



# MediStim ASA

## First Quarter 2010

April 30th, 2010

Kari E. Krogstad, President and CEO

Thomas Jakobsen, CFO

[www.medistim.com](http://www.medistim.com)

# Highlights First Quarter 2010

- **New VeriQC imaging system now in daily clinical use in 5 countries**
  - 6 systems sold in Q1
  - Approval from Japanese health authorities received in January 2010
  
- **Sales revenues affected by strengthened NOK against USD and EUR, and extended sales cycle**
  - Sales revenues down 7.7% to MNOK 37.0 (40.1) driven by unfavourable currency effects of MNOK 3.0
  
- **No activation of development costs in Q1**
  - Operational costs up by MNOK 1.4 to MNOK 23.3 (21.9) due to expensed external (MNOK 1.1) and internal (MNOK 0.4) development costs
  - EBIT down by 58.7% to MNOK 3.3 (8.1)
  
- **Extraordinary dividends to shareholders**
  - NOK 0.90 per share, of which NOK 0.15 is extraordinary due to strong performance in the year of our 25th anniversary



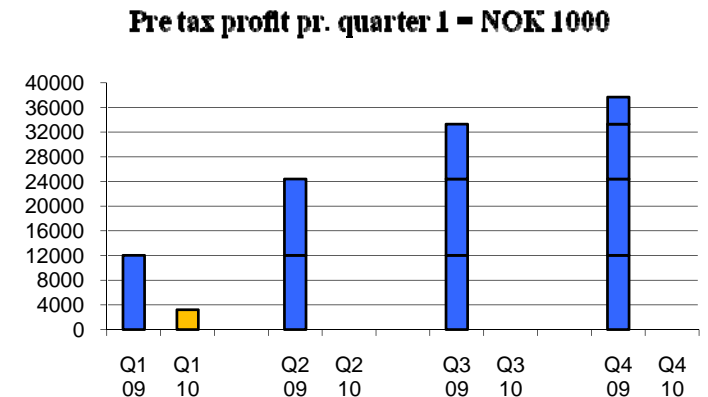
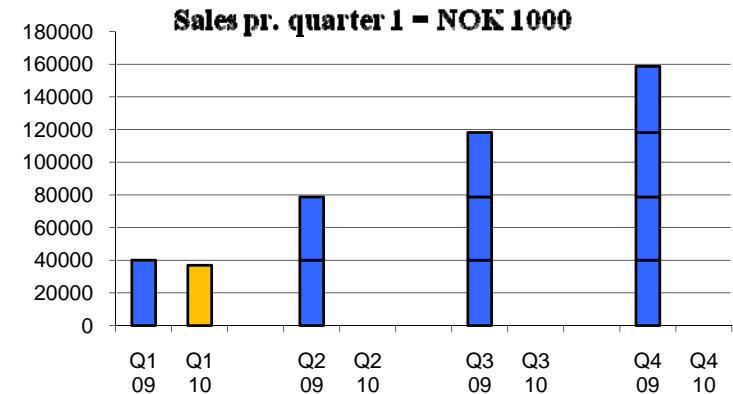
# Financial Statements

# Profit & Loss Q1

## Profit & Loss

All numbers in NOK 1000

	Q1 '10	Q1 '09
<b>Sales</b>	36 952	40 089
Cost of goods sold	10 315	10 146
Salary and social expenses	12 991	12 818
Other operating expenses	9 080	8 117
Total operating expenses	32 386	31 080
<b>Operating result before depreciation and write downs</b>	<b>4 566</b> 12,36 %	<b>9 009</b> 22,47 %
Depreciation	1 239	934
<b>Operating result</b>	<b>3 327</b>	<b>8 074</b>
Financial income	2 411	7 812
Financial expenses	2 529	3 858
<b>Net finance</b>	<b>(118)</b>	<b>3 953</b>
<b>Result before tax</b>	<b>3 209</b>	<b>12 028</b>
Tax	898	3 368
<b>Result after tax</b>	<b>2 310</b>	<b>8 660</b>



# Geographical Split in Units

<b>Sales in number of units</b>	<b>Q1 '10</b>	<b>Q1 '09</b>	<b>FY 2009</b>
<b>USA</b>			
Procedures	6 313	6 225	24 788
Systems	-	-	3
Stethoscopes	120	184	1 139
<b>Asia</b>			
Systems	6	8	59
Ultrasound imaging	2	-	-
Probes	72	263	1 524
<b>Europe</b>			
Systems	3	14	50
Ultrasound imaging	4	-	5
Probes	905	728	3 138
<b>Rest of the world</b>			
Systems	5	6	20
Probes	162	212	575
<b>Total number of systems outside USA</b>	<b>14</b>	<b>28</b>	<b>129</b>
<b>Ultrasound imaging</b>	<b>6</b>	<b>-</b>	<b>5</b>
<b>Total number of probes outside USA</b>	<b>1 139</b>	<b>1 203</b>	<b>5 237</b>

# Balance Sheet – Assets

<b>Balance</b>	<b>31.03.2010</b>	<b>31.12 2009</b>
All numbers in NOK 1000		
<b>Assets</b>		
Intangible assets	45 134	46 659
Fixed assets	6 192	5 989
<b>Total intangible and fixed assets</b>	<b>51 326</b>	<b>52 649</b>
Inventory	28 365	28 269
Customer receivables	22 466	23 348
Other receivables	9 332	12 065
Cash	33 253	29 297
<b>Current assets</b>	<b>93 416</b>	<b>92 979</b>
<b>Total assets</b>	<b>144 742</b>	<b>145 627</b>

# Balance Sheet - Equity and Liability

<b>Balance</b>	<b>31.03.2010</b>	<b>31.12.2009</b>
<hr/>		
All numbers in NOK 1000		
Share capital	4 716	4 716
Share premium reserve	41 852	41 852
Other equity	61 874	59 726
<b>Total equity</b>	<b>108 442</b>	<b>106 294</b>
Long term liabilities	13 602	14 537
Short term liabilities	22 698	24 797
<b>Total equity and liability</b>	<b>144 743</b>	<b>145 627</b>
<i>Net interest bearing liability</i>	<i>(27 253)</i>	<i>(22 293)</i>



# Business Update

[www.medistim.com](http://www.medistim.com)

# Addressing Customer Needs

## Medical Disciplines:

### Surgery:

- Cardiac Surgery / CABG
- Vascular Surgery
- Transplant Surgery
- General Surgery

### Other:

- Ophtamology
- Research/Teaching/GPs

## Buying Groups:

### Medical:

- Cardiothoracic Surgeons
- Vascular Surgeons
- Perfusionists
- Med techs
- Nurses

### Economical:

- Hospital administrators
- Purchasing



**MediStim is the Leading Supplier  
of Quality Control Procedures  
for Cardiovascular Surgery Worldwide**



# Business Segments

## Blood Flow Measurement (VeriQ™)



**SYSTEM**

- Capital sales
- Leasing (PPP)



**PROBES**

## Combined Imaging and Flow (VeriQC™)

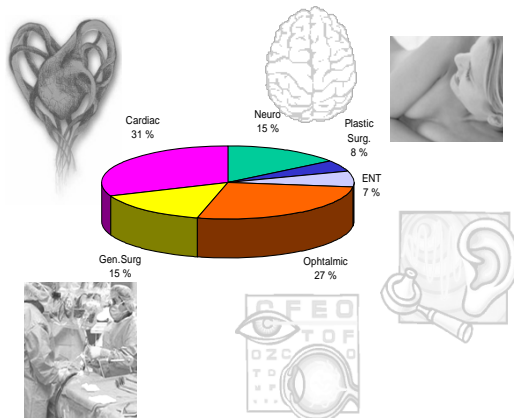


**SYSTEM**

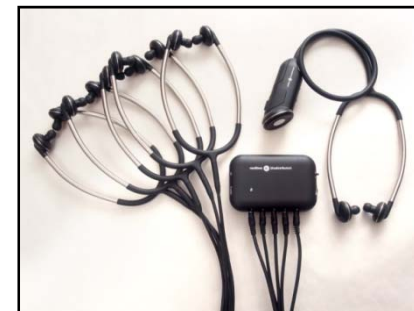


**PROBE**

## 3rd Party Products (KirOp AS)



## Stethoscopes (Meditron)



# Go To Market

## MediStim Developed Products



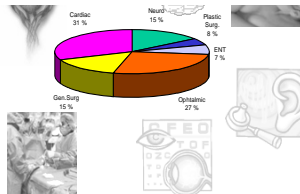
**MediStim  
Sells Direct**

USA

Germany

Norway

## 3rd Party Products (KirOp)



**MediStim  
Distributes**

Europe

Asia

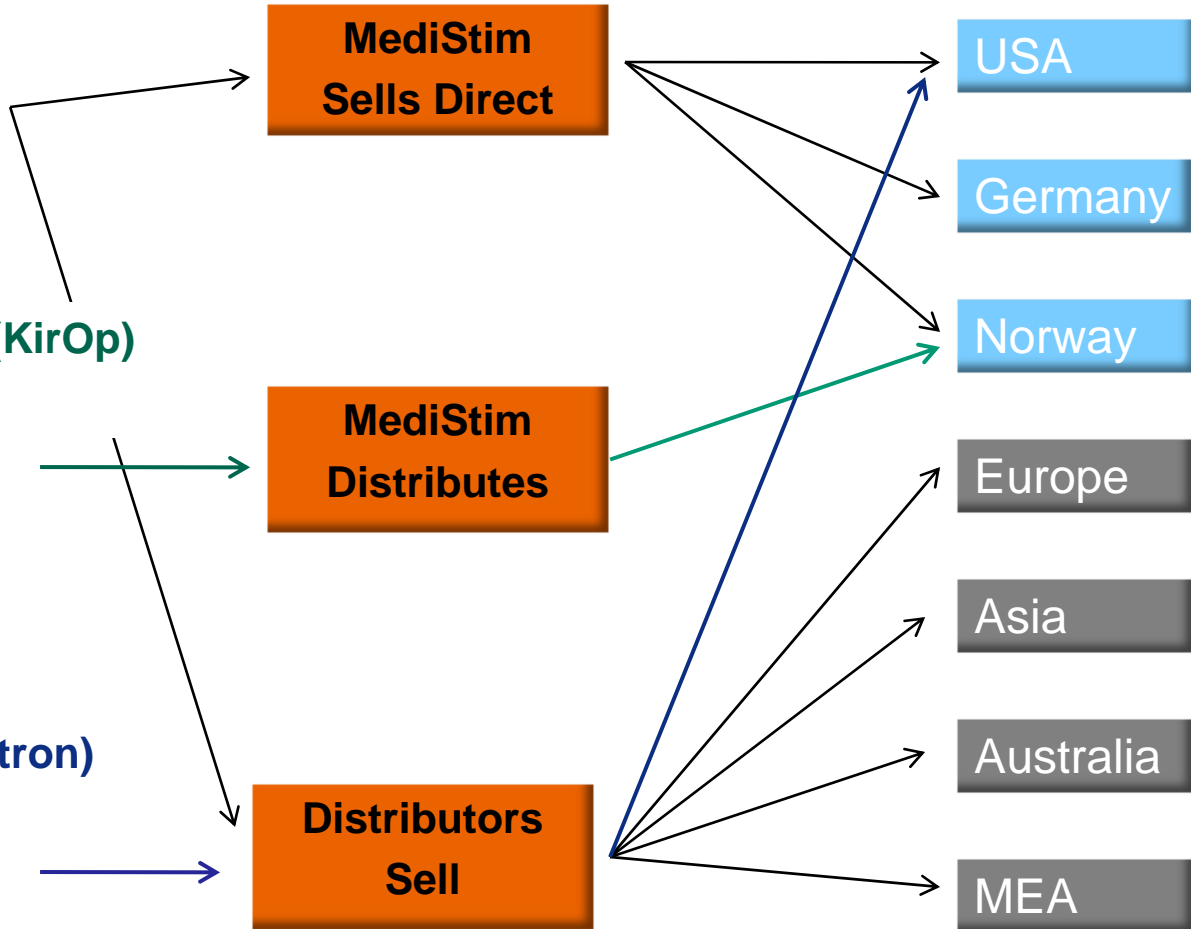
Australia

## Stethoscopes (Meditron)



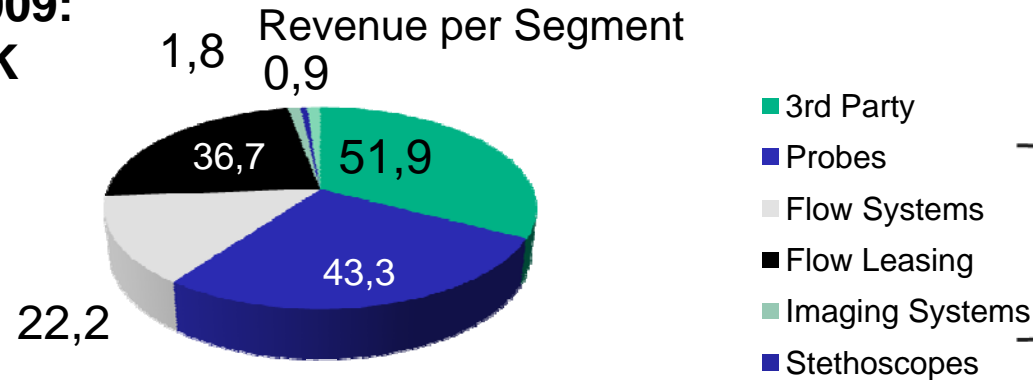
**Distributors  
Sell**

MEA



# Business Area Overview

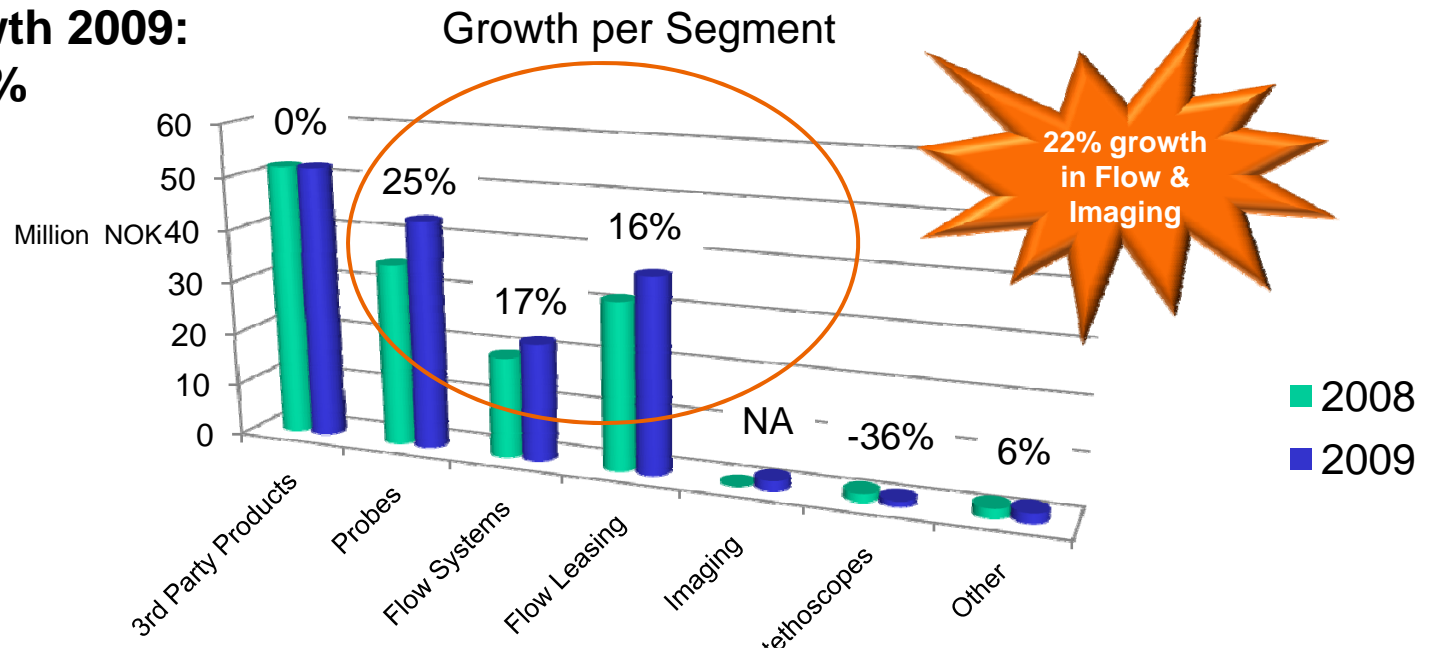
**Total revenue 2009:  
158,7 Mill NOK**



**65,5% of total business**

**Business Areas  
Flow & Imaging**

**Total growth 2009:  
13%**



# Q1 Revenue Performance by Region

Numbers in mill NOK	Q1-10	Q1-09	Q/Q	2009	2008	09/08
<b>Revenues</b>	37,0	40,1	-7,7 %	158,7	140,3	13,2 %
By region:						
<b>Europe</b>	24,0	24,6	-2,4 %	94,6	91,3	3,6 %
<b>USA</b>	9,1	10,0	-9,0 %	38,5	34,2	12,7 %
<b>Asia</b>	2,1	2,8	-25,0 %	18,3	8,9	105,4 %
<b>ROW</b> (MEA, CAN, SA)	1,8	2,7	-33,3 %	7,3	5,6	29,7 %

- In Q1, stronger NOK compared to USD and EUR in Q1-'09 is reducing total sales revenues by 3.0 MNOK .
- In comparison, the 2009 growth had approx. 7.6 MNOK of favourable currency effect, if this was excluded it would take the year over year growth down from 13.2% to 7.7%
- Extended sales cycle is stalling volume growth
- In Europe, Germany continues the strong performance from LY with an all time high quarter, while RoE including KirOp has not yet recovered from LY's decline
- US number of procedures is up by 1.4% but currency is unfavourable in Q1
- Asia is down due to inventory build-up in Japan, driven by price change last year

# Why is Volume Growth Stalling in Q1?

## The Good News:

- No lost customers
- No increased competitor activity
- No product performance or quality issues
- No less interest in VeriQC
- "Home market" Germany; delivering an all time high in Q1

## The Challenges:

- The introduction of VeriQC has stalled VeriQ purchase decisions
- VeriQC decision making is more complex
  - New tool, limited data, few references
  - Surgeons need in-hospital testing for confirmation of clinical value
- The sales cycle is extended (6-18 months)
  - VeriQC
  - Cost containment in hospital sector
  - Delayed effect of the financial crisis in Europe

# The Growth Will Continue

## The Challenges:

- The introduction of VeriQC has stalled VeriQ purchase decisions
- VeriQC decision making is more complex
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- The sales cycle is extended (6-18 months)
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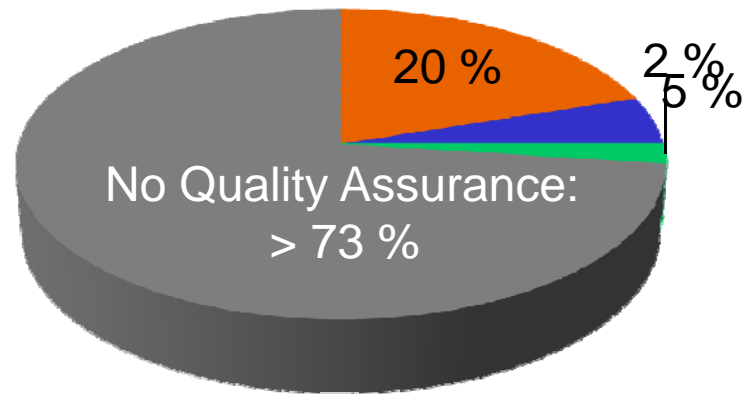
## The Good News:

1. The stall-effect will not last
  - "Old" VeriQ sales processes migrating to VeriQC processes will fade out
  - New sales processes will be a VeriQ/VeriQC choice from the start
2. VeriQC decision making will become easier
  - Word of mouth and peer influence from increasing number of reference customers
  - More data supporting clinical value
  - KOL endorsement and publications
3. Financial arguments to shorten sales cycle
  - Retrospective analysis to document economic benefits from reduced number of re-interventions post-operatively

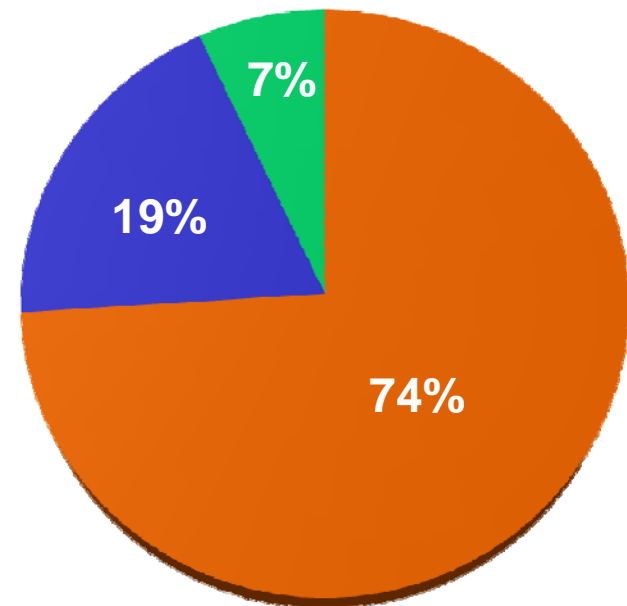
Our Overall Challenge & Opportunity

# MediStim Owns a High Share of an Underdeveloped Market

Penetration



Share of Penetrated Market



- MediStim
- Transonic
- Other
- No Quality Assurance

## Critical Initiatives to Develop the Market:

# Increasing the Impact from our M&S

### 1. Building Marketing Capability

- New marketing leader and product manager recruited
- Dedicated marketing team
- Strategic and tactical capabilities

THE  
KEYS  
TO:

### 2. Strengthening our Sales Force

- New sales leader recruited
- Dedicated sales organization
- Focus on process, tools and measuring success
- Increasing impact from our Distributor Sales Management team
- US: new key account strategy

### ➤ Addressing the key hurdles through strategic marketing

- Need Paradigm shift: Mortality is not the problem; morbidity and re-intervention is
- Need data supporting economic benefits to justify add-on costs of VeriQ/C to CABG procedure
- Need to become the *standard-of-care* through clinical guidelines and hospital standard operating procedures

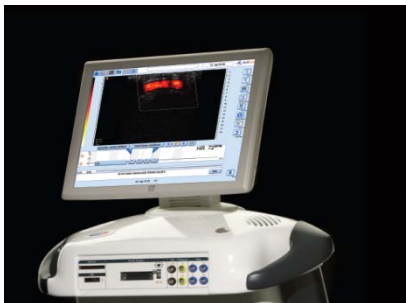
### ➤ Effective selling and MarCom

- Creative and innovative marketing communication
- State-of-the-art Distributor Management and selling
- Key account strategy

# Strategic Goals



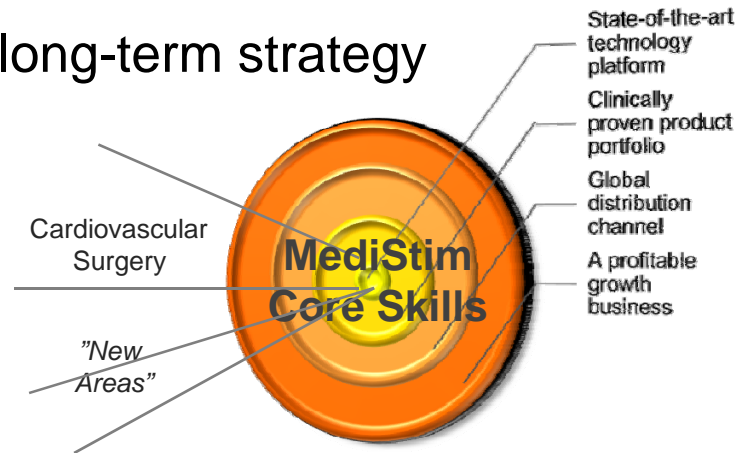
- Accelerate penetration of CABG TTFM market
  - Optimize marketing and sales strategy
  - Strengthen impact from clinical evidence
  - Introduce VeriQ3 in new markets



- Maximize VeriQC opportunity
  - Effective European launch
  - Introduce VeriQC in new markets; Japan and USA
  - Prepare for next application areas



- Revise long-term strategy



# Status Strategic Goals (1)

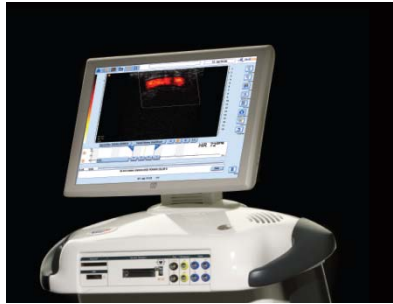


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  - Optimize marketing and sales strategy
  - Strengthen impact from clinical evidence
  - Introduce VeriQ3 in new markets

## STATUS:

- Sales and Marketing excellence – a key objective for 2010
  - US: Sales teams restructured, market assessment performed and key account strategy in process towards implementation
  - Distributor sales management: New leader recruited
  - Marketing: New leader and product manager recruited
- Breaking the old paradigm:
  - Retrospective data analysis ongoing
  - Seeking status as recommended clinical practice ongoing

# Status Strategic Goals (2)



- Maximize VeriQC opportunity
  - Effective European launch
  - Introduce VeriQC in new markets; Japan and USA
  - Prepare for next application areas

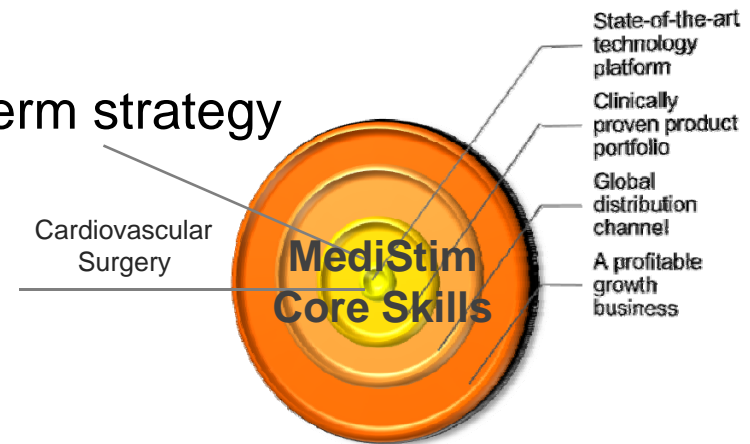
## STATUS:

- 11 systems sold in Europe and Japan since launch
  - Italy x 2, Denmark, Sweden, Finland, Switzerland, Austria, Spain, Germany, Japan x 2
- Building clinical evidence for presentation at the EACTS meeting in September
  - Univ of Essen, Germany: Clinical study on epiaortic scanning to reduce stroke and neuropsychological dysfunction
  - Univ G. D'Annunzio, Italy: Clinical study on epicardial and epiaortic scanning
  - Univ of Tuzla, Bosnia: Clinical study on epicardial and epiaortic scanning
- Japan: Regulatory approval received in January
- USA: FDA 510(k) filing in process

# Status Strategic Goals (3)



- Revise long-term strategy



- Project ongoing with Arthur D. Little
- Objective is to arrive at a revised long-term strategy for MediStim
- The strategy will be developed as a process involving a number of internal and external stake-holders
- Aim to challenge
  - MediStim's capabilities
  - Current operations and beliefs
  - Changing environment, market drivers and demand development
  - Future opportunities
  - Ambitions & new vision
- Final report to BoD in June

Seeing is believing

