

2nd quarter and 1st half report 2013

- Sales increased by 11.4 % and ended at MNOK 49.0 for the quarter (MNOK 43.9). Sales for the 1st half increased by 6.1 % and ended at MOK 94.5 (MNOK 89.0).
- Positive development in Europe with 51.1 % increase in sales of own products in the 2nd quarter and 27.9 % for the first half.
- A breakthrough in UK with the first sale of VeriQ CTM driven by the NICE endorsement.
- Operating profit (EBIT) increased with 24.3 % for the quarter and ended at MNOK 12.8 (MNOK 10.3). Operating profit for the 1st half increased with 12.3 % to MNOK 20.1 (MNOK 17.9).
- Dividend paid in 2013 was NOK 1.10 per share (NOK 1.00 per share).

2nd quarter and 1st half report for 2013

FINANCIAL DEVELOPMENT

(Comparative numbers for 2012 in parenthesis)

Sales and geographic split

Sales in the 2nd quarter increased with 11.4 % and ended at MNOK 49.0 (MNOK 43.9). The driver for this growth was the positive development in Europe and the Middle-East. Measured in NOK sales increased in Europe with 22.8 % where sales of own products increased with 51.1 %. Sales in the Middle-East increased with 109 %. In the US sales decreased with 16.9 %, due to less capital sales. In Asia there was a decrease of 13.9 % in sales.

Sales for the 1st half increased with 6.1 % and ended at MNOK 94.5 (MNOK 89.0). The growth measured in NOK was 11.5 % in Europe where sales of own products increased with 27.9 %. Sales in the US and Asia decreased with 2.2 % and 21 % respectively. In other markets there was an increase of 33 % driven by positive development in the Middle-East.

Development in volumes

With the same rates as in 2012 sales would have amounted to MNOK 49.3 for the quarter. The volume growth for the quarter was 12.2 %. Similar for the 1st half would have resulted in sales of MNOK 95.2, which gives a volume growth of 6.9 %.

Split of own products and 3. party products.

Both, sales of own products and 3. party products, had a positive development in the 2nd quarter. Sales of own products amounted to MNOK 33.2 (MNOK 28.8). Sales of third party products ended at MNOK 15.8 (MNOK 15.2). For the 1st half sales of own products ended at MNOK 64.0 (MNOK 58.5) and sales of 3. party products ended at MNOK 30.5 (MNOK 30.5)

Cost of goods sold

Cost of goods sold ended at MNOK 11.4 for the quarter (MNOK 11.3) and cost of goods sold represent a percentage of 23.3 % of total sales (25.7 %). For the 1st half cost of goods sold ended at MNOK 23.6 (MNOK 24.0), which represent a percentage of 25.0 % (26.9 %). There is an improvement in margin since the sales increase comes from own products and not 3. party products.

Salary, social and other operating expenses

Salaries and social expenses ended at MNOK 13.2 (MNOK 11.6) for the quarter. Other operating expenses ended at MNOK 9.6 (MNOK 9.2) for the quarter.

For the 1st half salaries and social expenses ended at MNOK 28.3 (MNOK 26.2). Other operating expenses ended at MNOK 18.7 (MNOK 17.9)

The increase in expenses is related to the newly established direct operation in UK. The company has also increased sales recourses in Germany and in the US. Resources within regulatory affairs have been strengthened by one person compared to last year.

R & D expenses

For the quarter MNOK 4.7 (MNOK 1.1) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 15.2 (MNOK 13.0). This equals a margin of 31.1 % (29.6 %). During the quarter MNOK 4.2 of the R & D expense was activated in the balance sheet (MNOK 0.0).

For the 1st half MNOK 6.7 (MNOK 2.8) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 25.3 (MNOK 23.1). This equals a margin of 26.8 % (25.9 %). During the 1st half MNOK 5.2 (MNOK 0.7) of the R & D expense was activated in the balance sheet.

Earnings

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 14.7 (MNOK 11.9), which is a growth of 24.1 % compared to the same period last year.

Operating profit before depreciation (EBITDA) for the 1st half ended at MNOK 23.8 (MNOK 21.0), a growth of 13.4 %.

Result before tax and finance (EBIT) ended at MNOK 12.8 (MNOK 10.3) for the quarter, which is a growth of 24.3 % compared to the same period last year.

Result before tax and finance (EBIT) ended at MNOK 20.1 (MNOK 17.9) for the 1st half a growth of 12.3 %.

Net finance ended neutral with MNOK 0.0 for the quarter which is identical with last year.

For the 1st half net finance ended positive with MNOK 0.5 (positive MNOK 0.5).

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

Result before tax was MNOK 12.9 (MNOK 10.3) for the quarter. Result after tax for the quarter was MNOK 8.7 (MNOK 6.8).

For the 1st half result before tax was MNOK 20.6 (MNOK 18.4). Result after tax for the 1st half was MNOK 14.4 (MNOK 13.1).

Result per share for the quarter was NOK 0.48 (NOK 0.37).

Result per share for the 1st half was NOK 0.80 (NOK 0.71).

Average number of shares outstanding was 18.101.336 (18.318.836) by end of June 2013.

Balance sheet

Equity by the end of June was MNOK 110.3 (MNOK 101.5). This equals an equity ratio of 71.5 % (68.8 %). A dividend of

MNOK 19.9 was paid in May. See also comment under shareholder affairs.

Cash as of 30th of June was MNOK 11.9 and the company had MNOK 10.0 in interest bearing debt.

The balance sheet ended at MNOK 154.3 from MNOK 151.9 by the beginning of the year.

OPERATIONAL STATUS

Europe

In Europe there has been a positive trend both for the quarter and the first half. There has been a solid increase in investments in systems for flow measurements (VeriQ) and the combined solution with imaging and flow measurements (VeriQ C). The consumables probes have also had a positive development with an increase in sales of 12.9 % for the quarter and 6.5 % for the first half.

Despite the continued economic depression in Europe, investment in Medistims products increases. This is a strong indication that European hospitals prioritizes Medistims equipment and that it is regarded as a necessity.

Medistims equipment reached in the end of 2011 a very important milestone when the British National Institute for Health and Care Excellence (NICE) went out with a recommendation to the National Health System (NHS) that VeriQ should be used routinely in all coronary artery bypass graft (CABG) operations in England and Wales. As a consequence of the recommendation, Queen Elizabeth Hospital in Birmingham (QEHB) purchased Medistim's top model VeriQ C in the second quarter. QEHB is part of University Hospitals Birmingham NHS Foundation Trust (UHB), and is the leading university teaching hospital in the West Midlands, UK. It is one of the most consistently high performing trusts in the National Health Services (NHS) and has been rated "excellent" for financial management and "excellent" for quality of clinical and non-clinical services by the Healthcare Commission. A range of quality indicators have been developed by the Cardiac Surgery Team for coronary artery bypass graft procedures.

The clinical team at the hospital has stated that The Queen Elizabeth Hospital Birmingham recognizes the importance of quality assurance in cardiac surgery and that the Medistim TTFM / VeriQ C technology offers a significant advance in intraoperative evaluation during cardiac surgical procedures and thereby potentially optimizing postoperative recovery and long term outcomes.

Medistim is pleased that QEHB is forward looking and does not only recognize the need for blood flow measurements during coronary artery bypass grafting, they also

acknowledge the value of adding ultrasound imaging for further improvement of the quality of their work.

Several of the largest hospitals in UK have initiated an evaluation of flow measurements using VeriQ. Having Queen Elizabeth Hospital Birmingham as a reference center, makes Medistim optimistic for the future development in Great Britain.

In Norway Rikshospitalet invested in Medistims top model, the VeriQ C, during the quarter to ensure the quality of coronary bypass surgery performed by the hospital. Medistims top model is after this installed and in use in all of the University hospitals for cardiac surgery in Norway.

USA

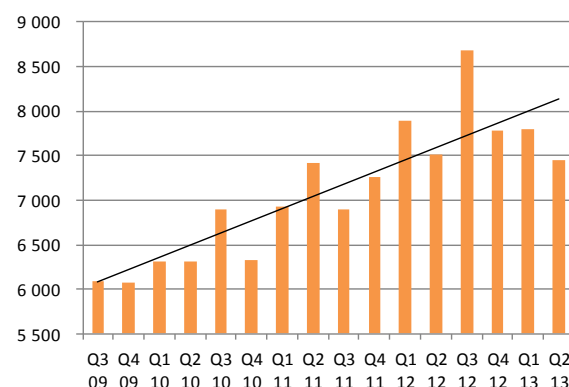
Medistim has a business model in the US that is mainly based upon sales of procedures and not capital sale as in other markets.

For the quarter there was sold 7.456 procedures compared to last year 7.517. During the quarter 858 (208) procedures was sold to customers using the new imaging system VeriQ C, an increase of 312 %.

For the 1st half there were sold 15.413 procedures (15.413) of which 1.100 were imaging procedures (320) and 14.159 flow procedures (15.093).

The decrease in number of flow procedures is by the company viewed as random variation because of lower probe sales to capital installations this quarter compared to same quarter last year. In second quarter there were no capital sales while it was 4 capital sales in the same period last year.

Number of procedures sold per quarter in the US



In the US about 80 % of the bypass surgeries are performed with no other quality assurance of blood flow other than the surgeons experience by feeling pulse on the vessels using the finger. It is clinically proven that this method is not reliable. It is therefore a large potential and need for

Medistims products in the US. Medistim has large ambitions in the US market. So far Medistim has achieved a market penetration of more than 14% of the total market of approximately 230.000 bypass surgery procedures performed annually.

Asia

In Asia there was a decrease in sales for the quarter with 14 %, while for the 1st half there was a reduction of 21 %. Probe sales ended at the same level both for the quarter and for the first half, and the sales decrease is related to lower capital sales. The closing of system sales can vary from quarter to quarter and is considered to be normal.

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

In other markets system sales of VeriQ has been on the same level both for the 2nd quarter and for the 1st half. System sales of VeriQ C increased considerably led on by Middle –East. It is the sale of the top model VeriQ C that has driven the sales increase for the region in the 2nd quarter and 1st half.

R & D

New system platform

Main focus for the 1st half has been the work with the new system platform for future flow measurement and imaging systems. The new platform will have a flexibility that will allow customer adaptations and new applications. The technological improvement will secure and strengthen Medistim's leading position. Products based upon the new platform will be launched in 2014/ 2015.

PROSPECTS AND TRENDS

Goals and vision

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

Strategy

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

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

Market size and trends

On a global basis it is performed more than 700,000 heart bypass surgeries per year. The US represents the largest market for Medistims products with 33 % of the world market. The global number of procedures has in the past been constant. The decrease in number of procedures performed in the western countries has been compensated by an increase in the BRIC countries (Brazil, Russia, India and China). It is therefore expected to have a stabil growing trend in the years to come.

The introduction of Medistim's new instrument, VeriQ C, more than doubles Medistims market potential because of new applications and relevance. Because of this the value of the system increases significantly compared with VeriQ. VeriQ does not have imaging functionality. Total market size within cardiac surgery is estimated to be 2 billion NOK. The imaging functionality makes VeriQ C relevant in other cardiac surgeries and not just by pass surgery. Medistim estimates this potential to be 1 billion NOK.

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

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

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

Position and Competition

Medistim's flow meters have been in use in more than 1 million patients worldwide since it came on the market, and the company is the clear leader in its niche. The equipment is used today in more than 20 % of the total number of by-pass surgeries performed worldwide. Medistims penetration and market share is expected to increase gradually as quality assurance in surgery is getting more attention and acceptance.

There are competitors that use the transit time measurement principle. Equipment from competitors is estimated to be in use in about 7 % of the procedures performed. This means that in about 70 % of the cases where by pass surgery is performed there is no equipment in use to verify blood flow. This market represent Medistim's largest opportunity.

With Medistim's VeriQ C system, the company has acquired a new edge compared to competitors, with a unique and differentiated product that is currently alone in its segment.

Exposure towards currency

The Company is exposed to Euro (EUR) and US dollars (USD). Exposure can vary depending on how large share of revenues and costs USD and EUR account for of total income and expenses. For the 1st half of 2013 a 10 % change in the exchange rate against USD and EUR would result in a 6.0 % change in sales and a 18 % change in operating result. The company partly secures its positions with hedging contracts.

SHARHOLDER AFFAIRS

The company had 236.000 Medistim shares by the end of June 2013. The shares were purchased at a price per share of NOK 15.30. The share price was NOK 22.50 per share at the end of the quarter. By year end 2012 the share price was NOK 19.70 per share.

The number of shares traded in the 1st half of 2013 was 1.163.780. The four largest shareholders by the end of the 1st half were Fløtemarken AS with 3.810.000 shares, Zenith Medical AS with 3.153.475 shares, Chr. Salvesen & Chr. Thams with 1.862.500 shares and Skagen Vekst with 1.513.625 shares.

The General Assembly held the 25th of April decided to pay a dividend of NOK 1.10 per share (NOK 1.10). The Medistim share was sold ex dividend as of the 26th of April. Dividend was paid the 8th of May.

Responsibility statement:

The financial report per 30th of June 2013 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2012. The board of Directors and managing Director confirm to the best of our knowledge that the condensed set of financial statements for the period 1st of January to 30th of June 2013 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of the groups assets, liabilities, financial position and result for the period viewed in their entirety. The board of Directors and managing Director confirm that the interim management report includes a fair review of any significant events that arouse during the six month period and their effect on the half yearly financial report, any significant related parties transactions, and description of the principal risks and uncertainties for the remaining six months of the year.

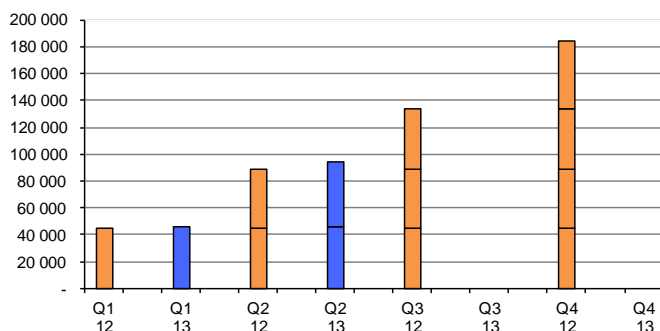
Risk factors for the rest of the year:

The group risk and uncertainty factors remain the same as described in the annual report for 2012. The general global economic situation is closely monitored.

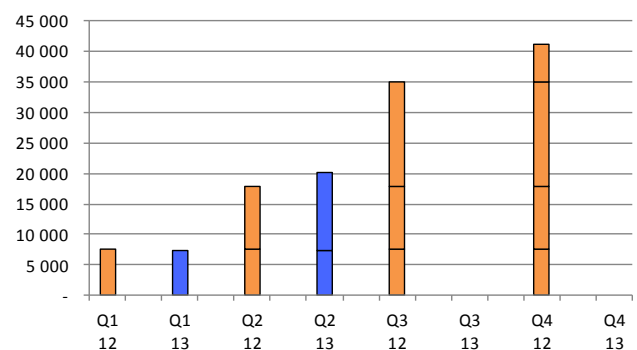
Transactions with related parties:

Medistims second largest shareholder Zenith Medical AS invoiced a consultant fee of TNOK 154 to Medistim ASA during the first half of 2013. This is according to agreement with previous managing director that is a shareholder in Zenith Medical AS. There were no other transactions between related parties in the period.

Sales per quarter



Operating profit per quarter



Oslo 19th of August 2013,
Board of Directors and managing director in Medistim ASA

Profit & loss	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
All numbers in NOK 1000					
Sales	48 962	43 948	94 468	89 002	183 750
Cost of goods sold	11 428	11 311	23 619	23 956	49 442
Salary and social expenses	13 205	11 622	28 349	26 154	50 650
Other operating expenses	9 609	9 151	18 681	17 882	36 250
Total operating expenses	34 242	32 084	70 649	67 992	136 342
Opr. res.before. depr. and write offs	14 719	11 864	23 819	21 010	47 407
<i>Opr. res before depr and write off %</i>	<i>30,06 %</i>	<i>27,00 %</i>	<i>25,21 %</i>	<i>23,61 %</i>	<i>25,80 %</i>
Depreciation	1 888	1 542	3 702	3 096	6 280
Write offs of goodwill	-	-	-	-	-
Operating result	12 831	10 322	20 117	17 914	41 127
Financial income	2 899	1 857	3 212	3 949	6 462
Financial expenses	2 879	1 834	2 679	3 431	5 937
Net finance	20	24	532	518	525
Pre tax profit	12 851	10 345	20 649	18 432	41 652
Tax	4 182	3 537	6 227	5 341	11 405
Result	8 669	6 809	14 423	13 091	30 247
Dividend	19 911	18 321	19 911	18 321	18 321
Comprehensive income					
Result after tax	8 669	6 809	14 423	13 091	30 247
Exchange differences arising on translation of foreign operations	-	-	-	-	-
	716	(88)	675	(221)	(262)
Total comprehensive income	9 385	6 721	15 098	12 870	29 985

Key figures	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
Equity share	765,17 %	775,63 %	765,17 %	775,63 %	380,77 %
Earnings per share	kr 0,48	kr 0,37	kr 0,80	kr 0,71	kr 1,66
Earnings per share diluted	kr 0,48	kr 0,37	kr 0,80	kr 0,71	kr 1,66
Average shares outstanding in 1000	18 101	18 318	18 101	18 315	18 247
Average shares outstanding in 1000 diluted	18 101	18 318	18 101	18 315	18 247

Split of result per segment	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
All numbers in NOK 1000					
Res from MediStim products	9 738	7 753	15 295	13 687	32 912
Margin MediStim products	29,37 %	26,96 %	23,91 %	23,39 %	27,31 %
Res from 3 party products	3 093	2 569	4 822	4 227	8 215
Margin 3 party prod.	19,57 %	16,91 %	15,81 %	13,87 %	12,99 %
Total result	12 831	10 322	20 117	17 914	41 127
Margin	26,21 %	23,49 %	21,29 %	20,13 %	22,38 %

Balance sheet	30.06.2013	30.06.2012	31.12.2012
All numbers in NOK 1000			
Assets			
Intangible assets	45 518	44 847	42 288
Fixed assets	13 561	10 417	10 944
Total tangible and fixed assets	59 079	55 264	53 232
Inventory	40 055	35 120	36 174
Customers receivables	39 348	30 234	30 063
Other receivables	3 902	6 869	5 718
Cash	11 957	20 038	26 680
Total current assets	95 262	92 261	98 635
Total assets	154 342	147 525	151 867
Equity and liability			
Share capital	4 585	4 585	4 586
Share premium reserve	41 852	41 852	41 852
Other equity	63 920	55 099	68 732
Total equity	110 357	101 536	115 170
Pension liability	-	9 302	-
Deferred income	3 121	3 820	3 470
Other long term debt	9 980	0	0
Total long term debt	13 101	13 122	3 470
Total short term debt	30 883	32 867	33 227
Total equity and liability	154 342	147 525	151 867
Net interest bearing debt	(1 977)	(26 623)	(29 235)

Change in equity	30.06.2013	30.06.2012	31.12.2012
All numbers in NOK 1000			
Equity start of period	115 170	106 885	106 885
Result for the period	14 423	13 091	30 247
Capital increase	-	-	-
Dividend	(19 911)	(18 321)	(18 321)
Minority	-	2	-
Medi-Stim shares	-	100	(3 200)
Changes in exchange rates	675	(221)	(441)
Equity end of period	110 357	101 536	115 170

Cash flow analysis	30.06.2013	30.06.2012	31.12.2012
All numbers in NOK 1000			
Result for the period	14 423	13 091	30 247
Cash flow from operation	(10 339)	(1 216)	(4 804)
Cash flow from operation	4 083	11 875	25 443
Cash flow from investments	(8 895)	(2 751)	(6 477)
Cash flow from financing (dividend)	(9 911)	(18 321)	(21 521)
Change in cash for the period	(14 723)	(9 197)	(2 555)
Cash at start of period	26 680	29 235	29 235
Cash by the end of period	11 957	20 038	26 680

Geographic split of sales	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
All numbers in NOK 1000					
USA	10 339	12 443	23 143	23 671	48 494
Asia	2 906	3 374	6 486	8 212	18 444
Europe	31 135	25 340	57 829	51 857	106 990
Rest of the world	4 581	2 791	7 010	5 263	9 822
Total sales	48 961	43 948	94 468	89 002	183 750
Geographic split of sales in number of units					
	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
USA					
Procedures flow measurement	6 598	7 309	14 159	15 093	30 333
Procedures imaging	858	208	1 100	320	1 550
Capital sales VeriQ flowmeasurement instrument	-	4	2	5	10
Capital sales VeriQC imaging and flowmeasurement	-	-	2	-	2
Asia					
VeriQ flowmeasurement instrument	10	9	13	13	38
VeriQC imaging and flowmeasurement instrument	-	2	3	6	13
Imaging probes	-	3	7	9	20
Flowmeasurement probes	258	230	606	605	1 289
Europe					
VeriQ flowmeasurement instrument	8	5	22	9	30
VeriQC imaging and flowmeasurement instrument	6	-	7	2	4
Imaging probes	10	1	11	4	11
Flowmeasurement probes	1 067	951	2 006	1 883	3 712
Rest of the world					
VeriQ flowmeasurement instrument	6	6	10	12	17
VeriQC imaging and flowmeasurement instrument	6	1	7	3	6
Imaging probes	7	1	9	2	10
Flowmeasurement probes	224	232	425	396	667
Sales outside the US					
Number of VeriQ flow instruments outside USA	24	20	45	34	85
VeriQC imaging and flowmeasurement instruments	12	3	17	11	23
Total number of imaging probes	17	5	27	15	41
Total number of flowmeasurement probes outside L	1 549	1 413	3 037	2 884	5 668
Split of sales per segment	2. quarter 13	2. quarter 12	1. half 13	1. half 12	2012
All numbers in NOK 1000					
USA					
Procedural revenue	10 338	10 716	20 923	21 510	42 790
Capital sales VeriQ flowmeasurement instruments	0	1 728	818	2 161	3 993
Capital sales VeriQC imaging and flowmeasurement	0	-	1 402	-	1 711
Outside USA					
VeriQ flowmeasurement instrument	3 948	3 381	7 191	5 770	13 878
VeriQC imaging and flowmeasurement instrument	3 807	661	5 630	3 202	7 290
Imaging probes	1 027	142	1 365	831	1 788
Flowmeasurement probes	13 110	11 750	25 686	24 219	47 307
Other	930	378	958	826	1 776
Total sale of MediStim prod.	33 160	28 755	63 973	58 518	120 533
Sale of 3 party products	15 801	15 193	30 496	30 484	63 217
Total sales	48 961	43 948	94 469	89 002	183 750