

1. quarter 2018

- Sales for the quarter ended at MNOK 74.1 (MNOK 74.4). There was an increase of 5.7 % in number of procedures in USA, but sales in USA decreased with 6.3 % due to foreign exchange.
- Currency neutral sales of own products decreased with 2.7 %
- Operating profit (EBIT) ended at MNOK 13.6 (MNOK 16.0)
- Medistims equipment received an updated recommendation by NICE in UK
- Data collection in the REQUEST study was completed, and the first results will be presented at AATS in May
- The General Meeting decided to pay a dividend of NOK 2.00 per share (NOK 1.75 per share)

1. quarter report and financials for 2018

The financial report as per March 2018 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 2017.

FINANCIAL DEVELOPMENT

(Comparative numbers for 2017 in parenthesis)

Sales and geographic split

Sales in the first quarter amounted to MNOK 74.1 (MNOK 74.4). There was a 11.1 % growth in Europe while there was a decline in the other regions. US had a decline of 6.3 %, which was related to foreign exchange. In Asia there was a decline of 12.2 % and other markets a decline of 39 %.

Split of own products and 3. party products.

Sales of own products amounted to MNOK 55.4 (MNOK 56.5). Sales of 3. party products ended at MNOK 18.7 (MNOK 17.9), an increase of 4.9 %.

Currency effect

With the same rates as in 2017 sales would have amounted to MNOK 73.7 for the quarter. In local currency, there was an increase in sales of 1 % in USA, and there was a strengthening in NOK compared to USD. For EUR it was the opposite and the total currency effect was neutralized. Currency neutral development on own products was a 2.7 % decline while 3. party products showed an increase of 4.9 %.

Cost of goods sold

Cost of goods sold ended at MNOK 18.3 for the quarter (MNOK 17.8) and cost of goods sold represent a percentage of 24.6 % of total sales (24.0 %). The higher level of 3. party product sales explains the increase in cost of goods sold.

Salary, social and other operating expenses

Salaries and social expenses ended at MNOK 26.8 (MNOK 25.4) for the quarter. Other operating expenses ended at MNOK 12.5 (MNOK 11.9) for the quarter. Salary expenses increased mainly because of more employees within production. Sales and medical department has also been strengthened compared to same period last year. Other expenses increases in line with the organisational growth.

R & D expenses

For the quarter MNOK 2.5 (MNOK 2.1) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 18.1 (MNOK 20.7). This equals a margin of 24.4 % (27.8 %). During the quarter MNOK 0.9 (MNOK 0.6) of the R & D expense was activated in the balance sheet.

Earnings

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Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 16.6 (MNOK 19.2). Result before tax and finance (EBIT) ended at MNOK 13.6 (MNOK 16.0).

Net finance ended negative with MNOK 1.3 for the quarter (positive MNOK 0.4). 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 12.3 (MNOK 16.4) for the quarter. Result after tax for the quarter was MNOK 9.4 (MNOK 11.9).

Result per share for the quarter was NOK 0.52 (NOK 0.65). Average number of shares outstanding was 18.173.336 (18.161.336) by end of March 2018.

Balance sheet

Equity by the end of March was MNOK 191.0 (MNOK 178.5). This equals an equity ratio of 75.6 % (78.2 %).

Cash as of 31st of March was MNOK 56.1 and the company had MNOK 13.7 in interest bearing debt.

The balance sheet ended at MNOK 252.7 from MNOK 251.1 by the beginning of the year.

OPERATIONAL STATUS

Europe

Sales of own products ended at MNOK 20.5, a growth of MNOK 3.1 or 17.2 %. Of this 1,3 MNOK was related to foreign exchange. The increase was otherwise driven by increased sales of flow systems, flow and imaging systems and flow probes in addition to a higher level of direct sales mainly from Spain.

Medistim received during the quarter an updated recommendation from British National Institute for Health and Care Excellence (NICE).

In their report, NICE says that "The case for adopting the MiraQ system in the National Health System for assessing graft flow during CABG is supported by clinical evidence. The evidence suggests that intraoperative transit time flow measurement (TTFM) is effective in detecting imperfections that may be corrected by graft revision. This may reduce the incidence of graft occlusion and may reduce perioperative morbidity and mortality. The MiraQ system is associated with an estimated cost saving of £141 per patient compared with clinical assessment alone, when it is used routinely for assessing CABG surgery in every patient."

Medistim is encouraged by this renewed support from the MTG8 committee at NICE and further that the estimated cost saving per surgery has increased from £115 to £141 from the previous 2011 guidance. The UK is a very important market

for Medistim, with significant growth opportunity, and the company support the UK market through a direct representation.

Approximately 17,000 isolated coronary artery bypass graft (CABG) operations are performed in the UK each year. In addition, a substantial proportion of patients having other cardiac surgery have concomitant CABG. Medistim covers today only 1.700 of these surgeries.

The recommendation fuels the ongoing efforts to increase the adoption of both our TTFM and high frequency ultrasound imaging in this key market. In addition, a NICE guidance are highly recognized in the global market as well.

USA

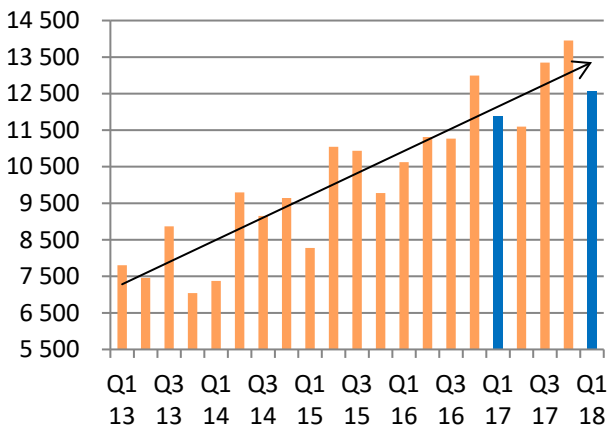
Medistim has a business model in the US that is mainly based upon sales of procedures, but also offers capital sale as in other markets.

1st quarter sales ended down with 6.3 % in NOK, while sales in USD increased with 1.0 %.

For the quarter there was sold 12.576 procedures, compared to last year 11.898, a 5.7 % increase.

During the quarter 1.585 procedures was sold to customers using the combined flow and imaging system compared 1.390 procedures in 2017. Number of flow procedures was 10.991 (10.508). Capital sales was at the same level as last year.

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 more than 20.0 % 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.

Asia

In Asia there was a decrease in sales of 12.2 %.

Sale of systems, that makes the basis for future probe sales, increased from 12 units to 19 units. Probe sales was weaker than normal and is related to build up of stock in the 4th quarter after previous capacity issues within flow probe production.

Other markets

Sales in other markets decreased with 39 %. In total these are small markets with large variations from quarter to quarter, but with little impact on total sales.

REQUEST – the clinical study

During the quarter the patient enrollment into the REQUEST registry study was completed and the first results from the study have been accepted for presentation in the "Update from Surgical Ablation and Coronary Bypass Grafting" session at the American Association for Thoracic Surgery (AATS) conference taking place in San Diego between April 28th and May 1st 2018.

The objective for the REQUEST study is to document how often the combination of high-resolution ultrasound imaging and transit time flow measurements (TTFM) performed with Medistim's VeriQC or MiraQ devices will change the surgical procedure. The surgical coronary artery bypass grafting (CABG) protocol includes ultrasound scanning of the aorta, conduit, target coronary vessel and anastomosis, as well as TTFM graft assessment. More than 1000 CABG patients were included in this prospective multicenter registry study between February 2015 and December 2017. Seven leading cardiac surgery centers from Europe, USA and Canada, led by Coordinating Investigator Professor David Taggart from the University of Oxford participated.

Preliminary results from 776 patients showed that 26% of the patient population had one or more surgical changes made to the procedure based on imaging and flow data. For the first time, a large patient material is available documenting the number and type of surgical changes instigated by the combined use of Medistim TTFM and high-resolution ultrasound imaging. The REQUEST study results may provide new insights that could positively impact clinical outcomes and change clinical practice going forward.

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 represents Medistim's largest opportunity.

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

Exposure towards currency

The company is exposed to EUR and USD. Exposure can vary depending on how large share of revenues and costs USD and EUR account for of total income and expenses. For 2018 a 10 % change in the exchange rate against USD and EUR would result in a 7.5 % change in sales and a 12.7 % change in operating result. The company partly secures its positions with hedging contracts.

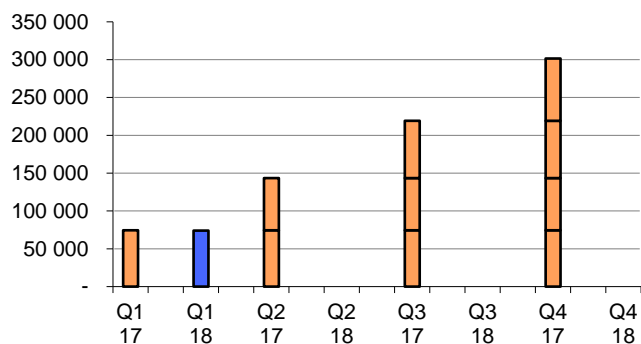
SHAREHOLDER AFFAIRS

The company had 158.500 Medistim shares by the end of March 2018. The shares were purchased at a price per share of NOK 14.70. The share price was NOK 83.80 per share at the end of the quarter. For comparison entering 2018 the share price was 72.00 per share.

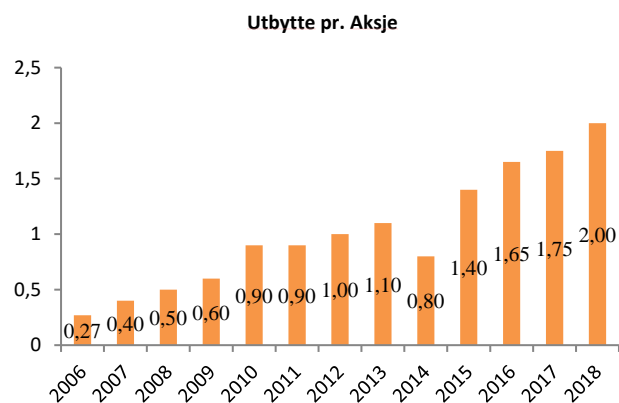
The number of shares sold in the first quarter of 2018 was 632.272. The five largest shareholders were Intertrade Shipping AS with 4.003.500 shares, Salvesen & Thams Invest AS with 1.862.500 shares, Rorbur with 1.347.872, Follum Capital with 1.000.000 shares and Skandinaviska Enskilda with 962.939 shares. CEO, Kari Krogstad received 12.500 shares entering 2018. By quarter end the CEO had 112.500 Medistim shares. CFO, Thomas Jakobsen, received 5000 shares during the first quarter. Thomas Jakobsen had 75.000 Medistim shares by quarter end.

The General Meeting decided a dividend of NOK 2,00 per share (NOK 1.75). This equals a pay out ratio of 76 % (81 %). The shares are traded ex dividend the 26th of April 2018. The dividend is expected to be paid the 9th of May 2018.

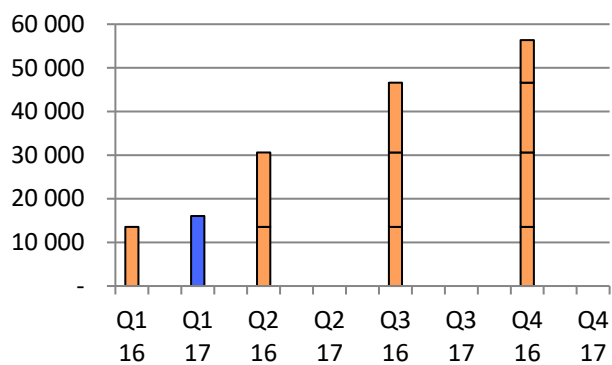
Sales per quarter



Historical dividend paid by Medistim



Operating profit per quarter



Oslo 25. April 2018,
Board of Directors and managing director in Medistim ASA

Profit & loss	1. quarter 18	1. quarter 17	2017
All numbers in NOK 1000			
Sales	74 133	74 360	301 461
Cost of goods sold	18 255	17 859	72 782
Salary and social expenses	26 784	25 418	98 281
Other operating expenses	12 519	11 922	51 705
Total operating expenses	57 558	55 199	222 768
Opr. res.before. depr. and write offs	16 576	19 161	78 693
<i>Opr. res before depr and write off %</i>	22,4 %	25,8 %	26,1 %
Depreciation	2 988	3 119	13 223
Operating result	13 588	16 043	65 470
<i>Operating result in %</i>	18,3 %	21,6 %	21,7 %
Financial income	1 387	2 113	8 838
Financial expenses	2 665	1 730	7 696
Net finance	(1 279)	383	1 142
Pre tax profit	12 309	16 426	66 612
Tax	2 865	4 567	19 038
Result	9 444	11 859	47 574
Dividend	-	-	31 782
Comprehensive income			
Result after tax	9 444	11 859	47 574
Exchange differences arising on translation of foreign operations	(1 405)	(108)	(248)
Total comprehensive income	8 039	11 751	47 326

Key figures	1. quarter 18	1. quarter 17	2017
Equity share	75,6 %	78,2 %	72,9 %
Earnings per share	kr 0,52	kr 0,65	kr 2,62
Earnings per share diluted	kr 0,52	kr 0,65	kr 2,62
Average shares outstanding in 1000	18 175	18 161	18 161
Average shares outstanding in 1000 diluted	18 175	18 161	18 161

Split of result per segment	1. quarter 18	1. quarter 17	2017
All numbers in NOK 1000			
Res from Medistim products	11 957	14 452	56 293
Margin Medistim products	21,6 %	25,6 %	24,5 %
Res from 3 party products	1 631	1 590	9 177
Margin 3 party prod.	8,7 %	8,9 %	12,8 %
Totalt result	13 588	16 043	65 470
Margin	18,3 %	21,6 %	21,7 %

Balance sheet	31.03.2018	31.03.2017	31.12.2017
All numbers in NOK 1000			
Assets			
Intangible assets	44 403	50 220	45 090
Fixed assets	26 256	19 208	25 744
Total tangible and fixed assets	70 659	69 428	70 834
Inventory	63 555	59 961	62 722
Customers receivables	53 269	46 522	57 307
Other receivables	9 178	10 471	5 825
Cash	56 077	41 871	54 411
Total current assets	182 079	158 826	180 265
Total assets	252 738	228 254	251 099
Equity and liability			
Share capital	4 585	4 585	4 585
Share premium reserve	44 172	44 172	44 172
Other equity	142 266	129 696	134 226
Total equity	191 023	178 453	182 984
Total long term debt	8 813	1 440	10 500
Total short term debt	52 903	48 362	57 616
Total equity and liability	252 738	228 254	251 099
Net interest bearing debt	(42 390)	(37 184)	(39 036)
Change in equity			
All numbers in NOK 1000			
Equity start of period	182 984	166 703	166 703
Result for the period	9 444	11 859	47 574
Change in surplus fund	-	-	711
Dividend	-	-	(31 782)
Changes in exchangerates	(1 405)	(108)	(223)
Equity end of period	191 023	178 453	182 984
Cash flow analysis			
All numbers in NOK 1000			
Result for the period	9 444	11 859	47 574
Cash flow from operation	(3 064)	1 664	12 339
Cash flow from operation	6 380	13 523	59 913
Cash flow from investments	(2 919)	(1 783)	(14 291)
Cash flow from investment	(1 795)	(934)	(22 276)
Change in cash for the period	1 666	10 806	23 346
Cash at start of period	54 411	31 065	31 065
Cash by the end of period	56 077	41 871	54 411

Geographic split of sales	1. quarter 18	1. quarter 17	2017
All numbers in NOK 1000			
USA	23 003	24 541	104 590
Asia	8 460	9 634	26 954
Europe	40 240	36 204	150 317
Rest of the world	2 430	3 981	19 600
Total sales	74 133	74 360	301 461

Geographic split of sales in number of units	1. quarter 18	1. quarter 17	2017
USA			
Procedures flow measurement	10 991	10 508	43 957
Procedures imaging	1 585	1 390	6 843
Capital sales flow instrument	2	-	17
Capital sales imaging and flow instrument	2	3	11
Capital sales flow instrument	3	1	8
Capital sales imaging and flow instrument	1	2	5
Asia			
Flow instrument	12	6	23
Imaging and flow instrument	7	6	16
Imaging probes	4	5	16
Flow probes	309	677	1 666
Europe			
Flow instrument	9	13	41
Imaging and flow instrument	4	2	17
Imaging probes	4	3	36
Flow probes	1 094	1 013	4 057
Rest of the world			
Flow instrument	2	4	14
Imaging and flow instrument	1	1	12
Imaging probes	-	1	12
Flow probes	150	209	915
Sales outside USA			
Flow instrument	23	23	78
Imaging and flow instrument	12	9	45
Imaging probes	8	9	64
Flow probes	1 553	1 899	6 638

Split of sales per segment	1. quarter 18	1. quarter 17	2017
All numbers in NOK 1000			
USA			
Procedural revenue flow	16 315	18 477	73 609
Procedural revenue Imaging and flow	3 275	3 022	12 412
Capital sales flow instruments	1 378	-	7 564
Capital sales imaging and flow instrument	2 036	3 043	11 006
Outside USA			
Flow instrument	5 338	4 747	15 770
Imaging and flow instrument	5 233	3 841	20 976
Imaging probes	567	703	4 177
Flow probes	20 465	20 913	78 850
Other	779	1 746	5 407
Total sale of Medistim prod.	55 385	56 491	229 771
Sale of 3 party products	18 748	17 869	71 690
Total sales	74 133	74 360	301 461
Split of sales between coronary and vascular surgery and 3 party products			
	1. kvartal 18	1. kvartal 17	2017
All numbers in NOK 1000			
Sales within coronary surgery	46 049	47 745	196 138
Sales within vascular surgery	9 336	8 746	33 633
Sales of 3. party products	18 748	17 869	71 690
Total sales	74 133	74 360	301 461