

3. quarter 2014

- Sales for the quarter ended at MNOK 52.0 (MNOK 44.3), a growth of 17 %. Sales as of September ended at MNOK 148.7 (MNOK 138.8), a growth of 7.1 %.
- Continued strong growth in the US with 16.2 % increase in sales for the quarter.
- The consumable sales of probes outside the US increased with 29.3 % for the quarter and 16.4 % year to date.
- Operating profit (EBIT) for the quarter ended at MNOK 10.0 (MNOK 6.5), a growth of 54.1 %. Year to date operating profit ended at MNOK 28.9 (MNOK 26.6), a growth of 8.6 %.
- The new product MiraQ™ Cardiac with new functionality that increases the value for the cardiac surgeons, was launched at Annual European Association for Cardiac-Thoracic Surgery (EACTS)

3. quarter 2014

The financial report as per September 2014 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 2013.

FINANCIAL DEVELOPMENT

(Comparative numbers for 2013 in parenthesis)

Sales and geographic split

Sales in the third quarter amounted to MNOK 52.0 (MNOK 44.3), a growth of 17.3 %. There was a growth in all geographic regions. In the US the positive trend from previous quarter continues and there was a 16.2 % growth. Europe comes back strong with a growth of 15.2 % after a weak second quarter. In Asia there was a growth of 6.0 %. In the rest of the world, which is the smallest region in terms of sales, there was a growth of 120.0 %. From a sales standpoint the company delivers its strongest quarter ever.

As of September there was a growth in sales of 7.2 % and ended at MNOK 148.7 (MNOK 138.8). The sales growth measured in NOK was 11.5 % in the US, 6.6 % for Europe and 13.0 % in Asia. In the rest of the world there was a decrease of 14.2 %.

With the same rates as in 2013, sales for 2014 would have ended at MNOK 49.7. This indicates a positive volume development of 12.1 % for the quarter corrected for exchange rates. Sales as of September with the same rates as in 2013 would have resulted in a sale of MNOK 142.5. This indicates a growth of 2.6 % corrected for exchange rates.

Split of own products and third party products.

Third quarter sales of own products amounted to MNOK 37.7 (MNOK 30.2), a 24.9 % growth. Sales of third party products were in the same period MNOK 14.3 (MNOK 14.2). As of September, sales of own products ended at MNOK 103.2 (MNOK 94.1), a 9.7 % growth. Sales of third party products amounted to MNOK 45.5 (MNOK 44.7).

Cost of goods sold

Cost of goods sold ended at MNOK 12.8 for the quarter (MNOK 11.6) and cost of goods sold represent a percentage of 24.7 % of total sales (26.1 %). As of September cost of goods sold ended at MNOK 38.1 (MNOK 35.2), and cost of goods sold represent a percentage of 25.6 % of sales (25.3 %). The margin is at the same level as last year.

Salary, social and other operating expenses

Salaries and social expenses ended at MNOK 17.9 (MNOK 16.6) for the quarter. As of September salary and social expenses ended at MNOK 47.6 (MNOK 44.9). A part from general salary adjustments the company has strengthened its competence within sales and marketing.

Other operating expenses ended at MNOK 9.2 (MNOK 7.7) for the quarter. As of September other operating expenses ended at MNOK 27.9 (MNOK 26.3). The increase in expenses in the third quarter is related to the high activity level within sales and the testing of the new product MiraQ™ at customer sites.

R & D expenses

For the quarter MNOK 2.3 (MNOK 4.8) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 12.4 (MNOK 9.3). This equals a margin of 23.8 % (20.9 %). During the quarter MNOK 2.0 of the R & D expense was activated in the balance sheet (MNOK 4.0).

As of September MNOK 9.5 (MNOK 11.6) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 37.0 (MNOK 34.6). This equals a margin of 24.9 % (25.0 %). As of September MNOK 7.6 (MNOK 9.3) of the R & D expense was activated in the balance sheet. The investment within R & D is related to the development of the new system platform MiraQ.

Earnings

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 12.1 (MNOK 8.5). Operating profit before depreciation (EBITDA) as of September ended at MNOK 35.1 (MNOK 32.3).

Result before tax and finance (EBIT) ended at MNOK 10.0 (MNOK 6.5) for the quarter. Result before tax and finance (EBIT) ended at MNOK 28.9 (MNOK 26.6) as of September.

Net finance ended positive for the quarter with MNOK 0.1 (MNOK 0.6). As of September net finance ended positive with MNOK 0.3 (MNOK 1.2). 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 10.1 (MNOK 7.1) for the quarter. Result after tax for the quarter was MNOK 7.8 (MNOK 4.4). Result per share for the quarter was NOK 0.43 (NOK 0.24).

As of September, result before tax ended at NOK 29.2 (MNOK 27.8). Result after tax as of September was MNOK 20.2 (MNOK 18.8). Result per share as of September was NOK 1.12 (NOK 1.04).

Average number of shares outstanding was 18.101.000 (18.101.000) by end of September 2014.

Cash and cash flow

Cash as of 30th of September was MNOK 33.6 and the company had MNOK 20.0 in interest bearing debt. In addition

to paid dividend the company is investing in new system platform. Cash flow from operation ended at MNOK 26.3 as of September.

Balance sheet

Equity by the end of September was MNOK 127.0 (MNOK 115.0). This equals an equity ratio of 69.9 % (73.0 %). A dividend of MNOK 14.5 was recorded against the equity in 2014.

The inventory level was at MNOK 37.9 MNOK by the end of September. This is the same as it was by year end 2013. Accounts receivable was at MNOK 37.1 by the end of September, a reduction of MNOK 1.7 compared to the value by year end 2013.

The balance sheet ended at MNOK 181.8 up 8.0 % from MNOK 168.4 by the beginning of the year.

OPERATIONAL STATUS

Europe

In Europe there has been a positive trend both for the quarter and year to date. There is a tendency that investments in systems are shifting towards the combined solution with imaging and flow measurements (VeriQ C) rather than just flow measurements (VeriQ). The consumables probes have also had a positive development with an increase in sales of 23.5 % for the quarter and 14.2 % year to date. This is a strong indication that European hospitals prioritizes Medistims equipment and that it is regarded as a necessity.

USA

Medistim has a business model in the US that is mainly based upon sales of procedures and not capital sale as in other markets.

The positive development in the second quarter is followed up by a 16 % sales growth in the third quarter.

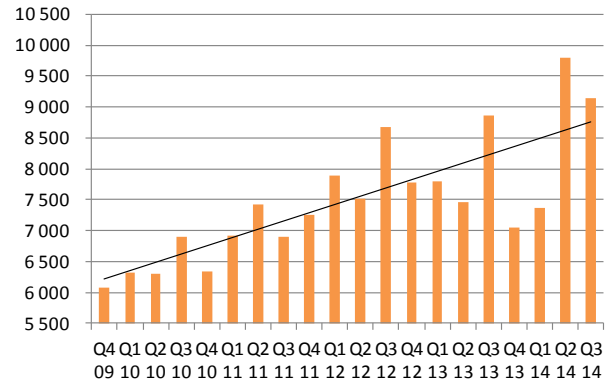
For the quarter there was sold 9.153 procedures compared to last year 8.869, a growth of 3.2 %. During the quarter 1.977 (1160) imaging- and flow procedures was sold to customers using the imaging system VeriQ C. Number of flow procedures was 7.176 (7.709).

Year to date there were sold 26.327 procedures (24.128) of which 3.295 were imaging and flow procedures (2260) and 23.032 were flow procedures (21.868).

The increase in sales is mainly related to increased capital sale. In the third quarter there were 3 capital sales while it was 1 capital sales in the same period last year. As of September there was sold 9 capital installations compared to last years 5.

Mike Farbelow has been Acting President, Medistim USA Inc since January 2014 and was appointed President, Medistim USA Inc in September. He has extensive experience selling surgical devices and managing sales teams in the medical device market.

Number of procedures sold 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 13% of the total market of approximately 230.000 bypass surgery procedures performed annually.

Asia

In Asia there was an increase in sales for the quarter with 6.0 %. Year to date there was an increase of 13.0 %. In addition to Japan, that continues its positive development, there was a growth in sales from China with 21.0 % as of September.

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

In other markets there was an increase in sales of 120.0 %. As of September there was a decline in sales of 14.2 %. However, these are small markets that have little impact on total sales.

R & D

New system platform

Medistim has over the past 2 years given much focus in developing the new system platform for future flowmeasurement and imaging systems. The first product on the new platform was launched in October during EACTS (European Association for Cardiac-Thoracic Surgery). The new systemplatform is named MiraQ™ and the first product from the new platform is called MiraQ™ Cardiac.

MiraQ™ is Medistim's fourth generation of systems for intraoperative guidance and quality assessment of cardiac, vascular and transplant surgery. The system platform

combines "state-of-the-art" blood flow measurement (TTFM; transit time flow measurement) and ultrasound imaging. Compared with previous generations, the new platform is totally upgraded with new operating system, user interface and electronic and mechanical components designed for the future. The platform is flexible, modular and allows for customer adaptations, providing exciting commercial opportunities. The platform provides a good foundation for Medistim's development of new products in the future.

There is growing interest and consensus among opinion leaders that bypass grafts and anastomoses should be verified with a combination of intraoperative ultrasound imaging and blood flow measurement during surgery, and that this should become the new standard of care. For this to become a reality, it is crucial that technology and methods are not regarded as obstacles in the daily routine. Medistim's philosophy is to put the user in focus, simplify and adapt the product to fit different user groups.

The first product to be launched based on the new platform is MiraQ™ Cardiac. With MiraQ™ Cardiac, we have simplified the system, while adding new features that enhance the value and user experience for this client group. Among other things, there is developed a new functionality, Guided Workflows, which assists the user with a standardized approach to quality assurance. This makes intraoperative quality both easier to learn and adopt into daily clinical practice. MiraQ™ Cardiac has been tested by selected customers since June this year and the feedback is positive.

Medistim has previously announced that they want to focus more specifically towards vascular surgery, and the new MiraQ™ platform provides a good basis for developing a new product targeted for vascular applications.

The MiraQ™ platform currently has CE approval and the product can be sold in Europe and all other countries that accept this approval. Medistim will seek clearance from the US Food and Drug Administration (FDA) for the sale of MiraQ™ in the United States. In parallel Medistim will seek approval from the Ministry of Health, Labor and Welfare (MHLW) for clearance in the Japanese market. It is expected that these approvals will be in place by the end of 2015.

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 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 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 specialties 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 33 % 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 stable growing trend in the years to come.

The new platform and ultrasound imaging 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. The imaging functionality makes MiraQ™ Cardiac 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, with America's health care reform as very important. 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 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 20 % 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.

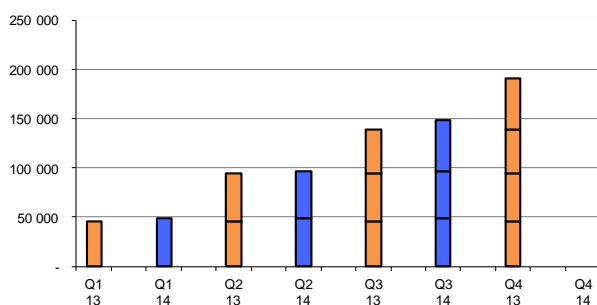
There are competitors that use the transit time measurement principle. Equipment from competitors is estimated to be in use in about 7 % of the procedures performed. This means that in about 70 % of the cases where by pass surgery is performed there is no equipment in use to verify blood flow. This market 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 a unique and differentiated product 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. Year to date 2014 a 10 % change in the exchange rate against USD and EUR would result in a 7.0 % change in sales and a 23 % change in operating result. The company partly secures its positions with hedging contracts.

Sale per quarter

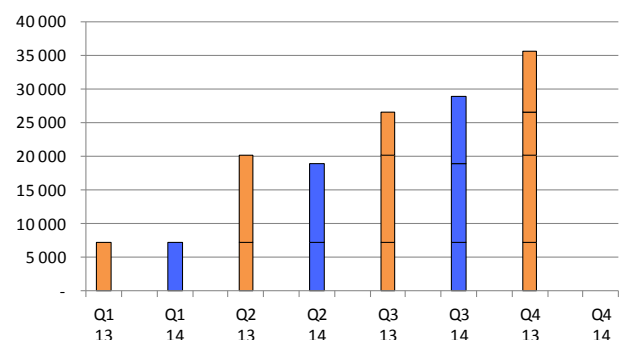


SHAREHOLDER AFFAIRS

The company had 236.000 Medistim shares by the end of September 2013. The shares were purchased at a price per share of NOK 15.34. The share price was NOK 23.90 per share at the end of the quarter. Entering 2014 the share price was NOK 23.00 per share.

The number of shares sold year to date was 1.281.516 shares. The four largest shareholders were Intertrade Shipping AS with 3.850.000 shares, Chr. Salvesen & Chr. Thams with 1.862.500 shares, Stenshegen Invest AS with 1.589.566 shares and Skagen Vekst 1.465.625.463 shares.

Operating profit per quarter



Oslo 22. October 2014,
Board of Directors and managing director in Medistim ASA

Profit & loss	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
All numbers in NOK 1000					
Sales	51 999	44 322	148 724	138 790	190 979
Cost of goods sold	12 839	11 557	38 143	35 176	49 188
Salary and social expenses	17 930	16 620	47 652	44 969	62 440
Other operating expenses	9 156	7 665	27 855	26 345	36 042
Total operating expenses	39 925	35 842	113 650	106 490	147 670
Opr. res.before. depr. and write offs	12 074	8 480	35 074	32 300	43 309
<i>EBITDA %</i>	<i>23,2 %</i>	<i>19,1 %</i>	<i>23,6 %</i>	<i>23,3 %</i>	<i>22,7 %</i>
Depreciation	2 052	1 975	6 161	5 678	7 703
Operating result	10 022	6 505	28 913	26 622	35 605
EBIT %	19,3 %	14,7 %	19,4 %	19,2 %	18,6 %
Financial income	1 751	1 780	5 292	4 992	7 070
Financial expenses	1 698	1 156	4 967	3 836	5 187
Net finance	53	624	325	1 156	1 883
Pre tax profit	10 075	7 129	29 237	27 778	37 488
Tax	2 248	2 774	9 049	9 000	10 952
Result	7 827	4 355	20 188	18 778	26 536
Dividend	-	-	14 481	19 911	19 911
Comprehensive income					
Result after tax	7 827	4 355	20 188	18 778	26 536
Exchange differences arising on translation of foreign operations	(163)	269	(316)	944	645
Total comprehensive income	7 664	4 624	19 872	19 722	27 181

Key figures	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
Equity share	69,9 %	73,0 %	69,9 %	73,0 %	72,2 %
Earnings per share	0,43	0,24	1,12	1,04	1,47
Earnings per share diluted	kr 0,43	kr 0,24	kr 1,12	kr 1,04	kr 1,47
Average shares outstanding in 1000	18 101	18 101	18 101	18 101	18 101
Average shares outstanding in 1000 diluted	18 101	18 101	18 101	18 101	18 101

Split of operating profit per segment	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
All numbers in NOK 1000					
Res from Medistim products	9 843	6 086	24 046	21 381	28 269
Margin Medistim products	26,1 %	20,2 %	23,3 %	22,7 %	22,0 %
Res from 3rd party products	179	419	4 867	5 241	7 336
Margin 3rd party products	1,2 %	3,0 %	10,7 %	11,7 %	11,7 %
Totalt result	10 022	6 505	28 913	26 622	35 605
Margin	19,3 %	14,7 %	19,4 %	19,2 %	18,6 %

Balance sheet	30.09.2014	30.09.2013	31.12.2013
All numbers in NOK 1000			
Assets			
Intangible assets	52 303	48 545	49 399
Fixed assets	13 204	13 926	14 061
Total tangible and fixed assets	65 507	62 472	63 460
Inventory	37 850	37 899	37 930
Customers receivables	37 055	35 341	38 781
Other receivables	7 709	4 803	8 374
Cash	33 646	16 943	19 846
Total current assets	116 261	94 986	104 930
Total assets	181 768	157 457	168 390
Equity and liability			
Share capital	4 585	4 585	4 585
Share premium reserve	41 852	41 852	41 852
Other equity	80 593	68 544	75 198
Total equity	127 030	114 981	121 635
Deferred income	2 248	2 947	2 772
Other long term debt	12 794	9 147	4 981
Total long term debt	15 042	12 093	7 753
Total short term debt	39 696	30 383	39 002
Total equity and liability	181 768	157 457	168 390
Net interest bearing debt	(13 770)	(7 796)	(11 533)

Change in equity	30.09.2014	30.09.2013	31.12.2013
All numbers in NOK 1000			
Equity start of period	121 635	115 170	115 170
Result for the period	20 188	18 778	26 536
Dividend	(14 481)	(19 911)	(19 911)
Medi-Stim shares	-	-	(804)
Changes in exchangerates	(312)	944	645
Equity end of period	127 030	114 981	121 635

Cash flow analysis	30.09.2014	30.09.2013	31.12.2013
All numbers in NOK 1000			
Result for the period	20 188	18 778	26 536
Cash flow from operation	6 124	(3 309)	(249)
Cash flow from operation	26 312	15 468	26 287
Cash flow from investments	(9 594)	(14 461)	(21 523)
Cash flow from financial activities	(2 918)	(10 744)	(11 598)
Change in cash for the period	13 800	(9 737)	(6 834)
Cash at start of period	19 846	26 680	26 680
Cash by the end of period	33 646	16 943	19 846

Geographic split of sales	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
All numbers in NOK 1000					
USA	14 119	12 156	39 368	35 298	45 878
Asia	5 646	5 324	13 339	11 810	19 210
Europe	29 505	25 604	88 942	83 433	114 583
Rest of the world	2 729	1 238	7 075	8 249	11 308
Total sales	51 999	44 322	148 724	138 790	190 979

Geographic split of sales in number of units	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
USA					
Procedures flow measurement	7 176	7 709	23 032	21 868	28 300
Procedures imaging and flow	1 977	1 160	3 295	2 260	2 870
Capital sales VeriQ flowmeasurement instrument	1	-	4	2	2
Capital sales VeriQC imaging and flowmeasuremer	2	1	5	3	3
Asia					
VeriQ flowmeasurement instrument	11	11	24	24	39
VeriQC imaging and flowmeasurement instrument	4	2	8	5	11
Imaging probes	5	5	12	12	20
Flowmeasurement probes	317	393	852	999	1 419
Europe					
VeriQ flowmeasurement instrument	7	12	24	34	47
VeriQC imaging and flowmeasurement instrument	6	1	12	8	12
Imaging probes	6	-	14	11	21
Flowmeasurement probes	1 191	959	3 385	2 965	3 914
Rest of the world					
VeriQ flowmeasurement instrument	3	-	8	10	14
VeriQC imaging and flowmeasurement instrument	1	1	3	8	11
Imaging probes	-	1	3	10	13
Flowmeasurement probes	317	123	627	548	695
Total sales outside the US in units					
Number of VeriQ flow instruments outside USA	21	23	56	68	100
VeriQC imaging and flowmeasurement instrume	11	4	23	21	34
Total number of imaging probes	11	6	29	33	54
Total number of flowmeasurement probes outsi	1 825	1 475	4 864	4 512	6 028

Split of sales per segment	3. quarter 14	3. quarter 13	As of 30.09.14	As of 30.09.13	2013
All numbers in NOK 1000					
USA					
Procedural revenue	12 258	11 357	34 335	32 280	42 860
Capital sales VeriQ flowmeasurement instruments	303	(0)	1 584	818	818
Capital sales VeriQC imaging and flowmeasuremer	1 559	798	3 449	2 200	2 200
Outside USA					
VeriQ flowmeasurement instrument	3 217	3 909	8 862	11 100	16 242
VeriQC imaging and flowmeasurement instrument	3 474	1 380	7 979	7 010	11 706
Imaging probes	515	291	1 396	1 655	2 402
Flowmeasurement probes	16 062	12 424	44 362	38 110	51 128
Other	274	(3)	1 237	955	1 062
Total sale of Medistim products	37 662	30 155	103 204	94 128	128 418
Sale of 3 party products	14 337	14 167	45 520	44 663	62 561
Total sales	51 999	44 322	148 724	138 791	190 979