

Medistim ASA Fourth Quarter 2013

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1. Highlights fourth quarter



Highlights fourth quarter 2013

- All time high sales revenues, up 4.9 % for the quarter
 - Strong imaging sales, up 76 % in Q4
 - Continued growth in flow probe revenue by 14 %
 - Lack of capital sales in the USA
 - Full year revenue growth of 3.9% to MNOK 191.0
- Operating profit up by 47.9 %
 - EBIT margin of 17.2 % for the quarter and 18.6% for the year
- Development project for new system platform continues according to plan
- The board suggests a dividend of NOK 0.8 per share (NOK 1.10)

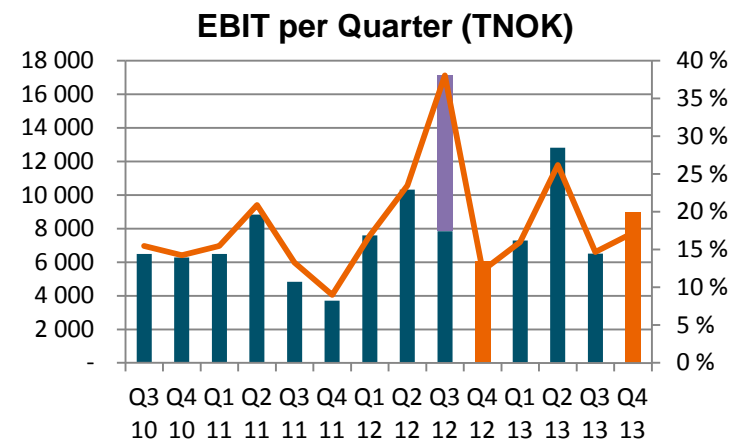
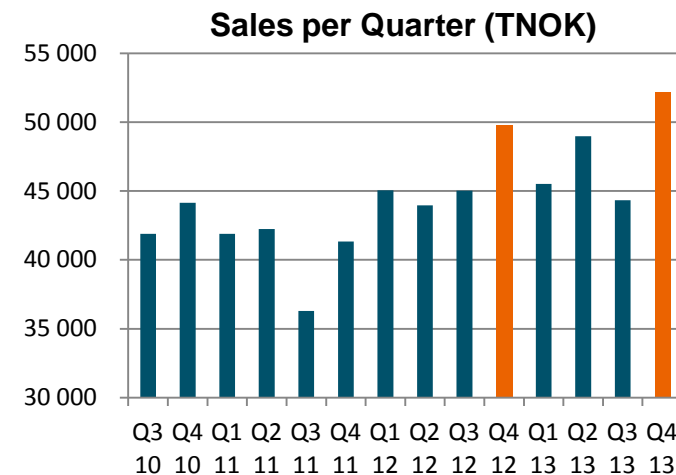
Q4 2013		Q o Q
Revenue MNOK 52.2 (49.7)		4.9%
EBIT MNOK 9.0 (6.1)		47.9 %
Currency		2.3 %
No of Products sold		
Systems 45		28.6 %
Flow probes 1 516		9.9 %
Procedures (USA) 7 042		-9.5 %

2. Financial statements



Profit and loss Q4 2013

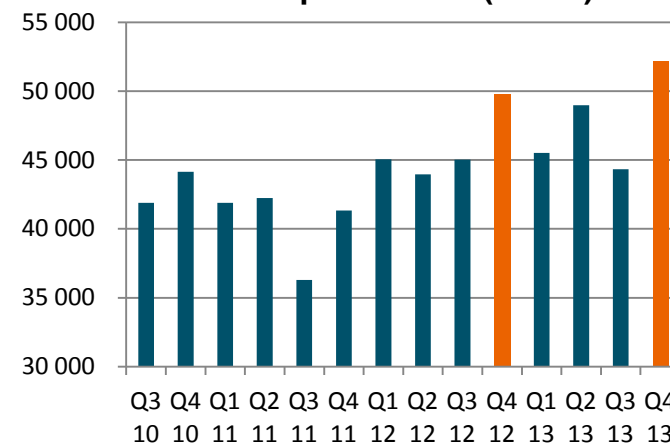
Profit & loss	Q4 2013	Q4 2012
<i>All numbers in NOK 1000</i>		
Sales	52 189	49 731
Cost of goods sold	14 012	13 693
Salary and sosial expenses	17 471	17 459
Other operating expenses	9 696	10 916
Total operating expenses	41 180	42 068
Op. Res before depr. and write-offs (EBITDA)	11 009	7 663
<i>EBITDA%</i>	<i>21,1 %</i>	<i>15,4 %</i>
Depreciation	2 026	1 590
Operating result (EBIT)	8 983	6 073
<i>EBIT%</i>	<i>17,2 %</i>	<i>12,2 %</i>
Financial income	2 078	921
Financial expenses	1 351	888
Net finance	727	33
Pre tax profit	9 710	6 106
Tax	1 952	4 494
Result	7 758	1 612



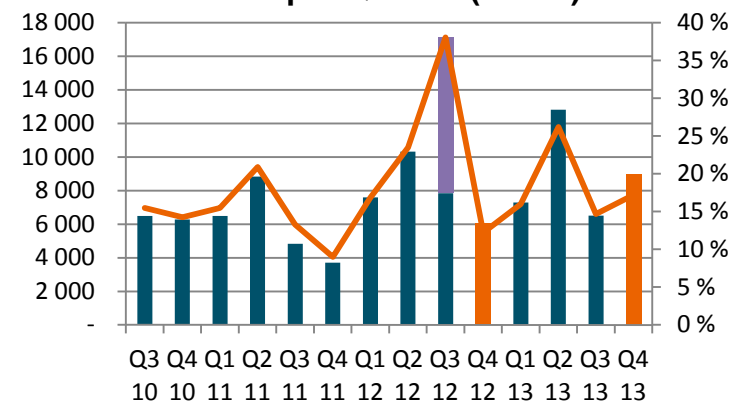
Profit and loss 2013

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

Sales per Quarter (TNOK)

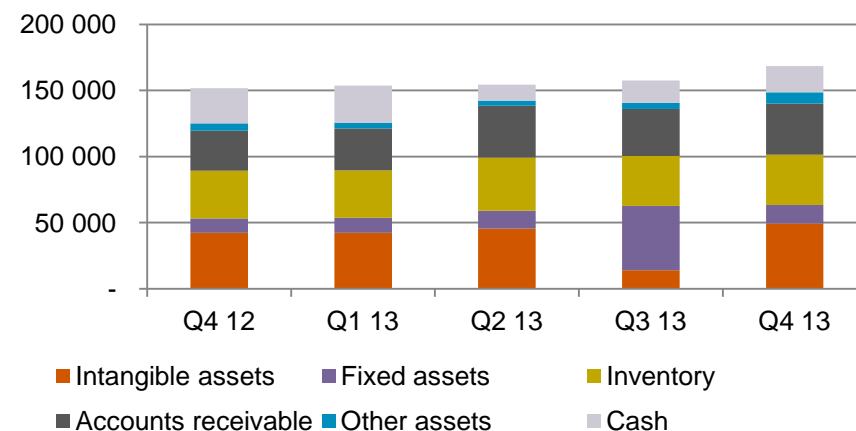


EBIT per Quarter (TNOK)



Balance sheet - Assets

Balance sheet	31.12.2013	31.12.2012
<i>All numbers in NOK 1000</i>		
Assets		
Intangible assets	49 399	42 288
Fixed assets	14 061	10 944
Total intangible and fixed assets	63 460	53 232
Inventory	37 930	36 174
Customers receivables	38 781	30 063
Other receivables	8 374	5 718
Cash	19 846	26 680
Total current assets	104 930	98 635
Total assets	168 390	151 867



- Investments in new system platform increase intangible assets
- Fixed asset increase due to growing number of VeriQ C systems placed at customer sites in the USA
- Sales confirmed late in the quarter gives a temporary increase in customer receivables

Balance sheet - Equity and liability

Balance sheet

31.12.2013

31.12.2012

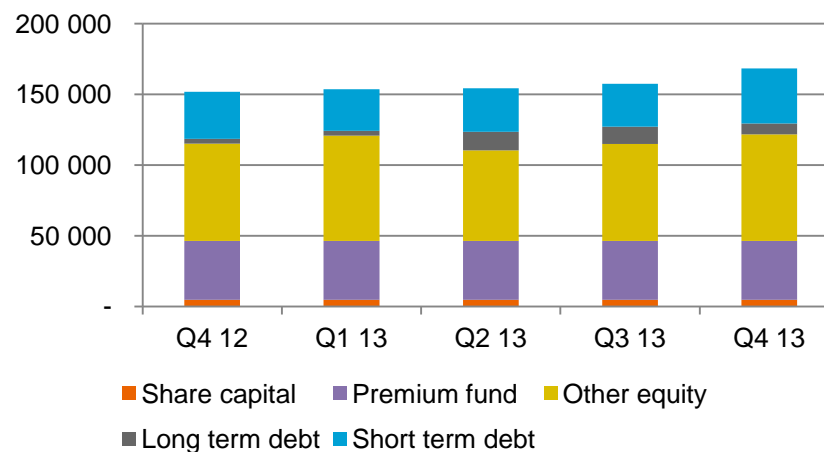
All numbers in NOK 1000

Share capital	4 585	4 585
Premium fund	41 852	41 852
Other equity	75 198	68 732
Total equity	121 635	115 170

Total long term debt	7 753	3 470
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Total short term debt	39 002	33 227
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Total equity and liability	168 390	151 867
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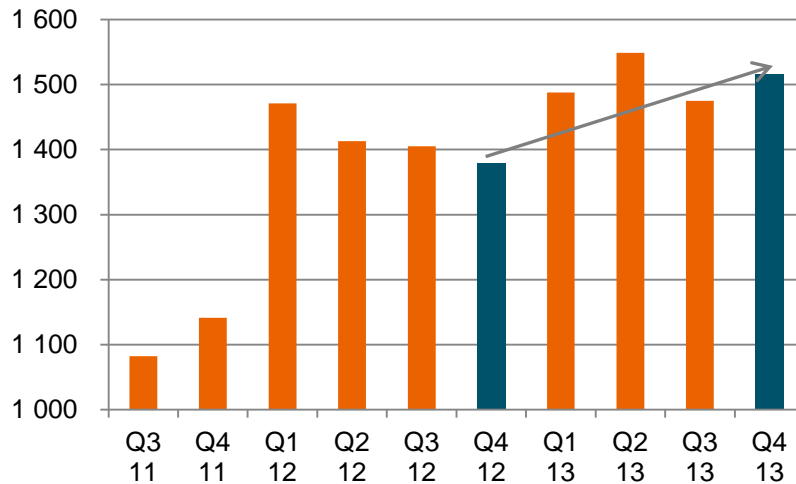
- 8.3 MNOK in interest bearing debt
- Long term debt due within 1 year increases short term debt
- Suggested dividend for 2013 of NOK 0.80 per share, total MNOK 14.5, expected to be paid medio May 2014

3. Business segments update



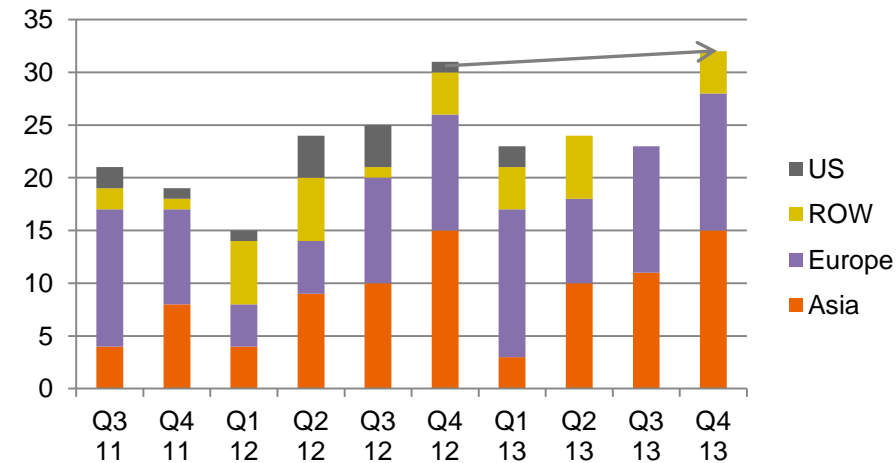
Flow probes and VeriQ sales in units

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



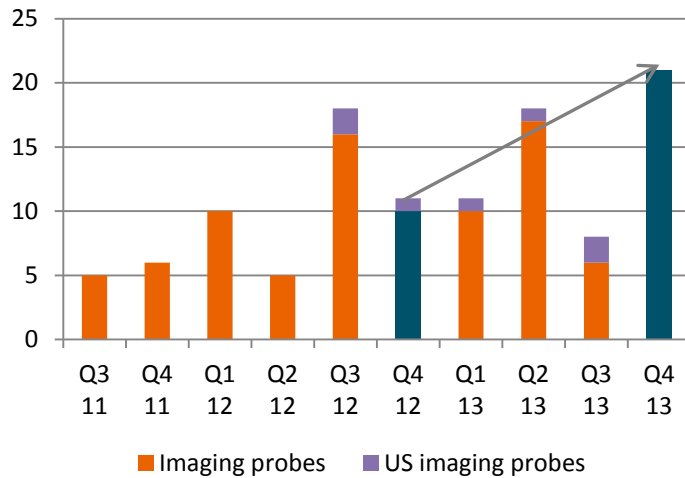
- Growth in VeriQ system sale in Europe continues despite the economic downturn, 6.7% growth in Q4, 17.7% for the year
- Lack of capital sale in the US is the reason for the decline in US Q4 sales revenues



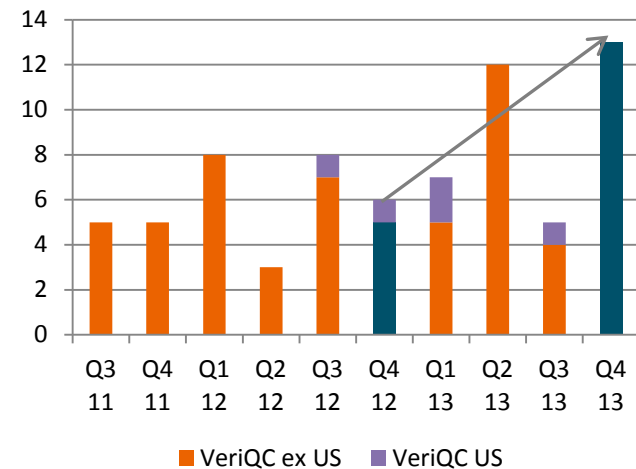
Imaging probes and VeriQ C sales in units



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.

Q4 revenue performance by product

Mill NOK	Q4 '13	Q4 '12	Q/Q	2013	2012	H/H
Procedures (USA)	10,6	10,3	2,9 %	42,9	42,8	0,2 %
Flow probes	13,0	11,4	14,0 %	51,1	47,3	8,0 %
Flow systems (VeriQ)	5,1	5,2	-1,9 %	17,1	17,9	-4,5 %
Imaging systems (VeriQ C)	4,7	2,6	80,8 %	13,9	9,0	54,4 %
Imaging probes	0,8	0,5	57,8 %	2,7	1,8	50,0 %
3rd party	17,9	19,2	-6,8 %	62,6	63,2	-1,0 %
Other	0,1	0,5	-80,0 %	0,7	1,8	-61,1 %
Total revenues	52,2	49,7	5,0 %	191,0	183,8	3,9 %

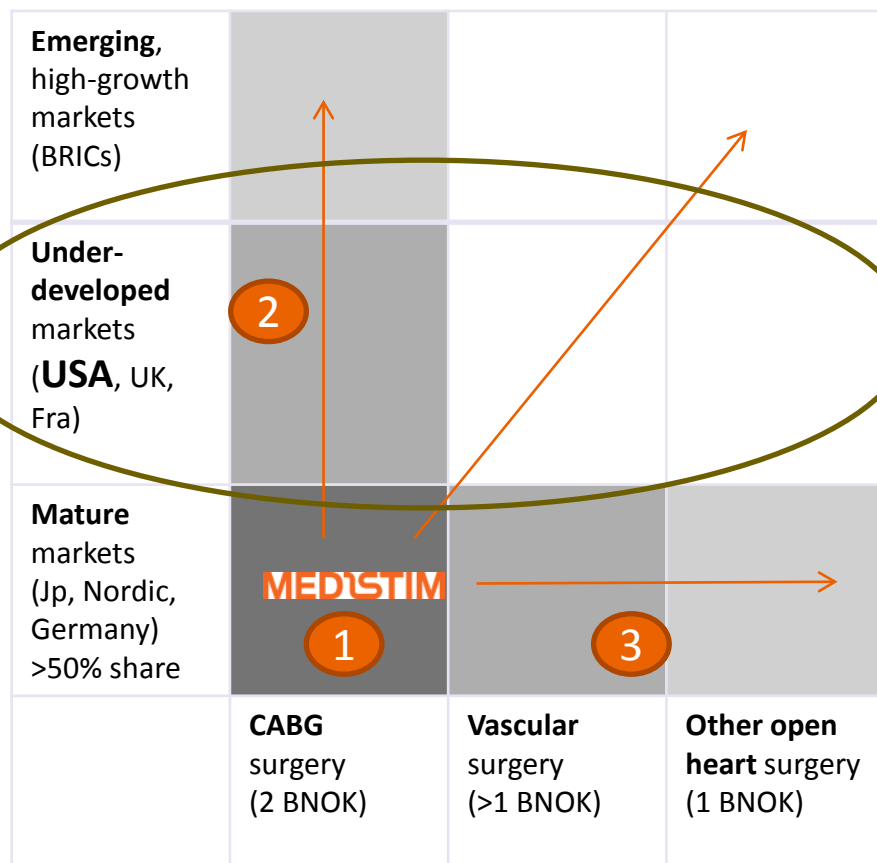
- **Procedure sale in the USA:** The total number of procedures is down 9.5% for the quarter. Imaging procedures growth was up 24 % while flow procedures were down by 12%. For 2013 the total number of procedures was down 2.3 % while imaging procedures was up 85 %.
- **Flow probes revenue:** The positive trend from last year continues.
- **VeriQ flow systems:** Strong system sales continues in Europe, however, the lack of US capital sales this quarter explains flat revenue. (0 MNOK from US this quarter vs 0.5 MNOK in Q4 12) . The same explanation is valid for 2013.
- **VeriQ C imaging systems and probes:** Solid in all regions this quarter and a solid growth YTD.
- **3rd party products:** Decline for the quarter, but for the year revenues are at the same level as last year despite loss of major agency.

4. Implementing the strategy



EXPANDING OUR STRATEGY

Strategic directions and priorities

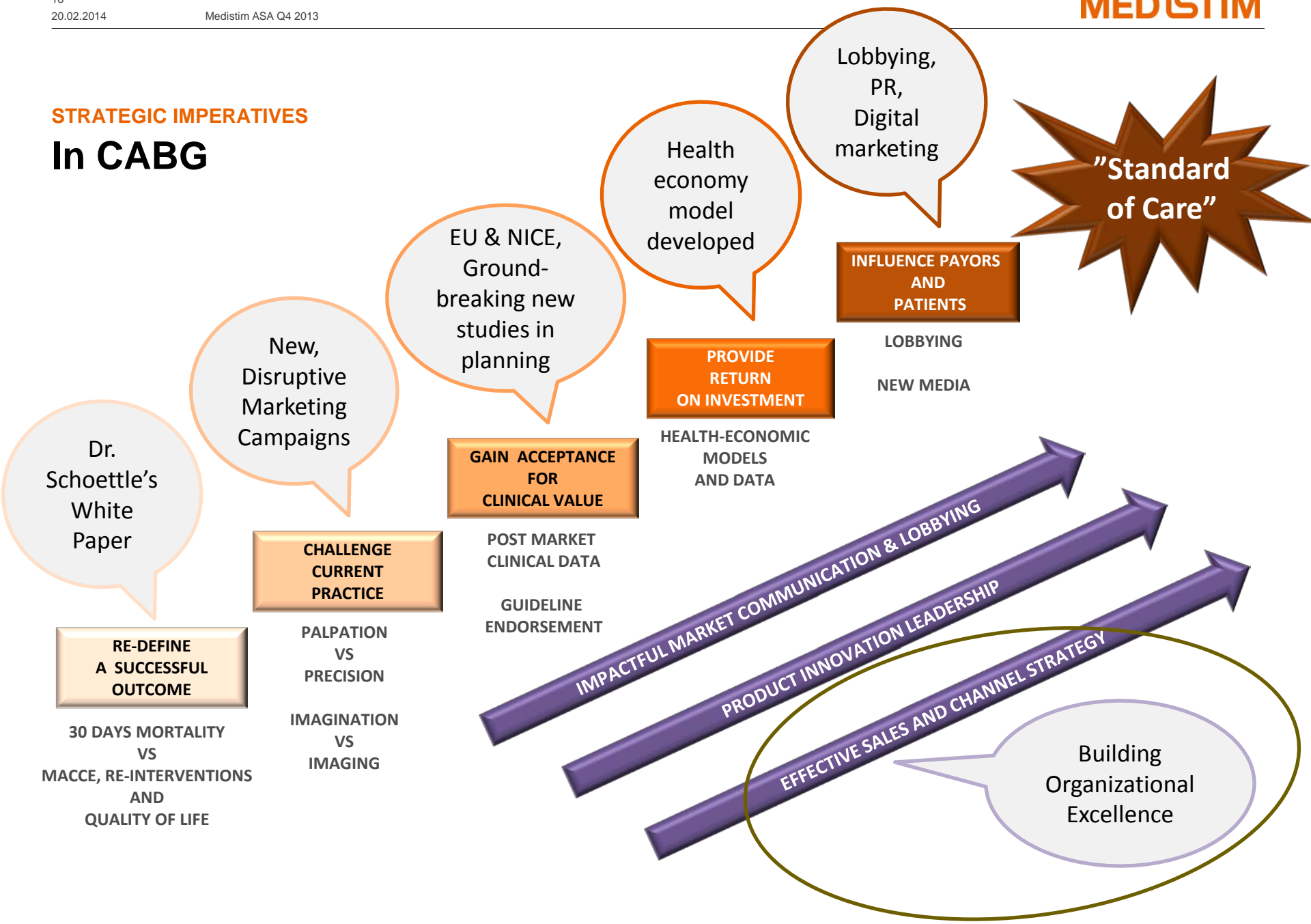


1. Within mature markets for CABG; **convert** our large installed base of flowmeters to our latest innovation the VeriQ C™
2. Through marketing and **product development**, offer differentiated products and solutions to win new, high- growth geographies for CABG
3. Through **product and applications innovation**, target new segments in vascular surgery and open heart surgery

 ***Doubling market potential***

STRATEGIC IMPERATIVES

In CABG



USA

Business operations in the USA

The market



- Our 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 procedure 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 sales reps (agents)

USA

Unsatisfactory development in 2013

PERFORMANCE 2013

- Sales revenues down by 5.4% for the year
- Lower number of capital sales is the direct cause of the lower revenues: 5 units sold in 2013 vs 12 in 2012

GAME PLAN 2014

- Transitioning into new leadership
- Organization structure optimization
- Alignment around key priorities:
 - Effective targeting of vascular market
 - Increase utilization at current cardiac accounts
 - Customer driven choice of business & pricing models
 - Win new large and strategic (KOL) hospitals
- Triggers:
 - Optimized incentive plans
 - Measuring sales productivity
 - Identifying and sharing best practices

