

1. quarter  
**2015**

- **Sales for the quarter ended at MNOK 57.9 (MNOK 48.9), an increase of 18.5 %**
- **Operating profit (EBIT) ended at MNOK 9.9 (MNOK 7.2), up 36.7 %**
- **Sales from the US increases with 50 %. Currency neutral growth was 19 %**
- **VeriQC is cleared for sale in China**
- **Medtronic is not renewing the distribution agreement with Medistim Norge AS**

## 1. quarter report and financials for 2015

The financial report as per March 2015 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 2014.

### FINANCIAL DEVELOPMENT

(Comparative numbers for 2014 in parenthesis)

#### *Sales and geographic split*

Sales in the first quarter amounted to MNOK 57.9 (MNOK 48.9, a 18.5 % growth). There was a growth in all markets led by the US with a 50.4 % growth in sales. In Asia there was a 38.8 % growth, while in Europe there was a 4.5 % growth in sales. In other markets the sales growth was a 40.5 %.

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

Sales of own products amounted to MNOK 38.1 (MNOK 32.7), a growth of 16.4 %. Sales of 3. party products ended at MNOK 19.8 (MNOK 16.1), a growth of 22.9 %.

#### *Currency effect*

With the same rates as in 2014 sales would have amounted to MNOK 53.6 for the quarter, a currency neutral growth of 9.6 %.

#### *Cost of goods sold*

Cost of goods sold ended at MNOK 16.9 for the quarter (MNOK 12.9) and cost of goods sold represent a percentage of 29.3 % of total sales (26.6 %). The increase in cost of goods sold is related to the increase in sales of 3 party products and a weaker NOK compared to last year.

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

Salaries and social expenses ended at MNOK 18.8 (MNOK 16.8) for the quarter. Other operating expenses ended at MNOK 9.6 (MNOK 9.8) for the quarter.

In addition to regular salary adjustments, the weaker NOK against EUR and USD results in a higher expense in NOK, when these expenses are converted to NOK.

#### *R & D expenses*

For the quarter MNOK 2.8 (MNOK 4.4) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 13.7 (MNOK 10.7). This equals a margin of 23.7 % (21.9 %). During the quarter MNOK 1.4 (MNOK 2.9) of the R & D expense was activated in the balance sheet.

#### *Earnings*

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 12.4 (MNOK 9.3). Result before tax and finance (EBIT) ended at MNOK 9.9 (MNOK 7.2).

Net finance ended positive with MNOK 0.0 for the quarter (neutral MNOK 0.0). 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 10.9 (MNOK 7.2) for the quarter. Result after tax for the quarter was MNOK 7.4 (MNOK 5.2).

Result per share for the quarter was NOK 0.41 (NOK 0.29). Average number of shares outstanding was 18.101.336 (18.101.336) by end of March 2015.

#### *Balance sheet*

Equity by the end of March was MNOK 146.0 (MNOK 126.7). This equals an equity ratio of 71 % (75 %).

Cash as of 31st of March was MNOK 51.3 and the company had MNOK 16.4 in interest bearing debt.

The balance sheet ended at MNOK 205.6 from MNOK 203.5 by the beginning of the year.

## OPERATIONAL STATUS

### *Europe*

The growth in Europe for the quarter was driven by 3.party products that increased with MNOK 3.7 or 22.9 %. Sales of own products ended at MNOK 13.6, a decrease of MNOK 2.3 or 14.3 %. After a very strong 4<sup>th</sup> quarter in 2014 it was expected a lower investment level in first quarter of 2015 for Medistims own products.

In total for the quarter there was sold 6 flow systems and 3 flow- and imaging systems. 3 of the flow systems sold were on the new platform MiraQ, and equally 2 of the flow- and imaging systems were on the new platform.

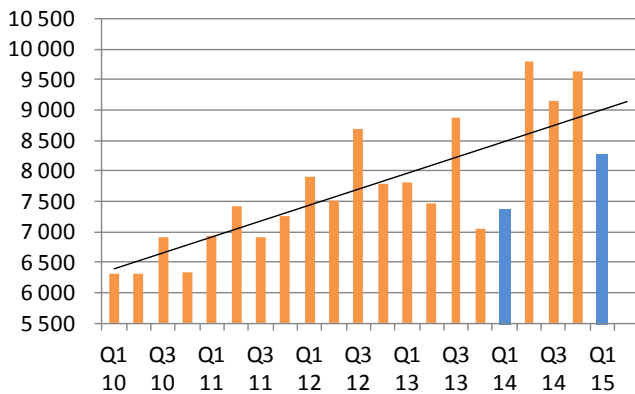
### *USA*

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

Medistim continues the positive trend in the US in the first quarter. The first quarter was the fourth quarter in a row with double digit growth. Sales increased by 50 %. 18.9 % of the growth was related to increased volumes while the remaining increase was related to currency differences.

For the quarter there was sold 8.277 procedures, compared to last year 7.376. During the quarter 868 procedures was sold to customers using the imaging system VeriQ C<sup>TM</sup> compared 335 procedures in 2014. Number of flow procedures was 7.409 (7.041). Within capital sales there was sold 1 system in the first quarter including imaging functionality.

## Procedural sales 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 about 14 % of the total market of approximately 240.000 bypass surgery procedures performed annually. Medistim has about 440 VeriQ systems placed at hospitals in the US. In total there are about 1250 cardiac centers in the US and Medistim had 320 of these as customers in 2014. The goal going forward is to increase the usage at installed base, win new customers and establish a customer base on the new MiraQ platform.

### Asia

In Asia there was an increase in sales of 38 %. Sales of the flow system, the VeriQ, and the combined solution with flow and imaging, the VeriQC, was at the same level as last year, while the consumables probes increased with 64 %.

During the quarter Medistim received clearance from the China Food and Drug Administration (CFDA) for sale of its product VeriQ C. VeriQ C represent Medistim's most advanced intraoperative model for quality assessment used during coronary artery bypass grafting (CABG). The system combines state-of-art transit time blood flow measurements (TTFM) with an ultrasound imaging modality.

China represents a significant market opportunity for Medistim with about 35.000 CABG procedures performed per year and a projected annual growth rate of 10 %. Today, Medistim covers about 30 % of these procedures with its traditional flow measurement system VeriQ. Medistim is well positioned for further growth in China, with a number of systems placed with the largest cardiac centers and the support from leading Chinese surgeons. Medistim can now offer its premium products to the Chinese market. There is already a growing interest for the combination of ultrasound imaging and TTFM measurements amongst surgeons in

China, and it's the company's view that the future outlook is good.

### Other markets

Sales in other markets increased with 40 % driven by the sales of flow- and imaging products. Of total system sales of 5, 3 were on the new MiraQ platform. In total these are small markets with little impact on total sales.

### R & D

#### New system platform

Medistim will in 2015 focus more specifically towards vascular surgery, and the new MiraQ™ platform provides a good basis for developing a product targeted for vascular applications. The development efforts in 2015 will be to complete a vascular version of MiraQ that is expected to be ready for launch in 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 and intraoperative ultrasound imaging are performed on all patients.

### Strategy

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

Continous 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.

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

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

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

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

#### *Position and Competition*

Medistim's flow meters have been in use in more than 1.5 million patients worldwide since it came on the market, and the company is the clear leader in its niche. The equipment is used today in more than 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 Ultrasound imaging technology and MiraQ™ platform, the company has acquired a new edge compared to competitors, with unique and differentiated products that is currently alone in its segment.

#### *Exposure towards currency*

The company is exposed to EUR and USD. Exposure can vary depending on how large share of revenues and costs USD and EUR account for of total income and expenses. For 2015 a 10 % change in the exchange rate against USD and EUR would result in a 6.7 % change in sales and a 21.4 % change in operating result. The company partly secures its positions with hedging contracts.

#### *Special circumstances*

Medistim Norge AS distributes Medtronic products. The agreement with Medtronic expires in April 2015 and Medtronic has announced that the agreement will not be renewed. Medistim is discussing with Medtronic the terms related to the termination of the cooperation. Sales of Medtronic products amounted to about 20 million in 2014. Medistim expect no revenue from Medtronic products in 2016.

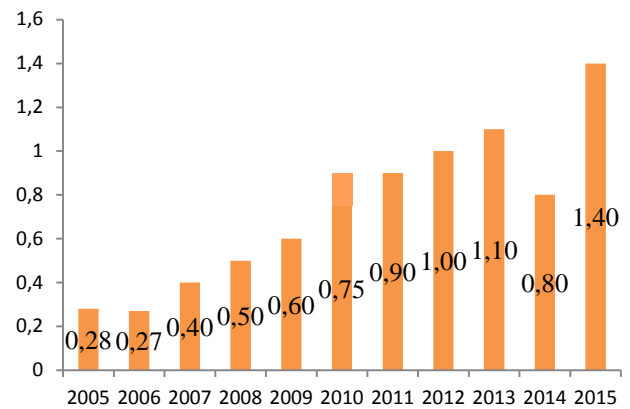
## SHARHOLDER AFFAIRS

The company had 221.000 Medistim shares by the end of March 2015. The shares were purchased at a price per share of NOK 15.30. The share price was NOK 40.00 per share at the end of the quarter. The number of shares sold in the first quarter of 2015 was 955.791.

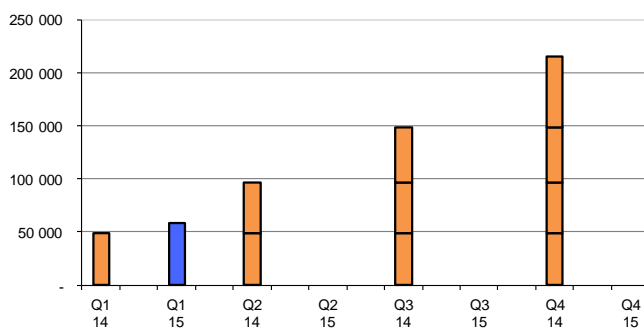
The five largest shareholders were Intertrade Shipping AS with 3.850.000 shares, Salvesen & Thams Invest AS with 1.862.500 shares, Stenshagen Invest AS with 1.526.123 shares (sold 169.690 shares in the first quarter), Skagen Vekst with 1.465.625 shares and Follum Capital with 1.000.000 shares.

The General Meeting decided a dividend of NOK 1,40 per share (NOK 0.80). This equals a pay out ratio of 80 % (55 %). The shares are traded ex dividend the 24th of April. The dividend is expected to be paid the 5th of May.

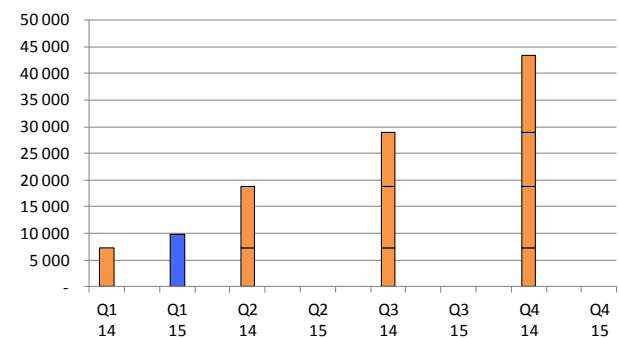
Historical dividend paid by medistim



Sales per quarter



Operating profit per quarter



Oslo 23. April 2015,  
Board of Directors and managing director in Medistim ASA

<b>Profit &amp; loss</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
All numbers in NOK 1000			
<b>Sales</b>	57 907	48 857	214 817
Cost of goods sold	16 979	12 982	55 571
Salary and sosial expenses	18 864	16 775	69 175
Other operating expenses	9 640	9 843	38 449
Total operating expenses	45 483	39 601	163 195
<b>Opr. res.before. depr. and write offs</b>	<b>12 424</b>	<b>9 257</b>	<b>51 622</b>
<i>Opr. res before depr and write off %</i>	<i>21,46 %</i>	<i>18,95 %</i>	<i>24,03 %</i>
Depreciation	2 554	2 038	8 260
<b>Operating result</b>	<b>9 870</b>	<b>7 219</b>	<b>43 362</b>
Financial income	8 246	1 112	9 495
Financial expenses	7 208	1 091	7 964
<b>Net finance</b>	<b>1 038</b>	<b>21</b>	<b>1 531</b>
<b>Pre tax profit</b>	<b>10 909</b>	<b>7 240</b>	<b>44 892</b>
Tax	3 499	2 037	13 647
<b>Result</b>	<b>7 410</b>	<b>5 203</b>	<b>31 245</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>14 481</b>
<b>Comprehensive income</b>			
Result after tax	7 410	5 203	31 245
Exchange differences arising on translation of foreign operations	- (476)	- (41)	- 697
<b>Total comprehensive income</b>	<b>6 934</b>	<b>5 162</b>	<b>31 942</b>

<b>Key figures</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
Equity share	71,02 %	75,00 %	68,36 %
Earnings per share	kr 0,41	kr 0,29	kr 1,73
Earnings per share diluted	kr 0,41	kr 0,29	kr 1,73
Average shares outstanding in 1000	18 106	18 101	18 101
Average shares outstanding in 1000 diluted	18 106	18 101	18 101

<b>Split of result per segment</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
All numbers in NOK 1000			
Res from Medistim products	6 954	5 430	35 590
Margin Medistim products	18,25 %	16,58 %	23,78 %
Res from 3 party products	2 916	1 789	7 772
Margin 3 party prod.	14,72 %	11,10 %	11,92 %
<b>Totalt result</b>	<b>9 870</b>	<b>7 219</b>	<b>43 362</b>
<b>Margin</b>	<b>17,05 %</b>	<b>14,78 %</b>	<b>20,19 %</b>

<b>Balance sheet</b>	<b>31.03.2015</b>	<b>31.03.2014</b>	<b>31.12.2014</b>
All numbers in NOK 1000			
<b>Assets</b>			
Intangible assets	53 123	50 718	53 257
Fixed assets	15 094	13 542	15 276
<b>Total tangible and fixed assets</b>	<b>68 217</b>	<b>64 260</b>	<b>68 533</b>
Inventory	38 943	38 813	36 874
Customers receivables	39 721	36 354	39 948
Other receivables	7 447	8 897	8 658
Cash	51 281	20 622	49 475
<b>Total current assets</b>	<b>137 392</b>	<b>104 687</b>	<b>134 955</b>
<b>Total assets</b>	<b>205 609</b>	<b>168 947</b>	<b>203 488</b>
<b>Equity and liability</b>			
Share capital	4 585	4 585	4 585
Share premium reserve	41 852	41 852	41 852
Other equity	99 594	80 274	92 659
<b>Total equity</b>	<b>146 031</b>	<b>126 711</b>	<b>139 097</b>
Deferred income	1 899	2 597	2 074
Other long term debt	9 272	4 148	11 043
<b>Total long term debt</b>	<b>11 171</b>	<b>6 745</b>	<b>13 117</b>
Short term debt			
Accounts payable	5 470	7 618	8 479
Tax and social liabilities	42 787	27 722	42 646
Other short term debt	150	150	150
<b>Total short term debt</b>	<b>48 408</b>	<b>35 490</b>	<b>51 275</b>
<b>Total equity and liability</b>	<b>205 609</b>	<b>168 947</b>	<b>203 488</b>
<b>Net interest bearing debt</b>	<b>(34 927)</b>	<b>(13 142)</b>	<b>(31 350)</b>
<b>Change in equity</b>			
All numbers in NOK 1000			
Equity start of period	139 097	121 635	121 635
Result for the period	7 410	5 203	31 245
Dividend	-	-	(14 481)
Changes in exchangerates	(476)	(127)	697
<b>Equity end of period</b>	<b>146 031</b>	<b>126 711</b>	<b>139 097</b>
<b>Cash flow analysis</b>			
All numbers in NOK 1000			
Result for the period	7 410	5 203	31 245
Cash flow from operation	(1 340)	(1 159)	16 562
<b>Cash flow from operation</b>	<b>6 070</b>	<b>4 044</b>	<b>47 808</b>
Cash flow from investments	(2 307)	(2 435)	(13 490)
Cash flow from investment	(1 957)	(833)	(4 689)
Change in cash for the period	1 806	776	29 629
Cash at start of period	49 475	19 846	19 846
<b>Cash by the end of period</b>	<b>51 281</b>	<b>20 622</b>	<b>49 475</b>

<b>Geographic split of sales</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
All numbers in NOK 1000			
USA	16 078	10 687	56 539
Asia	5 856	4 375	18 730
Europe	33 364	31 938	128 768
Rest of the world	2 609	1 858	10 780
<b>Total sales</b>	<b>57 907</b>	<b>48 857</b>	<b>214 817</b>

<b>Geographic split of sales in number of units</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
<b>USA</b>			
Procedures flow measurement	7 409	7 041	32 734
Procedures imaging	868	335	3 238
Capital sales VeriQ flowmeasurement instrument	-	1	5
Capital sales VeriQC imaging and flowmeasurement instrument	1	-	8
<b>Asia</b>			
VeriQ flowmeasurement instrument	10	9	34
VeriQC imaging and flowmeasurement instrument	3	4	12
Imaging probes	9	4	16
Flowmeasurement probes	311	189	1 133
<b>Europe</b>			
MiraQ and VeriQ flowmeasurement instrument	6	11	44
MiraQ and VeriQC imaging and flowmeasurement instrument	3	4	23
Imaging probes	5	4	24
Flowmeasurement probes	942	1 213	4 601
<b>Rest of the world</b>			
VeriQ flowmeasurement instrument	-	2	8
MiraQ and VeriQC imaging and flowmeasurement instrument	5	1	8
Imaging probes	4	-	5
Flowmeasurement probes	65	146	801
<b>Number of MiraQ and VeriQ flow instruments outside USA</b>	<b>16</b>	<b>22</b>	<b>86</b>
<b>MiraQ and VeriQC imaging and flowmeasurement instruments</b>	<b>11</b>	<b>9</b>	<b>43</b>
<b>Total number of imaging probes</b>	<b>18</b>	<b>8</b>	<b>45</b>
<b>Total number of flowmeasurement probes outside USA</b>	<b>1 318</b>	<b>1 548</b>	<b>6 535</b>

<b>Split of sales per segment</b>	<b>1. quarter 15</b>	<b>1. quarter 14</b>	<b>2014</b>
All numbers in NOK 1000			
<b>USA</b>			
Procedural revenue	15 399	10 400	48 328
Capital sales VeriQ flowmeasurement instruments	-	287	1 788
Capital sales VeriQC imaging and flowmeasurement instrument	679	-	6 423
<b>Outside USA</b>			
MiraQ and VeriQ flowmeasurement instrument	2 701	3 859	15 224
MiraQ and VeriQC imaging and flowmeasurement instrument	3 964	3 118	13 394
Imaging probes	897	482	2 385
Flowmeasurement probes	13 819	14 383	61 564
Other	642	217	527
<b>Total sale of Medistim prod.</b>	<b>38 101</b>	<b>32 745</b>	<b>149 633</b>
Sale of 3 party products	19 806	16 112	65 184
<b>Total sales</b>	<b>57 907</b>	<b>48 857</b>	<b>214 817</b>