

Protecting the Patient, the Surgeon and the Hospital

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Agenda

1. Medistim today
2. Financial results 2013
3. Growth opportunities - focus on the USA

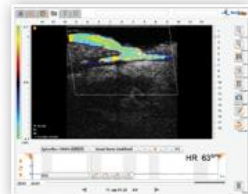
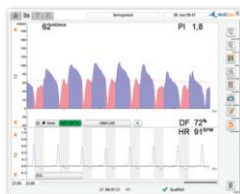


1. The Company



Medistim gives full attention and dedication to intraoperative quality assessment

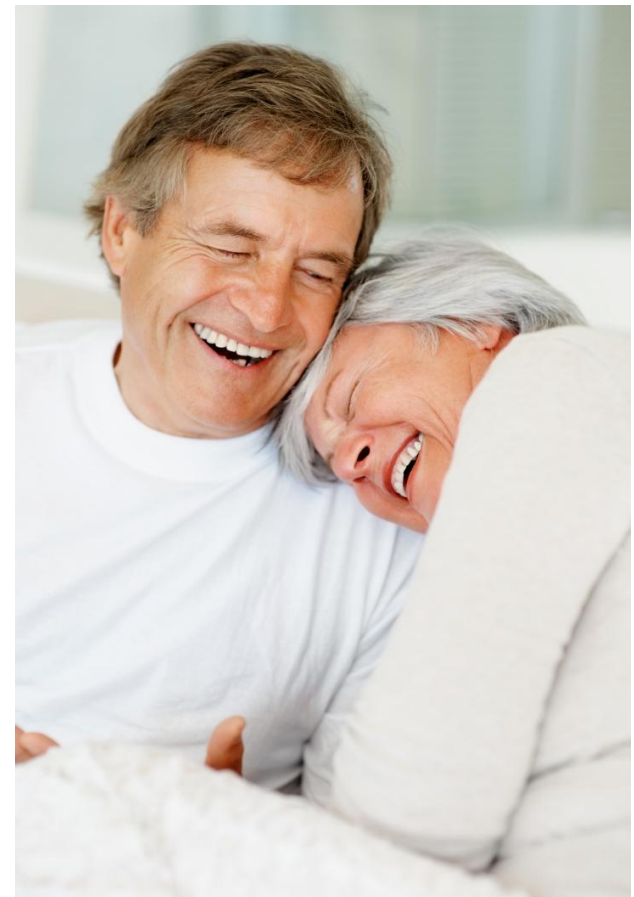
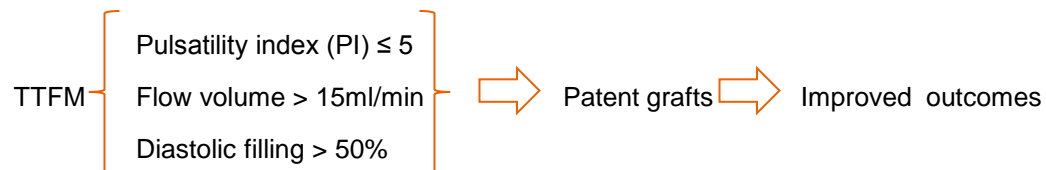
- Market leader in **intra-operative quality assessment** of cardiac, vascular and transplant surgery
- Innovator with cutting edge technologies
 - Transit time flow measurement : **TTFM**
 - High-resolution Epiaortic and Epicardiac ultrasonography: **HR-EAUS** and **HR-ECUS**
- Proven products on the market
 - **VeriQ™** - for TTFM
 - **VeriQ C™** - for TTFM and HR-US combined



- Established 1984
- Headquarter in Oslo, Norway
- Global representation with >50 distributors
- Subsidiaries in the USA, Germany, UK and Denmark

Why use TTFM to verify graft patency in CABG?

- **Clinical outcomes** of CABG need to improve
 - Early postoperative graft failure following CABG is associated with high morbidity
 - Major adverse cardiac events (5-10%)
 - Stroke (1-3%)
 - Mortality (1-3% at 30 days)
 - Re-interventions (>5% within 12 months)
- **TTFM is proven** to verify graft patency and failing grafts are shown to be a major determinant of CABG morbidity and mortality



Medistim's technologies are endorsed by the medical societies

- 2010: The **European guidelines** on myocardial revascularization **recommends TTFM** during CABG
 - Joint recommendations from the cardiac surgeons (EACTS) and the cardiologists (ESC)
- 2011: **NICE** recommends routine use of VeriQ (TTFM) within the UK's National Health System
 - *"The VeriQ system is associated with an estimated **cost saving of £115 per patient** compared with clinical assessment alone, when it is used routinely for assessing coronary artery bypass grafts during surgery."*
- 2011: **ACCF and AHA** in the USA recommend the **routine use of epiaortic ultrasound imaging** as a reasonable intervention to reduce stroke rate

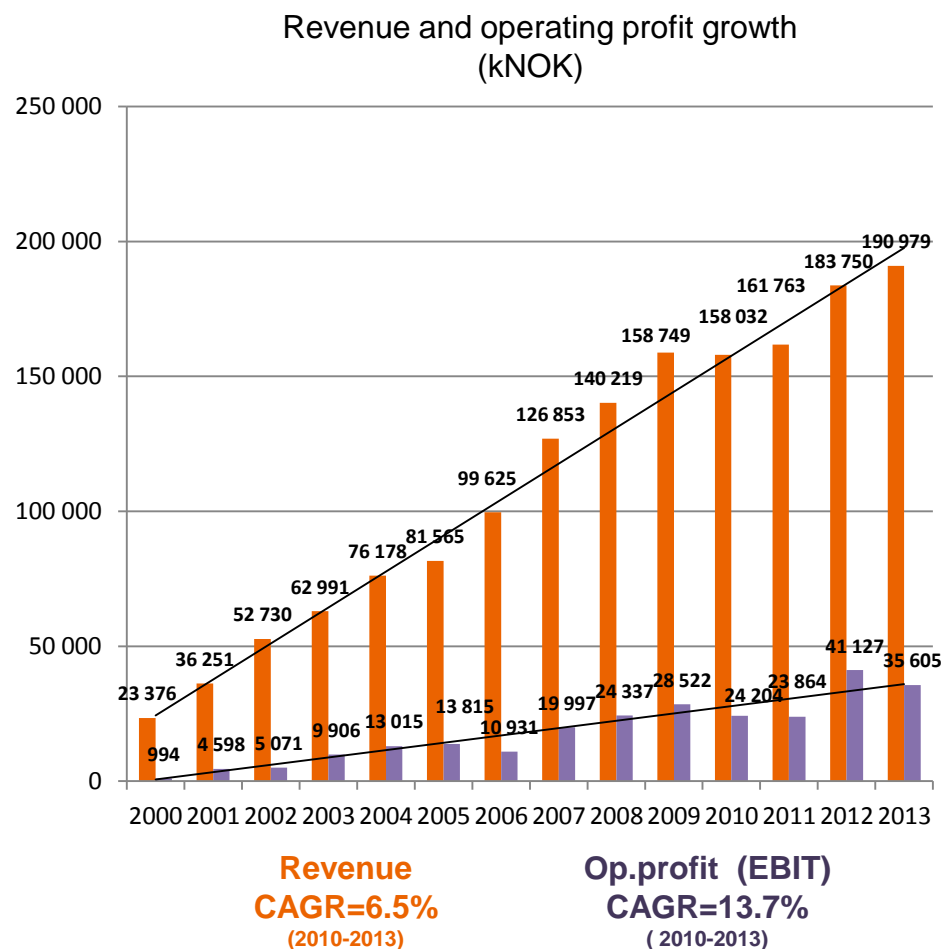
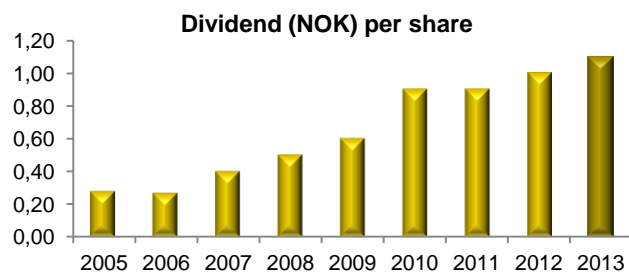


2. Financial results 2013



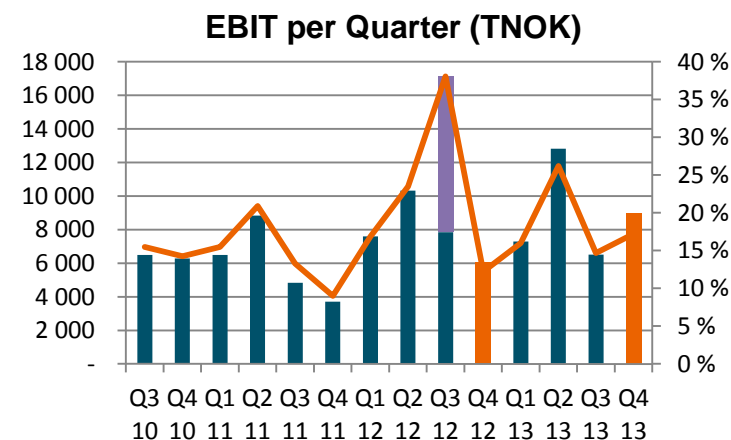
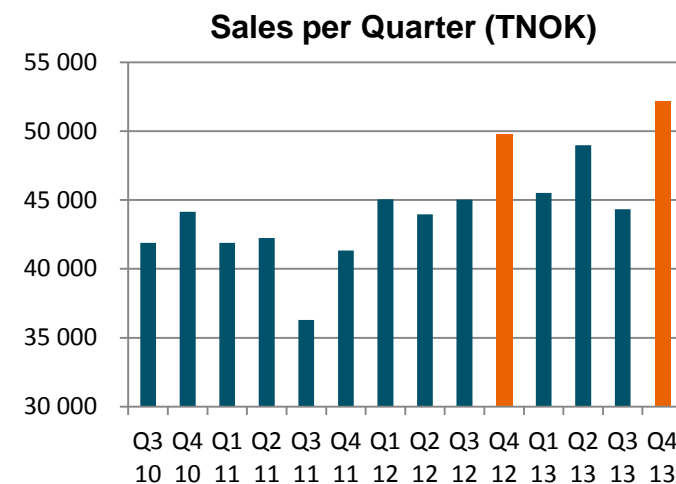
Financial highlights

- MNOK 191 in revenues (2013)
- Strong revenue and profit growth
- EBIT margin of 18.6%
- Strong cash flow
- No net long term liabilities
- Equity ratio of 72%
- MCAP MNOK 440
- Dividend paid since IPO in 2004



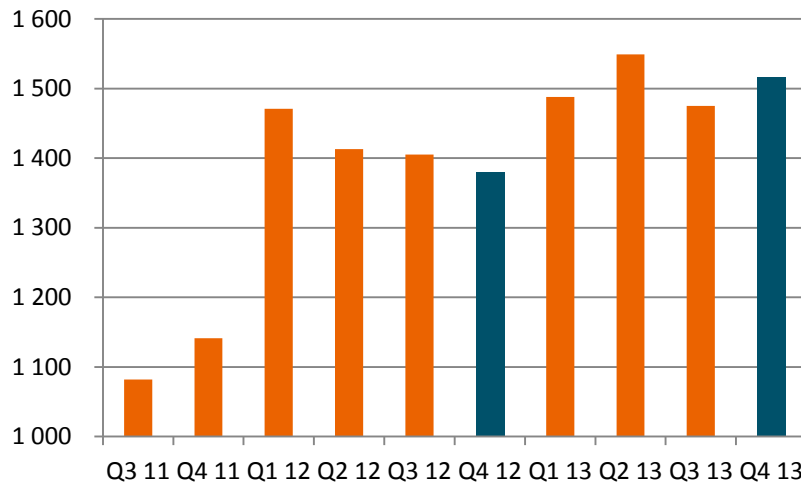
Profit and loss 2013

Profit & loss	2013	2012
<i>All numbers in NOK 1000</i>		
Sales	190 979	183 750
Cost of goods sold	49 188	49 442
Salary and sosial expenses	62 440	50 650
Other operating expenses	36 042	36 250
Total operating expenses	147 670	136 342
Op. res. before depr. and write-offs (EBITDA)	43 309	47 407
<i>EBITDA%</i>	<i>22,7 %</i>	<i>25,8 %</i>
Depreciation	7 703	6 280
Operating result (EBIT)	35 605	41 127
<i>EBIT%</i>	<i>18,6 %</i>	<i>22,4 %</i>
Financial income	7 070	6 462
Financial expenses	5 187	5 937
Net finance	1 883	525
Pre tax profit	37 488	41 652
Tax	10 952	11 405
Result	26 536	30 247



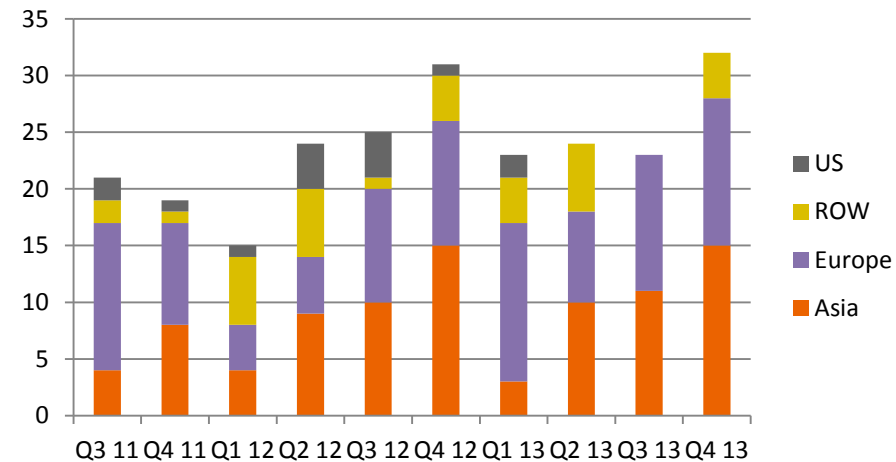
Flow probes and VeriQ sales in units

Flow probes in units



- Flow probe sales volume was strong in all regions in 2012
- The trend continues in 2013 with 6.4% growth for the year and 9.9 % in Q4

VeriQ systems in units



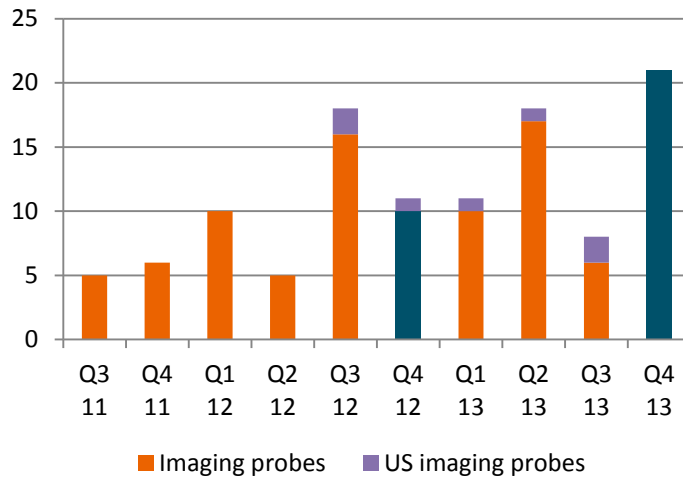
- Growth in VeriQ system sale in Europe continues despite the economic downturn, 6.7% growth in Q4, 17.7% for the year
- Lack of capital sale in the US is the reason for the decline in US Q4 sales revenues



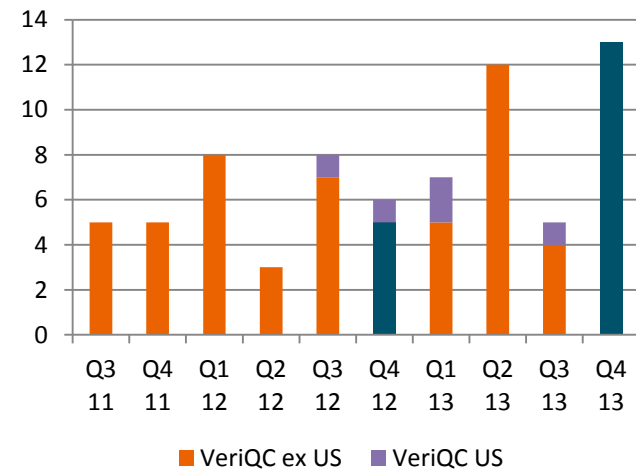
Imaging probes and VeriQ C sales in units



Imaging probes in units



VeriQ C systems in units



- Strong sales of imaging products in Q4 after a slow third quarter
- 48% growth in number of VeriQ C systems sold in 2013
- 36% growth in number of imaging probes sold in 2013

Q4 revenue performance by region

Mill NOK	Q4 '13	Q4 '12	Q/Q	2013	2012	Y/Y
Europe	31,1	30,7	1,3 %	114,6	107,0	7,1 %
USA	10,6	11,7	-9,4 %	45,9	48,5	-5,4 %
Asia & Jp	7,4	5,3	39,6 %	19,2	18,4	4,3 %
ROW (MEA, CAN, SA)	3,1	2,0	55,0 %	11,3	9,8	15,3 %
Total	52,2	49,7	4,9 %	191,0	183,7	3,9 %

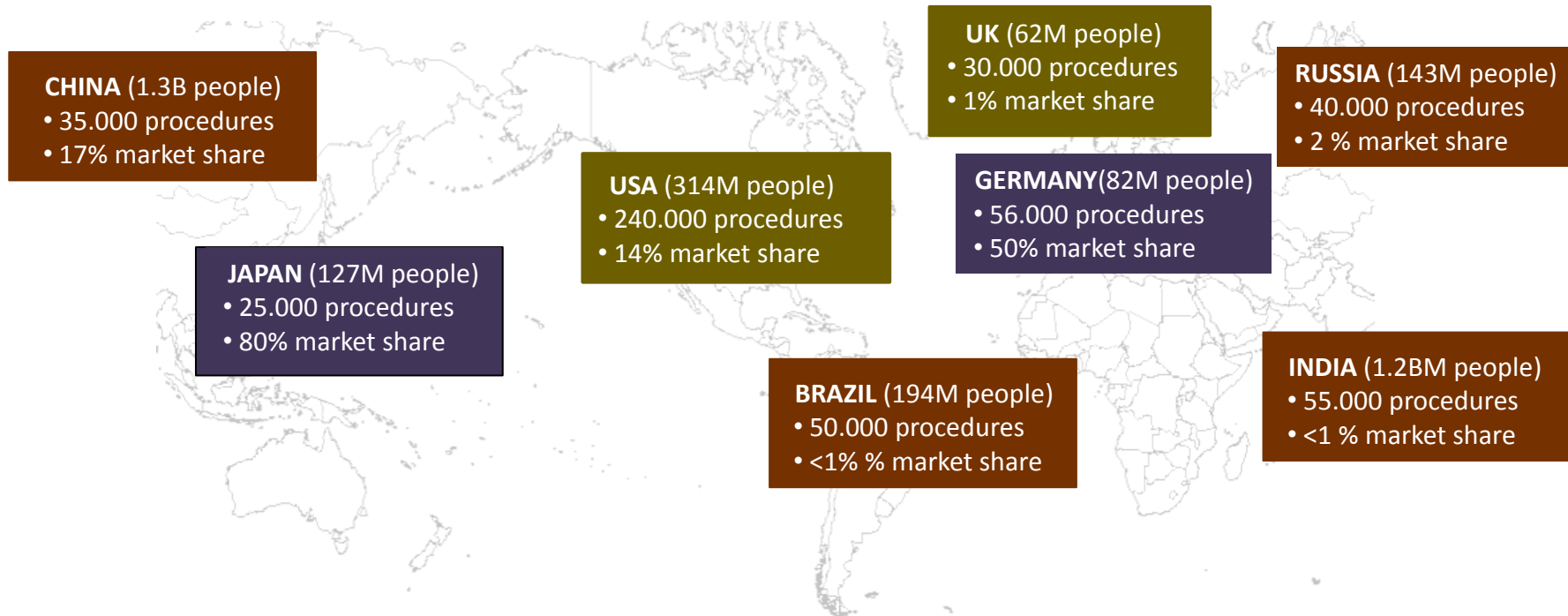
- **In Europe**, there was positive development in sales of own products for both systems and probes. Sales of own products increased with 15 % in Q4 and 19 % in 2013. 3rd party sales decreased by 6.8 % in Q4 and 1.1 % for 2013.
- **In the US**, revenues from procedure sales was growing by 2,5% for the quarter although the total number of procedures was down by 9.5%. It is the lack of capital sales that explains the drop in total US Q4 revenues of 9.6%. The same trend also explains the YTD performance.
- **Both Asia/Japan and ROW** are so far smaller sales territories for Medistim, and quarterly performance varies significantly, but there was a solid growth in Q4.

Positive currency effects for the quarter with 1.2 MNOK and MNOK 2.1 for the full year 2013.

3. Growth opportunities – focus on the USA



The global CABG market size



GLOBAL MARKET SIZE

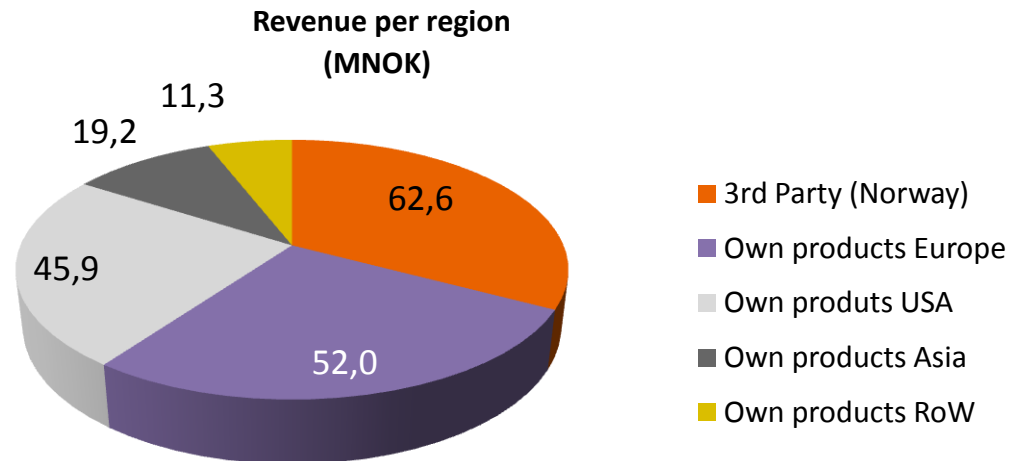
- > 700,000 CABG procedures per year (of about 1.5 million open heart surgeries, of which 80% is on-pump)
- Medistim has about 20% global market share
- Market value (TTFM only); NOK 1 Billion
- **Market value (Imaging & TTFM); NOK 2 Billion**

Geographical split of revenue

**Total revenue 2013
MNOK 191**

Own products 128.4
(67% of total)

Geographical split of own product sales	
Europe	40%
USA	36%
Asia	15%
RoW	9%



- USA represents 24% of total sales and 36% of own product sales
- Medistim's market share in Germany is about 60%
- **USA at 60% share represents a MNOK 200 revenue opportunity**

Comparing healthcare systems

Healthcare system	USA	Europe
Fundamental philosophy	Healthcare for profit	Universal healthcare mostly through non-profit national health services
Payers	<ul style="list-style-type: none"> • Private health insurance companies (funded by employers and patients) • 23% of population is covered by government funded Medicare (>65 yrs) and Medicaid (low income or disabled) 	Government (tax-payer) funded (single-payers as in the UK) or shared (government, employers and workers as in Germany)
Physician payment	<ol style="list-style-type: none"> 1. Fee for service 2. Capitation ("per head/patient") 3. Salary 	Salary
Cost level and drivers	<p>US healthcare is number 1 in cost/capita and cost/GDP</p> <ul style="list-style-type: none"> • Higher drug and imaging prices • Higher physician fees and income • Incentives for doing many and costly procedures • Practicing "defensive" medicine to avoid malpractice lawsuits and large settlements • Huge malpractice insurance premiums paid by health providers 	<p>Incentives for</p> <ul style="list-style-type: none"> • Preventing disease • Containing costs and streamlining clinical management protocols to avoid unnecessary testing and procedures
Quality / ROI	Weaker health and life expectancy compared to European countries	

Why is US market adoption slow compared to Germany?

- No separate reimbursement code for Medistim in either USA or Germany, but due to the different healthcare systems:
 - Medistim is cost effective in Europe (ref NICE)
 - Medistim challenges profit in the US
- Obamacare promises change
 - Extend coverage to >30 million Americans
 - From Fee-for-service to Pay-for-performance
 - Lower reimbursement rates
 - Penalties to hospitals providing lower-quality services or having high readmission rates drive opportunities for Medistim's quality enhancing technologies
 - Temporary paralysis and lower activity level with >40.000 jobs gone in 2013



Medistim operations in the USA

The market



- Largest and most important market
- About 1,000 hospitals perform 240,000 CABG per year
- 80% of market is on-pump
- Increasing influence from Value Analysis Committees and GPOs
- Programs established to increase recruitment into cardiac surgery
- Obamacare to drive shift from fee-for-service to pay-for-performance

Market entry



- Medtronic was distributor from 2001 to mid-2007
- Going direct from mid 2007
- Flat development
- **Trend shift to double-digit annual growth in number of procedures in 2011 and 2012**

The current Medistim team



- > 20 people
 - 6 back office staff in Minneapolis
 - Order & dispatch
 - Tech service
 - Clinical applications support
 - Marketing
 - 12 direct sales reps
 - 4 independent agents

Business models

	Capital Accounts (Europe & Asia)	Time-based Accounts (USA)	Pay Per Procedure Accounts (USA)
SYSTEMS	Sold as capital equipment	Time-based leasing	Leasing with pay-per-procedure
PROBES	Sold as consumables	Price built into total lease price	Price built into total lease price

- VeriQ™

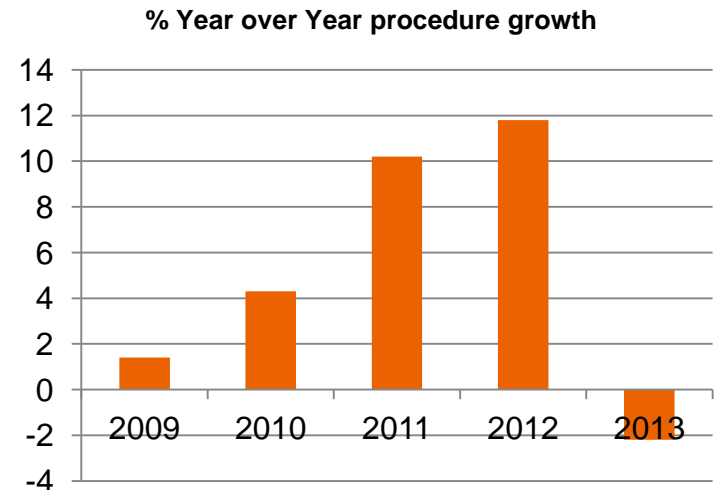
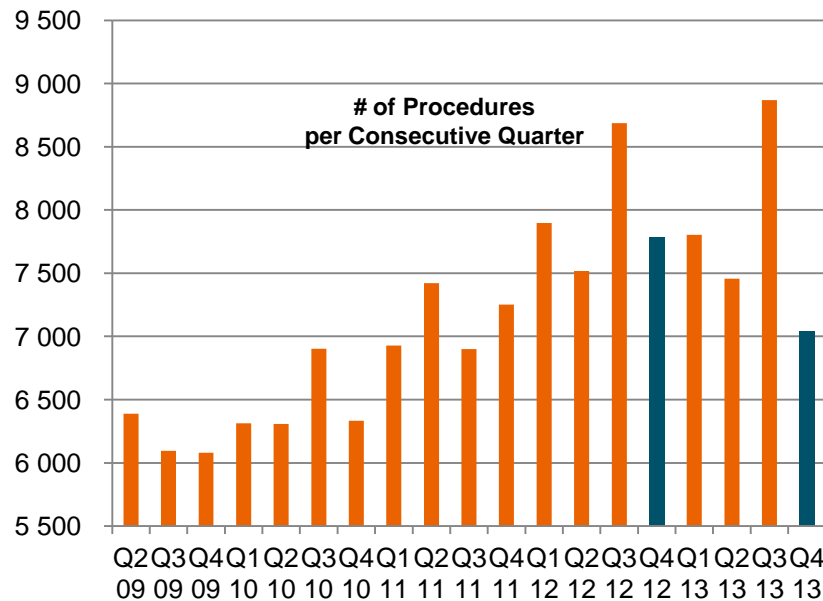
- Flowmeter system sold as capital equipment, end user price KNOK 250-400 per system
- TTFM probes sold as consumables, end user price KNOK 12-14 per unit
- Pay-per-procedure or Time-based agreements – USD 250 per use

- VeriQ C™

- Combined Imaging & Flowmeter system sold as capital equipment, end user price KNOK 700
- Imaging probe sold as consumables, end user price KNOK 70
- Pay-per-procedure or Time-based agreements - USD 450 per use

Consolidation after two years of double digit growth

- 2013 sales revenue down by 5.4% after record 2012
 - Lower number of capital sales; 5 units sold in 2013 vs 12 in 2012
 - Total number of procedures down by 2.2%



US game plan 2014

- Transitioning into new leadership
 - Effective implementation of strategic plan
- Organization structure optimization
 - Data driven decision making
- Alignment around key priorities:
 - Flexible and customer driven pricing:
 - Capital purchase
 - Pay per procedure / Time based leasing
 - Hybrid options
 - Effective targeting of vascular market and new, large accounts
 - Customer training program to increase utilization at current cardiac accounts
 - Utilize strengthened clinical support team
 - Increase clinical evaluations success rate
- Medistim provides aid to "defensive medicine" by improving clinical outcomes and documenting performance
 - "Protecting the patient"
 - "Protecting the surgeon"
 - "Protecting the hospital"

