finance Manager at Sysdeco and Finance Director of Microtronica Nordic. Jakobsen holds a B.Sc. in Management from the BI Norwegian School of Management.

Cindy Kaffai

Country Manager, Medistim Deutschland GmbH

Cindy Kaffai joined Medistim as Territory Sales Manager for Germany in 2005. She has 18 years of experience from the medical device industry. Since 2015, Kaffai has led Medistim Deutschland GmbH as General Manager and is responsible for all activities and sales efforts in Germany & BeNeLux. Prior to Medistim she was Territory Sales and Key Account Manager for Stryker Corporation.

Roger Morberg

VP Sales, Medistim ASA

Roger Morberg joined Medistim as VP Sales in June 2010. He has extensive experience from the healthcare industry and is a trained medical professional. Before joining Medistim he worked for Siemens Medical as Country Manager for Ultrasound. Morberg has previously held various roles within sales and senior management positions in Marquette Electronics, GE Healthcare and Hewlett Packard.

Ole Jørgen Robsrud

Managing Director, Medistim Norge AS

Ole Jørgen Robsrud joined Medistim Norge AS as Managing Director in 2010, from the position as Country Manager in HemoCue Norway. He has 13 years of experience in the pharmaceutical company Pfizer, where he has held a variety of management positions in sales and marketing both on national and international level. Robsrud holds a M.Sc. in Business and Economics from the Norwegian Business School (BI) and the University of Florida.

Erik Swensen

VP R&D, Medistim ASA

Erik Swensen joined Medistim as VP Research & Development in 2002. Previous experience includes Development Engineer at ABB, Norway, where he participated in the development of advanced process control systems and developing ABB's new control system for safety critical applications. Swensen holds a M.Sc. degree in Engineering Cybernetics from the Norwegian University of Science and Technology (NTNU).

Tone Veiteberg

VP Regulatory Affairs & Quality Assurance, Medistim ASA

Tone Veiteberg joined Medistim as VP Quality Assurance & Regulatory Affairs in 2013. She has more than 35 years of experience in Medical and Regulatory Affairs from the pharmaceutical and medical device industry, including Clavis Pharma, the Norwegian Association of Pharmaceutical Manufacturers, Leo Pharmaceuticals, and Glaxo/GlaxoWellcome (now GlaxoSmithKline). Veiteberg holds a M.Sc. in Pharmacy from the University of Oslo.

Anne Waaler

VP Medical Department, Medistim ASA

Anne Waaler joined Medistim as VP Medical Department in 2016. She has more than 25 years of experience from the pharma and medtech industry, including roles within medical, marketing and strategy with Nycomed and GE Healthcare. Waaler holds a M.Sc. in Pharmacy from the University of Oslo, an MBA from the BI Norwegian School of Management in Oslo, and an ESCP-EAP in Paris.

Hæge J.K. Wetterhus

VP Marketing, Medistim ASA

Hæge J.K. Wetterhus joined Medistim as VP Marketing in 2010. She has more than 25 years of experience working with diagnostic, analytical and biotech device companies. Before joining Medistim, she worked for Invitrogen Dynal where she held a variety of leadership roles in strategic marketing, product development and business development in the area of life science and biotechnology – always with an international focus. Wetterhus is a business economist from BI Norwegian School of Management, a chemical engineer from the Technical University of Bergen and holds a B.Sc. Honour in molecular biology from the University of Glasgow, United Kingdom.

5.2 Board of Directors

Øyvin Brøymer

Chair

Øyvin Brøymer has served as Chair of Medistim since 2000. He works as an investor through his own company Intertrade Shipping AS, and holds the position as chair in Vistin Pharma ASA. Previous experience includes executive positions in The Aker Group, Hafslund Nycomed ASA and Leif Höegh & Co ASA, as well as broad board room experience from many other companies. He holds a degree within economics and business from Norwegian School of Management and an MBA from the University of Wisconsin. He is also Chair of the remuneration committee.

Siri Fürst

Board member

Siri Fürst was elected as board member in Medistim in 2013. She has been a partner of Considium Consulting Group AS since 2005. She offers expertise in business development and strategy work, in addition to corporate governance and management. She also serves as board member in Norinnova AS, GC Rieber VivoMega AS, Røros Produkter AS, Unicef Norge and JM Hansen AS. She has broad experience from executive positions within strategy, business development, finance and investor relations from management positions in Hafslund, Hafslund Nycomed and DiaGenic. Fürst holds a degree in economics and finance from the Norwegian School of Economics (NHH). She is also member of the audit committee.

Torben Jørgensen

Board member

Torben Jørgensen holds a B.S.c. in Economics and is an independent advisor, consultant and board member. He is currently the chairman of the board of Biotage, Atlas Antibodies AB and Genovis AB. He is also the board member of Micropos Medical AB and Advanced Instrments Inc. He is also member of the remuneration committee.

Tove Raanes

Board member

Tove Raanes has been board member in Medistim since 2014. She works as an advisor in the investment companies Dyvi Invest AS and Nore-Invest AS and serves as board member in Bouvet ASA, Multiconsult ASA and Krefting AS. Her experience includes strategy, finance and business development from investment companies and management consulting from McKinsey & Company. Raanes holds a MSc from the Norwegian School of Economics (NHH). She is also Chair of the audit committee.

Lars Rønn

Board member

Lars Rønn has been board member in Medistim since 2010. He works as a consultant for Korn Ferry Associates with focus on recruitment of executives within the med-tech area. He has previous experience as Executive Vice President, Sales & Marketing in Ambu, a Danish med-tech company and as CEO in Origio. He has also experience from several positions in Maersk-Medical AS. Rønn holds a BSc in Business, Language & Culture and has a Graduate Diploma in Int. Trade from Copenhagen Business School. He also has a Management Program from INSEAD. He is also member of the audit committee.

6. BOARD OF DIRECTOR'S REPORT

Since the pandemic started to affect the Medistim business in second quarter of 2020, the effect has become gradually smaller, and in the second quarter of 2021, there was a strong rebound in procedures performed and hence in the sales revenues. This rebound has continued throughout 2021, and Medistim has experienced strong growth in revenues due to the increase in number of CABG procedures performed. This increase corresponds with the reduction in hospitalizations of patients with COVID disease, which is again an effect of the growing vaccination rates in Medistim's core markets, Europe, and USA, and to some degree also in Japan and China.

This confirms that the need for Medistim's products has not changed during the pandemic, and the strong recovery seen through 2021 may indicate that cardiac bypass surgeries are at large back to normal. However, there are still some uncertainties related to new variants of the virus.

The Medistim Group's core business is within developing, producing, servicing, leasing and distributing medical devices. The Group is headquartered in Oslo, with production facilities in Horten, Norway. Medistim sells its products through 65 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain, United Kingdom and Norway. At the end of 2021, Medistim's equipment was in use in more than 65 countries and 3,150 clinics all over the world.

The business is focused on ensuring quality within cardiac and vascular surgery. Cardiovascular diseases are the most common cause of death in the western world and on the rise in Asian and Latin American countries adopting western lifestyles. The Group's products contribute to improved quality of surgery, which in turn reduces risk to the patients and contribute to a more efficient health economy. Worldwide, over 700,000 CABG (Coronary artery bypass Graft procedures) and 600,000 vascular procedures are performed each year. On a global scale Medistim has a leading position within quality control of CABG.

Medistim is also a distributor of other medical devices through its subsidiaries Medistim Norge AS and Medistim Denmark Aps. The products distributed are medical devices within all types of surgery.

6.1 Operational review

Even though cardiovascular surgery procedures increased in 2021, medical facilities are still faced with strict requirements for distance-keeping and comprehensive infection control regimes. This continued to affect Medistim's customer relations activities negatively in 2021. To maintain functional customer, supplier and stakeholder relations, Medistim adopted digital solutions for conferences and meetings. By applying digital communication platforms and remotely controlling ultrasound systems, Medistim was also able to demonstrate products and perform end-user training.

The experience is that it is possible to maintain close customer contact, exchange information, influence, and make business progress, while saving cost and time by using digital tools. With mainly digital client interaction, cost related to travelling and physical meetings were reduced to a minimum. As a result Medistim reports best year ever for sales and profit. The sales growth was 17.6 % in NOK and operating profit (EBIT) growth was 21.8% in NOK.

Adjusted for currency effects, sales were up 24.6%. Sale of own products was up 26% when excluding debt forgiveness of 5.3 MNOK, while sale of third-party products were up 10% from 2020. The strong growth is a combination of Medistim increasing its market penetration and the fact that patient queues after COVID has increased number of procedures.

During 2021, Medistim sold 230 new systems (197), and at year-end total installed base of Medistim systems was 3,150 units (3,000). Probes and other consumables related to use of the medical systems represent a significant share of total sales for Medistim, depending of number of systems installed and utilization. Increased market penetration and surgical activity positively impacted Medistim's sales of consumables for the year.

Medistim focuses on customer and market development. Early in 2021, the company announced the Distributor Agreement with LivaNova, a global medical technology and innovation company, for distribution of Medistim products in India, one of the world's largest and fastest growing markets for cardiovascular surgery. LivaNova is already the distributor for Medistim in Australia.

To make flexible and ease of use solutions for the customers, Medistim implemented the Pay Per Procedure functionality on the MiraQ platform for US customers.

Medistim's strategic progress relies on strong clinical documentation by leading medical centers to create support from Key Opinion Leaders (KOLs). It is a strategic priority to support this by increasing the focus on blood flow measurements, ultrasound imaging, surgical guidance, and quality assurance in relevant forums and channels.

In October 2021, another clinical study was published in the top journal Circulation. Circulation is the official journal of the American Heart Association – and one of the highest ranked journals in cardiology and cardiovascular medicine, published a consensus paper by 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG). The study describes a systematic review to identify best practice evidence for guideline development published the last 20 years. Over 2,200 articles identified, more than 1,550 of them screened, and 38 of them included in this review paper. The expert consensus process resulted in a new flowchart for decision making guidance to cardiac surgeons on how to utilize TTFM during surgery. The first of the 10 consensus statements and justifications states "TTFM should be used in every CABG case". The panelists agree "that quality assurance in CABG procedures should be established as a key component to improve patient outcomes".

This is a pivotal paper for Medistim that clearly graces all of the initiatives to position MiraQ™ technology for routine use during CABG surgery. Having the technology in focus in one of the world's most renowned cardiovascular journals indicates that Medistim is moving in the right direction with its strategy. Medistim's REQUEST study published in 2020 was one of the key papers that was assessed to underpin the importance of routine use of quality assessment. This strong advocacy will not only exert peer influence within the community of cardiac surgeons, but it may pave the way for new and enhanced clinical guidelines worldwide.

6.2 Regional development

USA	2021	2020	% chg y-o-y
Flow procedures	**59,397**	47,256	+26%
Imaging procedures	**12,635**	8,803	+44%
Capital sales	**38**	26	-+46%
Lease	**19**	13	+46%

OUTSIDE USA	2021	2020	% chg y-o-y
Flow systems	**125**	124	+1%
Flow and imaging systems	**67**	47	+43%
Imaging probes	**107**	75	+43%
Flow probes	**7,988**	6,218	+28%

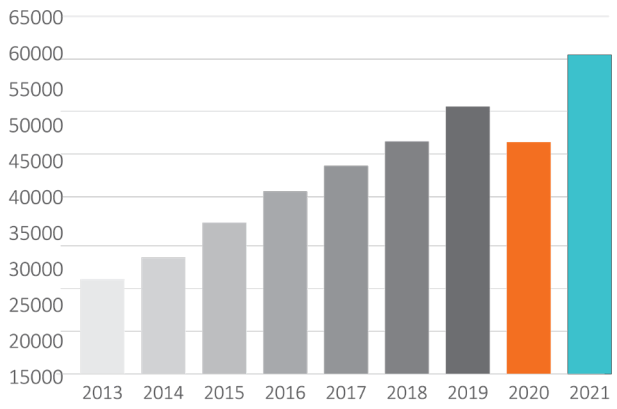
USA

USA is the largest market for the Medistim's products, representing 33% of global CABG procedures. Total US revenues amounted to NOK 154.1 million in 2021, up 22% from 2020. Adjusted for currency effects, sales were up 33%.

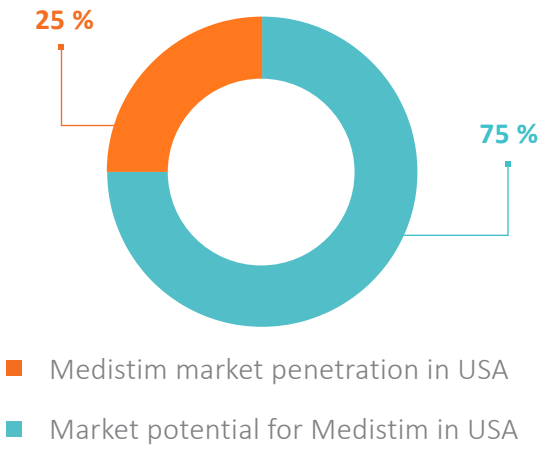
Total revenues for 2021 include a one-off recording of 5.3 MNOK as other revenues. This was related to the Paycheck Protection Program established by the US federal government to help businesses keep employees employed during the COVID pandemic. Medistim has kept all its USA employees throughout the pandemic and was therefore qualified for the program. Hence, U.S. product sales, when excluding this extraordinary income, increased with 17.7% year to date. Adjusted for currency effects, product sales were up 28.4%.

Some 70% of all bypass surgeries in the U.S. are performed by surgeons, using their fingertips to check for a pulse as the only quality assurance. This is a clinically proven unreliable method, highlighting the need and potential for Medistim's

Procedure sales in the USA



Market penetration in USA Cardiac market



products and the Group has high market ambitions. Medistim's current market penetration is over 25% of the total market of approximately 200,000 bypass surgery procedures performed annually. In comparable markets like Germany, Scandinavia, and Japan, Medistim has achieved market penetration exceeding 80%. The Group expects that market penetration in USA will develop in the same manner over time.

To strengthen its market outreach, Medistim offers several business models in the USA. In addition to traditional capital investments and purchase of consumables, hospitals can choose to either pay per procedure or enter leasing agreements. In 2021, procedural sales amounted to 73% of the total sales, ending at NOK 112 million. This is up 12% from 2020 (+23% currency adjusted).

During the year, 72,032 procedures were sold, (56,059) of which 59,397 were flow procedures (47,256) and 12,635 were imaging (8,803). Capital sales were 26 units, compared with 26 units in 2020.

Outside USA

Sales in markets outside USA, mainly Europe and Asia, were NOK 199 million, up from NOK 169 million in 2020. Adjusted for currency effects, sales were up 24%.

In these markets, the systems are owned by the hospitals and revenues are more evenly split between capital sales and sale of consumables. In 2021, sales of flow and imaging measurement probes amounted to over 60% of total sales, ending at NOK 123 million, compared with NOK 98 million in 2020. Currency neutral sales were up 29% year-over-year. In addition to increased market penetration there was a higher activity within CABG surgery due to patient queues because of COVID-19. Sale of systems continue to increase to NOK 72 million from NOK 64 million in 2020.

Europe

Medistim has developed a strong market position in Europe with about 1050 systems installed, representing a solid base for future recurring revenues. Total European sales of own products in 2021 were NOK 115.8 million, up 10% from NOK 105.7 million in 2020. Currency neutral sales were up 15.7%.

During the year 4,574 probes were sold, (3,979) of which 4,524 were flow probes (3,943) and 50 were imaging (36). Capital sales were 81 units (71). The direct representation in the United Kingdom, Spain and Germany continue with positive development and sales increased with 58%, 28% and 7% respectively. Sales through distributors ended at NOK 42 million, up 21% compared to 2020. The installed base continued to increase and solid probe demand resulted in a 15% growth in sales compared to 2020.

Asia

Sale to Asian markets were NOK 67 million for the year, up from NOK 47 million in 2020. The increase is driven by sales to Japan and China. Sales to Japan ended at NOK 26,5 million, up 33% compared to 2020. Similar for China sales ended at NOK 32 million, up 68% compared to 2020. In China number of CABG procedures increases with 5 to 10 % per year and is a strategic market for

Medistim. Medistim covers more than 50 % of the 50,000 procedures performed in China and is well represented in the Chinese market. The introduction of MiraQ to the Japanese market late 2019 continue to drive system sales in Japan.

During 2021, 93 MiraQ systems were sold in the Asian markets, compared with 82 systems in 2020. Sale of flow system was at the same level as last year and the growth of system sales was the combined ultrasound flow- and imaging system. Total number of probes sold in Asia increased 58% from 2020, reflecting increased CABG activity. The increase is explained by increased market penetration and treating patient queues because of COVID 19. During 2021, Medistim sold 2,729 probes, (1,719) of which 2,683 were flow probes (1,693) and 46 were imaging (26).

Other markets

Sales in other markets amounted to NOK 16 million, down from NOK 17 million the previous year.

6.3 Organization, HSEQ and sustainability

Medistim has sales representation in its main markets and production and main office functions in Norway. At year-end 2021, Medistim had 116 employees, compared to 121 in 2020. The working environment and culture in Medistim are considered strong, and there is continuous focus on initiatives for improvement. In 2021, absence due to sickness was 3.2%. This compares to 3.8% in 2020.

Medistim strives to be an attractive workplace that offers challenging and motivating jobs and equal development opportunities for all. There is no discrimination due to gender, nationality, culture or religion with respect to remuneration, promotion or recruitment. The Company is committed to recognize diversity and ensure equal opportunities, including fair employment conditions. Medistim supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation (ILO). For more information, please see Chapter "9. Sustainability Report" of this Annual Report.

6.4 Financial Review

Going concern

The Board of Directors confirms that the financial statement has been prepared based on the assumption of a going concern.

Profit & Loss

The Medistim Group's sales for the full year 2021 ended at NOK 427.3 million (NOK 363.1 million). Currency neutral, sales increased 24.6%.

Sales in Asia increased 42.7%, while sales in the U.S. and Europe increased 21.9% and 9.8%, respectively. Regional sales in "Rest of the world" declined 3.0%. In Europe sales of own products rose 9.6% and third-party product sales through the subsidiaries in Norway and Denmark rose 10.0%.

Total revenues for 2021 include an extraordinary recording of 5.3 MNOK as other revenues in the USA. This was related to the Paycheck Protection Program established by the U.S. federal government to help businesses keep employees employed during the COVID pandemic. Medistim has kept all its USA employees throughout the pandemic and was therefore qualified for the program. Hence, U.S. product sales, when excluding this extraordinary income, increased with 17.7% in 2021.

Total sales of own products in 2021, amounted to NOK 347.6 million (NOK 295.6 million), while sales of third-party products were NOK 74.3 million (NOK 67.5 million). Currency adjusted, sales of own products, excluding the debt forgiveness, increased 26% during the year, while sale of third-party products increased 10%. Average NOK exchange rates towards USD and EUR in 2021 were 8.59 and 10.16 respectively, while equivalent rates in 2020 were 9.37 for USD and 10.72 for EUR.

Currency adjusted development of total sales in 2021, excluding the debt forgiveness, was 23% (-6,1%). For own products the volume was 26.0% (-7.2%) while volume for third-party products increased 10.0% (0.0%). The growth was related to increased market share and increased activity within CABG surgery to reduce patient queues because of COVID 19.

Cost of goods sold (COGS) amounted to NOK 97.1 million (NOK 76.6 million), representing 22.7 % of sales (21.1 %). The higher level of sales through distributors, product mix and increased sale of third-party products, explain the increase in COGS in percent in 2021 compared to 2020.

Salary and social expenses were NOK 134.5 million (NOK 119.1 million), while other operating expenses were NOK 56 million (NOK 48.8 million). Strong sales results increased sales commissions and bonus achievements. Higher activity level

also explains the increased expenses for the year. Expenses in 2020 was unnaturally low because of the COVID situation. For comparison, expense level in 2021 was 8 % above the expense level in 2019.

Medistim continuously invests in existing and new products to cover the surgical requirements for quality verification. The company spends between 4% and 5% of annual sales in research and development (R&D). In 2021, total R&D spends amounted to NOK 18.6 million (NOK 16.5 million), corresponding to 5.4 % of sales of own products. Of this, NOK 4.1 million (NOK 1.9 million) was activated in the balance sheet.

The result before R&D, depreciation and write-offs was MNOK 154.2 (MNOK 133.1 million), equaling a margin of 36.0% (36.6%). Operating result before depreciation and write-offs (EBITDA) ended at MNOK 139.7 (MNOK 118.6). Depreciation for the year amounted to NOK 23.4 million (NOK 23.1 million).

The operating result (EBIT) was a record NOK 116.3 million (NOK 95.5 million), corresponding to an EBIT-margin of 27.3 % (26.3 %)

The Group recorded net financials of NOK -2.2 million (NOK -3.9 million), of which NOK 10.4 million of financial expenses (NOK 18.0 million) and NOK 8.1 million of financial income (NOK 14.1 million). Net finance was related to realized and unrealized gains or losses related to currency, cash in USD and EUR and customer receivables.

Profit before tax was NOK 114.1 million (NOK 91.6 million). Tax amounted to NOK 23.2 million (NOK 22.2 million) and the net profit for the year was NOK 90.9 million (NOK 69.4 million), corresponding to earnings per share for the full year of NOK 4.99 (NOK 3.81).

Average number of shares outstanding during the year were [18.215.938] (18.200.391) by the end of December 2021.

Cash Flow Statement

Cash flow from operating activities amounted to NOK 128.1 million (NOK 74.3 million). Working capital decreased NOK 4.1 million during the year, driven by a NOK 15.2 million decrease in inventories.

Cash flow from investing activities was negative NOK 11.5 million (NOK 10.6 million) all related to investments in assets.

Cash flow from financing activities was negative NOK 58.8 million (NOK -58.3 million), of which NOK 55 million (NOK 50.0 million) was payment of dividends. Debt repayment was at NOK 4.5 million during the year (NOK 3 million), while leases amounted to NOK 6.9 million (NOK 6.7 million).

During the year cash and cash equivalents increased by NOK 57.6 million (NOK 5.1 million). At 31 December 2021, total cash and cash equivalents amounted to NOK 129.5 million (NOK 71.9 million). Sales of own shares contributed with 7.6 MNOK.

Financial position

At 31 December 2021, Medistim's working capital totaled NOK 145.7 million, compared with NOK 149.9 million the year before. During the year, inventory decreased by NOK 15.2 million. As a consequence of increased sales, accounts receivables increased NOK 11.1 million during the year. Accounts payables were on par with last year. By year end the company had no interest bearing debt and long term debt of NOK 19.6 million. NOK 17.1 million of the debt was related to lease agreements and NOK 2.5 million was related to deferred revenue.

The total balance sheet amounted to NOK 403.2 million (NOK 345.8 million). Total equity was NOK 306.1 million (NOK 256.8 million), corresponding to an equity ratio of 76% (74%). Book value of properties, plants and equipment amounted to NOK 58.8 million (64.6). Intangible assets were NOK 30.1 million (NOK 33.5 million), of which product development and goodwill represented NOK 16.0 million and NOK 14.1 million respectively.

The company has a deferred tax asset of NOK 3.2 million (0.8) related to temporary differences between carrying amount and tax values.

Interest-bearing debt at the end of the year amounted to NOK 0.0 million, down from NOK 4.5 million at the end of 2020.

The Medistim Group's financial position, cash flow and ability to finance its activities is considered satisfactory.

Share capital and number of shareholders

At 31 December 2021 the share capital of the Medistim ASA parent company was NOK 4 584 334,00 split on 18 337 336 shares issued at par value of NOK 0.25 per share. The share is freely traded on the Oslo Stock Exchange. The company had over 1000 shareholders and owned 108 422 treasury shares at year-end.

6.5 Parent company financial review

The parent company Medistim ASA had 2021 sales of NOK 258.5 million (NOK 195.4 million). Operating profit was NOK 77.3 million (NOK 45.4 million) and profit before tax amounted to NOK 97.4 million (NOK 70.0 million). Medistim received a dividend from its subsidiary in Norway of NOK 24.0 million in 2021 (NOK 25.2 million). No group contribution was received in 2021 or 2020. Profit after tax for the parent company was NOK 80.7 million for the full year (NOK 60.2 million).

At 31 December 2021, the parent company's total assets amounted to NOK 310.4 million compared to NOK 244.7 million as of 31 December 2020. Equity in the company was NOK 165,8 million (NOK 140.5 million), corresponding to an equity ratio of 53.4% (57.4%).

At year-end 2021, the parent company had NOK 75.1 million in cash. The company's financial position and ability to finance future activities and investments was considered satisfactory. Cash flow from operating activities was NOK 93.0 million for the parent company in 2021

Allocation of profit

The Board of Directors suggests that NOK 80.7 million of the 2021 net profit is allocated to ordinary shareholder dividend, equal to NOK 3.75 per share (NOK 3.00 for 2020), which amounts to NOK 68.4 million corrected for the company's holding of own shares. The remaining NOK 12.3 million is allocated to other equity.

The Board of Directors will propose the dividend to the general meeting general. The proposed dividend equals a pay ratio of 75.2% (78.7%) of the consolidated result. The dividend reflects the Board's positive expectations of future earnings. Over the past 10 years, the company has paid NOK 388 million in accumulated dividends to shareholders.

6.6 Corporate governance

Medistim depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and maintain trust and confidence in the company and ensure long-term value creation in the best interest of the company's shareholders. The company's corporate governance structure is based on Norwegian legislation and the Norwegian Code of Practice for Corporate Governance, last revised October 2021. Medistim complies with the Code of Practice, with certain deviations, as outlined and explained in the Corporate Governance Report in this annual report.

6.7 Main risk factors

Market/Operational risk

Competition: Medistim has one single direct competitor for TTFM technology; Transonic Inc. Transonic has offered their flowmeters to the market for as long as Medistim has been in the market. Medistim today has about 80% of the penetrated market. Medistim is not aware of new competitors or technologies that could change the competitive landscape significantly.

Risks related to device malfunction: Medistim has established comprehensive procedures as part of its Quality Management System in compliance with ISO 13485:2016 to ensure the safety of its products. There were no reportable events in 2021.

Financial risk

Foreign exchange risk: Medistim is exposed to changes in exchange rates with most of the company's revenues generated in USD and EUR. The company enters hedging contracts to reduce exposure to changes to foreign exchange rates and the potential impact on financial performance.

Liquidity risk

Medistim prioritizes managing liquidity risk to ensure the company meets its obligations in time and maintains its financial flexibility. Cash generated from operations is Medistim's main source of liquidity. The group has over the past five years utilized strong revenue and profit development to build a cash reserve to meet increased working capital requirements as company grows. Additionally, Medistim has a credit facility with a limit of 22.5 MNOK as a source of additional liquidity.

Interest rate risk

The company is exposed to changes in interest rate levels, but has no long-term debt.

Macroeconomic risk

The global economic situation will affect the company since Medistim is a supplier to the health care sector in many countries. Management closely monitors the associated financial risks.

Credit risk

Medistim considers the risk that customers are

unable to fulfill economic obligations as low, which is confirmed by the level of historic losses on receivables. The customers are mainly public hospitals with secure financing.

OTHER RISK FACTORS

Regulatory risk

Medistim depends upon regulatory approvals from health authorities for permission to sell its products. The company is revised on a regular basis to verify that approvals can be maintained. There is a latent risk that changes in regulatory conditions can result in a loss-of-approval to sell products in a given market.

Health care priorities

In general, health care institutions have many priorities and limited resources. For this reason, it is imperative for Medistim that the company's solutions have clinical acceptance in order for health care systems and institutions to invest in Medistim's products.

COVID 19

The outbreak of the Corona and ensuing COVID-19 pandemic affects Medistim's operations and markets. In 2021 there were still cases where health authorities and hospitals delayed surgeries, prioritizing acute treatment of Corona virus patients.

Some hospitals have denied unnecessary access to external personnel which may affect sales of new equipment. Virtual meetings and online demonstrations have been implemented to offset these potential effects. Medistim is well positioned in regard its components situation with up to 12 months inventory levels and many company functions are handled through home office.

Medistim's production activities depend on employees physically being present at the production facilities. A large or local outbreak may result in several employees being infected by the virus or quarantined to avoid the spread of the virus, potentially affecting productivity and output.

The situation is being continuously monitored, contingency plans are in place and the level of measures are being adjusted as appropriate.

The company has director and officer's liability insurance. The insurance covers the board of directors' and management officers' legal personal liability for pure property damage related to the duties performed as directors and officers.

6.8 Events after the balance sheet date

The Russian and Ukraine conflict is expected to have minor impact on Medistim business. Sales to these countries was less than 2% of total sales in 2021. The Board of directors has no knowledge about other events after 2021 that will affect the annual report and financial statement for 2021. See Board of director's report under other risk related to the Corona virus situation.

6.9 Outlook

Medistim's ambition is making blood flow measurements and intraoperative ultrasound imaging standard-of-care in clinical practice for CABG procedures and vascular surgery, and making its technology available for all patients and surgeons regardless of economy or geography.

Medistim is already the global leading provider of flow and imaging systems, with dominant market positions in most developed markets, continuously expanding its footprint represented by a current installed base of approximately 3,150 systems in more than 65 countries.

However, market penetration varies from above 80% in selected European and Asian markets, to 25% in USA, the world's largest market for CABG procedures. This represents a significant market opportunity for Medistim. Through continued strengthening of its sales organization, introduction of alternative business models and convincing clinical documentation and support from KOLs, Medistim aims to develop this large under-penetrated market. The company has also extensive growth ambitions in developing economies, confirmed with the recent Distributor Agreement with LivaNova for the Indian market.

Medistim has delivered record profit and cash flow despite the impact from COVID-19 in 2021. The need for Medistim's products has not changed, hence the expectation is that it is only a matter of time before cardiac bypass surgery activity recover normal levels.

Medistim will also continue its technology and product development to improve its offering and combined with recurring revenues from its already installed base of more than 3,150 systems, the company is well positioned to continue its journey of profitable growth as markets gradually recover to pre-COVID 19 conditions.

6.10 Shareholder information

Share price development

Medistim ASA has one class of shares. There were 18,337,336 shares issued at the end of 2021, each with a nominal value of NOK 0.25, unchanged from end of 2020. During the year, the shares traded between NOK 250 and NOK 409 per share, and 9.3 million shares were traded in total.

SHARE PRICE DEVELOPMENT OVER THE PAST 5 YEARS

Major shareholders and voting rights

Medistim had 1,073 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2021, whereof the 20 largest shareholders owned 75.4%. The percentage of issued shares held by foreign shareholders was 58.5%. All the shares registered by name carry equal voting rights. The shares are freely negotiable. 20 largest shareholders is shown in note 20. An overview of the 20 largest shareholders is available on Medistim's website, updated every week.

Corporate actions

CORPORATE ACTION	
2020 Financial statements approved by the Board	19.03.21
Annual report 2020 disclosed	29.03.21
Annual General Meeting	27.04.21
Resolution to distribute dividend of NOK 3.00 per share	27.04.21
Ex dividend NOK 3.00	28.04.21

Dividends and dividend policy

Medistim's shareholder policy is to maximize shareholder value. This will be achieved through sound business development and an aggressive growth strategy. Medistim will seek to provide annual dividends, depending upon the company's financial capacity and financing needs to ensure future growth. The company will at all times ensure that it has the financial capacity and equity to achieve future plans for growth.

Based on the 2021 results, the Board of Directors will propose to pay a dividend of 3.75 for 2021 corresponding to a pay-out ratio of 75.2%. For 2020, Medistim paid a dividend of NOK 3.00 per share corresponding to and a pay-out ratio of 79%. Over the last ten years, Medistim has paid NOK 388 million in accumulated dividend to shareholders.

Analyst coverage

DNB, Danske Bank and Sparebank 1 Norwegian and Nordic investment banks had active coverage of Medistim ASA in 2021 For contact details, please see the company website www.medistim.com.

General Meetings and Board authorisations

The 2021 AGM granted the Board of Directors the following authorizations:

1. Authorisation to increase the share capital by up to NOK 458,433.25.
2. Authorisation to acquire treasury shares in Medistim ASA for up to a maximum nominal value of NOK 458,433.25.

Further information can be found in the minutes from the Annual General Meeting, available from the company's website www.medistim.com and www.newsweb.no.

FINANCIAL CALENDAR 2022

Event	Date
4th quarter 2021 results	25.02.2022
Annual General Meeting	27.04.2022
1st quarter 2022 results	28.04.2022
Half-yearly 2022 results	23.08.2022
3rd quarter 2022 results	28.10.2022

Oslo March 22nd 2022

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chairman
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
CEO
Sign.

7. COMPANY DESCRIPTION

7.1 Vision, mission, values

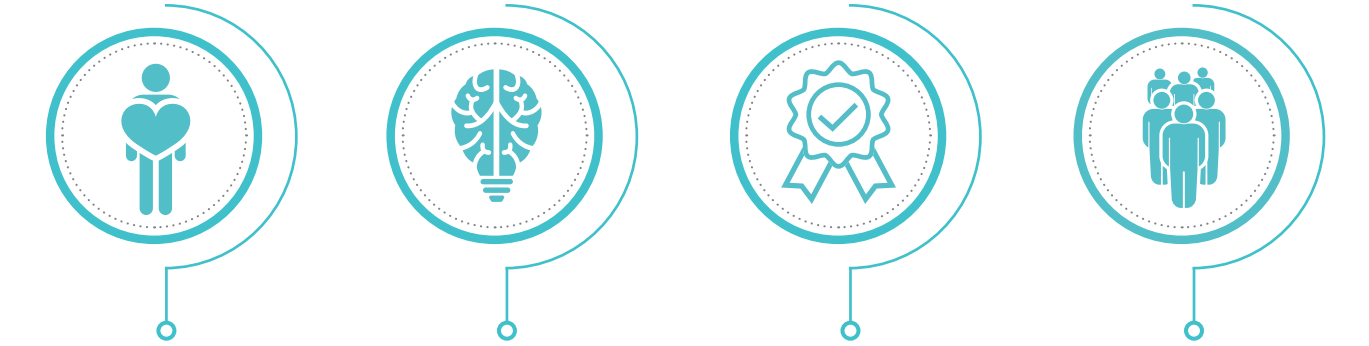
Medistim's technologies and solutions increase the probability of a positive outcome of surgery for the patient and enable greater efficiency and lower costs for health care providers by reducing additional and unnecessary surgical re-interventions. The company's long-term vision is stated as:

Medistim is standard-of-care in the operating room.

This implies, making Medistim's solutions the standard-of-care in clinical practice for Coronary Artery Bypass Graft (CABG) surgery procedures and vascular surgery, ensuring that blood flow measurements and intraoperative ultrasound imaging are performed on all patients.

Values

All conduct is based on the four elements of the company's core values – Courage, Innovation, Quality and People.



COURAGE	INNOVATION	QUALITY	PEOPLE
To set challenging goals	Encourage creativity, discovery, and innovation	Outstanding quality in everything we do	Trustworthy, honest, and ethical
To be open and transparent	Value new ideas and test them out	Commitment to Medistim QMS	Generous and welcoming to customers and colleagues
To share knowledge and experience	Problem-solving and solution-oriented mindset	High competence and unique expertise	Value, trust and respect each other
To try without fearing to fail		World-class products and services	Promote physical and emotional health and quality of life
To challenge accepted beliefs		Amazing customer experience	

Addressing serious, common and increasing global medical problems

Cardiovascular diseases (CVDs) is the number one cause of death, representing approximately 1/3 of all deaths worldwide[1]. CVD is a general term for conditions affecting the heart or blood vessels. It is usually associated with a build-up of fatty deposits inside the arteries (atherosclerosis) and an increased risk of blood clots. It can also be associated with damage to arteries in organs such as the brain, heart, kidneys and eyes.

The main risk factors for CVD are high blood pressure, dietary risks leading to obesity, diabetes, smoking, in addition to higher age. Both obesity and diabetes are increasing world-wide, reflecting economic growth and a growing middle class in developing economies. In parallel, the number of people above 60 years of age is also growing globally.

Treatment alternatives include the use of pharmaceuticals, endovascular procedures and open surgery.

1 Journal of the American College of Cardiology Volume 76, Issue 25, 22 December 2020

Endovascular procedures, including Percutaneous Coronary Intervention (PCI), are considered less invasive by accessing blood vessels through a surgical small incision and using a catheter to insert and to place a stent inside the arteries to obtain revascularization.

A coronary artery bypass graft (CABG) is an open chest surgery and involves taking a blood vessel, also known as a graft from another part of the body (usually the chest, leg or arm) and attaching it to the coronary artery above and below the narrowed area or blockage.

7.2 Medistim's solutions

Medistim's devices are increasingly used to support CABG and other vascular surgical procedures. The solutions enable cardiac imaging, blood flow measurement and provides surgeons with immediate feedback on procedure outcome.

Intraoperative surgical guidance and quality assessment with ultrasonic imaging and blood flow measurement reduces risk of stroke for the patient. It also provides the surgeon with a tool to verify graft functionality, indicate when revisions are needed and to optimize graft strategy during surgery.

Globally, some 700-800,000 CABG procedures are carried out on an annual basis. Although the use of solutions for real-time blood flow measurement and ultrasound imaging during procedures is increasing, the vast majority are executed by surgeons merely relying on experience and physical finger palpation for graft patency assessment.

Currently only some 40% of the global CABG market is utilizing support systems. Development of the overall market, by increasing acceptance and use of supporting technology such as Transit Time Flow Measurement (TTFM) and High-Frequency Ultrasound Imaging (HFUS) represents Medistim's main growth opportunity.

Medistim is already the leading provider of flow and imaging systems, with dominant market positions in most developed markets. The offering is two-fold; 1) medical systems for monitoring and analysis, and 2) consumables, including re-usable cardiac and vascular probes and ultrasound imaging probes. Sales of consumable correlates to the number of procedures executed and is highly dependent on size of installed base of systems. The company is continuously expanding its footprint represented by a current installed base of approximately 3,150 systems in more than 65 countries.

Medistim develops this large under-penetrated market through convincing clinical documentation and support from Key Opinion Leaders (KOLs), to make HFUS and TTFM standard of care for CABG surgery.

Medistim will continue its technology and product development to maintain its strong position and strengthen its sales and marketing organization improving capacity and outreach. Medistim's ambition is that its products and solutions shall benefit all patients and surgeons all over the world.

Medistim assembles and manufactures its devices and probes in Horten Norway, except for the imaging probe and SonoQ system, which are produced by third parties.

7.3 Strategy

Medistim's strategic progress relies on strong clinical documentation, technology and product innovation and development, and the ability to effectively commercialize its product portfolio worldwide.

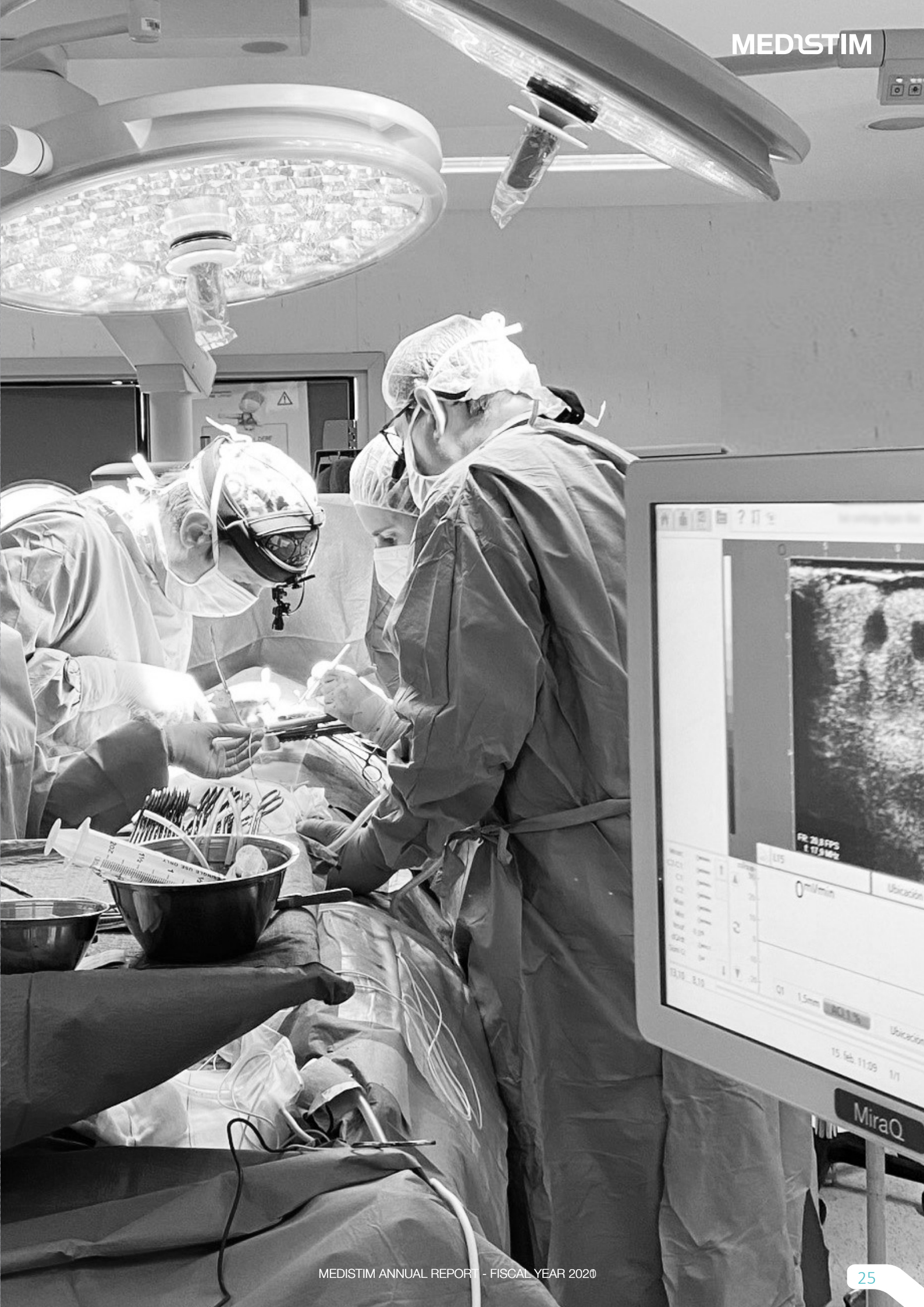
Strong clinical studies by leading medical centers create support from Key Opinion Leaders (KOLs), and it is a strategic priority to support this by sharpening the focus on blood flow measurements, ultrasound imaging, surgical guidance, and quality assurance in relevant forums and channels.

Continuous technology and product development are required to maintain and develop Medistim's leading position within cardiac as well as vascular surgery, and the company plans to launch new products tailored to the specialties within these fields.

The company is continuously strengthening all parts of its organization. This includes the sales, service, marketing and medical teams which interact directly with customers, and the innovation, R&D, QA & Regulatory, and manufacturing departments.

Medistim's strategic priorities

1. Convert Flow-only market to a Flow-and-Imaging market by establishing surgical guidance and quality assessment as the new standard of care through:
    a. Early adopter and KOL support
    b. REQUEST study
    c. Ease conversion from Flow to Imaging with MiraQ
2. Achieve routine use of both Flow and Imaging by fighting ignorance, indifference and ease-of-use objections through:


MiraQ

a. Clinical marketing, guidelines and educational programs
b. Product innovation for ease of use
c. Increased sales force capacity

3. Offer an entry-level solution to reach emerging, price-sensitive, high-growth markets
4. Build and strengthen position in vascular surgery through:
   a. Dedicated system (MiraQ Vascular) & probes
   b. Building position with societies and KOLs
5. Expand direct market coverage

7.4 Technology and Products

Medistim's medical devices are used to improve quality of cardiovascular surgery and are subject to high requirements and product certifications with regards to quality and safety, and require high competence and excellent quality systems.

Technology and Products

Medistim's medical devices are used to improve quality of cardiovascular surgery and are subject to high requirements and product certifications with regards to quality and safety, and require high competence and excellent quality systems.

Technology

Medistim's blood flow measurement (TTFM) and high-frequency ultrasound imaging (HFUS) systems measure, monitor and image blood flow through veins or arteries with precise accuracy during surgery.

The solution comprises two different modalities: a quantitative measuring modality (TTFM) and a qualitative imaging modality (HFUS).

The sensor technology is based on probes. The flow probes are placed on a blood vessel, with the volumetric flow measured and analyzed by the system unit and displayed on-screen as blood flow curves, values, and images. The imaging functionality provides surgeons with real-time guidance during surgery and enables them to uncover possible causes of poor blood flow, correct technical problems, and achieve optimal clinical outcomes.

Transit Time Flow Measurement-TTFM

With TTFM, ultrasound is used to measure blood flow volume directly, based on the fact that the time required for ultrasound to pass through blood is slightly longer upstream (tu) than downstream (td).

The MiraQ offers the fastest and most accurate flow measurements, verifying graft patency while the patient is still in the operating table.

High-Frequency Ultrasound Imaging – HFUS

Ultrasound Imaging can generate images of target areas by transmitting ultrasound pulses and receiving different echoes depending on density. To help locate and understand technical imperfections during blood vessel surgery, the high frequency ultrasound imaging probe can image areas of concern on a real-time basis and reveal morphological (structural) issues for immediate correction before closure.

Epiaortic imaging allows a sensitive, direct diagnosis of aortic disease, which can lead to modifications in intraoperative surgical management.

Epicardial imaging can be used intraoperatively to assess coronary quality, strategize graft placement, and visualize constructed anastomosis (connections).

Imaging of the major **carotids** blood vessels in the neck after carotid endarterectomies (CEA) can reveal technical imperfections that may lead to thrombus formation and stroke if left unrepaired.

Medistim also provides equipment for Doppler measurements of blood flows. However, this technology is increasingly being replaced by HFUS.

Products

Medistim launched its first flowmeter based on transit time flow measurement (TTFM) technology in 1994, the CardioMed. Since then, the company has developed several generations of quality assurance equipment. In 2009, Medistim introduced the first ultrasound imaging probe, and the company is currently the only supplier in the world that offers a user-friendly integrated TTFM and intraoperative high frequency ultrasound (HFUS) imaging system.

Solutions for cardiac and vascular surgery

The **MiraQ™** is Medistim's most advanced product line with configurations for both cardiac and vascular surgery. The MiraQ platform offers specialized configurations for cardiac and vascular applications in the products MiraQ Cardiac and MiraQ Vascular, respectively. The MiraQ Vascular system includes a specialized application menu with a customized user interface adapted to vascular surgeons' requirements, and probes tailored for vascular applications. The MiraQ is also available with both configurations, as the MiraQ Ultimate.

TTFM probes (cardiac and vascular family)

Flow probes utilize the reliable transit time technology to accurately measure blood volume flow intraoperatively in a wide range of applications, from cardiac and vascular, to transplant surgery. Used together with Medistim's systems, they provide fast, accurate and reproducible information to the surgeon instantaneously to provide verification of graft patency and function. The ultimate benefit is quality assurance with immediate feedback that leads to improved surgical outcomes.

Imaging probes

Medistim's imaging probes are used to provide intraoperative surgical guidance. Epiaortic imaging allows a sensitive, direct diagnosis of aortic disease, which can lead to modifications in intraoperative surgical management. Epicardial imaging can be used intraoperatively to assess coronary quality, strategize graft placement and visualize constructed anastomosis. Medistim's flow probes can be used 50 times and the imaging probe can be used 100 times and even more if treated properly. All the electrical components in use comply with environmental standards for electronic waste.

7.5 Research and Development

Medistim continuously invests in existing and new products to cover the surgical requirements for quality verification. The company spends between 4% and 5% of annual sales in research and development (R&D). In 2021 The company spent 5.4 % of annual sales of own products in research and development (R&D).

Utilizing the MiraQ platform

In 2021, the company released an entry level version of the MiraQ platform for low cost markets such as India. This version of MiraQ replaces the SonoQ product that was terminated in 2021.

Product development for increased "ease of use"

In order to grow technology adoption it is pivotal to make the products as easy to learn and use as possible. Medistim is therefore focusing on innovation to develop new features and ensure "ease of use" for the end-customer. The company's innovation team collaborates closely with a network of surgeons and hospitals to test prototypes and new ideas. The goal is to capture the end-customers' needs and expectations before initiation of costly development projects which are subject to strict regulatory regimes. The ambition is to accelerate product innovation and reduce development time by clarifying product design and functionality before a formal development process is initiated. The Innovation team has developed a prototype of a new user interface that will enter into formal development in 2022.

New production technology

Medistim is part of a collaborative project together with GE Vingmed Ultrasound and Sensocure, to develop new production technology within medical devices. The project, «Advanced Manufacturing Technologies for High Impact Medical Devices», has been granted funding of NOK 14.4 million over 3 years by the Norwegian Research Council's BIA Health program. The project which is executed in collaboration with University College of Southeast Norway and the research institutions SINTEF and NORNER, was finalized in 2021.

The new knowledge from this unique project is brought forward to develop technology which improves efficiency and quality of ultrasound probe production.

Clinical study supports routine use of Medistim's technology

In 2021 Medistim's Transit Time Flow Measurement (TTFM) technology received strong support from leading experts, in a new publication in the top journal Circulation.

Circulation – the official journal of the American Heart Association – and one of the highest ranked journals in cardiology and cardiovascular medicine, published a consensus paper by 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG) on October 5th. The study describes a systematic review to identify best practice evidence for guideline development published the last 20 years. Over 2,200 articles identified, more than 1,550 of them screened, and 38 of them included in this review paper. The expert consensus process resulted in a new flowchart for decision making guidance to cardiac surgeons on how to utilize TTFM during surgery. The first of the 10 consensus statements and justifications states "TTFM should be used in every CABG case". The panelists agree "that quality assurance in CABG procedures should be established as a key component to improve patient outcomes".

This is a pivotal paper for Medistim that clearly graces all of the initiatives to position MiraQ™ technology for routine use during CABG surgery.

Having the technology in focus in one of the world's most renowned cardiovascular journals indicate that Medistim is moving in the right direction with its strategy. Medistim's REQUEST study published in 2020 was one of the key papers that was assessed to underpin the importance of routine use of quality assessment. This strong advocacy will not only exert peer influence within the community of cardiac surgeons, but it may pave the way for new and enhanced clinical guidelines worldwide.

7.6 Clinical application areas and target markets

Lifestyle diseases such as obesity and diabetes have increased significantly in recent decades, increasing the need for revascularization procedures. Cardiovascular diseases (CVDs) are the most common cause of death in the western world and on the rise in Asian and Latin American countries adopting western lifestyles.

The adoption of TTFM and HFUS for surgical guidance and quality control is increasing. However, over 60% of surgeons still rely on physical palpation for graft patency assessment, even though "feeling" the pulse is an unreliable indicator of actual blood flow through the vessel.

Hospitals and payers for surgery, such as insurance companies, are increasingly requiring documentation of performance and quality control during any procedure, which is expected to support the adoption of Medistim's solution over time.

7.6.1 Market for cardiac procedures

Percutaneous Coronary Intervention (PCI), i.e. the use of stents, covers approximately 80% of the revascularization procedures, with CABG covering the remaining 20%. Clinical trials document superior results achieved with CABG compared to PCI for patients with multi-vessel disease.

The number of coronary artery bypass surgeries performed has been stable over the past several years, varying between 700-800,000 globally per annum.

A decrease in the number of procedures performed in Western countries in recent years has been compensated by an increase in the BRICS countries (Brazil, Russia, India, China and South Africa). Globally, Medistim expects a stable to growing trend in coming years.

Approximately 80% of CABG procedures are on-pump procedures while 20% are off-pump. Both are equally relevant for Medistim's technology for Transit Time Flow Measurement (TTFM) and High Frequency Ultrasound Imaging (HFUS). The US is the single largest market for Medistim's products, representing close to 30% of the world market, with a combined European market of a similar size.

Large untapped market

To date, Medistim has installed about 3,150 systems in more than 65 countries, and Medistim's flow meters have been used on more than two million patients worldwide. Medistim is the clear market leader in its niche, and its systems are currently being used in more than 35% of all bypass surgeries performed worldwide. Competing providers using the transit time measurement principle are estimated to be used in about 5% of the procedures performed.

This implies that no equipment is being used to verify blood flow in about 60% of the bypass surgeries. This untapped market represents Medistim's largest opportunity.

Medistim expects market penetration and market share to increase gradually, as surgical quality assurance gains more attention and the superiority of the Company's solutions gain wider acceptance.

Total value of the global TTFM market for CABG is estimated to NOK 1 billion per year.

A unique product offering

Adding intraoperative ultrasound imaging more than doubles Medistim's market potential, due to an expanded number of applications and higher pricing compared to traditional flow measurement technology. The total market size within cardiac bypass surgery is therefore estimated at around NOK 2 billion annually.

MiraQ's imaging functionality makes the system relevant also for other types of cardiac surgery, such as heart valve surgery. Medistim estimates this added market potential to be approximately NOK 1 billion on an annual basis. This market represents an add-on opportunity to widen the use of the device beyond CABG only and is not considered an independent commercial strategy.

The combination of Medistim's ultrasound imaging technology and the MiraQ platform represents a unique and differentiated product offering in this market segment, which provides Medistim with a competitive advantage.

Medistim recognizes the value of clinical documentation and has initiated clinical studies to support verification of the impact from its solutions on CAGB surgery. The published results from the REQUEST study in 2020 proved the clinical value of adding HFUS to TTFM and the advantages of combining the two modalities are increasingly being recognized by the medical societies and cardiac surgeons. This is supported by the study published in the Circulation where 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG) makes the statement: "TTFM should be used in every CABG case".

Guideline endorsements

Inclusion in the leading health organizations' guidelines for clinical surgery is vital to achieve «Standard of Care» status for TTFM and HFUS in coronary bypass surgery. Medistim engages in continuous dialogue with a broad range of organizations to increase awareness of and knowledge on the company's solutions.

Currently, TTFM during CABG procedures are endorsed by the guidelines from the European Society of Cardiology (ECS), the European Association for Cardio-Thoracic surgery (EACTS), and The British National Institute for Health and Clinical Excellence (NICE). All are highly respected organizations and their recommendations are expected to influence clinical practice also in countries outside their jurisdictions, including in the USA.

The health care providers and surgeons performing CABG procedures are conservative and it is hard to measure the direct effect from recommendations and studies. However, it is Medistim's experience that the recommendations have influenced demand positively during 2020 and 2021 and expects increasing recognition to continue to support demand in the years to come.

Penalties for readmissions

Several countries are going through reforms to make quality healthcare available to a growing population in a financially sustainable way. This includes demands for higher quality procedures with less errors and re-interventions. In the US, the Centers for Medicare and Medicaid Services have, for example, cut reimbursement for 30-days re-admission after CABG as a penalty if hospitals have not been able to deliver and document high quality surgical results. Implementing technology that provides intraoperative surgical guidance and quality assessment is one way of achieving and document improved quality and outcomes.

Installed base conversion

Medistim expects several hospitals to upgrade current systems to the more advanced MiraQ system. It offers a wider range of uses and the system's imaging functionality provides valuable additional information to current TTFM, increasing the economic value for the users.

7.6.2 Market for Vascular Surgeries

Applications	# of procedures	Value potential NOK million	Clinical needs
Peripheral bypass	> 200,000		Improve long-term graft patency | Improve quality of life
CEA	> 200,000		Reduce risk of death and stroke | Improve cost effectiveness
AV Access	> 200,000		Secure maturation of shunt/fistula |Reduce risk of cardiac failure and hand ischemia

Medistim has a strong position in the vascular market in the Nordic countries and in Germany and is working to build similar positions in other markets as well. Medistim's focus areas within Vasular Surgery include peripheral bypass, CEA and AV access.

Peripheral bypass surgery is primarily performed on the major arteries in the legs, whereas CEA is a procedure where blockages in the neck arteries are surgically removed to reduce risk of stroke. AV access surgery is performed to create a successful shunt or fistula that are used to connect a patient

in need of dialysis to a dialysis machine. The MiraQ Vascular solution supports all three types of interventions with ultrasound imaging and blood flow measurements guiding the surgeon during the procedure to assure the quality of the clinical outcome. The MiraQ Vascular is a "versatile tool for a variety of applications."

The CIDAC study

Clinical support and studies are key enablers for Medistim to increase market penetration, also in vascular surgery. In 2020, the CIDAC (Comparison of Intra- operative Duplex Ultrasound and Angiography after Carotid Endarterectomy) study was published in the European Journal of Vascular and Endovascular Surgery (EJVES). The results demonstrated that HFUS detected significantly more high-grade defects that needed revision compared to angiography, and with significantly higher interobserver reliability. The authors conclude that given the lesser invasiveness, HFUS could be considered as an alternative to angiography for intra-operative completion control in CEA, further strengthening the support of using Medistim's ultrasound imaging device and probe for reducing the risk of stroke after CEA.

7.7 Geographical target markets

Medistim is the undisputed market leader in the global CABG market with a strong position in core geographical markets.

USA

Representing close to 30% of the global CABG market, USA is the most important market for Medistim, accounting for 44% of total revenue from own products in 2021.

The US subsidiary has 25 employees sales representatives covering all states, all of which have extensive healthcare experience. The company has had direct sales operations in the US since 2007. Medistim has over 650 systems installed in the US.

In addition to regular sales activities, the commercial strategy includes cooperation with influential surgeons and key opinion leaders at leading cardiac centers. Company representatives are in close dialogue with medical associations like The American Association for Thoracic Surgery (AATS) and The Society of Thoracic Surgeons (STS), to motivate these organizations to include Medistim's equipment in guidelines for standard of care for CABG.

The US CABG market is underdeveloped, with less than 30% of surgeries performed with support from medical systems ensuring proper blood flow. Medistim has a market share of approximately 25 % of a total market of approximately 200,000 annual bypass surgery procedures and sees a substantial market potential due to the still low penetration of CABG surgery support systems.

To strengthen its offering, Medistim has introduced a flexible business model for the US market. In addition to traditional capital investments and purchase of consumables, hospitals can choose to either pay per procedure or enter leasing agreements. Under these agreements the systems are placed at the hospitals free of charge, with the customer purchasing a "per' surgery" smart card or paying a monthly lease.

EUROPE

Europe represents Medistim's second largest market. The main European markets are served through direct in-country operations, while remaining markets are covered by distributor agreements.

Nordic countries

Medistim has a strong position with all cardiac centers in Norway, Sweden, Finland and Denmark, with directs sales in Denmark since 2011. Several vascular centers also have Medistim systems that are being used on a regular basis. The market share of CABG procedures is above 70%. Both markets are mature, with revenues mainly generated from sale of consumables and irregular replacement of old systems. In Norway and Denmark, Medistim also operates as distributor for other surgical products.

Germany

Germany is the largest market in Europe, with about 44.000 CABG procedures performed per year and Medistim has had direct representation there since 2002. Medistim has a high penetration within coronary surgery in Germany with a market share of more than 80% but still have opportunities for growth by converting customers to become both flow and imaging customers. The vascular market represents an opportunity for growth in the future.

United Kingdom

In the United Kingdom, Medistim has had direct representation since 2012. Some 16,000 CABG procedures are performed in the United Kingdom every year, and Medistim's equipment is currently used in about 10% of these.

Market penetration in the United Kingdom has taken longer than anticipated, and sales are still modest compared to the perceived potential. Medistim expects increased adoption of TTFM and HFUS following the 2018 update to the NICE recommendation for use of Medistim's solutions. The company has also established a solid reference center in Oxford through the REQUEST study, further supporting marketing of Medistim medical solutions.

Spain

Medistim established direct representation in Spain in 2017. Around 7.000 coronary artery bypass surgery (CABG) procedures and 8.000 vascular procedures are performed per year.

Medistim has an installed base of 80 systems, most of them on the VeriQ platform and older versions. These versions only include TTFM and do not support imaging modality. Medistim sees great potential in upgrading of the installed base to the MiraQ platform, which provides the combination of ultrasound imaging and TTFM in one system.

Medistim's technology is used in 80% of all coronary surgical procedures as the installed base is primarily in cardiac centers. This indicates an untapped potential in the vascular market, which represent only a small number of Medistim's installed base.

European distributor markets

Elsewhere in Europe, Medistim is represented through distributors. This includes countries such as Russia, Poland, Italy and France which are considered as promising long-term growth markets.

ASIA

Japan

With over 90% of all CABG procedures using Medistim technology for blood flow measurement systems and ultrasound imaging, Japan is one of the most developed markets for Medistim's solutions. The Japanese market counts some 13,000 procedures annually.

China

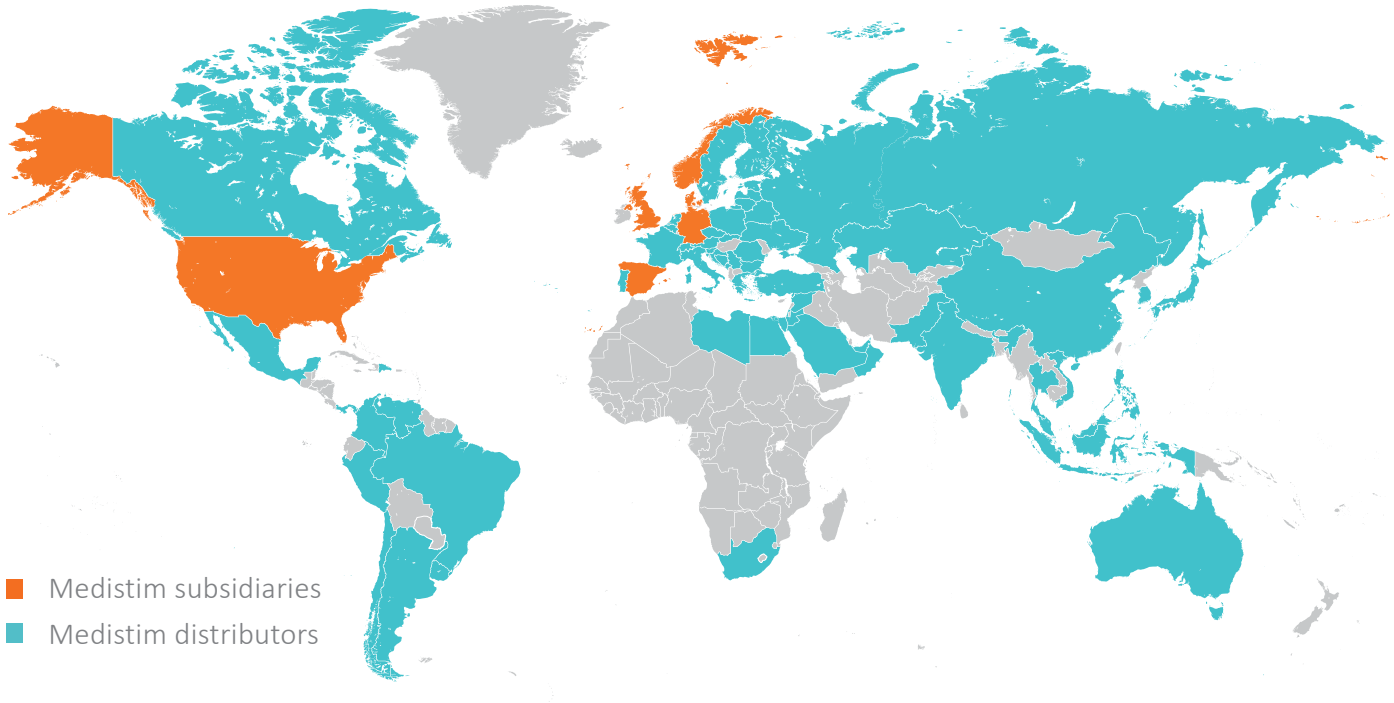
About 50,000 CABG procedures are performed annually and Medistim's share of this market is about 45%.

India

Approximately 100,000 CABG procedures are performed annually. Medistim's market share is below 5%. This is an interesting target market for Medistim and with the new distributor partnership with LivaNova, it is expected that the Indian market will become a future driver for growth.

OTHER MARKETS

Medistim has established distributor partnerships with Medtronic in Canada and LivaNova in Australia and is experiencing positive development in these markets. The company has a high market share in the Middle East, while Latin America to date represents a very small part of business activities.



8. CORPORATE GOVERNANCE REPORT

Medistim depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and maintain trust and confidence in the company and ensure long-term value creation in the best interest of the company's shareholders.

8.1 Implementation and reporting on corporate governance

Medistim is a Norwegian public limited company listed on Oslo Børs, and bases its corporate governance structure on Norwegian legislation and recommended guidelines. The corporate governance policy is subject for an annual review by the Board of Directors.

The company observes the Norwegian Code of Practice ("Code" or "Code of Practice") for Corporate Governance, last revised 14 October 2021, issued by the Norwegian Corporate Governance Board.

This report discusses Medistim's main corporate governance policies and practices and how Medistim has complied with the Code of Practice in the preceding year. Application of the Code is based on the "comply or explain" principle, and deviations from the Code is explained under each item.

8.2 Business activity

Medistim's mission is to develop cost-effective solutions to health-care providers,patients and payers in the global surgical market. Its Ultrasonic Surgical Guidance & Quality Assessment systems are built for intuitive imaging of vascular morphology and instant assessment of blood flow. With its tools, Medistim help surgeons improve surgical quality to reduce adverse events and re-interventions, and ultimately improve the patients' quality of life.

The company's business scope is clearly described in section 3 in the articles of association: "to conduct research, development, production, distribution and sale of medical equipment through its own business or through participation in other companies, as well related activities".

Medistim was founded in 1984 and develops innovative technology and devices which increase the probability of a positive outcome of surgery for patients and enable greater efficiency and lower costs for health care providers by reducing additional and unnecessary surgical re-interventions. The company's long-term objective is to make its solutions "standard-of-care" in the operating room.

The board has developed a clear strategy to effectively commercialize its existing product portfolio worldwide. Risk management and internal control systems are in place to manage operational and financial risks. A description of the key risk factors and risk management can be found in the board of director's report in the annual report.

The company has prepared a code of conduct including principles for ethical behavior, trade and anti-corruption that applies for all employees. A separate report on how these guidelines and procedures are integrated with the company's activities and how they relate to value creation for the company's stakeholders can be found in a separate "sustainability" chapter in the annual report for 2021.

The company's objectives, strategies and risk profile are subject to annual review by the Board.

Deviations from the Code: None

8.3 Equity and dividend

At 31 December 2021, the company's equity was NOK 306 million, which is equivalent to 75.9% of total assets. The board continuously evaluates the company's capital requirements to ensure that the company has a suitable capital structure considering its objectives, strategy and risk profile.

Medistim's shareholder policy is to maximize shareholder value. This will be achieved through sound business development and an aggressive growth strategy. Medistim will seek to provide annual dividends, depending upon the company's financial capacity and financing needs to ensure future growth. The company will at all times ensure that it has the financial capacity and equity to achieve future plans for growth.

The Board of Directors proposes to pay a dividend for 2021 of NOK 3.75 per share corresponding to NOK 68.4 million based on the financial results for the year. For 2020, the company paid a dividend

of NOK 3.00 per share, corresponding to NOK 54.6 million. Over the past ten years, Medistim has paid a total of NOK 388 million in dividend to shareholders, corresponding to an average payout ratio of 75 %.

At the annual general meeting on 27 April 2021, the board was granted two authorizations:

1. Authorisation to increase the share capital up to NOK 458,433,25 by issuing 1,833,733 new shares at par value of NOK 0.25. The authorisation covers both cash and non-cash considerations, including mergers. As at 31 December 2021, the authorisation had not been used.
2. Authorisation to purchase own shares for up to NOK 458,433,25, equal to 1,833,733 new shares at par value NOK 0.25. The authorisation can be used for financing purposes, acquisitions or other commitments related to strategic or industrial partners. As at 31 December 2021, the authorisation had not been used.

Both authorizations are valid until the next annual general meeting. There was a separate vote on each of the two authorizations. For supplementary information, see the minutes of the annual general meeting available from www.medistim.com.

Deviations from the Code: None

8.4 Equal treatment of shareholders and transactions with closely related parties

Medistim has one class of shares. Each share carries equal voting rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of a capital increase based on an authorization from the annual general meeting, where the pre-emptive rights of shareholders are set aside, the company shall provide reasons for the action in the stock exchange release in which the capital increase is announced. There were no such events during 2021.

Any transactions in own shares, i.e. a share buy-back program, will be carried out either through Oslo Børs or at otherwise at stock exchange prevailing prices. If there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in own shares during 2021. Previously purchased Own shares has been used to fore fill option grants and share program to management.

When there are major transactions between the company, its shareholders, subsidiaries, members of the board, leading employees or other close related parties, an evaluation will be performed by an independent third party. The general meeting will treat the matter according to law and jurisdiction for Norwegian public companies. There were no such transactions in 2021.

Deviations from the Code: None

8.5 Shares and negotiability

The shares of Medistim are freely negotiable. There are no restrictions on owning, trading or voting for shares in the company's articles of association.

Deviations from the Code: None

8.6 The general meeting

The general meeting is the company's highest decision-making body. The general meeting is open to all shareholders, and Medistim encourages shareholders to participate and exercise their rights at the company's general meetings. The board, or shareholders representing at least five percent of the shares, may call for an extraordinary general meeting when deemed necessary.

Notice will be sent to shareholders minimum 21 days before the meeting as required by law. The agenda, related documents and information about the issues to be considered will be included in the notice.

To participate, shareholders will have to register at the latest one day before the meeting. Shareholders unable to attend, may vote by proxy. Guidelines for proxy voting is given in the notice documents, with the opportunity for separate voting instructions.

The board of directors is represented at the meeting. The chairperson of the board normally chairs the general meeting. The company's auditor and nomination committee will participate at the meeting.

In 2021, Medistim held its annual general meeting on 27 April with 36.82% of the shares represented. There were no extraordinary general meetings during the year.

Deviations from the Code: None.

8.7 Nomination committee

Medistim has established a nomination committee, as regulated in the articles of association section 7. The committee consists of three members elected by the general meeting for a term of two years.

Name	Role	Considered independent of the main shareholder and management	Representing a specific shareholder	Served since	Term expires	Participation in nomination committee meetings in 2021
Bjørn Henrik Rasmussen	Chair	Yes	Follum Capital	2009	AGM 2023	100%
Asbjørn Buanes	Member	Yes	Asbjørn Buanes	2005	AGM 2023	100%
Vegard Søraune	Member	Yes	Aeternum Capital AS	2021	AGM 2022	100%

The guidelines for the nomination committee is governed by the company's articles of association, which stipulate that members of the nomination committee shall be shareholders in the company or shareholder representatives when elected as committee members.

The nomination committee is responsible for suggesting candidates to the board of directors and yearly compensation to the board and board committees. Proposals for candidates to the board must be sent to the nomination committee at latest 14 days before the notice of the general assembly is distributed Proposals are to be sent to the nomination committee chair on email to: Bjørn H. Rasmussen post@folluminvest.no

Remuneration of the members of the nomination committee is determined by the general meeting.

Deviations from the Code: None

8.8 Board of directors, composition and independence

The board of directors shall constitute of three to six directors as regulated in the articles of association section 5. The board and the chairperson are elected by the general meeting for a period of two years and may be re-elected. The nomination committee ensures that not all board members are up for election at the same time.

At 31 December 2021, the board consisted of the following five directors:

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation board meetings 2021	Share ownership in Medistim (direct/ indirect)
Øyvin A. Brøymer	Chair	No	2000	AGM 2023	100%	7.01%
Torben Jørgensen	Director	No	2021	AGM 2022	100%	0%
Lars Rønn	Director	Yes	2012	AGM 2022	100%	0%
Siri Fürst	Director	Yes	2013	AGM 2023	100%	0.01%
Tove Raanes	Director	Yes	2014	AGM 2022	100%	0.01%

The composition of the board is based on representation of the company's shareholders, as well as the company's need for competence, experience, capacity and ability to form balanced decisions. Information on each director's expertise, background and capabilities can be found on the company's website www.medistim.com.

The nomination committee has evaluated all the directors to be independent of the company's executive management and material business

contacts. Three out of five members are regarded as independent of the company's main shareholders. The independence of board members is also evaluated by the board.

Deviations from the Code: None

8.9 The work of the Board of directors

The board has the ultimate responsibility for the management of the company and for supervising management, while the CEO is responsible for the day-to-day management.

The board has adopted instructions for the board and the CEO, which are focused on determining allocation of internal responsibilities and duties. The board normally meets six to seven times a year, while the CEO and Chair has continuous dialogue on the company's development.

The board has implemented procedures to ensure that members of the board and executive personnel make the board aware of any material (direct or indirect) interests that they may have in items the company is about to enter. The board will also be chaired by some other member of the board if the board is to consider matters of a material character in which the chair of the board is, or has been, personally involved

The entire board functions as the audit committee. The board has, considering the size of the company, deemed it unnecessary to appoint other steering committees based upon the issues considered by the board in 2021.

The board performs a self assessment of its work once per year.

Deviations from the Code: The entire board functions as the audit committee. All board members are independent from the company's management, and has collectively the competence required, including accounting and auditing experience. However, for 2022 a separate audit committee is established.

8.10 Risk management and internal control

The board carries the responsibility to ensure that the company has sound and appropriate internal control systems and risk management systems reflecting the extent and nature of the company's activities. Sound risk management is an important tool to create trust, ensure good environment, health and safety standards and enhance value creation. Internal control should ensure effective operations and prudent management of significant risks that could prevent the company from attaining its targets. The board holds at least one meeting a year with the auditor, to review the company's internal control routines, including identified weaknesses and areas subject to improvements.

Medistim complies with all laws and regulations that apply to the group's business activities. The group's ethical guidelines, anti-corruption policy and code of conduct for ethical trade describes the main principles for ethical behavior which applies to all employees and suppliers. A quality manual has been prepared based on internationally recognized quality standards, to ensure that the company delivers high quality products and services in accordance with product specifications, relevant acts and regulations. The guidelines and quality manual are subject to annual review by the board in connection with the evaluation of the company's internal control and risk management. Medistim is also subject to strict medical rules and regulations, requiring close monitoring and frequent audits of medical equipment and the company's practices concerning health, safety and environment (HSE).

Medistim prepares its accounts in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair overview of the company's assets, financial obligations, financial position and operating profit. The board receives monthly reports from management on developments and results related to finance and risk management, which is compared against budget, strategy approved by the board and last year's performance. In addition, quarterly reports are prepared in accordance with the recommendations from Oslo Børs, which are reviewed and approved by the board prior to disclosure.

The board has an annual meeting to review the company's strategy for the next three years, risk exposure and such internal control arrangements. A summary of the main risks and risk management is presented in the director's report in the annual report.

Deviations from the Code: None

8.11 Remuneration of the board of directors

The board of directors receives a fixed yearly compensation decided by the general assembly, based on the nomination committee's recommendation. The remuneration reflects the board's responsibilities, competence, time involved and the complexity of the business.

The remuneration of the board members is not performance based and the company does not grant share options to any board members. No loans are provided to board members.

The board members, or companies with which they are associated, have not been engaged in specific assignments for the company in addition to their appointments as members of the board.

More information on remuneration to the board can be found in note ***21*** to the annual accounts.

Deviations from the Code: None

8.12 Remuneration of executive personnel

The main principle of Medistim's executive remuneration policy is that the compensation shall be competitive and provide the motivation to attract and retain individuals with the required competence.

The board determines remuneration for the CEO, while the CEO determines remuneration for the management team and leading employees. Compensation of the management is based on market terms and evaluated on a yearly basis. The principles have remained the same over several years. These principles are also the basis for future evaluations. Remuneration of the CEO includes a share-based incentive plan. The board introduced a share-based incentive plan for the remainder of the management group in 2021.

The executive remuneration consists of a fixed salary and a variable part linked to the company's targets, and pension schemes. No executives will receive additional compensation when leaving the company.

Details on executive remuneration can be found on note ***21*** of the annual accounts.

Deviations from the Code: The Code recommends that the company's guidelines are included as a separate appendix to the notice calling for the general meeting. The guidelines should inform which aspects that are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines. Further, the Code recommends that the guidelines contain information on criteria related to performance related remuneration, which should be subject to an absolute limit. Medistim includes a general description of the company's guidelines for remuneration in the annual report, alongside information on remuneration to each director. Executive remuneration is treated as one item by the general meeting. A separate appendix will be included in the notice to the general meeting in 2022.

8.13 Information and communications

The board has adopted a shareholder and information policy which sets the basic principles for the company's communication and dialogue with capital markets participants. The company is committed to provide its shareholders timely, relevant and accurate information on the company's developments and plans. Communication with stakeholders shall be based on the principles of equal treatment and transparency in order to build trust and stakeholder confidence. The responsibility for the company's investor relations activities lies with the CEO and the CFO.

Medistim's IR activities shall help capital markets participants to make an informed view on Medistim as an investment case, including its financial situation and prospects, which will contribute to optimize the cost of capital and support a fair valuation of the company's shares. The company does not give any guiding on future sales and results.

Medistim provides interim reports in line with Oslo Børs' recommendations. Presentations are given in connection with the disclosure of the interim results to provide an overview of operational and financial developments. The presentations are open to the public and made available through a webcast.

All information is provided in English, and is distributed to the company's shareholders through Oslo Børs' news channel www.newsweb.no and on the company's website www.medistim.com.

Deviation from the Code. The company has not prepared any policy or guidelines specifying who is entitled to speak on behalf of the company or regulating communication with shareholders outside general meetings, as recommended by the Code. As a general principle, the board has decided that the company's spokespersons are the CEO and CFO on investor matters, while the CEO handles media and other inquiries.

8.14 Takeovers

In a potential offer where the effect of the transaction is a takeover, the Board of Directors will handle the matter in a professional manner

and ensure same information and treatment of all shareholders. A takeover requires a general meeting and the board of directors will give their recommendation related to a potential offer for the company's shares.

Deviations from the Code: The board has not established separate guidelines in the event of a take-over bid as recommended by the Code. Take-over bids are usually specific, one-off, events which makes preparation of guidelines challenging. In the event of a take-over process, the Board will ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The board will further seek to comply with the relevant recommendations from the Code.

8.15 Auditor

BDO AS has been the company's auditor since 2010. The auditor is considered independent of Medistim ASA. Medistim uses the same auditor for all companies within the group. The board receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor participates in the board meeting dealing with the annual accounts. In this meeting, the auditor gives their views on accounting matters and principles, risk areas and internal control. The auditor participates in other board meetings on the request from the board when the board wants to get the auditors view in a specific matter.

Remuneration paid to the auditor is set by the general meeting and described in the notes to the annual accounts. The auditor may attend the annual general meeting.

Deviations from the Code:

The board has not established separate guidelines on the use of auditor for other purposes than auditing, as recommended by the Code. Only the CEO or the CFO hires services from the auditor. If deemed necessary, the auditor is consulted for mechanical tax issues. For other matters, other advisors will be consulted. For the future, these matters are decided by the audit committee that was established in 2022.

Dating its governance documents and practices and aligning with the recommendations by the Code of Practice where relevant.

9. SUSTAINABILITY REPORT

9.1 Strengthening human health through improved surgery

Medistim develops and sells products contributing to improve patients' quality of life and supporting effective health care systems by enhancing quality during surgical procedures. The quality assurance improves surgical outcomes and increases the likelihood that the procedure is performed in a correct manner the first time. This benefits patients, the health care system and reduces negative impacts and cost for society at large.

Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis, and thereby help improve the quality and outcome of cardiac and vascular surgery.

Medistim's organization and culture are key drivers for the stakeholder value creation. The culture is built on its four core values, described in chapter 7.1, which guides the daily activities.

The Board of Directors has the overall responsibility for aligning Medistim's strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Group management.

Medistim operates in a highly regulated market with regards to product quality, safety and compliance with requirements. The company has a history of technical innovation and financial growth. It recognizes sustainability as an important part of product and service development and operations, and that it is a key contributing factor to the long-term growth and value creation for all stakeholders.

Contribution to UN Sustainable Development Goals (SDGs)

Medistim supports the UN SDGs.

The company considers its greatest impact is helping to strengthen human health through improved surgical outcome by providing high quality medical devices meeting strict safety requirements.

SDG 3.4 specifies a targeted reduction of premature mortality by 2030 from non-communicable diseases through prevention and treatment of amongst other cardiovascular disease.

The company also supports SDG target 12.6 by adopting sustainable business practices and integrating sustainability information into its reporting cycle.

Stakeholder engagement and materiality

In 2021, Medistim conducted a materiality analysis following a stakeholder identification process. Investors, distributors, suppliers and employees were identified as key company stakeholders and invited to participate in the materiality analysis via a digital survey, followed up with selected in-depth interviews. The stakeholders were asked to grade the importance of ESG related factors, based on the SASB[1] materiality map and selected additional factors, by importance for Medistim. A total of 46 stakeholders participated in the survey. Their answers combined with interviews and a weighting of the stakeholder groups provided the external stakeholder ranking of the ESG factors. This was contrasted with the responses of an internal Medistim working group and summarized in the materiality matrix on the following page.

By summarizing the factors identified through the analysis, Medistim has defined the following themes as material to the company. The themes form the foundation for this report:

- *Product stewardship*
- *Responsible business*
- *People*

1 The Sustainability Accounting Standards Board (SASB)

Priorities going forward

This is the company's second ESG report. Medistim has continued to work with the material topics identified and considered initiatives on how the company can improve performance for a more sustainable business conduct. This includes seeking to develop relevant ESG KPI's related to Medistim's activity.

9.2 Product stewardship

Patient safety is Medistim's absolute priority as a producer of medical devices. This means focusing on quality and compliance with applicable international and national laws and regulations. Increasingly, in line with stakeholders' priorities, the company is working to reduce the environmental impact of Medistim's products, manufacturing process and distribution.

Product quality and safety

Medistim develops and produces medical devices used to improve quality of cardiac and vascular surgery. The products are subject to high quality and safety requirements and product certifications and require high competence and excellent quality systems.

Medistim's quality management system (QMS) ensures that its products and services are delivered in accordance with relevant acts, regulations and requirements. The company's QMS is based on the ISO 9000:2015 and ISO 13485:2016 standards, and complies with national and international standards, rules and regulations for manufacturers and suppliers of medical devices. The QMS consists of a set of policies, standard operation procedures, forms and work instructions to ensure that the products meet required quality and safety standards.

In 2021 Medistim has put efforts in the preparation for MDR, the new Medical Device Regulation (2017/745/EU). This is the new regulation from EU that will strengthen patient safety through stricter demands related to quality and safety. All medical device manufacturers must be compliant with the MDR regulation within May 2024. However, since Medistim is focusing on quality and safety in general, much preparations for the new regulation was done already in 2021.

Medistim relies on third-party suppliers to achieve desired quality results for products and services. All vendors of products, raw materials and services used in the design, development, production and servicing of Medistim medical devices are subject to supplier qualification. This includes consulting services that can affect the quality management system and product quality. The QMS also include procedures for selecting, assessing and approving third-party suppliers such as supplier audit programs and necessary documentation to verify quality and ensure traceability.

The QMS is subject to regular reviews by the management team. Employees are trained on the company's quality policies and standard operating procedures which are continuously evaluated and refined. All reports of adverse events and product complaints are promptly investigated and addressed. Adverse events are reported to applicable health authorities according to procedures.

Medistim had no quality incidents affecting patient safety that led to any market actions or need for reporting to health authorities e.g. product recall or field corrective action in 2021.

Product life cycle and environmental footprint

Medistim has prepared an environmental policy, last updated in 2020, to increase environmental focus, ensure sustainable operations and reduce its environmental footprint.

The company's direct environmental impact relates primarily to the production facilities in Horten, the distribution to European countries and the US as well as some travelling in connection with sales activities. Medical equipment is distributed by postal services with commercial logistics providers based in the Nordic region. Employees are encouraged to take environmentally friendly options into considerations, like minimize number of flights. Employees are further encouraged to reduce consumption and waste generated from their daily business activities. Medistim has established routines for management of chemicals and waste.

The lifetime of Medistim's products is defined either by the number of use or expected time of performance after distribution to the market. Average lifetime of the MiraQ machines is seven years. The upgrade option with the MiraQ platform from a flow system to a flow and imaging system reduces electronic waste.

Flow probes can be used 50 times and the imaging probe can be used 100 times and even more if treated properly. All the electrical components in use comply with environmental standards. Hospitals and treatment centers are responsible for safe disposal of the equipment when it has reached end-of life.

All vendors of products, raw materials and services used in the design, development, production and servicing of Medistim medical devices are subject to supplier qualification. All relevant materials used are subject to biocompatibility testing to ensure that they are not harmful for the patient

or operator. All equipment which is in contact with human tissue is designed to withstand required sterilization processes. In addition, Medistim seek to include in the supplier agreements the intent to use environmentally friendly materials and transport.

Focus areas in 2022 are to reduce plastics used in packaging of products and increase the use of recyclable cardboard for packaging and transportation of products. Further, minimize waste of plastic material, electronics and molded silicone parts and glue in production. Also, when developing new and improved products, a sustainability evaluation will be part of the assessment for new product ideas.

Medistim is assessing the opportunity to provide remote servicing of its devices, which may reduce travel activity and reduce shipping.

The goals for 2022 are:

- Remove plastic bags used for probes in IFU's (Instructions For Use). This could potentially save 26 kg of plastic per year.
- Implement sustainability as assessment criteria in the product development process.

Product risk management

Risk management of Medistim's products' life cycle is based on current standards, regulations and national legislation related to medical devices, clinical experience and documentation with these and similar devices as well as state-of-the-art technology. The company's product risk management procedures are governed by the QMS.

In the making of upgrades, new products or next generation of product, the company strive to focus on "ease of use". Not only does it lower the threshold for surgeons to take the equipment in use to improve quality of the surgery, it also reduces the risk of making an error during the procedure.

9.3 Responsible business

Ethical business conduct

Compliance with national, regional and international laws and regulations is mandatory in all of Medistim's activities, but good business ethics goes beyond mere compliance. In order to live up to the company's mission and values and achieve its strategic goals, everyone is responsible for acting in a manner that safeguards the interests of Medistim and its stakeholders. This way, Medistim will continue to build trust and credibility as a foundation for sustainable operations over time.

Medistim's framework for good business conduct includes ethical guidelines and an anti-corruption handbook that together shall ensure compliance and sustainable operations across the company and its supply chain.

The ethical guidelines, which were last updated in 2019, are built on central UN and ILO (International Labour Organization) conventions and principles for human and labor rights and reflects Medistim's values and ethical view on good business conduct. The guidelines clarify Medistim's expectations to employees' behavior and cover areas such as discrimination and harassment, substance abuse, confidentiality and protection of information, privacy protection, conflicts of interest, communication, inside information and whistle blowing.

Medistim is committed to a zero-tolerance policy of corruption, which means that the company strictly oppose all forms of corruption. The anti-corruption handbook describes and explain the company's anti-corruption policy and how employees shall act to avoid any illegal or unethical situations in relation to existing and potential business partners.

The ethical guidelines and anti-corruption manual are applicable to all Medistim's employees, including subsidiaries and board of directors, as well as business partners for sales and distribution. All employees and partners must approve in writing that the guidelines are read and understood. This is also followed up after revisions and updates to the guidelines. Violation of the guidelines may have consequences for the employment or partner relationship.

There were no reported concerns during 2021.

Whistle blowing

Medistim has established routines for reporting concerns related to illegal or unethical conduct, including a whistle blowing channel for discrete and confidential handling of any potential reports. There were no reported concerns during 2021.

The goal for 2022 is:

- Repeat training to employees on routines for whistle blowing

Responsible selling practices

Medistim is a global leader in developing products for quality control within of cardiac and vascular

surgery. The company's products are sold either directly through subsidiaries or distributors in all continents. A standardized sales process has been established to ensure truthful and responsible selling practices as well as clearly defined requirements related to implementation of the solutions. All customer communication is done by trained and authorized personnel.

Medistim has a flexible business model in which product offerings and prices are adapted to individual markets. Each distributor sets the local end user-price in their markets.

The company engages in continuous dialogue with a broad range of organizations to increase awareness and knowledge of its solutions. Inclusion in leading health organizations' guidelines for clinical surgery is vital to achieve "Standard of Care" status.

Data security and customer privacy

As a healthcare company, Medistim may gather and store personal data as part of its research and development projects. At the same time, personal data is increasingly at risk of being misplaced, stolen or shared without consent. Medistim recognizes its responsibility of managing the data collected in a responsible manner and keeping the data safe.

The company is subject to laws and regulations that stipulate how personal data can be collected and managed, such as General Data Protection Regulation (GDPR). Strict guidelines and procedures have been implemented with to ensure compliance. This involves regularly reviews and development of the company's internal control systems and risk management processes to continuously improve and address existing and emerging data security and privacy threats. No service is conducted on equipment before patient data have been deleted.

To ensure a modern, secure and well-functioning IT platform, the company has outsourced its IT management to a professional service provider. Any breaches to data security and consumer privacy will be reported and followed up immediately. Medistim registered no data and GDPR breaches and no wrongful sharing of personal customer data incidents in 2021.

9.4 People

Medistim is committed to being a responsible employer and promotes an open and strong corporate culture. The company supports internationally recognized human rights and labor standards, as defined by the International Labour Organization's (ILO) fundamental conventions and the UN Declaration of Human Rights.

To update status in 2021 with regard to ESG, management created a team to updater status related to the topic. Important part of the ESG update is related to employees and working environment to secure diversity and equal opportunities for employees in Medistim.

When assessing compensation there is a distinction between educated and skilled employees. The skilled group is typically trained employees by Medistim where formal education is not required. In total the gender balance is equal, but a higher level of women are in the group of skilled employees. This explains the difference in average salary. Comparing men and women in the same groups the terms are equal. The compensation includes both fixed salary and bonuses. There is inly one part time employee and this is by own choice. All other employees are compensated with a 100 % position.

Employee skills and job engagement

The ability to attract and retain a skilled workforce is imperative for Medistim to succeed over time. At year-end, Medistim employed 116 people (120), of which no one were part-time employees.

The company has developed a competence matrix which clarifies required competence and resources needed to ensure the right quality of the products and services provided and to meet customers' needs. Individual training programs are set up for each employee, either when onboarding new workers or after individual evaluations. The training is tailored to each role, tasks and duties and includes tutoring and participation at internal and external courses, seminars and other relevant arrangements.

Working environment

Medistim strives to ensure a good working environment. All employees are entitled to an annual performance review with its immediate supervisor.

Sick leave for the year totaled 3.2% or 1109 days (3.8% or 1277 days). In 2020, Medistim moved its production facility to new and more functional premises, with recreational areas and easy access to massage and chiropractor services. No work-related incidents or accidents were registered in 2021 (0).

In order to improve the working environment, actions are taken to reduce static load for the operators in production and reduce exposure towards dust, gases and chemicals. In 2021 a project to develop new and advanced manufacturing technologies in collaboration with Innovasjon Norge, GE and Sensocure was completed. Long term, the goal is to add automation in the production process.

Diversity and equal opportunities

Medistim promotes a productive and inclusive working environment, free from harassment, discrimination, and disrespectful behavior. All employees are offered equal opportunities with regards to hiring, compensation, training and promotion regardless of gender, age, ethnic and national origin, religion, sexual orientation, social background or other distinguishing characteristics.

Competence is the main priority when recruiting for new positions. Medistim has fairly equal gender distribution, as the Group traditionally has recruited from environments where women and men are equally represented. The company practices equal pay within the same salary range, but on average Group level men are paid more due to the share of higher-level positions.

Medistim offers full pay during parental leave for both men and women, and in 2021 3.3% of Medistim's female and 0 % of male employees took parental leave. On average, women took 36 weeks, while men took 0 weeks.

Medistim is a company in growth with an increasing number of employees, which increase diversity and complexity. Medistim acknowledges this and an HR function was established late 2021.

The goal for 2022 is:

- Update and revise the employee handbook.

Indicators	2021	2020
Working environment, health and safety		
Number of employees	**116**	120
Number/ share of part-time employees	**1**	3
Turnover- number of employees leaving	**12**	6
Employees' co-ownership in the company (% employees owning shares in Medistim)	**0.64 %**	0.82 %
Skickleave (%)	**32 %**	3.8 %
Number of work-related injuries	**0**	0
Gender balance, % women of group total	**52 %**	48 %
Gender balance, % women executive management	**41 %**	41 %
Gender balance, % women Board of Directors	**40 %**	40 %
Number of women hired during the year	**2**	2
Number of men hired during the year	**6**	4
Age distribution, employees < 30 years	**4**	4
Age distribution, employees 30-50 years	**61**	63
Age distribution, employees > 50 years	**51**	53
Average salary female employees in NOK	**649 409**	626 796
Average salary male employees in NOK	**1 135 773**	795 686
All employees incl. management level, womens share of salary per position	**888 399**	711 241
Executive management, womens share of salary per position (Hay Grade)	**28 %**	22 %
Number of weeks for maternity leave (women)	**52**	35
Number of weeks for paternity leave (men)	**0**	9
Responsible operations		
Employees conducted training in ethical guidelines/ Code of Conduct (%)		
Reported whistleblower incidents	**0%**	0%
Reported incidents of corruption	**0%**	0%
Breaches of labour practices in the supply chain	**0%**	0%
Governance		
Number of board members	**5**	5
Independent board members	**3**	3
Average age of board members	**62**	60
% meeting participation	**95%**	100%

10. GROUP CONSOLIDATED FINANCIAL STATEMENTS

10.1 Consolidated Income Statement Medistim ASA Group

INCOME STATEMENT MEDISTIM ASA GROUP		2021	2020
1=NOK 1000	Note		
Operating income and expenses			
Revenue		**417 817**	356 207
Other income		**9 459**	6 926
Total revenue	*1,2*	**427 276**	363 133
Operating expenses			
Cost of goods sold	*3*	**97 114**	76 577
Salary and social expenses	*4,5,21*	**134 507**	119 066
Other operating expenses	*8*	**55 950**	48 865
Operating profit before depreciation and amortization		**139 705**	**118 625**
Depreciation and amortization on assets	*6,7,12*	**23 427**	23 141
Operating profit		**116 278**	**95 484**
Financial income and expenses			
Total financial income	*9,20*	**8 173**	14 137
Total financial expenses	*9,20*	**10 380**	18 015
Net finance		**-2 207**	-3 878
Profit before tax		**114 071**	**91 606**
Tax expense	*10*	**23 171**	22 219
Profit for the year	*11*	**90 900**	**69 387**
Earnings pr. share		**2021**	2020
Basic	*11*	**4.99**	3.81
Diluted	*11*	**4.98**	3.80
Statement of other comprehensive income			
Net profit		**90 900**	69 387
Items that may be reclassified to profit and loss			
Exchange differences arising on translation of foreign operations		**5 357**	-965
Total comprehensive income		**96 257**	**68 422**

10.2 Consolidated Balance Sheet Medistim ASA Group

CONSOLIDATED BALANCE SHEET MEDISTIM GROUP ASA		31 Dec 2021	31 Dec 2020
1=NOK 1000	NOTE		
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**58 862**	64 684
Deferred tax asset	*10*	**3 240**	775
Intangible assets	*12*	**30 170**	32 688
Other long term receivable	*21*	**4 475**	1 886
Total non current assets		**96 747**	**100 033**
Current assets			
Inventory	*14*	**97 413**	112 667
Accounts receivable	*15*	**68 634**	57 485
Other receivables	*15*	**10 960**	3 744
Cash	*16*	**129 490**	71 891
Total current assets		**306 497**	**245 787**
Total assets		**403 244**	**345 820**
EQUITY AND LIABILITIES			
Equity			
Share capital	*17*	**4 585**	4 585
Treasury shares	*17*	**-27**	-33
Share premium	*17*	**41 852**	41 852
Other paid in capital	*17*	**13 344**	**5 762**
Issued capital	*17*	**59 754**	52 166
Other reserves	*17*	**6 138**	781
Retained earnings		**240 160**	203 899
Other equity		**246 298**	**204 680**
Total equity		**306 052**	**256 846**
Non current liabilities			
Long-term debt	*18,24*	**(0)**	7 580
Lease obligations	*7,24*	**17 079**	21 652
Deferred revenue	*24*	**2 510**	265
Total non current liabilities	*18*	**19 589**	**29 497**
Current liabilities			
Accounts payable		**13 205**	13 530
Income tax payable	*10*	**20 327**	12 307
Other short term liabilities	*19*	**36 609**	23 610
Provisions	*22*	**350**	150
Lease obligations	*18,24*	**7 112**	9 880
Total current liabilities	*18*	**77 603**	**59 477**
Total liabilities		**97 192**	**88 974**
Total equity and liabilities		**403 244**	**345 820**

10.3 Consolidated Cashflow Statement

CASHFLOW STATEMENT		2021	2020
1= NOK 1000	Note		
Cash flow from operations:			
Profit/loss after tax		90 900	69 387
Minus income tax paid		-13 336	-19 045
Plus this years tax expense	10	23 171	22 219
Plus depreciations	6,7,12	23 427	23 141
Change in inventory	14	15 254	-22 597
Change in accounts receivable	15	-11 149	4 704
Change in accounts payable		-324	-1 298
Change in other accruals		196	-2 378
Net cash from operating activities		128 138	74 133
Investing activities:			
Purchase of property, plant and equipment	6	-7 403	-7 450
Activated development expenses	12	-4 083	-3 189
Net cash from investing activities		-11 486	-10 639
Financing activities:			
Repayment of interest bearing debt	18,24	-4 500	-3 000
Dividend	11	-54 640	-50 052
Principle and interest pain on lease liabilities	7,24	-7 502	-6 680
Other financing activities	23	7 589	1 385
Net cash from financing activities		-59 053	-58 347
Net change in cash		57 599	5 147
Cash as of 01 January		71 891	66 745
Cash as of 31 December	16	129 490	71 891
Available cash and cash withholding			
Available cash as of 31 December	16	124 866	65 761
Cash withholding for taxes	16	4 624	6 130
Cash and cash equivalents as of 31 December		129 490	71 891

The group has a credit facility of 22.5 MNOK. The facility was not used by year end.

10.4 Consolidated Change in Equity for Medistim ASA

Comments to other reserves:

Other reserves in the equity reconciliation are differences related to translating equity from foreign subsidiaries to NOK. The subsidiaries present their financial statements in EUR, GBP, DKK and USD. When translated to NOK a difference occur due to the change in the exchange between NOK and these currencies. By year end 2020 this difference was 781 TNOK and the change for the year was-965 TNOK. By year-end 2021, the equivalent was 6138 TNOK a change of 5357 TNOK from the year before.

CONSOLIDATED CHANGE IN EQUITY FOR MEDISTIM ASA

1 = NOK 1000	Note	Share capital	Treasury shares	Share premium fund	Other paid in capital	Total paid in capital	Other reserves	Retained earnings	Other equity	Total Equity
Equity as of 31 Dec 2019		**4 585**	**-36**	**41 852**	**4 330**	**50 730**	**1 746**	**184 384**	**186 130**	**236 861**
Total comprehensive income for the period		-	-	-	-	-	-965	69 387	68 422	68 422
Share-based payments	***17***	-	3	-	1 432	1 435	-	180	180	1 615
Dividend	***11***	-	-	-	-	-	-	-50 052	-50 052	-50 052
Equity as of 31 Dec 2020		**4 585**	**-33**	**41 852**	**5 762**	**52 165**	**781**	**203 899**	**204 680**	**256 846**
Total comprehensive income for the period		-	-	-	-	-	5 357	90 900	96 257	96 257
Share-based payments	***17***	-	6	-	7 582	7 589	-	-	-	7 589
Dividend	***11***	-	-	-	-	-	-	-54 640	-54 640	-54 640
Equity as of 31 Dec 2021		**4 585**	**-27**	**41 852**	**13 344**	**59 754**	**6 138**	**240 160**	**246 298**	**306 052**

10.5 Accounting Principles

Medistim ASA is a public company listed at the Oslo stock exchange. Medistim ASA is incorporated in Norway. The main office is located in Økernveien 94, 0579 Oslo, Norway. The Medistim group's business is within developing, producing, service, leasing and distribution of medical devices.

The board of Directors and the CEO authorized these financial statements for issue on March 22, 2022.

Basis for preparation of financial statements

The financial statement for the group is prepared in accordance with International Financial Reporting standard (IFRS) as adopted by the EU and effective as of 31 December 2021.

The annual accounts for the company and the group has been prepared based on historical cost with exception of financial derivatives which are measured at fair value.

The consolidated accounts have been prepared using consistent accounting policies for similar transactions and events.

New standards from 2021 has not had any significant effects compared to 2020 standards.

Functional currency and the presentation currency

The group presents its financial statements in NOK. This is also the functional currency for the parent company. Asset and liabilities of subsidiaries with other functional currency than NOK, are translated to NOK using the exchange rate at the balance sheet date. For the income statement, the average monthly rate in the period is used. Translation differences arising from translation to presentation currency, is recognized in other comprehensive income.

Principles for consolidation

The consolidated accounts include Medistim ASA and companies controlled by Medistim ASA. Control normally exists when the Group has more than 50 % of the shares in the investee. Currently all subsidiaries are wholly owned.

Intercompany transactions, balances and unrealized gains and losses are eliminated.

Cash and cash Equivalents

Cash includes cash in hand and bank deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Classified as financial asset.

Accounts receivable

Accounts receivable that do not contain a significant financing component, are recognized at the transaction price with a deduction for expected credit losses. Classified as financial asset.

Inventory

Inventory is valued at the lower of cost, using the FIFO principle, and net realizable value. Production cost includes the cost for components, cost of conversion (including direct labor cost) and other cost in bringing the inventories to their present location and condition. Net realizable value is the estimated sales price in the ordinary course of business less cost of completion and selling cost.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciations and write-downs. When an asset is sold, the carrying value of the asset is derecognized and any gain or loss from the sale is recognized in the income statement.

The cost of an acquired item of property, plant and equipment comprises of the purchase price, non-refundable taxes and other direct cost incurred in order to be able to use the asset as intended.

The cost for a self-constructed item of property, plant or equipment is the same as the cost of construction the asset for sale. Cost include materials, labor costs and an allocation of production overheads. The cost allocated to the asset is based upon the time spent to build the asset.

Costs incurred for major replacements and updates are added to cost if it is probable that the cost will bring future economic benefit and the cost can be reliably measured. If new parts are capitalized, replace parts are derecognized. Repair and maintenance costs are expensed as incurred.

Items of property, plant and equipment are depreciated straight line over the estimated useful life from the time it is available for use. Useful life is as follows:

- Machinery and equipment 3-7 years
- Other assets 3-5 years

Depreciation time and method is evaluated on a yearly basis.

Property, plant and equipment are tested for impairment if there are indication of impairment. If the carrying amount exceeds the assets

recoverable amount, being the higher of value in use and fair value less cost of disposal, the asset is written down to the recoverable amount.

Leasing

The group as a lessee

The company recognizes a lease liability and a right-of-use asset for leases with a duration of more than 12 months, provided that the underlying asset is not of low value.

The lease liability is the present value of the lease payment over the lease term. Lease payment includes fixed payments and variable lease payments that depend on an index or a rate. The lease term is the non-cancellable period of the lease together periods covered by an option to extend the lease when the exercise of the option is reasonably certain.

The lease payments are generally discounted using the company's incremental borrowing rate, as the rate implicit in the lease generally cannot easily be determined.

The cost of the right of use assets comprises the initial measurement of the lease liability, any lease payments made before the commencement date an any initial direct cost incurred.

Right-of-use assets are depreciated over the shortest of the lease term and useful life. Depreciation of right-of-use assets is presented together with other depreciation in the income statement.

Lease payments are allocated between installments and interest based on a constant periodic rate of interest being the interest used to calculate the lease liability. The interest expense is presented as a financial expense in the income statement.

The group as lessor

The assets that are leased to customers are recognized as property, plant and equipment in the balance sheet. Direct cost related to the leasing agreement is added to the carrying amount of the leased assets and is depreciated over the lease term.

The group has one type of lease agreement. See note ***1*** for a description of recognition of lease revenue, and note ***2*** for a split of lease revenue on different product categories.

Derivatives

The group may use forward exchange contracts to reduce exposure towards USD and EUR. Financial derivates are recognized at fair value through profit and loss. Change in fair value is recognized in profit and loss and is presented as financial income or expense. Unrealized gains or losses are recorded in the same manner as realized gains and losses. Hedge accounting is not applied.

Intangible assets

Intangible assets are recognized in the balance sheet if it is probable that the future economic benefits will flow to the company, and the cost of the asset can be measured reliable.

Intangible asset with finite economic life is measured at cost less accumulated amortization and write-downs. Amortization is done on a straight-line basis over expected lifetime. The amortization period and method, are reviewed on a yearly basis.

Intangible assets with indefinite useful life are not amortized, but tested for impairment at least annually.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is recognized as the difference between the aggregate of the consideration transferred and the amount of any non-controlling interest less the fair value of the net identifiable assets at the acquisition date.

Goodwill is not depreciated, but is tested for impairment at least annually.

Research and development

Research cost is expensed as incurred.

Cost to internal development of technology or software is capitalized as an intangible asset when it is demonstrated that

-it is technically feasible to complete the asset,

-the company has the recourse to complete the project

-the product will generate future economic benefits, and

-expenditure can be reliably measured.

Cost capitalized include materials, salary and social expenses and other expenses that can be allocated to the development of the asset.

Internally developed intangible assets are amortized on a straight-line basis over the expected useful life. Amortization starts when the asset is available for use. Intangible assets not ready for use, is tested for impairment on a yearly basis.

Capitalized development costs are written down when a new product is ready for sale or an improved product is ready for sale.

Internally develop intangible asset is tested for impairment on a regular basis by discounting expected cash flow generated from the asset. If the discounted value is lower than the carrying amount the asset is written down.

Own products

Capitalized cost related to development of own products are depreciated on a straight-line basis over expected lifetime. Expected lifetime varies from 3 to 8 years.

Provisions

A provision is recognized when the group has an obligation arising from a past event, when it is probable that company will be required to settle the obligation, and the obligation can be reliable measured.

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Equity and debt

Financial instruments are classified as debt or equity according the economic substance of the financial instrument.

Interest, dividend, profit and loss related to a financial instrument are classified as debt, will be presented as an expense or revenue. Amounts distributed to holders of financial instruments classified as equity will be recorded directly against equity.

Treasury shares

When treasury shares are purchased, the purchase price including directly attributable costs is recognized in equity. Treasury shares are presented as a reduction of equity. Loss or gain on transactions of treasury shares are not recognized in the income statement.

Cost related to equity transactions

Transaction costs related to equity transactions are recorded directly against equity in the balance sheet net after tax.

Translation differences

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities. Translation differences are recognized in other comprehensive income and presented as “other reserves” in the balance sheet. Translation differences is recognized in profit and loss when the investment is sold.

Exchange rate differences on monetary assets and liabilities that in substance is part of the net investment in a foreign operation, is also included in translation differences.

Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition policies are described in detail in note ***1***.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. Financial instruments in foreign currency are translated to Norwegian kroner at the closing rate of the balance day. Non-financial items measured at historic cost are translated to Norwegian kroner using the exchange rate at the time of the transaction. Changes in exchange rates are recorded in the profit and loss statement as either financial income or financial expense.

Foreign subsidiaries

Assets, liabilities and goodwill in foreign subsidiaries that are consolidated are translated to Norwegian kroner at the date of the balance sheet. Revenue and expenses are translated to Norwegian kroner using the rate at the transaction date. See also comment under 1.14 iv regarding exchange rate differences.

Pension and other employee benefits

Contribution pension plan

Employees in Medistim with a pension plan are included in a contribution plan where an agreed percentage of the employee's salary is paid to the employee pension account. The company's payment of contributions is expensed in the period it is incurred.

Share based payments

The Group has a share-based payment scheme for its CEO. The program is settled in shares. The fair value of the share program at the grant date, is expensed over the vesting period. The expense is included in "salary and social expenses" in the income statement and a corresponding amount is recognized as other paid-in capital.

Interest bearing loans and borrowings.

Loan and borrowings are initially recognized at fair value net of directly attributable transaction costs, and subsequently measuring at amortized cost.

Tax

The tax expense in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated based on temporary differences between tax values and carrying amount of assets and liabilities.

A deferred tax asset is recognized when it is convincing evidence that the company will have sufficient taxable profit in the future to utilize the tax asset. The companies recognize previously unrecognized deferred tax assets to the extent it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are determined using the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax asset is settled/recovered. Deferred tax and tax assets are measured at nominal value and is classified as a non-current asset in the balance sheet.

Tax payable and deferred tax is recorded against equity if the transaction is an equity transaction.

Segment

The group is organized, for management purpose, in two divisions dependent upon products and services. The segments are identified based upon different risk and return on investment profile. Information regarding segments is presented in note ***2***.

Internal profit between the segments is eliminated in a separate column in the segment report.

The segment reporting is similar to the internal reports that are given to the decision makers in the company. The decision makers are responsible for allocating resources and assessing profitability within the segments, and are identified as the management team that takes strategic decisions.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. Information about significant contingent liabilities is disclosed.

Contingent assets are not recognized in the financial statements, but are disclosed if an inflow of economic benefits is probable.

Events after the balance sheet date

Information after the reporting period that provide evidence of conditions that existed at the end of the reporting ("adjusting events"), are reflected in the amounts recognized in the financial statement. Information after the reporting period that are indicative of conditions that arose after the reporting period ("non-adjusting events") are not reflected in the amounts recognized in the financial statement, but are disclosed if material.

Use of estimates and judgement

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that effect the recognition and measurement of certain assets, liabilities, revenue and expense. The following area involves the most critical estimates and judgments for the company:

- Research and development cost relating to internally developed technology and software
- Goodwill.

Future events could lead to a change in estimates. The estimates and assumptions for the estimates are continuously evaluated. Changes in accounting estimates are recognized in the period the change take place. If the change also affect future periods, the effect on future periods will be recognized as income or expense in those future periods.

Of events that has affected future estimates is the COVID 19 pandemic. By-pass surgery is to a large extent elective surgery. When the outbreak of COVID 19 was a fact, several by-pass surgeries where postponed. As a consequence, the activity level within by-pass surgery was reduced compared to normal level. Medistim has over several years had a growth of 7% to 10 % per year, but because of COVID 19 sales in 2020 without growth compared to 2019. The reduced activity level was as expected temporarily and in 2021 activity level increased above normal to reduce the build up of patient queues.

While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim's products has not changed, and the strong recovery seen through 2021 may indicate that cardiac bypass surgeries are at large back to normal. However, there are still some uncertainties related to new variants of the virus.

The expected COVID 19 effects are included in the estimates and none of the balance sheet values was impaired. See also note ***12***.

Goodwill

The group's goodwill in the balance sheet is yearly tested for impairment. Goodwill occurred with the acquisition of Medi-Stim Norge AS, which was executed with effect from 01.01.02, and the acquisition of Kir-Op AS that was executed with effect from 06.07.06. Total recorded goodwill by year-end 2020 was 14.1 MNOK. Goodwill of MNOK 7.9 was allocated to the Medi-Stim Norge AS acquisition and MNOK 6.2 was allocated at the Kir-Op AS acquisition. Goodwill in both companies is related to employee know-how, experience in the distribution business and cost savings by gathering common functions. Both companies distribute third party products within surgery. During 2006, there was a fusion of the two companies and a total evaluation for both companies in relation to impairment was done for goodwill thereafter. Both entities are within the same segment. The total value of the business is dependent upon the success of maintaining and increasing the product portfolio. The value from the cash-generating unit exceeded the book value in the balance sheet and the goodwill value for 2021 was not impaired. See also note ***12*** for the assumptions used in the estimate.

Research and development

Development cost related to technology and software has been recognized as an intangible asset because Medistim can demonstrate technological feasibility for the asset to be available for sale for both existing products and new products. The revenue potential for the projects exceeds the investment. The balance sheet value as of 31.12.2021 was MNOK 16.0. The estimates that form the basis for the intangible asset are performed by the management of the company, and there will always be a level of uncertainty in relation to the assessments that are performed on future revenue for future products. Activated development costs are depreciated over 3 to 8 years. 8 years is used if it is a new product on a new technological platform that creates the basis for a new generation of products. Based upon a platform or new generation of products there will be further developments and improvements. These enhancements of the products are depreciated over 3 years because of rapid technological development. Within 3 years, it is assumed that parts or all of existing technology is updated.

New and amended standards not yet effective

There are no new standards, interpretations or amendments that are issued, but not yet effective, that are expected to cause any significant changes for Medistim.

10.6 Notes to the accounts

Note 1 Revenue

Group revenue can be split in three different categories that have different risk and return on investment profile. The split is according to the company's internal reporting structure. The categories are as follows:

1. Revenue from sale of capital equipment (MiraQ) and consumable (probes)
2. Revenue from lease of equipment (MiraQ and probes)
3. Distribution and sales of third-party products

Category 1 and 2 covers the same equipment (MiraQ system) and consumables (probes). These are the products that are developed and produced by Medistim and distributed through local partners unless Medistim has local representation.

1. Sale of capital equipment and consumable: The sale of the equipment and the sale of the consumables are considered separate deliveries (performance obligations). Revenue recognition varies with shipping and delivery terms that decide the timing of when the customer takes over control of the goods. Payment terms varies from 30 to 90 days. The Group provides warranties for general repairs of defects that existed at the time of sale. This is considered an ordinary assurance type warranty, and not a separate performance obligation. A warranty provision is recognized, see note ***21***.
2. Revenue from lease of equipment and probes: The group has a range of contracts related to lease of equipment and probes and can be split in two categories:

a. Payment per procedures
b. Lease of equipment and sale of probes

Payment per procedure:

Under this model, the equipment and probes are placed at the customer site free of charge. Medistim owns all equipment placed at the customer site. For the customer to be able to use the equipment a procedure (smart card) must be purchased. One procedure equals one surgery. The customer purchases a smart card that makes the system available for use.

The agreement is considered a lease with variable lease payments. Revenue is variable and recognized related to the actual use of the equipment and probes. For Medistim this means that revenue is recognized when a new card is shipped to a customer. There are two types of customers, flow customers and flow and imaging customers. Flow customers purchases a flow procedure, while flow and imaging customers purchase both a flow procedure and an imaging procedure. It is therefore a split of revenue between flow procedures and imaging procedures. Revenue is recognized when smart cards are purchased by the customer. The customer is dependent upon the smart card in order to open the equipment and probe for use. The agreements are operational since equipment is returned when the agreement expires.

The individual agreement contains a minimum use clause. The duration of the agreement is 1-3 years, but divided into 12-month cycles, so minimum usage applies for 12 months at a time. If minimum usage is not achieved, Medistim has the right to extract the equipment from the customer site.

Lease of systems and sales of probes:

Under this model, the customer leases the system and purchases probes when needed. The system revenue is recognized on a straight-line basis over the lease term. Probe revenue is recognized when the probe is delivered to the customer.

Other terms in the agreements:

If a customer with a pay per procedure or lease agreement does not handle the equipment properly, the customer is liable towards Medistim to compensate for the damage and repair. It happens that customers after too low consumption want to keep the equipment. In such cases, the customer may purchase the equipment. In this case, this is registered as a system sale.

3. Third party sales: Sale of other third-party medical equipment is recognized when the equipment is delivered to the customer. Payment from customers are mainly due within 30 days.

Other revenue in the P&L includes service, spare parts, grants and other revenue that is not own products or third party products. See note ***1*** for split of revenue.

Note 2 Segments

The Group's activities are divided into strategic business units that are organized and managed separately. The division is also in accordance with the Group's internal reporting structure. The main divisions are sale of own products and sale of 3rd party products. Sale of own products has two business models, the capital model and the lease model.

Own Products category:

Medistim has a flexible business model in the US and leaves it up to the customer whether they want to lease the equipment or purchase the capital equipment and buy probes as consumable. Most customers in the US lease the equipment. The lease model in the USA has been successful since it does not demand upfront capital to have the equipment available. Medistim has direct representation in the USA, which makes it manageable to handle the lease model properly. However, several customers prefer to invest in the equipment and purchase probes as consumables and Medistim promotes both solutions.

The lease model has not been successful outside USA. It is often so that hospitals have a policy that the equipment they use must be hospital property. In addition, Medistim can only follow up this model properly where the company has direct representation, since lease customers require Medistim property at the customer site. Medistim serves around 60 distributors around the world. To follow up assets placed at customer sites in a global scale, and have distributors to manage Medistim assets, is considered to be to complex and risky.

Third party products category:

Distribution and sale of third-party products is a separate segment. The group sells medical devices from third party manufacturers in Norway and Denmark. The product portfolio is carefully selected and mainly instruments and consumables within surgery.

Transactions between internal business units are performed at market terms. Revenue, cost and result for each segment includes transaction between the segments. On group level these transactions are eliminated.

SPLIT OF REVENUE AND OPERATING PROFIT FOR OPERATING SEGMENTS

Segment	**Own products**		**Third party products**		**Group**	
1 = NOK 1000	**2 021**	2 020	**2 021**	2 020	**2 021**	2 020
Revenue:						
Sales in USA						
Lease revenue from flow procedures	**50 380**	52 848	**-**	-	**50 380**	52 848
Lease revenue from imaging procedures	**23 949**	20 686	**-**	-	**23 949**	20 686
Probes	**31 594**	22 636	**-**	-	**31 594**	22 636
Systems	**18 108**	12 022	**-**	-	**18 108**	12 022
Ultrasound imaging	**18 984**	15 011	**-**	-	**18 984**	15 011
Ultrasound imaging probes	**5 831**	3 205	**-**	-	**5 831**	3 205
Other revenue	**5 290**				**5 290**	
Sales outside USA			**-**	-		
Probes-	**115 704**	92 626	**-**	-	**115 704**	92 626
Systems-	**32 898**	35 225	**-**	-	**32 898**	35 225
Ultrasound imaging A	**38 912**	29 179	**-**	-	**38 912**	29 179
Ultrasound imaging probes-	**7 118**	5 219	**-**	-	**7 118**	5 219
Third party sales	**-**	-	**74 340**	67 549	**74 340**	67 549
Other revenue-	**4 169**	6 927	**-**	-	**4 169**	6 927
Total external revenue	**-**	-	**74 340**	67 549	**427 276**	363 134
Total revenue	**352 936**	**295 585**	**74 340**	**67 549**	**427 276**	**363 134**
Cost of goods sold	**56 194**	41 494	**40 920**	35 083	**97 114**	76 577
Salary and social expenses	**120 893**	104 522	**13 614**	14 543	**134 507**	119 066
Other operating expenses	**50 031**	42 863	**5 920**	6 002	**55 950**	48 865
Depreciation	**23 078**	20 372	**349**	2 769	**23 427**	23 141
Operating profit per segment	**102 740**	**86 334**	**13 537**	**9 151**	**116 277**	**95 485**

Additional sales information:

A geographical sales split is monitored to be able to follow the development in sales in the USA with the greatest potential, Europe where market penetration is strong and Asia with the largest future growth potential.

INFORMATION ABOUT GEOGRAPHICAL AREAS

Geographic split of segments	USA		Europe		Asia		Rest of the world		Group	
1 = NOK 1000	2 021	2 020	2 021	2 020	2 021	2 020	2 021	2 020	2 021	2 020
Revenue own products	154 135	126 408	115 849	105 201	66 805	46 811	16 146	16 651	352 936	295 071
Assets	103 966	90 364	213 286	160 371	12 269	12 269	6 588	6 588	336 109	269 592
Investments	4 415	4 967	9 268	11 405	-	-	-	-	13 682	16 372
Revenue 3. party products	-	-	74 340	68 063	-	-	-	-	74 340	68 063
Revenue in units own products										
Procedures flow	59 397	47 256	-	-	-	-	-	-	59 397	47 256
Procedures imaging	12 635	8 803							12 635	8 803
Probes	3 080	2 606	4 524	3 943	2 683	1 693	781	582	11 068	8 824
Systems	22	14	54	52	59	63	12	9	147	138
Ultrasound imaging	16	12	27	19	34	19	6	9	83	59
Ultrasound imaging probes	133	95	50	36	46	26	11	13	240	170
Lease of flow systems	9	10	-	-	-	-	-	-	9	10
Lease of flow and imaging systems	10	3	-	-	-	-	-	-	10	3
Revenue in units 3. party	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Information about geographical areas

Split of revenue between coronary surgery and vascular surgery

The company has in addition to coronary surgery a strategy and focus towards vascular surgery. The principles for guiding and quality assurance within vascular surgery is the same as within coronary surgery. The difference is that within coronary surgery the surgeons focus is to supply the hart with blood, while within vascular surgery the focus is to ensure blood flow in other parts in the body or organs. The vascular market has gained increased focus from the company in order to ensure that the products from the company gets a foothold within more than just coronary surgery. It is therefore natural to report sales split between cardiac surgery and vascular surgery.

SPLIT OF REVENUE BETWEEN CORONARY- AND VASCULAR SURGERY FOR OWN PRODUCTS AND 3 PARTY PRODUCTS	2 021	2020
All numbers in NOK 1000		
Split of own products		
Sales within coronary surgery	293 025	250 482
Sales within vascular surgery	54 619	45 102
Other revenue USA	5 292	-
Sales of 3. party products	74 340	67 549
Total sales	427 276	363 133

Major Customers

Where Medistim has direct representation the customers are hospitals and none of these are dominant in the sense that they represent a major part of the group revenue. Of Medistim's installed base of about 3150 systems, the largest customer has 7 systems. This means that this customer would represent about 0.25 % of total revenue. However, Medistim is also represented through distributors, and the two largest distributors represent 7.5 % and 6 % of the groups revenue respectively. The two largest distributors are independent of each other and operate in different geographical areas.

Note 3 Split of Cost of Goods Sold

SPLIT OF COST OF GOODS SOLD	2021	2020
1 = NOK 1000		
Third party products	**40 215**	37 307
Components	**50 765**	33 023
3.party services	**1 169**	1 983
Packing material and other materials	**620**	1 106
Freight	**4 345**	3 158
Total cost of goods sold	**97 114**	**76 577**

Note 4 Salary and social expenses

SPLIT OF SALARY EXPENSES	2021	2020
1 = NOK 1000		
Salary	**99 262**	94 965
Employeers tax	**13 405**	12 475
Bonus	**14 444**	3 903
Cost for contribution pension plan	**4 905**	4 661
Compensation to the Board	**1 350**	1 350
Other social costs	**1 141**	1 713
Total salary and social cost	**134 507**	**119 066**
Average number of employees:		
USA	**23**	23
Germany	**3**	4
UK	**1**	1
Spain	**2**	2
Denmark	**1**	1
Norway	**86**	87
Total	**116**	**118**

AUDIT FEE FOR THE GROUP	2021	2020
1 = NOK 1000		
Statutory Audit	**1 685**	1 053
Other services	**155**	154
Total Audit fee	**1 840**	**1 207**

The amounts are without VAT

Note 5 Pension expenses and obligations

For Norwegian employees there is a contribution plan that covers 5 % of salary up to 7,1 G and 8 % of salary between 7,1 and 12G. 1G is the base amount in the social security system. Employees in the US follow a pension plan, a 401k match that covers 4 % of salary. The total cost for the contribution plans was in 2020 TNOK 4.661, while it was TNOK 4.905 in 2021. It is compulsory by law for the company to have a pension plan for its employees in Norway. The pension plans in the company fulfill the obligation in the Norwegian law. Employees outside Norway and US do not have a pension plan.

Note 6 Property, plant and equipment

PROPERTY PLANT AND EQUIPMENT

1 = NOK 1000	Equip-ment	Other assets	Right-of-use assets	Total assets	Equip-ment	Other assets	Right-of-use assets	Total assets
	2021				2020			
Historical cost								
Balance 1. January	**79 234**	**24 517**	**40 276**	**144 028**	76 949	17 406	34 319	128 674
Additions	**6 128**	**1 150**	**3 412**	**10 690**	7 123	7 111	5 985	20 219
Disposals	**505**	**-170**		**335**	-4 838	0	-28	-4 866
31.December	**85 868**	**25 497**	**43 688**	**155 052**	**79 234**	**24 517**	**40 276**	**144 027**
Accumulated depreciation and impairment								
Balance 1. January	**52 065**	**14 952**	**12 328**	**79 345**	45 447	12 688	5 648	63 782
Depreciation this year	**6 724**	**2 946**	**7 156**	**16 826**	6 220	2 813	6 680	15 714
Disposals	**32**	**-**	**-**	**32**	-	-	-	-
Exchange rate differences	**0**	**23**	**-12**	**11**	59	93	-	153
31. December	**58 821**	**17 875**	**19 496**	**96 191**	**51 607**	**15 408**	**12 328**	**79 343**
Book value	**27 047**	**7 623**	**24 192**	**58 862**	**27 627**	**9 110**	**27 948**	**64 684**
Depreciation in %	**14-33 %**	**20-33 %**	**12,5-50 %**		14-33 %	20-33 %	12,5-50 %	
Useful life	**3-7 years**	**3-5 years**	**2-8 years**		3-7 years	3-5 years	2-8 years	
Depreciation method	**Linear**	**Linear**	**Linear**		Linear	Linear	Linear	

Fully depreciated assets

Some assets with total historic cost value of 6.1 MNOK is fully depreciated as of 31 December 2021 but are still in use.

Security

Equipment and other assets is pledged as security as of 31 December 2021. The security is related to long-term loan and hedging credit facility. The group's bank had the same security as of 31 December 2020.

Note 7 Right of use assets and lease liabilities

The company is renting offices in Økernveien 94 in Oslo, Bromsveien 17 in Horten and in 14000 25ave. N. Suite 108 in Plymouth in Minneapolis, Minnesota, USA. In Oslo and Horten the rental agreement expires in 2025 and 2027 respectively. In the USA the rental agreement expire year-end 2023. The rental is adjusted yearly according to National indexes for goods and services. The lease in Økernveien 94 may be prolonged with 5 years after 2025, the lease in Bromsveien 17 may be prolonged with 2 years after 2027. It is at present uncertain whether these leases will be prolonged.

In Økernvein 94 Medistim has entered an agreement to increase the facilities with 500 square meters. The group also leases office equipment and cars. The longest remaining lease term for office equipment and cars is until November 2024 and August 2025 respectively.

According to IFRS 16 leased assets are to be recorded in the balance sheet with a corresponding debt and the lease expense recorded as depreciation and interest expense. Medistim's leased assets with right to use and liabilities are shown below.

NOTE RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets	**Buildings**	**Machinery and equipment**	**Vehicles**	**2 021**
Recognition of right to use of asset 1 January	24 762	276	2 910	**27 948**
Addition of right-of-use assets, CPI adjustments and other reassessment	1 781	-	1 631	**3 412**
Other\exhangerate difference	-12	-	0	**-12**
Amortisation	5749	70	1337	**7 156**
Carrying amount of right-of-use assets at 31 December 2021	**20 782**	**206**	**3 204**	**24 192**
Lower of remaining lease term or economic life	4-8 years	2-5 years	1-5 years	
Depreciation method	Linear	Linear	Linear	
Lease liabilities				
Undiscounted lease liabilities and maturity of cash outflows				**2 021**
Less than 1 year	5 761	80	1315	**7 156**
1-2 years	5 773	80	1 315	**7 168**
3-4 years	5 340	74	742	**6 156**
4-5 years	2 962		167	**3 129**
More than 5 years	2 212	-	-	**2 212**
Total undiscounted lease liabilities at 31 December 2021	**22 048**	**234**	**3 539**	**25 821**
Summary of the lease liabilities in the financial statements	Statement of:			**2 021**
Lease liabilities as of January 1st				**28 167**
New lease liabilities recognised in the year				**3 412**
Cash payments for the principal portion of the lease liability	Cash flows			**7 375**
Interest expense on lease liabilities	Profit and loss			**127**
Other\exhangerate difference	Profit and loss			**(12)**
Total lease liabilities at 31 December 2021				**24 192**
Current lease liabilities	Financial position			**7 113**
Non-current lease liabilities	Financial position			**17 079**
Total cash outflows for leases	Cash flows			**7 502**

Note 8 Other operating expenses

OTHER OPERATING EXPENSES	2021	2020
1 = NOK 1000		
Office expenses	**152**	2 429
Travel cost	**4 955**	3 788
Marketing	**2 197**	1 803
Consultants	**25 194**	20 744
Insurance	**2 229**	2 087
Freight	**1 906**	1 302
Communication	**1 039**	1 090
IT cost	**12 253**	9 258
Other	**6 028**	6 365
Total	**55 950**	**48 865**

Note 9 Financial revenue and expenses

As of 31 December 2021, the company had 0.0 MNOK in interest bearing loan. Additional cash in the group gave interest revenue of 15 TNOK. Other finance revenue and expenses was realized or unrealized gains or losses towards foreign currency. Financial revenue and expenses are shown below. See note ***20*** for comment about financial risks and exposure.

FINANCIAL REVENUE AND EXPENSES	2 021	2 020
1 = 1000 NOK		
Interest income	**16**	5
Other financial income	**172**	12
Gains on foreign exchange	**7 985**	14 120
Total financial income	**8 173**	**14 137**
Loss on foreign exchange	**9 790**	17 599
Interest cost on loans	**178**	146
Other financial expenses	**412**	270
Total financial expenses	**10 380**	**18 015**
Net financial expenses	**-2 207**	**-3 878**

Note 10 Income tax

INCOME TAX	2021	2020
1 = NOK 1000		
Current income tax charge	**25 594**	24 046
Deferred tax expense	**-2 423**	-1 827
Income tax expense reported in income statement	**23 171**	**22 219**
Reconciling tax expense towards income before tax		
Tax expense for the year	**23 171**	22 219
22% of income before tax	**25 095**	20 154
Change in deferred tax, temporary differences	**-2 423**	-
Permanent differences and different tax rates	**-499**	-2 065
Specification of taxable income	**2021**	2020
Expected income tax at tax rate 22 % in Norway	**25 095**	20 153
Permanent and other differences	**-2 423**	823
Foreign tax rate differences	**499**	1 242
Income tax expense	**23 171**	**22 219**
Effective income tax rate	**20,3 %**	24,3 %
Payable tax in the balance sheet	**2021**	2020
Income tax expense	**25 594**	24 046
Prepaid tax	**-5 267**	-11 739
Utilizing deferred tax asset	**-**	-
Total payable tax	**20 327**	**12 307**
Specification of deferred tax		
Difference in values:	**2021**	2020
Non current assets	**317**	-1 178
Current assets	**-15 479**	-2 889
Other obligations	**435**	544
Total differences	**-14 726**	**-3 523**
Deferred tax asset 22 %	**-3 240**	-775
Deferred tax asset recognized in the balance sheet	**-3 240**	-775

The deferred tax asset in the balance sheet is based upon future utilization of deductible temporary differences. There is no time limitation for utilization of the temporary differences. Tax rates in Germany and in the US are different from Norwegian rates. The difference in tax rates reduces average tax rate in 2021 to 20.3%.

TAX EXPENSE FOR THE GROUP IS GEOGRAPHICALLY SPLIT AS FOLLOWS:	2021	2020
1 = NOK 1000		
Norway	**17 390**	13 393
Germany	**2 479**	2 442
USA	**2 779**	6 255
Spain	**265**	-
Denmark	**258**	130
Total	**23 171**	**22 219**

Note 11 Earnings per share

EARNINGS PER SHARE	2021	2020
1 = NOK 1000		
Profit for the year	**90 900**	69 387
Average numbers of shares outstanding		
Average number of shares used in basic EPS	**18 216**	18 200
Effect of share options	**33**	37
Average numbers of shares used in diluted EPS	**18 249**	18 237
Profit per share		
Ordinary	**4.99**	3.81
Diluted	**4.98**	3.80
Paid dividend	**54 640**	50 052
Dividend per share	**3.00**	2.75
Suggested dividend per share	**3.75**	3.00

The company has only one class of shares. Ordinary earning per share is calculated as the relation between profits for the year that is allocated to ordinary shareholders divided with average number of shares outstanding. Treasure shares are not included and average number of treasury shares are excluded from the calculation. In 2021, there were share program to CEO. The share program to CEO is described under ***8.12 Remuneration of executive personnel*** note ***21***. By year-end the company had 108 422 own shares.

Note 12 Intangible assets

COVID 19 effect on estimates and impairment testing of intangible assets.

Medistim has in 2020 been affected by the COVID 19 pandemic. Instead of an annual growth in sales of around 10 %, sales in 2020 ended at the same level as 2019. As an international company the experience in 2020 was that the timing during the year was different from region to region dependent upon how the pandemic developed. During the first outbreak all elective surgery was on hold, but as the health care system gained experience dealing with COVID 19, it was opened for elective surgery. However, the activity level was not as high as normal and only the most critical patient received treatment. For 2021 the company has experienced increased activity level since the patient group Medistim is addressing are critical conditions that at some point will demand treatment. This has required additional efforts than normal activity in order to reduce healthcare needs. With vaccines available and a large portion of populations vaccinated, it is the managements evaluation that the situation will be under control at some point. However, there are still some uncertainties related to new variants of the virus. In the estimates used to test for impairment, it is assumed that the situation normalizes in 2022. The pandemic will not change the need for the company's products and services as other branches might experience.

Product technology and additions, goodwill and license agreement

In 2021, 4.1 MNOK of product technology additions, was recognized in the balance sheet related to the MiraQ products. The MiraQ platform forms the basis for future models from Medistim. All development activity is performed in the parent company. The license agreement is externally acquired from Em-tec for the use of the SonoQ products.

INTANGIBLE ASSETS 2021	Product under development	Completed product development	Goodwill	License agreement	Total intangible
1 = NOK 1000					
Historic cost					
Historic cost 31 Dec 21	-	77 844	14 128	2 158	94 131
Internal additions in use	-	1 952		-	1 952
External additions in use	-	797		-	797
Additions under development	1 334	-			1 334
Historic cost 31 December 21	1 334	80 594	14 128	2 158	98 214
Accumulated depreciation and write downs	-	59 824	-	1 618	61 442
Depreciations for the year	-	6 063	-	539	6 602
Total depreciation as of 31 Dec 21	-	65 887	-	2 158	68 044
Carrying amount 31 December 21	1 334	14 707	14 128	0	30 170

INTANGIBLE ASSETS 2020	Product under development	Completed product development	Goodwill	License agreement	Total intangible
1 = NOK 1000					
Historic cost					
Historic cost 31 December 2020	-	75 897	14 128	2 158	92 183
Internal additions in use	-	1 865		-	1 865
External additions in use	-	82		-	82
Additions under development	1 242				1 242
Historic cost 31 December 2020		76 602	14 128	2 158	94 130
Accumulated depreciation and write downs		52 936	-	1 079	54 015
Depreciations for the year		6 888	-	539	7 427
Total depreciation as of 31 December 2020	-	59 824	-	1 618	61 442
Net value in balance sheet	1 242	16 778	14 128	540	32 688

Intangible assets are depreciated on a straight-line basis over the useful life. Useful life for capitalized product development is 3 to 8 years. The license agreement is depreciated over 5 years.

Product technology

Probes to vascular surgery – the PV probe

Within vascular surgery, there is a corresponding need to measure blood flow in the same manner as within cardiac surgery. Some vascular surgeons are already using Medistim's equipment despite the fact that the probes are designed for cardiac surgery. The company has seen an increasing demand over time and in 2011, the company developed a specially designed probe for use in the vascular area. The market in

vascular surgery is large and it is performed about 600,000 procedures annually. In comparison, about 700,000 procedures are performed per year within cardiac surgery. This is a significant market where Medistim can customize its solution with a modest investment. Book value as of 31 December 2021 was 2.4 MNOK. Expected useful life for the PV probes are 8 years.

4th generation of systems; the MiraQ

Entering into 2022, Medistim had invested 39.2 MNOK in the system platform that represent Medistim's 4th generation of systems within flow measurement and imaging to ensure quality and guiding during surgery. The platform has a flexibility that will allow customer adaption and new applications. The technological improvements have secured and strengthen Medistim's leading position. The product, MiraQ Cardiac, based upon the platform, was launched by the end of 2014. The MiraQ Vascular system was introduced in 2015 together with the new vascular flow probes late 2015. At the same time the MiraQ Ultimate was introduced that combines the two cardiac and vascular modalities. Book value for the MiraQ platform by year-end was 13.6 MNOK. Expected lifetime for the product is 8 years.

Additions under development:

This is related to the development of new cardiac flow probes. The aim is to modernize design for the user to make it easier to use, but also develop a design that is more efficient to have in production. Medistim has several years of experience with in-house production and input from customers on a better design on the probe for the user. With this extensive experience and knowledge it is likely that a new probe will be developed with success.

Summary product technology

In total 14.5 MNOK of the R & D expenses was recorded in the P & L in 2021. Similar expense was 14.6 MNOK in 2020. With 4.1 MNOK recognized as asset a total of 18.6 MNOK was used in R & D in 2021. Comparable number for 2020 was 16.5 MNOK. Medistim received TNOK 376 in Skattefund funds in 2021.

License agreement:

Medistim entered a license and an OEM agreement with em-tec GmbH in 2015. With the agreement, Medistim obtains exclusive, worldwide rights to market and sell em-tec's transit time flow measurement (TTFM) technology, the SonoQ, for use on human blood vessels within cardiac-, vascular- and transplant surgery. em-tec's flow measurement device was designed as a basic, entry-level customer solution that meets lower price-point market segments. The product was discontinued in 2021. To fill the gap within Medistim's product portfolio, Medistim has developed its own entry-level solution to meet the demand in lower price point market segments. Book value by year end 2021 for SonoQ products was 0.0 MNOK.

Goodwill

A yearly test of values is done for the cash flow generating units that has a goodwill value in the balance sheet.

GOODWILL	2021	2020
1 = NOK 1000		
Acquisition of Medi-Stim Norge AS	**7 960**	7 960
Acquisition of Kir-Op AS (merged with Medistim Norge AS in 2006)	**6 168**	6 168
Total goodwill	**14 128**	**14 128**

A test of values is performed by estimating the cash flow for Medistim Norge AS. This is estimated using the company's budget for 2022 and 3-year strategy plan for the years 2023 to 2025 with the assumption of 2 % growth in 2026 compared to 2025. Cash flows for more than five years are estimated by using Gordon's growth formula with a 2 % growth in the terminal year. The cash flow is discounted using 12.1 % the weighted average cost of capital (WACC). This includes an additional yield of 9.1 % compared to risk free interest. The value of the discounted cash flow exceeded the recorded book value in the balance sheet and there was no need for a write down of goodwill.

The estimates in the tests are most sensitive to changes in the following parameters:

- Maintaining market share and product lines
- Maintaining margins and keep competitive prices
- Level of minimum return on investment
- Future growth
- Employee know-how

Maintaining market share and product lines:

Within the medical device industry there are major investments done in the development of products. Medistim Norge has certain product lines that have a large portion of total sales. Medistim

Norge's financial situation will be affected if a new product was released in the market that would replace existing key products, and Medistim Norge is not distributor for the new product. The company would also be affected if a supplier changes distributor or chooses to go direct in the Norwegian market. For this reason it is important for the company to maintain know-how and performance to secure key product lines. It is equally important that the company is able to see trends and take in new products with a future potential. The largest product line for the company has 20 % of total sales. If this product line is lost together with another line that is 5 – 10 % of total sales, all goodwill needs to be written down.

Maintain margins and keep competitive prices:

The company is well connected to its suppliers and when the competition increases the suppliers is contributing by lowering their prices. However, it is not realistic to expect that the suppliers will compensate for all of the reduction in prices. The company's experience is that about 50 % of the price change is covered by the suppliers in an increased competitive situation. A price reduction of 10 % without any compensation from the suppliers is the break even level for write down of goodwill.

Rated average capital cost (WACC):

The company uses a WACC that is equal to risk-free interest with an addition of 9.1 %. This level is evaluated on a yearly basis and a change in the WACC could affect the evaluation of the intangible assets. Risk-free interest rate is based on 10-year government bond that at the beginning of the year was 3.5 %. Including risk free interest of 3.0 % the total WACC in 2021 is set to 12.1%.

Future growth:

It is projected growth in sales with a variation from 7 % to 2 % in the budget and strategy period, and with 2 % growth in the terminal value. To be able to maintain this increase it is crucial that the company handles existing product lines in an effective manner and that the company is able to identify and get distribution agreements for new product lines that create more business than lost product lines.

Employee know-how:

Medistim Norge has over the years built a competence within the medical device industry and distribution. It is essential that this know-how is updated and passed on to new employees.

Sensitivity analysis:

The company's largest customers are Norwegian hospitals. The hospitals are continuously improving their purchasing routines and purchasing is centralized and professionalized. This increases the demand for better quality and prices from the suppliers. The company's ability to maintain prices by offering quality products and services is crucial in the competition for future contracts.

With the assumption used in the impairment test, the recoverable amount exceeds the carrying amount with 49,6 MNOK ("headroom"), and no impairment loss is recognized. Operating margin and growth is based upon historic achieved margins and sales growth.

Operating margin and growth is based upon historic achieved margin and sales growth. In the estimates the budget and the projections of the 3-year strategy update is used. The operating margin in the projections vary between 14% and 14.5% .Sales growth varies from 7%-2%.

If the operating margin is reduced from 15.0% to 3.6% everything else equal, carrying amount would require an evaluation of impairment loss. A change in the WACC from 12.1 % to 55.0 % everything else equal, would cause an impairment loss. See overview below.

HEADROOM			
WACC	12.1 %	28 %	55.0 %
Headroom in MNOK	59.4	24.2	1.7
Operating margin	15 %	7.4 %	3.6 %
Headroom in MNOK	59.4	32.9	-0.9

Note 13 Shares in subsidiaries

All subsidiaries are 100 % owned and Medistim has all votes. Medistim Norge AS has offices at Økern in Oslo. Medistim USA Inc has offices in Minneapolis in the USA. Medistim Deutschland GmbH has offices in Munich in Germany, Medistim Denmark has offices in Copenhagen Denmark, Medistim Spain S.L has offices in Madrid and Medistim UK has offices in London UK. None of the subsidiaries are listed at a stock exchange.

SHARES IN SUBSIDIARIES			
Unit	**Country**	**Segment**	**Ownership**
1 = NOK 1000			
Medistim USA Inc.	USA	Lease and sale within bypass surgery and vascular surgery	100%
Medistim Deutschland GmbH	Germany	Capital sales within bypass surgery and vascular surgery	100%
Medistim Norge AS	Norway	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100%
Medistim UK LTD	UK	Capital sales within bypass surgery and vascular surgery	100%
Medistim Japan KK	Japan	Dornmat company	100%
Medistim Spain S.L	Spain	Capital sales within bypass surgery and vascular surgery	100%
Medistim Danmark Aps	Denmark	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100%- Owned indirectly through Medistim Norge AS with book value of TNOK 1 103

Note 14 Inventory

SPECIFICATION OF INVENTORY (1=NOK 1000)	**2021**	**2020**
Raw material	**51 861**	54 115
Work in progress	**2 139**	6 909
Finished goods	**30 711**	36 434
Spare parts	**7 146**	3 504
Third party products	**12 235**	14 047
Inventory provision	**-6 678**	-2 343
Total	**97 413**	**112 667**

Finished goods are measured at cost which includes cost for components and internal labor cost. Work in progress is valued at the total of the component cost and labor cost. The inventory level in 2020 is at a higher level than compared to 2021. It is necessary for the company to keep an additional security inventory for critical components for own developed products. Due to a strict regulatory regime within medical device it takes time to introduce new devices or components. At the same time the tendency is that electronic components life circle is shorter. For this reason inventory level is high to secure future deliveries for Medistim developed products. Inventory is used as security for loan, see note ***18***.

SPECIFICATION OF INVENTORY PROVISION	2021		2020	
1=NOK 1000	Gross value	Provision	Gross value	Provision
Demonstration products	6 105	3 074	1 562	1 172
Spare parts	4 170	3 404	1 942	970
Third party products	200	200	200	200
Total	**10 475**	**6 678**	**3 704**	**2 342**

Note 15 Accounts receivables and other receivables

ACCOUNTS RECEIVABLE	2021	2020
1 = NOK 1000		
Accounts receivable	68 993	57 844
Provision for bad debt	-359	-359
Total	**68 634**	**57 485**

POVISION FOR BAD DEBT	2021	2020
1 = NOK 1000		
Inbound provision	359	212
Increased provision	-	147
Total	**359**	**359**

AGING ACCOUNTS RECEIVABLE					
1 = NOK 1000	Not due	0-30 days	31 - 60 days	61 - 90 days	Total
Year 2021					
Expected loss in %	**0,00%**	**0,00%**	**1,00%**	**7,75%**	
Book value of receivables	**43 640**	**16 847**	**3 862**	**4 284**	**68 634**
Expected credit loss	**-**	**-**	**27**	**331**	**358**
Total	**43 640**	**16 847**	**3 835**	**3 953**	**68 275**
Year 2020					
Expected loss in %	0,00%	0,00%	0,00%	3,45%	
Book value of receivables	40 020	5 249	2 157	10 412	57 839
Expected credit loss	-	-	-	358	358
Total	**40 232**	**5 249**	**2 157**	**10 054**	**57 480**

All receivables are due within one year. Historically the group losses have been limited. End customers are often public hospitals with government funding and the risks for losses are low. However, days sales outstanding is high compared to other businesses, something that the aging receivables confirm.

Receivables is used as security for loan, see note ***18.*** Other receivables are shown in the following table:

OTHER RECEIVABLES	2021	2020
1 = NOK 1000		
Other pre-payments	**6 076**	761
Accrued income	**4 571**	-
VAT receivable	**-**	1 949
Other	**312**	1 035
Total	**10 960**	**3 744**

Note 16 Cash

CASH	2021	2020
1 = NOK 1000		
Available cash in bank	**124 866**	65 761
Restricted cash in bank	**4 624**	6 130
Total cash in bank	**129 490**	71 891
Credit limit	**22 500**	22 500
Cash available	**147 366**	**88 261**

Restricted cash as of 31 December 2020 was 6 130 TNOK and was related to tax withheld from salaries. As of 31 December 2021 the restricted cash was 4 624 TNOK related to tax withheld on salaries. The holding company had a credit facility of 22.5 MNOK in 2020 and 22.5 MNOK in 2021. The credit facility was not in use as of 31 December 2021 or 31 December 2020.

Note 17 Shareholder information

The company had 18.337.336 shares at par value of NOK 0.25 per share and total share capital amount to NOK 4.584.334. There is only one class of shares and all shares are treated equally. Each share represents one vote.

CHANGE IN ISSUED SHARE CAPITAL IN 2021			
	Number of shares	**Par value per share**	**Share capital in NOK**
Share capital 01.01.2021	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-	-	-
Share capital 31.12.2021	18 337 336	NOK 0.25	NOK 4 548 334.00

The Board of Directors received by the shareholders meeting the 27th of April 2021 permission to purchase up to 1 833 733 Medistim ASA shares at par value NOK 458 433.25. The permission is valid until the next ordinary general assembly in 2022 in the price range of NOK 0.25 to NOK 400 per share. Further the Board of Directors got permission to increase share capital with NOK 458 433.25 or issue 1 833 733 new shares at par value NOK 0.25. The permission can be used if there is a decision to enter into a merger, acquire another company or to create an option program. The permission is valid until the next ordinary shareholders meeting in 2022. See the following table for changes in the equity for the last year.

STATUS FOR THE PERMISSIONS AS OF 31.12.2021

	Capital increase	Medistim shares
Permission given at the shareholders meeting in 2021	1 833 733	1 833 733
Permissions used	-	-
Share capital 31.12.2021	1 833 733	1 833 733

The company owned 108 422 Medistim shares as of 31 December 2021. Number of Medistim shares by 01 January 2021 was 126 500.

The 20 largest shareholders in the company were as of 31 December 2021:

20 LARGEST SHAREHOLDERS

Shareholder	Number of shares	In % of total	Nationality
AETERNUM CAPITAL AS	1 862 500	10.16 %	Norway
FLØTEMARKEN AS	1 285 000	7.01 %	Norway
State Street Bank and Trust Comp	1 240 079	6.76 %	United States
VERDIPAPIRFOND ODIN NORDEN	1 200 000	6.54 %	Norway
State Street Bank and Trust Comp	1 117 246	6.09 %	United States
Skandinaviska Enskilda Banken AB	1 017 484	5.55 %	Sweden
FOLLUM INVEST AS	970 000	5.29 %	Norway
State Street Bank and Trust Comp	686 139	3.74 %	United States
ODIN Small Cap	600 000	3.27 %	Sweden
Skandinaviska Enskilda Banken AB	594 221	3.24 %	Denmark
State Street Bank and Trust Comp	466 805	2.55 %	United States
Skandinaviska Enskilda Banken AB	414 011	2.26 %	Sweden
SKANDINAVISKA ENSKILDA BANKEN AB	394 180	2.15 %	Luxembourg
The Northern Trust Comp, London Br	382 845	2.09 %	United States
BUANES	379 936	2.07 %	Norway
The Bank of New York Mellon SA/NV	257 500	1.40 %	Denmark
RBC Investor services bank S.A.	254 188	1.39 %	Luxembourg
Skandinaviska Enskilda Banken AB	238 314	1.30 %	Sweden
BNP Paribas Securities Services	233 392	1.27 %	Italy
Danske Invest Norge Vekst	228 000	1.24 %	Norway
Total 20 largest shareholders	13 821 840		
Total number of shares outstanding	18 337 336		
20 largest shareholders in %	75,38%		

BOARD MEMBERS AND MANAGEMENT TEAM WITH SHARES IN THE COMPANY

Shareholder	Number of shares	In % of total	Position
Tove Raanes via Trane AS	1 990	0.01 %	Board member
Roger Morberg	10 427	0.06 %	VP Sales International
Erik Swensen	10 994	0.06 %	VP R&D
Thomas Jakobsen	22 748	0.12 %	CFO
Kari Eian Krogstad	51 802	0.28 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (Fløtemarken AS)	1 285 000	7.01 %	Chairman

BOARD MEMBERS AND MANAGEMENT TEAM WITH SHARES IN THE COMPANY			
Anne Waaler	2 440	0.01 %	VP Medical
Håkon Grøthe (Grøten Invest AS)	1 990	0.01 %	VP Innovation
Mike Farbelow	1 990	0.01 %	President Medistim USA
Ole Jørgen Robsrud	1 326	0.01 %	CEO Medistim Norge
Tone Veiteberg	1 990	0.01 %	VP QA&RA
Hæge Wetterhus	663	0.004 %	VP Marketing
Lars Rønn	885	0.005 %	Board member

There were no share options outstanding as of 31.12.2021 except from the share program to CEO described under ***8.12 Remuneration of executive personnel*** and note ***21***.

Note 18 Long-term debt

LONG-TERM DEBT			2021	2020
1 = NOK 1000	Interest rate	Last due date	**Carrying amount**	Carrying amount
Secured loan				
PPP loan from USA- debt forgivness in 2021	n.a	n.a	**-**	6 080
Lease obligations	2-4 %	30/09/27	**24 192**	28 368
Deferred revenue			**2 510**	265
Loan from DNB	NIBOR + 1.90 %	18/10/22	**-**	4 500
Total debt			**26 702**	39 213
Debt due within one year			**0**	-3 000
Lease obligations due within one year			**-7 113**	-6 715
Total non.current liabilities			**19 589**	**29 497**

Medistim borrowed 15.0 MNOK in 2017 and the remaining balance of the loan was 4.5 MNOK by 31 December 2020. The bank has collateral in property, plant and equipment, accounts receivable and inventory in the holding company and the Norwegian subsidiary. The collateral in property, plant and equipment, accounts receivables and inventory is not limited. Book value of pledged property, plant and equipment was as of 31 December 2021 30.2 MNOK, 57.0 MNOK for accounts receivables and 73.3 MNOK for inventory. The remaining debt of 4.5 MNOK from 2020 was repaid during 2021. The lease agreements are described under note ***7***.

During 2020 Medistim qualified for a Payroll Protection Program (PPP) loan of MNOK 6.1 or TUSD 627 in the US. This is part of US government support program during COVID 19 to keep employees employed. The loan was forgiven in 2021 since the criteria related to debt forgiveness was achieved. In 2021 the debt forgiveness was recorded as other revenue.

Note 19 Other short term debt:

OTHER LIABILITIES	2021	2020
1 = NOK 1000		
Accrual for public taxes	**8 972**	9 613
Accrual for holiday pay	**7 140**	7 386
Accrual for salaries, commission and board member fee	**14 703**	4 628
Accrual for customer and supplier obligations	**966**	631
Other	**4 828**	1 353
Total	**36 609**	**23 610**

Note 20 Financial Risk

The group's financial liabilities are leasing agreements, and accounts payable. The group also has a credit facility. The financial liabilities and facilities are important instruments that contribute to the financing of the group's operational activities. The group's financial assets are accounts receivables, and cash. From time to time the group also enters into financial derivative contracts to hedge currency exposure. Hedge accounting is not applied. The risk arising from financial instruments is market risk, credit risk towards customers, and liquidity risk.

Interest rate risk:

The group had as of 31 December 2021 no interest bearing debt. If the group needs a loan it is group policy to have floating interest since this will be the lowest interest rate over time. In general, the group considers the exposure towards changes in interest rates as low.

Foreign exchange rates risk:

Change in exchange rates involves a direct and indirect financial risk for Medistim ASA. The company has revenue and expenses in EUR and USD where most revenue is in EUR and USD and expenses mostly in NOK. To neutralize net exposure derivative contracts are evaluated. The development in NOK towards USD and EUR is continuously monitored. By the end of 2021, the company had no derivative contracts for EUR or USD. Hedging contracts are entered to reduce the exchange risk towards currencies. Unrealized gain or loss related to the contracts are recorded in the balance sheet and the change of value related to the contracts is recorded in the profit and loss. The management and Board of directors evaluate the handling of risks related to exchange rates fluctuations continuously together with its professional advisers.

The group had a credit facility of 6.0 MNOK to enter hedging contracts. The facility represents 10 % of the value of the contracts the group can use and the Group can enter hedging contracts for a total of 60 MNOK. Security related to the facility is related to assets, accounts receivable and inventory with no limit. Book value of secured items was as of 31 December 2021 30.2 MNOK for assets, 57.0 MNOK for accounts receivables and 73.3 MNOK for inventory. The financial assets and liabilities in the balance sheet by year end 2021 and 2020 is shown below:

FINANCIAL ASSETS AND LIABILITIES	2021			2020		
1 = NOK 1000	Original value	Gain\loss	Book value	Original value	Gain\loss	Book value
Financial assets						
Cash in USD	**9 985**	**709**	**10 694**	6 252	-173	6 079
Cash in EUR	**13 026**	**82**	**13 108**	14 388	70	14 458
Accounts receivable in EUR	**28 364**	**-541**	**27 823**	38 558	480	39 038
Accounts receivable in USD	**-**	**-**	**-**	181	7	188
Financial debt						
Accounts payable in EUR	**2 855**	**17**	**2 838**	2 182	154	2 028
Accounts payable in USD	**207**	**-3**	**204**	337	14	351
Interest bearing loan						
Bank loans in NOK	**-**	**-**	**-**	4 500	-	4 500
Forward currency contracts	**-**	**-**	**-**	-	-	-

EFFECT ON PROFIT IF CURRENCY CHANGES WITH 5%						
1 = NOK 1000	2021			2020		
	Original value	Gain\loss	Book value	Original value	Gain\loss	Book value
Total exposure towards EUR	**38 535**	**-476**	**38 093**	50 764	396	51 468
Total exposure towards USD	**9 778**	**712**	**10 490**	6 096	-180	5 916
5 % increase EUR			**1 905**			2 573
5 % increase USD			**525**			296
5 % decrease EUR			**-1 814**			-2 451
5 % decrease USD			**-500**			-282

Credit and liquidity risk:

Other financial risk as credit risk and liquidity risk is viewed by the company as low based upon the group's financial position as of 31 December 2021.

Credit risk:

The group is at some extent exposed towards credit risk. The general risk is low since the majority of customers are financed by public authorities. Still history records for payments, the size of the transaction and the other party's credit risk is evaluated from case to case. The level of credit given is evaluated when there is a change in market conditions. The level of risk is reduced by using bank guaranties and prepayments in cases where the level of risk is found to be higher than normally accepted. See note ***15*** for a table showing the aging of accounts receivable.

Liquidity risk:

Liquidity risk is the risk that the company is not able to meet its obligations in time. Managing liquidity risk is therefore prioritized to secure financial flexibility. Medistim main source of cash is cash generated from operations. The group has over the last 5 years experienced an increase in profit and available cash. Therefore, the company has been able to build up a cash reserve due to strong profits to handle the increased need for working capital as the company grows. The liquidity buffer also secures cash in situations where the incoming cash is delayed. In addition, the company has a credit facility with a limit of 22.5 MNOK to secure available cash.

COVID 19 pandemic:

Cardiac by-pass surgery is to a large extent an elective procedure that can be scheduled with some time delay. When the outbreak of the COVID pandemic was a fact, several by-pass surgeries were postponed. Therefore, the number of by-pass procedures was reduced compared to the normal level. While Medistim has over several years shown a currency neutral growth of 7% to 10 % per year, 2020 ended without growth compared to 2019, all due to the pandemic. Since the pandemic started to affect the Medistim business in second quarter of 2020, the effect has become gradually smaller, and in the second quarter of 2021, there was a strong rebound in procedures performed and hence in the sales revenues. This rebound has continued throughout 2021, and continue to experience strong growth in revenues due to the increase in number of CABG procedures performed. This increase corresponds with the reduction in hospitalizations of patients with COVID disease, which is again an effect of the growing vaccination rates in Medistim's core markets, Europe, and USA, and to some degree also in Japan and China. Due to lower operating costs from travelling, conferences, general cost containment and sales growth, Medistim reports an all-time high EBIT result for 2021. Cash flow from operation was a solid MNOK 127.6 and the cash position was MNOK 129.5 by year end. While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim's products has not changed, and the strong recovery seen through 2021 may indicate that cardiac bypass surgeries are at large back to normal. However, there are still some uncertainties related to new variants of the virus. The following table sets out the maturity profile of the financial liabilities based on contractual undiscounted payments:

OVERVIEW OF DEBT

1 = NOK 1000

Year 2021	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**1 778**	**5 335**	**11 738**	**5 341**	**24 192**
Accounts payable	**13 205**	**-**	**-**	**-**	**13 205**
Deferred revenue			**2 510**		**2 510**
Income tax		**20 327**			**20 327**
Other debt *(see note **19** & **22**)*	**33 815**	**3 143**	**-**	**-**	**36 958**
Total	**48 799**	**28 804**	**14 248**	**5 341**	**97 192**

Year 2020	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	3 000	7 580	-	10 580
Lease liabilities	1 753	5 259	14 640		21 652
Accounts payable	13 530	-	-	-	13 530
Deferred revenue			265		265
Income tax		12 307			12 307
Other debt *(see note **18,19,22**)*	30 639	-	-	-	30 639
Total	**45 922**	**20 566**	**22 485**	**-**	**88 973**

Financial strategy:

Management strives to strengthen the group's healthy financial position through profit and a high level of equity. This will secure continued growth and will maximize shareholders values. The group will adjust capital structure to adapt to changes in the financial climate. Capital structure can be adjusted through dividend, repayment of share capital or issue new shares. There were no changes in the financial strategy in the group in 2020 or 2021.

Note 21 Related party transactions

Compensation to management

The management group consists of 10 people including CEO. The managing directors in the subsidiaries are included in the management group.

COMPENSATION AND BENEFITS TO THE MANAGEMENT GROUP IN 2021

Management	Position	Salary	Bonus	Pension	Share based compensation	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 327 426	66 905	90 000	-	4 392	1 488 723
Anne Waaler	VP Medical	1 291 382	83 631	77 736	-	4 392	1 457 141
Roger Reino Morberg	VP Sales	1 530 580	88 314	84 552	-	4 392	1 707 838
Erik Swensen	VP Development	1 352 031	69 581	81 456	-	4 392	1 507 460
Tone Ann Veiteberg	VP QA\Reg	1 132 394	58 876	73 920	-	4 392	1 269 582
Ole Jørgen Robsrud	CEO Medistim Norge AS	1 241 558	64 286	84 000	-	15 000	1 404 844
Helge Børslid	VP Operations	1 246 512	98 127	82 704	-	4 392	1 431 735
Håkon Grøthe	VP Innovation	1 222 257	102 587	82 656	-	4 392	1 411 892
Mike Farbelow	President Medistim USA	1 909 488	773 100	78 667	-	97 058	2 858 314
Cindy Kaffi	CEO Medistim Germany	1 277 478	406 400	-	-	-	1 683 878
Kari Eian Krogstad	CEO Medistim group	2 827 824	347 904	90 348	3 125 000	4 392	6 395 468
Thomas Jakobsen	CFO Medistim Group	1 820 331	93 666	82 116	-	4 392	2 000 505
Total		**18 179 261**	**2 253 377**	**908 155**	**3 125 000**	**151 586**	**24 617 380**

There are no severance pay agreements towards any in the management team in case of leaving the company. All members of the management group have a two-way arrangement of 3 months' notice. The exception is management in the US that has no notice period. The management group has the same pension plan as other employees. For Norwegian members of the management group, this is a contribution plan that covers 5 % of salary up to 7.1 G and 8 % of salary for G between 7.1 and 12. 1G equals NOK 106.300. Management in the US has a contribution plan that covers 4 % of salary.

The board decides incentives to CEO. Bonus and incentives to the management group is decided by the CEO. Bonus and incentives for both management group and CEO is based on achieved results. The table shows the bonus paid in 2020 and 2021. Some members of the management group has loan from the company related to the share program offered to the Management team in 2021. The following table shows who in the management team purchased shares at a discount and has loan form the company.

SHARE PROGRAM FOR THE MANAGEMENT GROUP IN 2021						
Group Management	Position	Shares purchased in NOK	Match 25% in NOK	Total purchase of shares in NOK	Number of shares	Financing by Medistim in NOK
Hæge Johanne Krogh Wetterhus	VP Marketing	200 000	50 000	250 000	663	100 000
Anne Waaler	VP Medical	600 000	150 000	750 000	1 989	-
Roger Reino Morberg	VP Sales	600 000	150 000	750 000	1 989	600 000
Erik Swensen	VP Development	300 000	75 000	375 000	994	-
Tone Ann Veiteberg	VP QA\Reg	600 000	150 000	750 000	1 989	600 000
Helge Børslid	VP Operations	400 000	100 000	500 000	1 326	200 000
Håkon Grøthe	VP Innovation	600 000	150 000	750 000	1 989	-
Kari Eian Krogstad	CEO Medistim Group	600 000	150 000	750 000	1 989	600 000
Thomas Jakobsen	CFO Medistim Group	800 000	200 000	1 000 000	2 652	800 000
Total		**4 700 000**	**1 175 000**	**5 875 000**	**15 578**	**2 900 000**

For every fourth share purchased one share was given for free with a vesting period of 3 years. The loans are at tax free rate and are due for payment when the vesting period is over. The agreements were entered the 15th of November 2021.

Compensation to the board was 1 300 TNOK in 2020 and 1 300 TNOK in 2021. The chairman received 400 TNOK as compensation in 2020 and 400 TNOK in 2021 The four board members received a total 225 TNOK each as compensation in 2020, a total of 900 TNOK. In 2021 they received 225 TNOK each, a total of 900 TNOK. The nomination committee leader received a compensation of 20 TNOK, while the two other members received 15 TNOK each. In total, the nomination committee received 50 TNOK as compensation.

CEO has an agreement with the Board that she can receive up to 33.000 Medistim shares as part of compensation if in position until 2024. The Shares is received by the CEO free of charge and last shares will be received in 2025. Fair value of the share based payment is the share price at grant date multiplied with the and number of shares granted. The fair value of the share based payment is expensed over the vesting period. In 2021, TNOK 2 285 including social security tax was expensed in the accounts related to the arrangement. See also in the following table:

OUTSTANDING SHARES	**2021**
Outstanding 1.1	45 500
Granted	12 500
Exercised	-12 500
Outstanding 31 December	45 500
Vested as of 31 December	12 500
Remaining options as of 31 December	33 000
Current year expense for share based payment	1 714 000

Year	**2022**	**2023**	**2024**
Vesting of share options	12 000	12 000	9 000
Share price time of grant	71.0	167.0	254.0

Transactions with related parties

There were no transactions towards related parties in 2021 or in 2020.

Note 22 Provisions

PROVISIONS	2021	2020
1 = NOK 1000		
Warranty provision	350	150
Sum	**350**	**150**

Note 23 Exchange rates foreign currency

EXCHANGE RATES FOREIGN CURRENCY

Currency	Rate 01.01.2021	Average rate	Rate 31.12.2021
USD	8.5326	8.5889	8.8194
DKK	140.71	136.59	134.32
EUR	10.4703	10.1633	9.9888
GBP	11.6462	11.8176	11.8875

Note 24 Changes in liabilities arising from financial activities

CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

1 = NOK 1000	Interest bearing short term debt	Deferred revenue and interest bearing long term debt	Lease agreements short term	Lease agreements long term	Total 2020
At 1st of January 2020	3 000	7 580	6 680	22 465	39 251
New lease agreements	-		-	5 957	5 957
Interest bearing debt	-3 000				-3 000
Cash flows lease agreements		-	-6 680		-6 206
Debt becoming current in 2020	3 000	0	6 881	-6 680	3 201
Effects of foreign exchange	-	-		-91	-91
Deferred revenue	-	265		-	265
31.December 2020	3 000	7 845	6 881	21 651	39 377

1 = NOK 1000	Interest bearing short term debt	Deferred revenue and interest bearing long term debt	Lease agreements short term	Lease agreements long term	Total 2021
At 1st of January 2021	3 000	7 845	6 881	21 651	**39 377**
Debt forgiveness		-5 348	-		**-5 348**
New lease agreements	-		-	3 412	**3 412**
Interest bearing debt	-3 000	-1 500			**-4 500**
Cash flows lease agreements		-	-7 502		**-7 155**
Debt becoming current in 2021		0	7 754	-7 985	**-578**
Effects of foreign exchange	-	-	-19		**-19**
Deferred revenue	-	1 513		-	**1 513**
31.December 2021	0	2 510	7 114	17 078	**26 701**

Note 25 Events after 2021

The Russian and Ukraine conflict is expected to have minor impact on Medistim business. Sales to these countries was less than 2% of total sales in 2021. The Board of directors has no knowledge about events after 2021 that will affect the annual report and financial statement for 2022.

11. PARENT COMPANY FINANCIAL STATEMENTS

11.1 Income Statement Medistim ASA

INCOME STATEMENT MEDISTIM ASA		2021	2020
1 = NOK 1000	Note		
Operating income and expenses			
Revenues			
Sales revenue	*26*	**255 574**	192 259
Other revenue	*27*	**2 944**	3 185
Total revenue		**258 518**	195 444
Operational expenses			
Cost of goods sold		**54 582**	37 663
Salary and social expenses	*27*	**73 536**	62 858
Depreciation on assets	*28*	**13 715**	13 961
Other operating expenses	*27,29,39*	**39 405**	35 553
Total operating expenses		**181 238**	150 036
Operating profit		**77 280**	**45 408**
Financial income and expenses			
Financial income			
Dividend from subsidiaries	*31*	**24 000**	25 230
Other financial income	*37*	**7 529**	15 920
Financial expenses	*37*	**11 446**	16 519
Net finance		**20 083**	**24 631**
Profit before tax		**97 363**	70 039
Tax expense	*30*	**16 682**	9 864
Profit for the year		**80 681**	**60 175**
Allocations			
Dividend	*36*	**68 358**	54 597
Other equity	*36*	**12 324**	5 578
Total allocation		**80 681**	**60 175**
Earnings per share		**2021**	2020
Ordinary		**4.43**	3.31
Diluted		**4.42**	3.31
Dividend per share		**3.75**	3.00

11.2 Balance Sheet Medistim ASA

BALANCE SHEET MEDISTIM ASA		31/12/21	31/12/20
1 = NOK 1000	*Note*		
Assets			
Non current assets			
Intangible assets			
Deferred tax	*30*	**1 501**	1 483
Marketing rights	*29*	**1**	540
R & D	*28,29*	**16 041**	18 020
Fixed assets			
Property, plant and equipment	*28*	**26 297**	28 269
Office equipment	*28*	**2 316**	2 049
Financial assets			
Shares in subsidiaries	*31*	**37 392**	37 392
Other long term receivables	*31*	**10 992**	8 559
Total non current assets		**94 540**	**96 313**
Current assets			
Inventory	*33*	**73 704**	87 555
Accounts receivables	*32,41*	**48 908**	37 525
Other receivables	*32,41*	**18 145**	3 359
Cash	*34*	**75 149**	19 955
Total current assets		**215 907**	**148 393**
Total assets		**310 447**	**244 706**
Equity and liability			
Equity			
Share capital	*35,36*	**4 584**	4 584
Share premium	*35,36*	**40 253**	40 253
Other paid in equity	*36*	**13 348**	5 769
Other equity			
Retained earnings	*36*	**102 164**	89 862
Total equity		**160 349**	**140 468**
Liabilities			
Accruals for obligations			
Deferred income	*29*	**-**	2 132
Total accruals		**-**	2 132
Other long term debt			
Long term debt	*40*	**35 278**	10 030
Total other long term debt		**35 278**	**10 030**
Short term debt			
Interest bearing short term debt	*40*	**-**	3 000
Accounts payable		**6 791**	8 643
Payable tax	*30*	**16 700**	10 903
Employee withholding, social security taxes		**11 025**	10 272
Dividend	*36*	**68 358**	**54 596**
Other short term debt	*38,41*	**11 946**	4 661
Total short term debt		**114 820**	**92 075**
Total equity and liability		**310 447**	**244 706**

11.3 Cash Flow Statement

CASH FLOW STATEMENT		2021	2020
1 = NOK 1000	*Note*		
Cash flow from operations:			
Profit/loss before tax		**97 363**	70 039
Minus income tax paid		**-9 749**	-8 485
Plus this years tax expense			
Plus depreciations	*28*	**13 715**	13 961
Change in inventory	*33*	**13 850**	-24 114
Change in accounts receivable	*32*	**-11 383**	-1 832
Change in accounts payable		**-1 852**	-2 602
+/- Change in paid and expensed pension		**-**	-
Other changes		**-8 910**	1 361
Net cash from operating activities		**93 035**	**48 328**
Investing activities:			
Minus investment in assets	*28*	**-11 124**	-9 672
Net cash from investing activities		**-11 124**	**-9 672**
Financing activities:			
Minus down payment of long term debt	*40*	**-4 500**	-3 000
Dividend	*36*	**-54 640**	-50 052
Issue of new equity		**7 589**	-
Interest on loans		**-**	-
Dividend from subsidiaries			-
New loans	*41*	**24 834**	11 000
Net cash from financing activities		**-26 717**	**-42 052**
Net change in cash		**55 194**	-3 396
Cash as of 01.01		**19 955**	23 351
Cash as of 31.12		**75 149**	**19 955**
Available cash and cash withholding			
Available cash as of 31.12	*34*	**71 931**	15 658
Cash withholding for taxes	*34*	**3 218**	4 297
Cash and cash equivalents as of 31.12		**75 149**	19 955

11.4 Accounting Principles

The financial statement and notes is according to Norwegian GAAP, Norwegian accounting law and according to best practice within Norwegian GAAP

Sales revenue

Sales revenue is recognized in the profit and loss on the date of delivery and when the major risk and ownership of the product have been transferred to the customer. Systems and probes are recognized as revenue when the goods are shipped from Medistim ASA and the risk and ownership is transferred to the distributor or end customer. The same is the case for sale of procedures for quality control of cardiac surgery and other third party products. Services are recognized as revenue at the time the service is performed.

Current assets and short-term debt

Current assets and short-term debt are defined as items that are due for payment within one year at the last day of the accounting year, and items defined as working capital. Current assets are evaluated at the lowest of cost and net sales value. (The lowest value principle).

Fixed assets and long term debt

Fixed assets are defined as property for long-term use. Fixed assets are valued at cost in the balance sheet and depreciated of the expected economic lifetime. Fixed assets are written down to real value if the reduction in value is expected to be permanent. Write down is reversed if the basis for the write down no longer exists.

Shares in subsidiaries

Shares in subsidiaries are valuated according to cost. Shares in Medistim Norge AS, Medistim US Inc, Medistim Denmark Aps, Medistim UK Ltd, and Medistim Deutschland GmbH are owned 100 %. The shares are recorded at cost or written down to real value if real value is assumed to be the lowest and that it is permanent. Dividend and group contributions are recognized as revenue in the holding company as financial revenue in the year that it has been accrued given that Medistim had the ownership of the shares in this period.

Foreign currency

Balance sheet items in foreign currency are valued at the exchange rate on the balance sheet day. Sales revenue is recorded at the exchange rate that was at the time of the sale. Unrealized gains or losses on hedging contracts are recorded in the profit and loss.

Inventory

Inventory is valued at the lowest of cost (FIFO principle) and net sales value (lowest value principle). For components, the lowest of historic cost and current price is used to value the component inventory.

Work in progress and finished goods

Cost for finished goods includes direct cost and a portion of indirect and fixed production cost. Basis for the allocated cost to the products is a normal production situation. Goods in progress are valued at the component cost price.

Accounts receivables

Account receivables and other receivables are recorded in the balance sheet at par value with deduction for estimated losses. The accrual for losses is based upon a separate evaluation in each case. In addition, there has been made an unspecified accrual on receivables to cover expected losses. The same evaluation is made for other receivables.

Taxes

Tax cost in the income statement includes payable tax for the current accounting year and changes in temporary differences that are due for payment the coming accounting year. Temporary differences occurs using the tax rate by the end of the accounting year (22 %) and comparing tax increasing or tax reducing temporary differences between accounting values and tax values. Tax increasing or reducing temporary differences that can be reversed in the same period is recorded at net value. Deferred tax asset is recorded if it is likely that the company will be able to utilize the tax asset.

Pension liabilities

All employees have a defined pension plan.

Share based payments

The Group has a share-based payment scheme for its CEO, the program is measured at fair value at grant date. The share-based payment for the company's top leader is a scheme by issuing shares. For transactions that are settled in equity instruments (arrangements by issuing shares), recognize the value of shares granted during the period as a compensation expense in the income statement and a corresponding additional paid-in capital.

Research and development

The activities in the development department are split in 3 categories. These are maintenance, general research and development of new products. Maintenance and general research is expensed in the P & L while new products are recorded as an asset and depreciated over expected lifetime. When recorded as an asset it is expected that revenues from the product will exceed activated amounts. An immaterial asset that is acquired, or other immaterial assets that are developed, are recorded as an asset in the balance sheet if they are identifiable and that it is likely to give future economic benefits. The asset is amortized over the expected economic lifetime

of the asset. The values of the assets are evaluated yearly and if the book value exceeds future economic benefit the asset is written down. The evaluation is performed by the management in the company.

Cash flow analysis

The cash flow analysis is prepared using indirect method. Cash is defined as cash in bank and other financial assets that are due within 3 months after it is acquired.

Other financial assets

Shares and other financial assets are evaluated at the lowest of cost and market value. The company enters hedging contracts in USD and EUR. The value of the contracts is based upon the exchange rate at the balance sheet day and a change in value is recorded in the P & L.

Accruals

Obligations and accruals are made if it is more than 50 % likely that the obligation is real. Best estimate is used to estimate the obligation.

11.5 Notes to the accounts

Note 26 Geographic split of sales

GEOGRAPHIC SPLIT OF SALES	2021	2020
1 = NOK 1000		
USA	**89 062**	64 476
Asia	**66 804**	45 342
Europe	**91 151**	74 640
Rest of the world	**11 501**	10 986
Total sales	**258 518**	195 444

Other revenue amounted to TNOK 3 185, where TNOK 2 392 and was income related to services towards subsidiaries and TNOK 793 a grant from Innovasjon Norge. For 2020 other income amounted to 2 903 TNOK and was also related to services towards subsidiaries.

Note 27 Salaries and other benefits

SALARIES AND OTHER BENEFITS	2021	2020
1 = NOK 1000		
Salary	**61 047**	52 433
Social taxes	**8 815**	7 974
Other salary and social expenses	**3 674**	2 451
Total salary expenses	**73 536**	62 858

The total number of employees was through the year 73. Medistim has a pension plan for all its employees. This is a contribution plan that covers 5 % of salary up to 7.1 G and 8 % of salary for G between 7.1 and 12. 1G is the base amount (NOK 101.351) in the social security system. The cost for the contribution plan was in 2021 TNOK 2 752, while it was TNOK 2 531 in 2020. It is compulsory by law for the company to have a pension plan for its employees. The pension plans in the company fulfill the obligation in the law.

COMPENSATION AND BENEFITS TO THE MANAGEMENT GROUP IN 2021

Management	Position	Salary	Bonus	Pension	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 327 426	66 905	90 000	4 392	1 488 723
Anne Waaler	VP Medical	1 291 382	83 631	77 736	4 392	1 457 141
Roger Reino Morberg	VP Sales	1 530 580	88 314	84 552	4 392	1 707 838
Erik Swensen	VP Development	1 352 031	69 581	81 456	4 392	1 507 460
Tone Ann Veiteberg	VP QA\Reg	1 132 394	58 876	73 920	4 392	1 269 582
Helge Børslid	VP Operations	1 246 512	98 127	82 704	4 392	1 431 735
Håkon Grøthe	VP Innovation	1 222 257	102 587	82 656	4 392	1 411 892
Kari Eian Krogstad	CEO Medistim Group	2 827 824	347 904	90 348	3 129 392	6 395 468
Thomas Jakobsen	CFO Medistim Group	1 820 331	93 666	82 116	4 392	2 000 505
Total		**13 750 737**	**1 009 591**	**745 488**	**3 164 528**	**18 670 344**

There are no special agreements towards any in the management team in case of leaving the company. All in the team have a two-way arrangement of 3 months' notice. There are no options to employees or members of the Board except for CEO. The CEO will receive up to 33 000 shares as part of compensation if in position in 2025. Bonus paid in 2021 was based upon 2020 results. In relation to the share program for management except CEO, following members of management participated in the share program. See the following table showing value of the shares, discount given and financing from the company to participate in the share program.

SHARE PROGRAM FOR THE MANAGEMENT GROUP IN 2021						
Group Management	Position	Shares purchased in NOK	Match 25% in NOK	Total purchase of shares in NOK	Number of shares	Financing by Medistim in NOK
Hæge Johanne Krogh Wetterhus	VP Marketing	200 000	50 000	250 000	663	100 000
Anne Waaler	VP Medical	600 000	150 000	750 000	1 989	-
Roger Reino Morberg	VP Sales	600 000	150 000	750 000	1 989	600 000
Erik Swensen	VP Development	300 000	75 000	375 000	994	-
Tone Ann Veiteberg	VP QA\Reg	600 000	150 000	750 000	1 989	600 000
Helge Børslid	VP Operations	400 000	100 000	500 000	1 326	200 000
Håkon Grøthe	VP Innovation	600 000	150 000	750 000	1 989	-
Kari Eian Krogstad	CEO Medistim Group	600 000	150 000	750 000	1 989	600 000
Thomas Jakobsen	CFO Medistim Group	800 000	200 000	1 000 000	2 652	800 000
Total		**4 700 000**	**1 175 000**	**5 875 000**	**15 578**	**2 900 000**

Under other benefits it is included an expense related to CEO share option. CEO receives shares over a time period if in position as CEO. The share program is described in the annual report under the chapter 8.12 remuneration of executive personell. The expense for the share option is calculated based upon the share price at the time of the granted option. The expense is distributed in equal rates over the vesting period. The share program is described in detail under note ***21*** in the group accounts.

COMPENSATION TO THE BOARD OF DIRECTORS	
1 = NOK 1000	
Chairman Øyvin Brøymer	400
Deputy chairman Bjørn Wiggen	225
Board member Siri Fürst	225
Board member Tove Raanes	225
Board member Lars Rønn	225
Total compensation to the Board of Directors	**1 300**

Compensation to Auditor		
1 = NOK 1000	**2021**	2020
Expenses for auditing	**1 535**	1 053
Compensation for other services	**120**	154
Total compensation to Auditor	**1 655**	**1 206**

Note 28 Assets and Depreciation

ASSETS AND DEPRECIATION

	Plant & Machinery	Equipment	Total fixed assets	Activated Development	Trade name	Total
1= NOK 1000						
Historic cost as of 1/1	70 837	10 383	81 220	76 830	2 697	160 747
Additions	5 891	1 150	7 041	4 084	0	11 124
Disposals	0	0	0	0	0	-
Historic cost as of 31/12	76 728	11 533	88 261	80 913	2 697	171 871
Accumulated depreciation as of 1/1	44 202	8 333	52 535	58 809	2 158	113 502
Ordinary depreciation	6 229	884	7 113	6 063	539	13 715
Reversed depreciation	0	0	0	0	0	-
Accumulated depreciation as of31/12	50 431	9 217	59 648	64 872	2 697	127 218
Book value at 31/12	**26 297**	**2 316**	**28 613**	**16 041**	**-0**	**44 654**

Plant and machinery is depreciated over 3 to 7 years on a straight-line basis dependent upon expected economic lifetime. Tools and equipment is depreciated over 3 to 5 years on a straight-line basis dependent upon expected economic lifetime. Development cost is recorded as intangible assets when a project has reached technological feasibility and it is likely that it will result in a new product or improved product that has revenue potential that exceeds the investment. Maintenance of existing products is expensed. The investment is depreciated over 3 to 8 years dependent upon whether it is a new product or improvement of existing product. A new product that represents a new technological platform has a longer expected lifetime and for Medistim products this is 8 to 10 years. Product improvements on existing technological platform is replaced more rapid and is therefore depreciated over 3 years.

Note 29 Research and development

In total 14.5 MNOK of the R & D expenses was recorded in the P & L in 2021. Similar expense was 14.6 MNOK in 2020. With 4.1 MNOK recognized as asset a total of 18.6 MNOK was used in R & D in 2021. Comparable number for 2020 was 16.5 MNOK. The activated expense in 2021 were related to the coronary and vascular products on the MiraQ platform. The company did receive TNOK 376 in Skattefunn funds in 2021.

Medistim entered a license and an OEM agreement with em-tec GmbH in 2015. With the agreement, Medistim obtains exclusive, worldwide rights to market and sell em-tec's transit time flow measurement (TTFM) technology, the SonoQ, for use on human blood vessels within cardiac-, vascular- and transplant surgery. em-tec's flow measurement device was designed as a basic, entry-level customer solution that meets lower price-point market segments. The product was discontinued in 2021. To fill the gap within Medistim's product portfolio, Medistim has developed its own entry-level solution to meet the demand in lower price point market segments. Book value by year end 2021 for SonoQ products was 0.0 MNOK.

Note 30 Income tax and temporary differences

INCOME TAX AND TEMPORARY DIFFERENCES	2021	2020
1= NOK 1000		
Current income tax charge for the year before deferred tax asset is utilised	**16 700**	10 903
Tax penalty	**0**	0
Change in deferred tax	**-18**	-1 039
Income tax expense reported	**16 682**	**9 864**
Reconciling income tax expense against profit :		
Income tax expense for the year	**16 682**	9 864
22 % of profit before tax	**21 420**	14 865
Additional tax		
Difference because of permanent differences	**-4 738**	-5 001
Specification of taxable income:	**2021**	2020
Profit before tax	**96 609**	70 039
Permanent differences	**-25 264**	-25 204
Change in temporary differences	**4 565**	4 723
Skattefunn	**0**	0
Losses carry forward	**-**	-
Taxable profit:	**75 909**	**49 559**
Payable tax in balance sheet:		
Tax on profit for the year	**16 700**	10 903
Other adjustments	**0**	304
Total payable tax	**16 700**	**10 599**
Specification of deferred tax asset		
Differences in accounting and tax values	**2021**	2020
Fixed assets	**-23**	-2 962
Current assets	**-6 883**	-1 593
Accrual for obligations	**85**	-2 185
Total differences	**-6 821**	-6 740
Deferred tax asset 22 %	**1 501**	**1 483**
Deferred tax asset in balance sheet	**1 501**	**1 483**

Deferred tax asset in the balance sheet was unchanged from last year. Deferred tax asset consist of temporary differences in valuation of assets. All deferred tax asset is recorded in the balance sheet as of 31 December 2021, since it is likely that the company will have future taxable income that will exceed temporary differences.

Note 31 Shares in Subsidiaries

MEDISTIM ASA HAS INVESTMENTS IN THE FOLLOWING SUBSIDIARIES:

Unit	Country	Segment	Ownership	Balance sheet value 31 Dec 21	Profit in 2021
1 = NOK 1000					
Medistim USA Inc.	USA	Lease and sale within bypass surgery and vascular surgery	100%	135	16 358
Medistim Deutschland GmbH	Germany	Capital sales within bypass surgery and vascular surgery	100%	188	6 996
Medistim Norge AS	Norway	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100%	36 953	10 935
Medistim UK LTD	United Kingdom	Capital sales within bypass surgery and vascular surgery	100%	1	913
Medistim Japan KK	Japan	Dormant company	100%	86	0
Medistim Spain S.L		Capital sales within bypass surgery and vascular surgery	100%	28	906
Medistim Danmark Aps	Denmark	Sale of 3rd party products and capital sales within bypass surgery and vascular surgery	100%- Owned indirectly through Medistim Norge AS with book value of TNOK 1 103		909
Total				**37 392**	**37 017**

Medistim Norge AS has a subsidiary Medistim ASA owns indirectly through Medistim Norge AS in Denmark. The company is named Medistim Denmark Aps and is within the same segment as Medistim Norge AS.

SUMMARY OF FINANCIAL INFORMATION FROM SUBSIDIARIES ALL 100 % OWNED

Unit	Assets	Debt	Equity	Income	Profit
1 = NOK 1000					
Medistim USA Inc.	108 458	25 030	83 428	158 779	16 358
Medistim Deutschland GmbH	15 001	1 442	13 558	46 076	6 996
Medistim Danmark Aps	3 295	2 266	1 030	7 480	909
Medistim Japan KK	86	0	86	0	0
Medistim Spain S.L	11 412	10 609	803	15 615	906
Medistim UK LTD	4 002	10 464	-6 462	6 575	913
Medistim Norge AS	44 897	11 054	33 843	73 779	10 935
Total	**187 151**	**60 865**	**126 286**	**308 304**	**37 017**

Medistim Norge AS has offices at Økernveien 94 in Oslo. Medistim USA Inc has offices in Minneapolis in the USA. Medistim Deutschland GmbH has offices in Munich in Germany, Medistim UK has offices in Nottingham in United Kingdom, Medistim Japan KK has offices in Tokyo, Japan and Medistim Denmark has offices in Copenhagen in Denmark. Medistim Spain S.L has offices in Madrid. Book value of goodwill related to the acquisition of Medistim Norge AS was as of 31 December 2020 14 128 TNOK. Goodwill at the time of acquisition was 16 097 TNOK. None of the subsidiaries are listed at a stock exchange.

Of Medistim UK's debt of 10 509 TNOK, 7 743 TNOK is a long-term debt towards Medistim ASA. The debt is part of a cash transfer to finance and establish the company in the United Kingdom. Interest has been charged on this debt. Medistim ASA received from its German and Norwegian subsidiary a dividend of 15.2 MNOK and 10.0 MNOK respectively in 2020. Medistim ASA has interest bearing debt towards Medistim US Inc of MNOK 11.0.

Note 32 Account receivables and other receivables

ACCOUNTS RECEIVABLE	2021	2020
1 = NOK 1000		
Accounts receivable	**49 169**	37 786
Provision for bad debt	**-261**	-261
Total salary expenses	**48 908**	37 525

All receivables are due within one year. Losses in 2020 were 0 TNOK and losses in 2019 were 0 TNOK. It is recorded an accrual of 115 TNOK to cover expected losses. Historically the company has small losses on receivables. Other receivables are shown below.

OTHER RECIEVABLES	2021	2020
1= NOK 1000		
Pre payments	**1 417**	796
Prepaid taxes and VAT	**157**	1 949
Accrued revenue	**4 571**	1 044
Dividend subsidiaries	**12 000**	-429
Total other receivables	**18 145**	**3 359**

Note 33 Inventory

INVENTORY	2021	2020
1= NOK 1000		
Components	**52 311**	62 966
Finished goods	**27 872**	26 731
Inventory accrual	**-6 478**	-2 143
Total	**73 704**	**87 554**

Finished goods are valued at production cost that includes cost for components and internal labor cost. Work in progress is valued at the total of the component cost. Inventory accrual is related to service inventory and demonstration inventory. The sales value of the products are assessed and found lower than historic cost. See table below:

SPECIFICATION OF ACCRUAL	2021	2020
1= NOK 1000		
Demonstration units	**3074**	1 172
Service parts	**1117**	971
Other	**2287**	-
Total	**6 478**	**2 143**

Note 34 Cash in Bank

Restricted cash amounted to 3 218 TNOK as of 31 December 2021 and was related to tax withheld on salary paid to employees. The comparable amount as of 31 December 2020 was 4 297 TNOK.

Note 35 Shareholder affairs- See note *17* in group accounts

The company had 18.337.336 shares at par value of NOK 0.25 per share and total share capital amount to NOK 4.584.334. There is only one class of shares and all shares are treated equally. Each share represents one vote.

Note 36 Change in Equity

CHANGE IN EQUITY	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
1 = NOK 1000						
Equity 31 December 2020	4 584	(34)	40 253	5 766	89 899	140 468
Change in equity:						
Change in treasury shares	-	7	-	7 582	-	7 589
Other corrections	-	-	-	-	-32	-32
Profit for 2021	-	-	-	-	80 681	80 681
Dividend to shareholders	-	-	-	-	-68 358	-68 358
Equity 31 December 2021	**4 584**	**-27**	**40 253**	**13 348**	**102 191**	**160 349**

Note 37 Financial risk

Change in exchange rates involves a direct and indirect financial risk for Medistim ASA. The company has revenue and expenses in EUR and USD where most revenue is in another currency and expenses mostly in NOK. Efforts are made to neutralize net exposure. Hedging contracts are evaluated to reduce exposure. The development in NOK towards USD and EUR is continuously monitored. By year end 2021 the company had no hedging contracts.

Unrealized gain or loss related to the contracts is recorded in the balance sheet and the change of the value related to the contracts is recorded in the profit and loss. The management and Board of directors evaluate the handling of risks related to exchange rates fluctuations continuously together with its professional advisers.

GAINS AND LOSSES RELATED TO CURRENCY

1= NOK 1000	2021	2020
Foreign exchange gain	7 256	15 755
Foreign exchange loss	10 773	16 206
Total	**-3 517**	**-451**

Note 38 Specification of short-term debt

SPECIFICATION OF SHORT-TERM DEBT

1= NOK 1000	2021	2020
Bonus and commission	7 527	2 000
Goods received not invoiced		
Board compensation	1 300	1 300
Debt towards subsidiary	1 778	1 079
Accrual for incestment	350	
Other	992	282
Total short term debt	**11 946**	**4 661**

Note 39 Other operating expenses

OTHER OPERATING EXPENSES

1 = NOK 1000	2021	2020
Office rental	7 141	7 071
Travel expense	601	945
Marketing	846	811
Consultancy fee	13 517	12 323
Insurance	863	949
Freight	852	571
Communication	12 065	8 410
Other	3 519	4 473
Total other operating expenses	**39 405**	**35 553**

Note 40 Long-term debt and loan security

Medistim ASA had no long-term debt by the end of 2021.

Medistim ASA has a credit facility of 6.0 MNOK to enter foreign currency hedging contracts. The facility represents 10 % of the total value the company can sign up contracts for. In addition, the company has a credit facility of 22.5 MNOK. As security for the facilities are assets, accounts receivable and inventory with 10 MNOK. Book value of secured items was as of 31 Decenber 2021 28.6 MNOK for assets, 48.9 MNOK for accounts receivables and 73.7 MNOK for inventory.

Note 41 Receivables and debt towards subsidiaries

RECEIVABLES AND DEBT TOWARD SUBSIDIARIES

1 = NOK 1000	2021	2020
Account receivable	26 795	21 667
Other receivable	7 587	7 743
Short-term debt	-	1 079
Long-term debt	**35 277**	**11 000**

Note 42 Events after 2021

The Russian and Ukraine conflict is expected to have minor impact on Medistim business. Sales to these countries was less than 2% of total sales in 2021. The Board of directors has no knowledge about events after 2021 that will affect the annual report and financial statement for 2022.

12. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures, concepts and abbreviations

Alternative performance measures are used by investors, securities analysists and other interested parties. The intention with the alternative performance measures is to provide a better overview of achieved results and development in the company. In addition, concepts and abbreviations that are relevant for the branch Medistim operates in is explained in the below list. The company has referred to these measures over many years and has continued to do so to be consistent. Since Medistim develops its own products it is a point to put focus on how much is used within R & D. High values of intangable assets could result in a one time expense if the impairment test fail, and is highlighted for this reason. The companys exposure to foreign currency, the regulatory regime that forces the company to secure end of life parts and international customers with longer credit time, makes it useful to have measures for currency neutral development and changes in working capital. Below is the list of alternative performance measures, concepts and abbreviations Medistim uses in its reporting.

ALTERNATIVE PERFORMANCE MEASURES

Profit before R&D, depreciation and impairment:	Margin after cost of goods, salary and social expenses and otheroperating expenses are deducted except for R & D expenses
EBITDA:	Earnings before interest, taxes, depreciation and amortization. Corresponds to operating profit before depreciations and impairment loss.
EBIT:	Earnings before interest and taxes. Corresponds to operating result.
Currency neutral growth:	Compares this years sales with preavious year sale when sale in foreign currency is recalculated using the same average currency rate in the reporting period to get a neutral comparison
Working capital:	Inventory plus accounts receivable minus accounts payable

CONCEPTS AND ABBREVIATIONS

VeriQ:	Medistim's 3. Generation system platform
MiraQ:	Medistim's 4. generation system platform
SonoQ:	Medistim's basis solution for alternative markets
TTFM:	Transit time flow measurement
Vascular Surgery:	Surgery involving veins and arteries in the body except on the heart
CABG:	Coronary Artery Bypass Surgery
REQUEST:	Registry for Quality Assessment with Ultrasound imaging and TTFM in Cadiac Bypass surgery. A study initiated by Medistim ASA to collect data regarding the combined use of ultrasound imaging and TTFM.
HFUS:	High-frequency Ultrasound
CIDAC:	Comparison of intraoperative duplex ultrasound and angiography after Carotid Endarterectomy
NICE:	British National Institute for Health and CLlinical Excellence; an organization that recommends standard of care within healthcare.
AATS:	The American Association for Thoracic Surgery
ESC:	European Society of Cardiology
STS:	Society for Thoracic Surgery- an American organization focusing on thoracic surgery
EACTS:	European Association for Cardio-Thoracic Surgery- a European organization focusing on Thoracic surgery
ASCVS:	Asian Society for Cardiovascular and Thoracic Surgery- an Asian organization focusing on cardiovascular surgery
ICC:	International Coronary Congress - an organization that focuses on CABG surgery

RECONCILIATION OF CURRENCY NEUTRAL REVENUE	Rates 2021	Rates 2020
USD Average rate towards NOK	**8.59**	9.37
EUR Average rate towards NOK	**10.16**	10.73
GBP Average rate towards NOK	**11.82**	12.06
DKK Average rate towards NOK	**1.37**	1.44
Revenue 2021		
Split of revenue in USD, EUR and NOK	**Rates 2021**	**Rates 2020**
1= NOK 1000		
Sales in USD		
Procedural revenue Imaging and flow	**111 754**	121 901
Capital sales MiraQ flow measurement instruments	**18 108**	19 752
Capital sales MiraQ imaging and flow measurement instrument	**18 984**	20 708
Debt forgiveness	**5 290**	5 770
Capital sales in Canada\LA	**4 632**	4 892
Sales in EUR		
MiraQ flow measurement instrument	**31 970**	33 764
MiraQ imaging and flow measurement instrument	**38 302**	40 451
Imaging probes	**7 052**	7 448
Flow measurement probes	**112 675**	118 997
Other	**4 169**	4 403
Revenue in USD and EUR	**352 936**	378 085
Revenue in NOK	**74 340**	74 340
Total revenue	**427 276**	**452 425**
Reconciliation of own products, 3rd party products and other revenue		
Own products	**347 646**	372 315
3rd party products	**74 340**	74 340
Other revenue	**5 290**	5 770
Total revenue	**427 276**	**452 425**
Reconciliation of working capital:		
Accounts receivable in balance sheet at year end	**68 634**	57 485
Inventory in the balance sheet at year end	**97 413**	112 667
Accounts payable in balance sheet at year end	**(20 318)**	(20 210)
Working capital	**145 730**	**149 942**
Reconciliation of profit before R & D and depreciation:		
All numbers in NOK 1000	**2 021**	2 020
EBITDA	**139 705**	118 626
Expensed R & D	**14 476**	14 622
Profit before R & D and depreciation	**154 181**	**133 248**

Oslo March 22nd 2022

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chairman
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
CEO
Sign.

13. RESPONSIBILITY STATEMENT

Statement pursuant to section 5-5 of the Securities Trading Act

We hereby confirm that the annual accounts for the group and the company for 2021 to the best of our knowledge have been prepared in accordance applicable accounting standards and give a true and fair view of assets, liabilities, financial position and profit and loss for the group and the company as a whole. The director's report give a true and fair view over development and performance of the business and the position of the group and the company, and a description of principal risk and uncertainties facing the group.

Oslo March 22nd 2022

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chairman
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
CEO
Sign.

BDO AS
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Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting in Medistim ASA

Opinion

We have audited the financial statements of Medistim ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2021, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements comply with applicable statutory requirements. • The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders in May 2009 for the accounting year 2009.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	**How the key audit matter was addressed in the audit**
Revenue recognition: The Group revenue recognition policy for sales in the United States of America (USA) is different from the policy used for sales in the rest of the world. The Group's deliveries outside the USA entail regular sales of goods where revenue is recognized upon delivery. In the US market, there are different sales models. Both regular sales, operational leasing and a sales model based on payment in relation to the use of the equipment and consumables. Under the sales model based on use, equipment located at the end customer's premises is recognized as assets in the group's and parent company's balance sheet, and is amortized over the estimated useful life. Consumables are recognized upon delivery, unless they are an integrated part of the total delivery, making the consideration for the consumables variable. The difference between the sales models, and the complexity this causes in the accounting – including assessment of possible IFRS 15 effects - has led us to focus specifically on this during our audit. We refer to the Annual Report under Accounting policies and note 1 and 2 to the Group financial statements.	We have assessed the appropriateness of management's revenue recognition policies and the application of these policies. Our work includes review and evaluation of procedures and systems related to the Company and Group revenues. We have obtained an understanding of the relevant internal controls and tested these controls and conducted additional tests to verify that the revenue recognition has been performed in accordance with the policies described. Further, we have assessed the adequacy of the description of the Group's policies for revenue recognition in the notes to the financial statements.

Other information

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report and other information

in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view, for in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name Medistim ASA-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF). In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

BDO AS

Steinar Andersen
State Authorised Public Accountant
(This document is signed electronically)

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Steinar Harry Andersen
Oppdragsansvarlig revisor
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Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis, and thereby help improve the quality and outcome of cardiac and vascular surgery

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