

## 4. quarter and preliminary year end financials for 2017

- Record sales for a quarter and year. Sales for the quarter ended at MNOK 82.2 (MNOK 67.4), a 21.9 % growth. Sales for 2017 ended at MNOK 301.5 (MNOK 268.1), a growth of 12.5 %
- Currency neutral sales of own products increased with 31.3 % for the quarter. For 2017, currency neutral growth in sales of own products was 15.7%
- EBIT for the quarter ended at MNOK 16.4 (MNOK 9.7), a 67.9 % growth. For 2017 EBIT ended at MNOK 65.5 (MNOK 56.4) a 16.2 % growth
- Sales in USA continues the solid growth and currency neutral sales growth was 27.8 % for the quarter and 16.9 % for the year
- The probe production capacity has improved and previous issues are solved
- Entered into a collaboration to develop new production technology partly financed by Norwegian Research Council
- The Board suggests a dividend of NOK 2.00 per share (NOK 1.75)

## 4. quarter and preliminary financials for 2017

The financial report as per December 2017 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 2016.

### FINANCIAL DEVELOPMENT

(Comparative numbers for 2016 in parenthesis)

#### *Sales and geographic split*

Sales in the fourth quarter amounted to MNOK 82.2 (MNOK 67.4) and was the best quarter ever for Medistim. Previous record was from 3rd quarter 2017 with MNOK 75.7 in sales. Sales increased in all regions. In the US sales increased with 25.8% and in Europe there was an increase for 4.4%. In Asia sales increased with 19.7% and in the "rest of the world" there was an increase of 260%.

The capacity within flow probe production has improved in the 4th quarter as expected and all flow probe orders was delivered by year end 2017.

For 2017 there was an increase in all regions, and sales ended at MNOK 301,5. In the US sales increased with 15.0%. In Asia and in the "rest of the world" sales increased with 8.7% and 23.4% respectively. In Europe there was an increase of 10.2%. 2017 is the first year where Medistim reaches more than MNOK 300 in sales.

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

Fourth quarter sales of own products amounted to MNOK 64.4 (MNOK 49.3), a 30.8% growth. Sales of third party products were in the same period MNOK 17.8 (MNOK 18.2).

For 2017, sales of own products ended at MNOK 229.8 (MNOK 199.6), a 15.1% growth. Sales of third party products ended at MNOK 71.7 (MNOK 68.8), a 4.7% increase.

#### *Currency impact*

With the same rates as in 2016 sales would have amounted to MNOK 82.5 for the quarter, a currency neutral increase of 22.3%. With same rates, sale of own products would have amounted to MNOK 64.7, a 31.3% growth.

Similar comparison for 2017 would have resulted in a sale of MNOK 302.7. For own products sales with the same rate as 2016 would have been MNOK 231.0, which indicates a volume growth of 15.7%.

#### *Cost of goods sold*

Cost of goods sold ended at MNOK 20.6 for the quarter (MNOK 16.5) and cost of goods sold represent a percentage of 25.0% of total sales (24.5%). For 2017 cost of goods sold ended at MNOK 72.8 (MNOK 64.9), and cost of goods sold represent a percentage of 24.1% of sales (24.2%).

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

Salaries and social expenses ended at MNOK 26.7 (MNOK 25.3) for the quarter. For 2017 salary and social expenses ended at MNOK 98.3 (MNOK 89.7). The higher expense level for 2017 is related to increased number of employees within production, the direct representation in Spain and the full year effect of new employees from 2016.

Other operating expenses ended at MNOK 15.8 (MNOK 12.8) for the quarter. For 2017 other operating expenses ended at MNOK 51.7 (MNOK 45.3). The increase in other expenses was in relation to the support of clinical studies and establishing of direct representation in Spain.

#### *R&D expenses*

For the quarter MNOK 2.4 (MNOK 2.2) was used within research and development (R&D). Result before R&D and depreciations was MNOK 21.0 (MNOK 13.6). This equals a margin of 25.6% (20.2%). During the quarter MNOK 1.25 (MNOK 1.4) of the R&D expense was activated in the balance sheet.

For 2017 MNOK 8.6 (MNOK 9.3) was used within research and development (R&D). Result before R&D, depreciations and write offs was MNOK 85.1 (MNOK 73.8). This equals a margin of 28.2% (27.5%). In 2017 MNOK 2.2 (MNOK 3.6) of the R & D expense was activated in the balance sheet.

#### *Earnings*

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 19.9 (MNOK 12.8). EBITDA for 2017 ended at MNOK 78.7 (MNOK 68.1).

Result before tax and finance (EBIT) ended at MNOK 16.4 (MNOK 9.7) for the quarter. EBIT for 2017 ended at MNOK 65.5 (MNOK 56.4), which represents an EBIT margin of 21.7%.

Net finance ended positive with MNOK 2.0 for the quarter (negative MNOK 1.1). For 2017 net finance ended positive with MNOK 1.1 (negative MNOK 2.8). Net finance was mainly related to realised and unrealized gains or losses from to currency exposure.

Result before tax was MNOK 18.3 (MNOK 8.6) for the quarter. Result after tax for the quarter was MNOK 12.5 (MNOK 5.8). Result per share for the quarter was NOK 0.69 (NOK 0.32).

For 2017, result before tax ended at MNOK 66.6 (MNOK 53.5). Result after tax as for 2017 was MNOK 47.6 (MNOK 39.1). Result per share for 2017 ended at NOK 2.62 (NOK 2.15).

Average number of shares outstanding was 18.161.336 (18.150.502) by end of December 2017.

## Balance sheet

Equity by the end of December was MNOK 183.0 (MNOK 166.7). This equals an equity ratio of 72.8 % (77.0 %). A dividend of MNOK 31.8 was recorded against the equity in 2017.

Cash as of 31st of December 2017 was MNOK 54.4 and the company had 15,4 MNOK (MNOK 5,6) in interest bearing debt. By year end the company was cash positive with MNOK 39.0. Cash flow from operation ended at MNOK 59.9 as of December. The Company invested 14.9 MNOK in 2017 (11.9 MNOK). The investments was related to infrastructure, new products and systems placed at customer sites in the US on leasing contracts.

Compared to last year working capital has increased with MNOK 7.6. The reason for the increase in working is related to increased customer receivables.

The balance sheet ended at MNOK 251.1 from MNOK 216.4 by the beginning of the year.

## OPERATIONAL STATUS

During the quarter Medistim entered into a collaborative project together with GE Vingmed Ultrasound and Sensocure to develop new production technology. The project is funded by the Norwegian Research Council, and has been granted funding of MNOK 14,4 over 3 years from the BIA Health program at the Norwegian Research Council, for the project «Advanced Manufacturing Technologies for High Impact Medical Devices». The project will be run by the three technology companies in collaboration with University College of Southeast Norway and the research institutions SINTEF and NORNER. The three companies have established production of own medical technical products in Norway, and have through pre-projects supported by NRC BIA Health, assessed the needs and explored new concepts for future production technologies.

Medistim sees the funding of this project as a unique opportunity to develop its production technology will bring today's production of ultrasound probes to a higher level in terms of effectiveness and quality.

## Europe

In Europe there was an increase in sales of own products and a decrease of sales of 3.party products. 3. party products decreased with MNOK 0.4 or 2 %. Sales of own products ended at MNOK 22.3, which represent a 10.3 % increase.

For 2017 sales of 3.party products ended at MNOK 71.7, a 4.7 % increase. Sales of own products ended at MNOK 78.6, which represent a 15.7 % increase.

Medistim participated at The European Association for Cardiac- Thoracic Surgery (EACTS) during the quarter. This is the most important congress for coronary surgeons in Europe. The company establishes many important contacts, identify new projects and get to present new products during the exhibitions like EACTS. Attending the cardiac congress like EACTS is one of the most important marketing channels for the company.

## USA

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

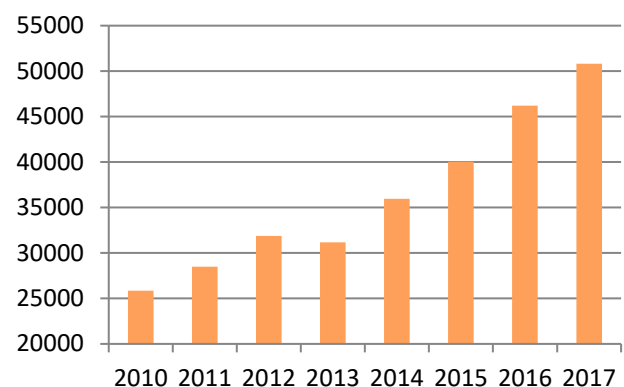
4<sup>th</sup> quarter sales ended with a growth of 25.8 % in NOK, while sales in USD increased 27.8 %. There was a solid growth within all product areas both for the quarter and for the year.

For the quarter there was sold 13.955 procedures, compared to last year 12.995, a 7.4 % increase.

During the quarter 2.185 procedures was sold to customers using the combined flow and imaging system compared 1.897 procedures in 2016. Number of flow procedures was 11.770 (11.188). Capital sales contributed most to the growth and increased from 4 units in the 4<sup>th</sup> quarter in 2016 to 13 units in the 4<sup>th</sup> quarter of 2017.

Sales in 2017 increased with 15 % and the currency neutral growth was 16.9 %. In 2017 there were sold 50.800 procedures, compared to last year 45.201 procedures. Total number of imaging and flow procedures sold was 6.843 (5.807), and total number of flow procedures sold were 43.957 (40.394). Capital sales increased from 13 units in 2016 to 28 units in 2017.

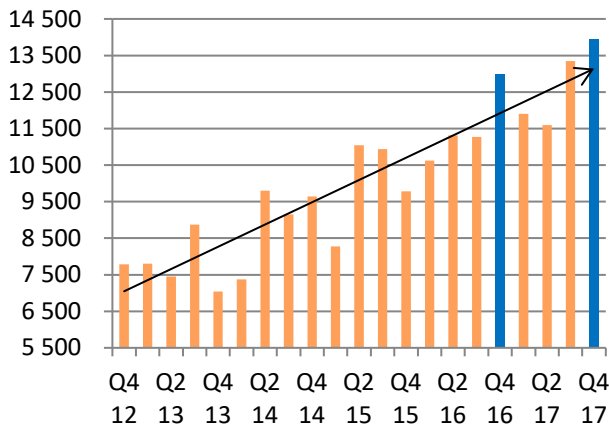
Number of procedures sold per year



In the US about 75 % 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 about 20 % of the total market of approximately 230.000 bypass surgery procedures performed annually. Medistim has a market penetration of about 70 % in Germany, Scandinavia and Japan. Medistim expect that the market penetration in the US will develop in the same manner over time.

Number of procedures sold per quarter



## Asia

In Asia there was a 19.7 % increase in sales in the fourth quarter, while sales in 2017 increased with 8.7 % compared to last year. There was growth within all product areas.

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

In other markets sales increased with 260 % in the 4<sup>th</sup> quarter, while sales increased with 23.4 % for the year. The positive sales development was driven by sales increase in Australia.

## REQUEST – the clinical study

the first preliminary results from the REQUEST, presented at the ICC meeting in August, showed that 26% of the patient population had one or more surgical changes made to the procedure based on imaging and flow data. This indicates that the addition of high-resolution ultrasound imaging is indeed helpful in guiding the CABG procedure, even for highly experienced surgeons. By year end all patient in the study where enrolled.

It will be of considerable interest to evaluate the data from the full 1000 patient population and learn more about how the imaging and flow techniques can help guide CABG surgery during the various stages of the procedure. The results from the study will be published in 2018.

## PROSPECTS AND TRENDS

### Goals and vision

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

### Strategy

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

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

### Market size and trends

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

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

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

The trend in surgery moves towards less intervention and keyhole surgery, which gives the surgeon less workspace

and the ability to control in a traditional way. It is therefore an increased need to verify the desired result in the future.

Global demographic trends are an important driving force for the many cost-efficiency measures around the world. 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 32 % of the total number of by-pass surgeries performed worldwide. Medistim's penetration and market share is expected to increase gradually as quality assurance in surgery is getting more attention and acceptance.

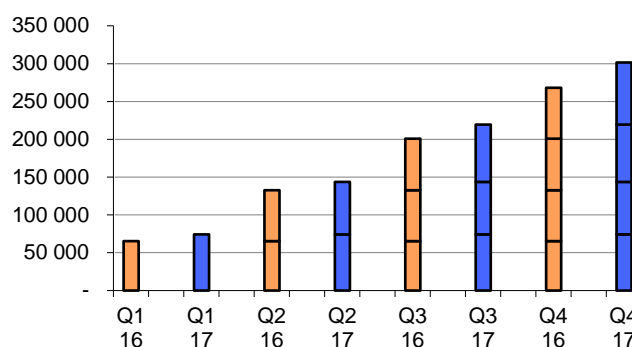
There are competitors that use the transit time measurement principle. Equipment from competitors is estimated to be in use in about 5 % of the procedures performed. This means that in about 65 % of the cases where by pass surgery is performed there is no equipment in use to verify blood flow. This market 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 2017 a 10 % change in the exchange rate against USD and EUR would result in a 6.6 % change in sales and a 17.5 % change in operating result. The company partly secures its positions with hedging contracts.

Accumulated sales per quarter



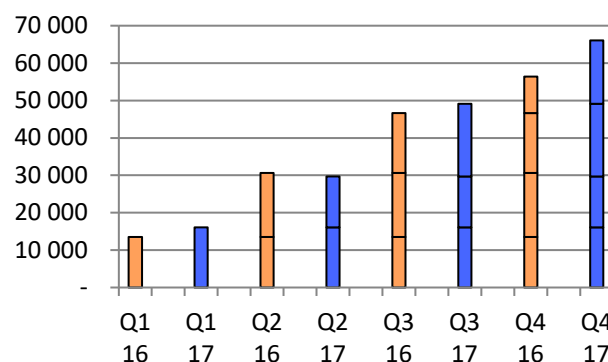
### SHARHOLDER AFFAIRS

The company had 176.000 Medistim shares by the end of December 2017. The shares were purchased at a price per share of NOK 14.70. The share price was NOK 72.00 per share at the end of the quarter. The number of shares sold in 2017 was 5.149.222.

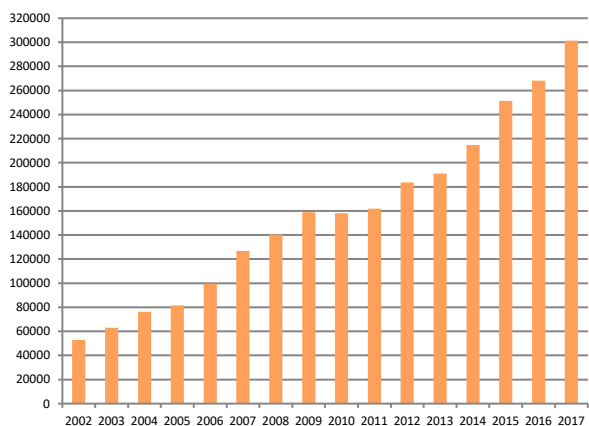
The five largest shareholders were Intertrade Shipping AS with 4.003.500 shares, Salvesen & Thams Invest AS with 1.862.500 shares, Swedbank Rorbud with 1.376.596 shares, Follum Capital with 1.000.000 shares and Protector Forsikring with 784.155 shares.

The Board will suggest to the General Meeting a dividend of NOK 2,00 per share (NOK 1.75). The equals a pay out ratio of 76 % (81 %).

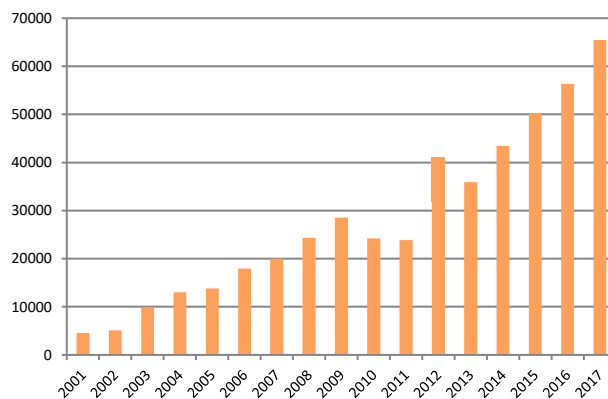
Operating profit per quarter.



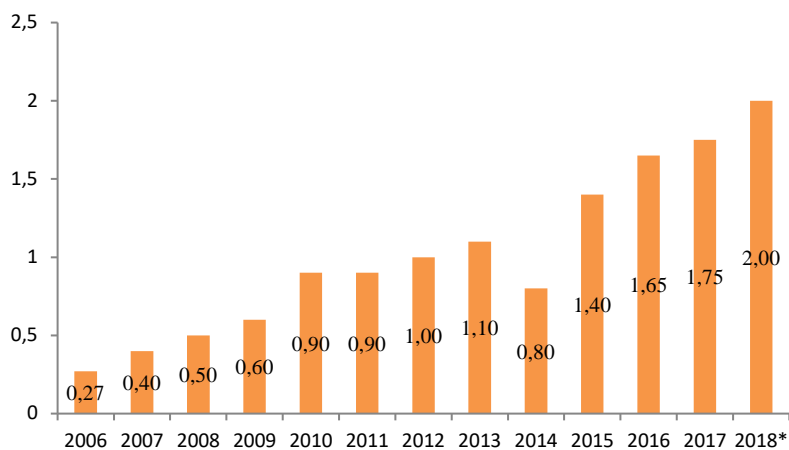
Sale per year



Operating profit per year.



**\*Dividend per share. 2018 is suggested dividend by the Board of Directors**



Oslo 15. February 2018,  
Board of Directors and managing director in Medistim ASA



<b>Profit &amp; loss</b>	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
All numbers in NOK 1000				
<b>Sales</b>	82 230	67 433	301 461	268 061
Cost of goods sold	20 576	16 529	72 782	64 957
Salary and sosial expenses	26 720	25 310	98 281	89 719
Other operating expenses	15 072	12 812	51 705	45 304
Total operating expenses	62 367	54 651	222 768	199 980
<b>Opr. res.before. depr. and write offs</b>	<b>19 862</b>	<b>12 783</b>	<b>78 693</b>	<b>68 081</b>
<i>Opr. res before depr and write off %</i>	<i>24,15 %</i>	<i>18,96 %</i>	<i>26,10 %</i>	<i>25,40 %</i>
Depreciation	3 495	3 034	13 223	11 726
Write offs	-	-	-	-
<b>Operating result</b>	<b>16 368</b>	<b>9 749</b>	<b>65 470</b>	<b>56 355</b>
<b>EBIT %</b>	<b>19,90 %</b>	<b>14,46 %</b>	<b>21,72 %</b>	<b>21,02 %</b>
Financial income	3 511	8 781	8 838	7 506
Financial expenses	1 535	9 890	7 696	10 334
<b>Net finance</b>	<b>1 976</b>	<b>(1 109)</b>	<b>1 142</b>	<b>(2 828)</b>
<b>Pre tax profit</b>	<b>18 343</b>	<b>8 640</b>	<b>66 612</b>	<b>53 527</b>
Tax	5 867	2 798	19 038	14 429
<b>Result</b>	<b>12 476</b>	<b>5 842</b>	<b>47 574</b>	<b>39 098</b>
<b>Dividend</b>	<b>-</b>	<b>-</b>	<b>31 782</b>	<b>29 950</b>
<b>Comprehensive income</b>				
Result after tax	12 476	5 842	47 574	39 098
Exchange differences arising on translation of foreign operations	583	(34)	(241)	216
<b>Total comprehensive income</b>	<b>13 059</b>	<b>5 808</b>	<b>47 333</b>	<b>39 314</b>
<b>Key figures</b>				
	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
Equity share	72,87 %	77,02 %	72,87 %	77,02 %
Earnings per share	0,69	0,32	2,62	2,15
Earnings per share diluted	0,69	0,32	2,62	2,15
Average shares outstanding in 1000	18 161	18 151	18 161	18 150
Average shares outstanding in 1000 diluted	18 161	18 151	18 161	18 150

<b>Split of operating result per segment</b>	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
All numbers in NOK 1000				
Res from Medistim products	14 345	7 127	56 293	49 381
Margin Medistim products	22,26 %	14,43 %	24,50 %	24,63 %
Res from 3 party products	2 023	2 622	9 177	6 974
Margin 3 party prod.	11,37 %	14,43 %	12,80 %	10,19 %
<b>Totalt result</b>	<b>16 368</b>	<b>9 749</b>	<b>65 470</b>	<b>56 355</b>
<b>Margin</b>	<b>19,90 %</b>	<b>14,43 %</b>	<b>21,72 %</b>	<b>20,96 %</b>

<b>Balance sheet</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
All numbers in NOK 1000		
<b>Assets</b>		
Intangible assets	45 090	51 698
Fixed assets	25 744	18 404
<b>Total tangible and fixed assets</b>	<b>70 834</b>	<b>70 102</b>
Inventory	62 722	59 297
Customers receivables	57 307	48 328
Other receivables	5 825	7 651
Cash	54 411	31 065
<b>Total current assets</b>	<b>180 265</b>	<b>146 341</b>
<b>Total assets</b>	<b>251 099</b>	<b>216 443</b>
<b>Equity and liability</b>		
Share capital	4 585	4 585
Share premium reserve	44 172	44 172
Other equity	134 226	117 946
<b>Total equity</b>	<b>182 984</b>	<b>166 703</b>
Deferred income	0	677
Other long term debt	10 500	1 875
<b>Total long term debt</b>	<b>10 500</b>	<b>2 552</b>
Short term debt		
Accounts payable	13 524	8 444
Tax and social liabilities and other	43 941	38 594
Other short term debt	150	150
<b>Total short term debt</b>	<b>57 616</b>	<b>47 188</b>
<b>Total equity and liability</b>	<b>251 099</b>	<b>216 443</b>
<b>Net interest bearing debt</b>	<b>(39 036)</b>	<b>(23 774)</b>

<b>Change in equity</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
All numbers in NOK 1000		
Equity start of period	166 703	156 164
Result for the period	47 574	39 098
Dividend	(31 782)	(29 950)
Medistim shares	711	1 176
Changes in exchangerates	(223)	216
<b>Equity end of period</b>	<b>182 983</b>	<b>166 703</b>

<b>Cash flow analysis</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
All numbers in NOK 1000		
Result for the period	47 574	39 098
Other cash flow from operation	19 919	10 557
<b>Cash flow from operation</b>	<b>59 913</b>	<b>28 274</b>
Investments	(14 291)	(11 943)
Cash flow from financing	(22 276)	(34 191)
Change in cash for the period	23 346	(17 860)
Cash at start of period	31 065	48 925
<b>Cash by the end of period</b>	<b>54 411</b>	<b>31 065</b>



<b>Geographic split of sales</b>	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
All numbers in NOK 1000				
USA	27 518	21 873	104 590	90 990
Asia	5 683	4 748	26 954	24 805
Europe	40 025	38 320	150 317	136 383
Rest of the world	9 004	2 492	19 600	15 883
<b>Total sales</b>	<b>82 230</b>	<b>67 433</b>	<b>301 461</b>	<b>268 061</b>
<b>Geographic split of sales in number of units</b>	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
<b>USA</b>				
Procedures flow measurement	11 770	11 188	43 957	40 394
Procedures imaging and flow	2 185	1 807	6 843	5 807
Capital sales MiraQ flowmeasurement instrument	11	3	17	6
Capital sales MiraQ imaging and flowmeasurement instrument	2	1	11	7
<b>Asia</b>				
MiraQ and VeriQ flowmeasurement instrument	4	2	23	20
MiraQ and VeriQC imaging and flowmeasurement instrument	3	2	16	14
Imaging probes	4	5	16	22
Flowmeasurement probes	367	320	1 666	1 651
<b>Europe</b>				
MiraQ and VeriQ flowmeasurement instrument	18	17	41	40
MiraQ and VeriQC imaging and flowmeasurement instrument	4	2	17	7
Imaging probes	13	4	36	13
Flowmeasurement probes	1 113	1 037	4 057	3 833
<b>Rest of the world</b>				
MiraQ and VeriQ flowmeasurement instrument	5	3	14	11
MiraQ and VeriQC imaging and flowmeasurement instrument	8	-	12	12
Imaging probes	6	-	12	18
Flowmeasurement probes	445	225	915	724
<b>Total sales outside the US in units</b>	<b>27</b>	<b>22</b>	<b>78</b>	<b>71</b>
<b>Number of MiraQ and VeriQ flow instruments outside USA</b>	<b>15</b>	<b>4</b>	<b>45</b>	<b>33</b>
<b>MiraQ and VeriQC imaging and flow instruments</b>	<b>23</b>	<b>9</b>	<b>64</b>	<b>53</b>
<b>Total number of imaging probes</b>	<b>1 925</b>	<b>1 582</b>	<b>6 638</b>	<b>6 208</b>
<b>Split of sales per segment</b>	<b>4. quarter 17</b>	<b>4. quarter 16</b>	<b>2017</b>	<b>2016</b>
All numbers in NOK 1000				
<b>USA</b>				
Procedural revenue	21 645	20 277	86 021	81 924
Capital sales MiraQ flowmeasurement instruments	3 913	1 367	7 564	3 353
Capital sales MiraQ imaging and flowmeasurement instrument	1 960	230	11 006	5 713
<b>Outside USA</b>				
MiraQ and VeriQ flowmeasurement instrument	5 517	4 268	15 770	14 361
MiraQ and VeriQC imaging and flowmeasurement instrument	6 723	2 570	20 976	15 281
Imaging probes	1 461	588	4 177	3 146
Flowmeasurement probes	22 927	17 498	78 850	70 446
Other	290	2 469	5 407	5 389
<b>Total sale of Medistim prod.</b>	<b>64 437</b>	<b>49 400</b>	<b>229 771</b>	<b>200 475</b>
Sale of 3 party products	17 793	18 168	71 690	68 448
<b>Total sales</b>	<b>82 230</b>	<b>67 568</b>	<b>301 461</b>	<b>268 923</b>