MEDISTIM

Annual Report 2014

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Introduction

A paradox ...

If you are a heart patient hospitalized to undergo angioplasty to block out a stenosis that prevents a coronary artery to supply blood to the heart muscle, this is a relatively small invasive two-hour treatment. The procedure is performed and controlled using angiography, an X-ray examination of the coronary arteries to ensure that the treated arteries are supplying blood to the heart.

However, if your heart disease is more serious you need to undergo a substantially more invasive coronary bypass surgery. This involve several hours on the operating table and several weeks of convalescence. In this case there is no objective diagnostic method required to ensure proper blood flow while the patient is still on the operation table. The surgeons are allowed to rely on their own senses, and use their finger to subjectively feel for pulsation in the new graft, *as if the finger would be an accurate and calibrated measuring instrument and the feeling of pulsation a sure sign of effective blood flow in the vein.*

The technology and equipment exists

The leading measurement method on the market for measuring blood flow is the Transit Time Flow Measurement (TTFM). This is a tried and proven method that is simple, safe and an economically viable way to verify reliable measurement results. Medistim has in over 30 years developed its products in consultation with medical and surgical specialists. The company has developed several generations of quality equipment and is currently *the only supplier in the world that can offer a user friendly integrated TTFM and intra-operative ultrasound imaging system*. Imaging functionality provides the surgeon the opportunity to uncover the cause of poor blood flow measurements and thereby make it easier to correct technical problems and achieve optimal clinical outcome. This way errors are avoided and it is easier to correct errors during surgery to achieve optimal surgical results.

To measure blood flow with TTFM is standard clinical practice in many countries

In Japan and many countries in Europe it is almost unthinkable to perform bypass surgery without using TTFM to ensure proper graft quality. In 2010 TTFM was included in the European guidelines for coronary revascularization. This was followed up in 2011 by the British National Institute for Health and Care Excellence (NICE), which recommend TTFM to be used regularly in the British health care system. Furthermore, the use of intraoperative ultrasound imaging was recommended by the American Heart Association. *In other words, there is broad clinical and scientific support for the method*. Despite this, the methodology is still not widespread in major markets like the U.S., England and France, so the potential for expansion is large in these markets. At the same time we see growing demand and interest in markets like Brazil, Russia, India, China and many other countries. This represents significant growth opportunities for Medistim.

Medistim's vision

A leading provider within medical-devices is a supplier that in collaboration with physicians, specialists and hospitals are developing innovative equipment and technology that reduces risk and improves outcomes of medical interventions. Effective solutions give patients better quality of life and health care higher efficiency and lower costs. Medistim is a leading provider that contributes to shape future standard clinical practice. Medistim can today proudly call it shelf the innovator and market leader in its niche within the quality assurance of coronary bypass surgery. Even so, only a small portion, about 25 % of the total annual number of surgeries performed annually, uses equipment to ensure quality. Our vision is that the equipment shall benefit all patients and surgeons, regardless of where in the world they are located, and *that Medistim's equipment and solution represent standard clinical practice in all countries.*

Positive development in 2014

2014 was another good year for Medistim, with *continued growth and excellent profitability*. We have further strengthened our position within cardiac bypass surgery. This because we see an increase the sale of flow probes, which means increased use of the equipment in existing markets, and because we experience a significant increase in interest and sales of our new ultrasound imaging modality. Medistim is in an exciting phase of introducing MiraQ^{TM}, the next generation of equipment for quality control. This product and platform will strengthen our capabilities not only in cardiac surgery, but also bring us closer to the goal of establishing a significant position within vascular, plastic and transplant surgery.

Expectations ahead

Medistim originated within Norway's world leading ultrasound technology environment, and has for decades built up a worldwide network for technology- and clinical partnerships. We have in recent years established new and *meaningful relationships with the world's finest hospitals and surgeons*, and work with several exciting clinical projects that could help accelerate the acceptance of the methods in the future. We work diligently to strengthen our own organization and expertise, particularly our sales and marketing teams in the U.S., Germany and UK, where most of the coronary bypass- and vascular procedures are performed.

Medistim have *highly skilled employees*, an experienced management team and an active board as a team player.
We are inspired and united in the great and exciting task of realizing the vision of creating Medistim's solutions as standard clinical practice - and thereby realize our considerable business potential.

Follow us in 2015

Kari Eian Krogstad
CEO Medistim ASA

Chapter 1: Annual Report for Medistim group

Annual report for Medistim group

Nature of the business

The Medistim group's business is within developing, producing, servicing, leasing and distribution of medical devices. The Group has its head office in Økernveien 94 in Oslo. The production facilities are located in Moloveien 10 in Horten. Further Medistim has sales and distribution centre in Minneapolis, Minnesota in the US, a sales and distribution centre in Munich in Germany, sales and distribution centre in Copenhagen Denmark, and sales and distribution centre in London UK. The business is focused on ensuring quality within cardiac and vascular surgery. Cardiovascular diseases are the most common cause of death in the western world and have an increasing trend in Asian and African countries adopting western lifestyles. The Company's products contribute to improved quality of surgery, reduce risk to the patient and contribute to a more efficient health economy.

Worldwide there are performed more than 700.000 coronary bypass procedures per year and 600.000 vascular procedures per year. On a global scale Medistim group has a leading position within quality control of coronary bypass procedures. The largest market for the Medistim products is in the US where 33 % of all coronary bypass procedures are performed. Medistim strengthen its leading position within quality control of coronary bypass surgery in 2014 by increasing its market penetration in the US, Europe and Asia. In addition Medistim is a distributor of other medical devices through its subsidiary Medistim Norge AS and Medistim Denmark Aps. The products distributed are mainly medical devices within all types of surgery.

Financial development in 2014

(Numbers for 2013 in parenthesis)

Sales

Sales for the group in 2014 ended at 214.8 MNOK (191.0 MNOK). In Medistim's largest markets, the US and Europe, there was a growth of 23.2 % and 12.4 % respectively. Sales in Asia and the rest of the world were close to last year's level. Sales of Medistim products were in 2014 149.6 MNOK (128.4 MNOK). Sales of 3.party products were in 2014 65.2 MNOK (62.6 MNOK). Average exchange rates towards USD and EUR were in 2014 respectively 6.30 and 8.30, while equivalent rates in 2013 were 5.88 for USD and 7.80 for EUR. With the same rates as in 2013 sales in 2014 would have ended at 208.3 MNOK. The volume growth in 2014 was 9.0 %.

Cost of goods sold

For 2014 cost of goods sold ended at 55.6 MNOK (49.2 MNOK), and cost of goods sold represent a percentage of 25.9 % of sales (25.5 %).

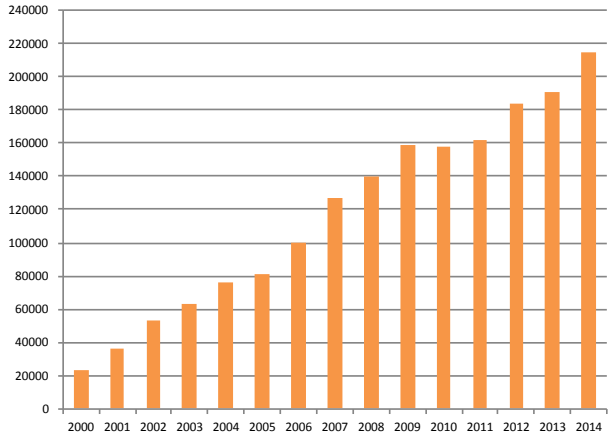
Salary, social and other operating expenses

For 2014 salary and social expenses ended at 69.24 MNOK (62.4 MNOK). The increase in expenses for the year is related to higher level of bonuses and commissions due to improved results, weaker NOK against USD and EUR and general salary adjustments.

Other operating expenses in 2014 ended almost unchanged at 38.4 MNOK (36.0 MNOK).

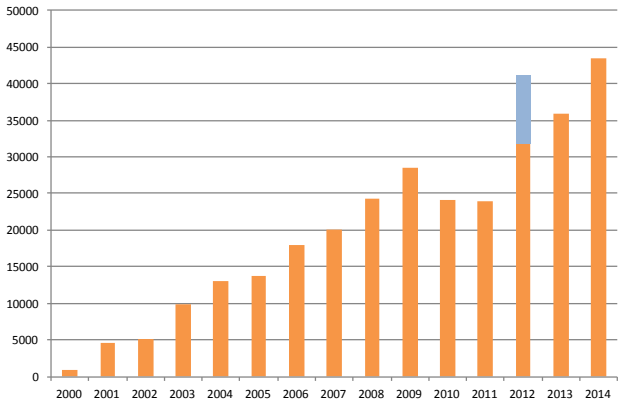
R & D expenses

During the year 12.2 MNOK (18.0 MNOK) was used within research and development (R&D). Result before R & D, depreciations and write offs was 54.8 MNOK (46.5 MNOK). This equals a margin of 25.5 % (24.3 %). In 2014 9.1 MNOK (14.9 MNOK) of the R & D expense was activated in the balance sheet.



Sales per year

1 = NOK 1000.



EBIT per year.

The marked area in 2012 shows the one time effect of terminating the defined benefit pension plan and introducing contribution pension plan.

1 = NOK 1000

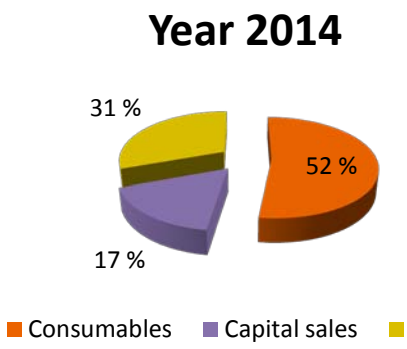
Earnings

Operating profit before depreciation (EBITDA) for 2014 ended at 51.7 MNOK (43.3 MNOK). Result before tax and finance (EBIT) for 2014 ended at 43.4 MNOK (35.6 MNOK).

The group recorded a net financial income of 1.5 MNOK in 2014. In 2013 net financial income was 1.9 MNOK. Net finance for the respective years was related to realized and unrealized gains and losses on foreign currency.

Profit before tax ended at 44.9 MNOK (37.5 MNOK). Result after tax ended at 31.2 MNOK (26.5 MNOK) for 2014.

Earnings per share for 2014 were NOK 1.73 (NOK 1.47). Average shares outstanding were 18.101.336 (18.101.336) by the end of December 2014.



Split of sales in 2014. Consumables consist of probe sales and ppp cards. Capital sales include both flow systems and imaging systems. 3. party sales are products from other vendors

Total value of the balance sheet was 203.5 MNOK as of 31.12.2014 (168.4 MNOK). The equity by 31.12.2014 was 139.1 MNOK (121.6 MNOK).

The cash position by year end was 49.5 MNOK (19.8 MNOK). The group's ability to finance its activities is satisfactory. This is also the case for the group's financial position and cash flow. Cash from operation was in 2014 48.9 MNOK (26.0 MNOK). By the end of 2014 the company had 236.000 own shares.

The company was in a net cash position of 31.3 MNOK by year end 2014, and interest bearing debt was 18.1 MNOK. Short term debt was 51.3 MNOK.

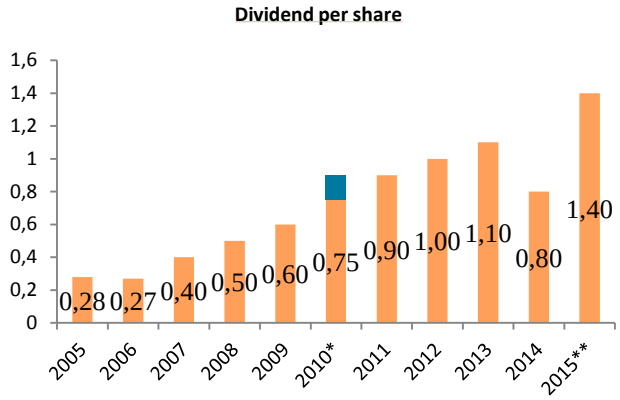
The company has a deferred tax asset of 4.4 MNOK related to temporarily differences in relation to book values and tax values.

The group is exposed to changes in foreign currency in EUR and USD since most of the revenue in the group is in these currencies. The company has entered foreign currency hedging contracts to reduce the risk towards foreign currency fluctuations. The company is exposed towards changes in interest level since the group has leasing agreements and an excess cash position. The risk that business partners and customers do not have the financial capability to fore fill its obligations is regarded as low. Historically losses on receivables have been very low. The group's customers are mainly public hospitals that have secure financing.

The global economical situation will affect the company since Medistim is a supplier to the health care sector in many countries. The financial risks are closely monitored by management. The company's position in financial instruments reflects underlying exposure in the business. Market risk is not secured through financial instruments.

Suggested distribution of profit for 2014

Result after tax for the holding company Medistim ASA was a profit of 23.7 MNOK. The Board of Directors suggest to the general assembly a dividend of NOK 1.40 per share, a total of 25.3 MNOK corrected for dividend on own shares. This is a pay ratio of 80 % (65.8 %). Remaining dividend of 1.6 MNOK is suggested to be deducted from other equity. The dividend is a reflection of the Board's positive expectations of future earnings. During the last 10 years the company has paid 138.8 MNOK in dividend to shareholders.



*25 years anniversary dividend with NOK 0.15

**Suggested dividend for 2015

Continued operation

The financial report for 2014 and 2013 has been prepared according to the IFRS (International Financial Reporting Standard). The board of Directors and managing Director confirm to the best of our knowledge that the condensed set of financial statements for the period 1st of January to 31st of December 2014 has been prepared in accordance to IFRS. The financial statements give a true and fair view of the group's assets, liabilities, financial position and result for the period viewed in their entirety. The annual report includes a fair review of any significant events that arouse during the period and their effect on the 2014 financial report, any significant related parties transactions, and description of the

principal risks and uncertainties for the next accounting period 2015.

The Board of Directors confirms that the fiscal year is closed under the assumption of continued operation. The Board is not familiar with any incidents after the closing that will affect the financial statements for 2014. In the holding company free equity was 17.9 MNOK after accruing for dividend. Equity in the group was 139.1 MNOK as of 31.12.2014, which represent an equity ratio of 68.5 %.

Market development

Medistim sells its products all over the world through distributors. The exception is USA, Denmark, UK, Germany and Norway where Medistim has local representation.

There are tremendous differences in clinical practice around the world when it comes to graft patency verification during Coronary Bypass Grafting (CABG). The lack of utilization of clinically proven, cost effective technology in many countries must be a concern, not only to patients and surgeons, but also to public and private payers.

In order to increase the awareness and importance of utilizing TTFM during CABG, Medistim is focusing on and push for that TTFM is included in the guidelines as «standard of care». This is the case for both international organizations, but also for national organizations and guidance for clinical practice.

By the end of 2010 Medistim's equipment was included in the guidelines from European Society of Cardiology (ECS) and European Association for Cardio-Thoracic surgery (EACTS) as standard of care during CABG. The same was the case by end 2011 where Medistim's equipment was embraced by British National Institute for Health and Clinical Excellence (NICE) as standard of care during CABG. These are all highly respected organizations and it is expected that these recommendations will influence clinical practice in many countries including the US. Medistim views this as important steps in the company's efforts of making blood flow measurement the «standard of care» in treating CABG patients all over the world.

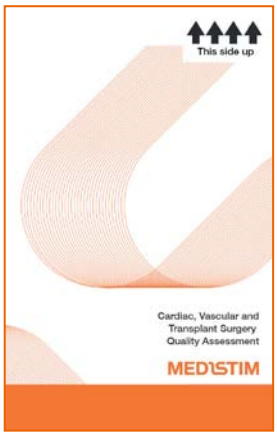
It is a fact that the CABG market is a conservative market and an immediate effect of these recommendations is hard to measure. Medistim still assumes that it is likely that these recommendations have had an impact on the increased demand the company has experienced in 2014.

USA

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 Medistim's products in the US. Medistim has large ambitions in the US market. So far Medistim has achieved a market penetration of about 14 % of the total market of approximately 240.000 bypass surgery procedures performed annually.

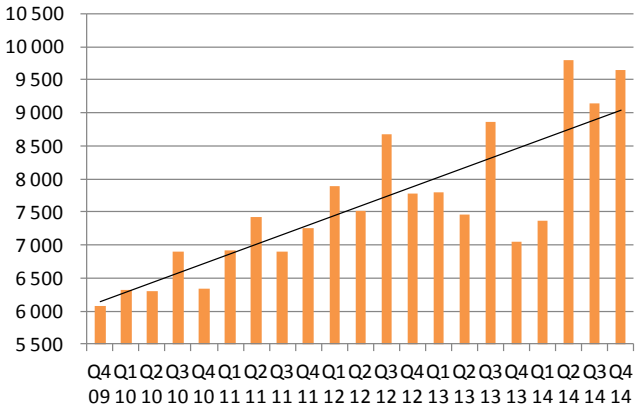
Medistim has established a unique business model for the US market. Instead of purchasing equipment and consumables, the hospital pays per procedure. The equipment is placed at the customer site free of charge and the hospital must purchase a smart-card that makes the system available for use. One smart-card represents surgery on one patient. Still, some customers in the US prefer to own the equipment rather than paying per procedure. In these cases Medistim sell the equipment as a capital sale like elsewhere in the world.

Medistim's subsidiary in the US is represented by 12 sales representatives and 6 within administration and support functions. In addition the company is represented by two independent agents. All of the employees and representatives have extensive experience within healthcare. Medistim is able to cover all states in the US with its organization. The organization is established and motivated, which is important since it serves Medistim's largest market.

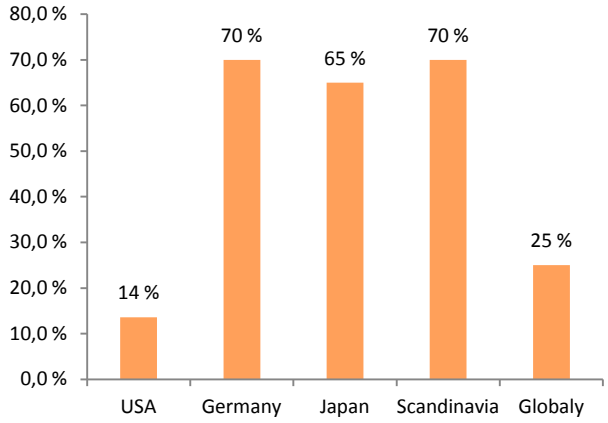


VeriQ smart-card used in the USA.

Sales in the US ended at 56.5 MNOK (49.4 MNOK). Number of procedures sold in 2014 was 35 972 (31 170), a growth of 15.4 %. In 2014 7.795 of the procedures came from capital installations (4.940). Sale of imaging procedures had a growth of 67 % and of the total number of procedures sold 4.790 procedures was performed on the ultrasound imaging product VeriQC (2.870).



Number of procedures sold per quarter in the US



Medistim's estimated market penetration within coronary bypass surgery.

Medistim's investment going direct in the US has given positive results, and in 2011 and 2012 the company experienced more than 10 % annual growth. Medistim was not able to follow up the positive trend in 2013, and was at the time not satisfied with the development. A change in management took place early 2014 and extra focus was set on the company's commercial strategy. This has given positive results. The company is again showing double digit growth in 2014 and sales increased with 23.2 %.

The commercial strategy in the US includes, in addition to regular sales activities, strategic collaboration with influential surgeons at leading cardiac centers and dialogue with the US medical associations like AATS (The American Association for Thoracic Surgery) and STS (Society for Thorax surgery). The objective is that these organizations include Medistim's equipment in their guidelines as standard of care for CABG in the same manner as the European and British organizations. Medistim consider this work to be important in order to be accepted as standard of care within coronary surgery in the US.

The company is now in an exciting phase where ultrasound imaging represents a new paradigm for quality assessment during bypass surgery. By combining the established transit time flow measurement (TTFM) technology with coronary and epiaortic ultrasound scanning (EUS), the risk of major adverse cardiac and cerebrovascular events will be further reduced.

Considering the large underdeveloped accessible market and the unique combination the product represents, Medistim is in the position for growth in the US market with the vision of achieving «standard of care» status.

By year end Medistim had about 440 systems at customer sites in the US. Of a total of 1250 cardiac centers in the US, Medistim had 320 active customers in 2014. Focus and goal in 2015 is to increase usage per installation, create new customer relations and establish a customer base for the new product MiraQ.

Europe

Instead of pay per procedure that is common practice in the US, customers in the rest of the world invest a onetime amount in the system. The hospitals have the ownership of the system, but are dependent upon purchasing necessary consumables. The consumables consist of different probe sizes. To date, consumables is the most significant source of revenue for the group.

Launch of new system platform MiraQ and new product MiraQ Cardiac

The major event for Medistim in 2014 was the launch of the new product MiraQ Cardiac. The product was launched during the European exhibition for cardiac- and thoracic surgeons (EACTS) in Milan in Italy. 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.

The first product launched based on the new platform is MiraQ™ Cardiac. With MiraQ™ Cardiac, the system is easier

to use, and new features have been added to enhance the value and user experience for cardiac surgeons. 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.

The MiraQ™ platform is CE approved 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.

In the fourth quarter 10 MiraQ systems were sold. The systems where mainly sold to distributors that need the new product for demonstration purposes for their respective markets. Since it takes time to obtain approvals from respective health authorities, the VeriQ platform will be offered until the MiraQ approvals are in place. For this reason the two product platforms will exist in parallel for 2 to 3 years.

Clearance from Russia to sell VeriQC

Medistim reports sales from Russia under Europe. During 2014 the Russian health authorities gave Medistim clearance to sell VeriQC in Russia.
Russia represents an interesting market opportunity for Medistim with about 26.000 procedures performed per year, and a projected growth of 8 % per year. With the clearance from the Russian health authorities in place, the first VeriQC in Russia was sold to the Cardiac Center in Kemerovo. Russia is comparable to UK, a country where Medistim has a low market penetration.

Direct operation in Norway, Denmark UK and Germany

Medistim have a solid position in Norway and Denmark. All cardiac centers and many vascular centers have Medistim's equipment and use it on a regularly basis. Revenue from Norway and Denmark is therefore stable and mainly probe revenues unless an old system needs to be replaced. Sales in 2014 have been as expected. In both Norway and Denmark Medistim operates as distributor for other surgical instruments as well.

Medistim established a subsidiary and sales force in the UK during 2012 and 2013 was the first full year of direct operation. Development in 2014 was not according to expectations. However, Medistim is optimistic regarding the potential in UK. The reason for this is that British NICE recommends the use of Medistim's equipment on a regular basis in all British hospitals that performs coronary bypass surgeries. UK is one of the few countries in Europe where Medistim's equipment is not widespread, so there is a large potential. In UK there are performed between 20.000 and 25.000 procedures per year, and in 2014 Medistim's equipment was in use in 750 of these.

Medistim continues its positive trend i Germany. Germany is the largest market in Europe for Medistim's products. Per year there is performed about 60.000 CABG procedures and Medistim increased sales with 10 % compared to 2013.

Europe in general

In Europe there has been a positive trend for the year. Despite the challenging economic situation in many European countries, investment in Medistim's products increases. There has been an increase in investments in systems for flow measurements (VeriQ) and the combined solution with imaging and flow measurements (VeriQC). The consumables probes have also had a positive development with an increase in sales of 17.5 % for the year. In total sales of own products in Europe increased with 22.2 % in 2014 to 63.6 MNOK.

Asia, Latin America, Middle East and other markets

In general there is increased focus on cardiac diseases in Asia and Latin America as western lifestyles are adopted by the population. Whilst in Europe and US where number of CABG per year decreases slightly, there is an opposite trend in Asia and Latin America. It is therefore important for Medistim to be well represented in the regions with growth. In Asia Medistim has good representation through its distributors Nippon BXI and Pacific Medical Systems Ltd, and is well prepared for future growth.

In Asia Medistim is still best represented in Japan, which accounted for 62% of sales in the region in 2014. The corresponding proportion in 2013 was 64 %. Sales in Japan have been stabile over the years which also were the case for 2014. The reason that the share of sales to Japan has decreased is that there has been a good growth in China. This is a positive development since China is the country in Asia with the highest population and a fast growing economy. Japan is a good market for Medistim's top model the VeriQC. Of total sales to Japan, 37 % of the sales was related to the imaging modality in 2014. In 2013 the corresponding share was 28.5 %.

In Latin America, Brazil is the country with the largest potential for Medistim's products.
In the Middle East and Africa, Medistim's latest product, VeriQC, has been well received, led by Saudi-Arabia.

Other activities

Medistim participated at the four large cardiac exhibitions that are arranged annually. These are The European

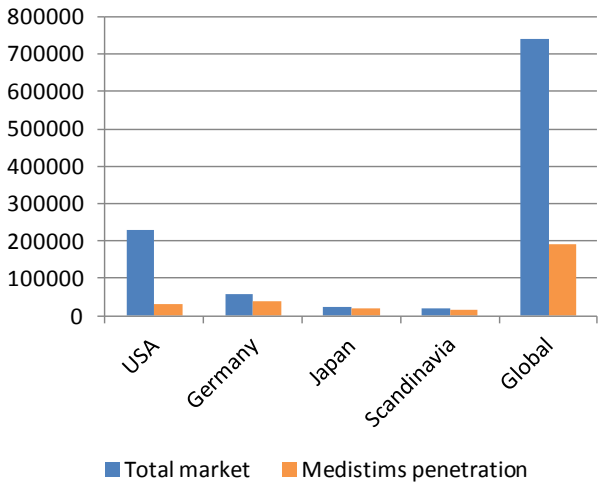
Association for Cardiac- Thoracic Surgery (EACTS), The American Association for Thoracic Surgery (ASCVS), Society for Thorax Surgery (STS) and the Asian Society of Cardiovascular Surgery (ASCVS). The exhibitions are respectively for surgeons in Europe, USA and Asia. The company establishes many important contacts, identify new projects and get to present new products during the exhibitions. Attending the cardiac congresses is one of the most important marketing channels for the company.

Medistim's stand at EACTS

Medistim's global representation

Installed base

Medistim has close to 50 distribution agreements with distributors all over the world. The Medistim products are installed in about 60 countries and the installed base was 2200 systems by the end of 2014. Medistim expects large revenues in the future from the daily use of the equipment and consumables that then will be demanded. In addition, Medistim expects that many hospitals will purchase the most advanced product MiraQ. Medistim's top model increases the company's market potential for two reasons. Not only does it open for new areas of use, but the additional information provided to the user increases the economical value of the equipment.



Medistim's market penetration compared to the total number of coronary bypass procedures performed

Medistim Norge AS

Medistim Norge AS is the Norwegian distributor and a Medistim ASA subsidiary. The main focus for the company is 3.party surgery products that fit well with Medistim's own developed products. This increases Medistim's integrity in the medical device market. The company is ISO certified and has 19 employees including 11 sales representatives. The Danish company is managed from Norway and distributes Medistim's own products as well as 3rd party products that have been successful in Norway. Medistim strive to strengthen its position as a Nordic distributor by distributing common products in Denmark and Norway.

Medistim Norge AS is Medistim ASA's subsidiary which besides being distributor for Medistim products in Norway is a distributor for a number of other suppliers of equipment and consumables within surgery, diagnostics and to opticians in the Norwegian market.

The company won in 2014 the first nationwide tender for breast implants organized by HINAS (Helseforetakenes innkjøpsservice AS). HINAS is the regional health authorities' own purchasing company, and enter contracts on behalf of the country's public hospitals, which is owned by the four health regions the South-East Region (Helse Sør-Øst RHF), Region West (Helse Vest RHF), the Central Region (Helse Midt Norge RHF) and the North Region (Helse Nord RHF). HINAS signs agreements on different product areas for the public hospitals in these regions, and this is the first time breast implants have been on a tender and a contract is signed on a national level.

Medistim Norge AS distributes breast implants from the American manufacturer Mentor. Mentor is a world leader in breast implants using silicone and saline that are anatomic, teardrop and round shaped. The company is owned by one of the world's largest companies within healthcare products - Johnson & Johnson. Medistim Norge AS has been the exclusive distributor of these products for over 10 years and has gained extensive experience and a large client base both in the public and in the private market.

The agreement with HINAS starts January first 2015 and will last initially for 2 years, with the possibility of 2 year extension. The Agreement has a revenue potential estimated to be 8 to 10 million NOK per year.

Production

Medistim's production facilities are located in Horten where all electronics are assembled and where probes are produced. Probes to VeriQC are produced by Sound Technology Inc from the US, which together with Medistim develops the imaging probes.

In production there is a constant focus on improvements and how to make production more effective. All of the components that are included in probes and systems are closely monitored and where possible cost for the components reduced. The company manufactures products that satisfy the demands from relevant health authorities. This requires high competence and excellent quality systems.

Research and development (R & D)

Medistim will invest in existing and new products to cover the surgeons need to verify quality. Medistim invests between 5 to 10 % of sales in research and development. In 2014 12.2 MNOK was invested, which is 5.7 %.

Development activities

Main focus in 2014 has been to complete the new system platform MiraQ and the new product MiraQ Cardiac. With MiraQ Medistim has created a new platform for future generation's of flow and ultrasound imaging systems. The new platform has a flexibility that will allow customer adoptions and more applications. The technological improvement will secure and strengthen Medistim's leading position.
Medistim has previously announced the need to focus more specifically towards vascular surgery, and the new MiraQ™ platform provides a good basis for developing a product targeted for vascular applications. The development efforts in 2015 will be to complete a vascular version of MiraQ that is expected to be ready for launch in 2015.

Research activities

Medistim has since 2007 participated in a project arranged by Senter for Forskningsdrevet Innovasjon (SFI) with support from Norges Forskningsråd (funded by public authorities). The project was closed in 2014. The SFI project was focused on imaging within medicine for innovative and future diagnose and patient treatment. The project was hosted by NTNU in Trondheim. In addition to Medistim companies like GE Vingmed Ultrasound participated in the project. The project had a yearly budget of 44.6 MNOK over 8 years ending in 2014.
Medistim's participation in the project has increased the company's competence within ultrasound imaging and secured participation in future oriented research both technically and clinically within the field.

Medistim has collaboration with Aalborg University in Denmark. The purpose of the project is to develop methods that makes it easier to apply ultrasound during coronary surgery. Medistim has in relation to the project received support from Innovation Norge.

Other affairs within the group

Events after year end

No events after 31.12.2014 has occurred that affect the evaluations made in the 2014 financial accounts for the group.

Working environment and employees

There have been no material damages or accidents related to the company's activities and the working environment are considered to be good. The activities in the group are in general at a low risk level. However, it is considered to be important and a priority to focus on improvements in the working environment. Sick leave at a group level was 631 days in 2014 (270 in 2013), that represented 2.8 % (1.2 %) of total working hours. It has not been necessary to put into effect special measures in 2014. The group had 84 employees by the end of the year.

The group strives to be a workplace where sexes are treated equally. There is a group policy to ensure that there are no differences between sexes in cases like salary, promotions and recruitment. 39 of the 84 employees were women.

The company actively works to prevent discrimination because of disabilities, ethnicity, national origin, color, religion or belief. The activities include recruitment, wages and working conditions, promotion, development and protection from harassment.

External environment

It is the Board of Director's opinion that the external environment is not particularly polluted or affected by the company's activities. The Board of director's has therefore not taken any specific measures within the area.

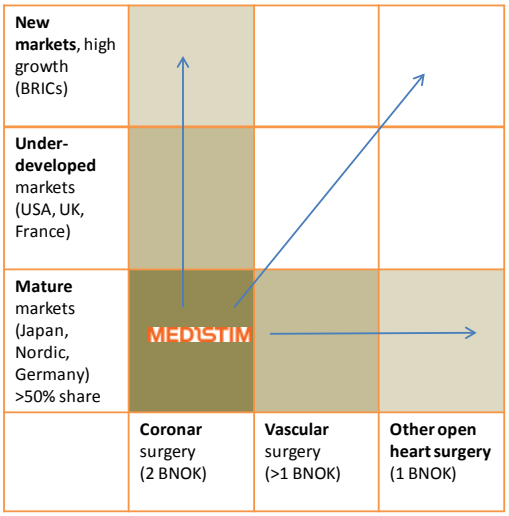
Prospects and trends

Goals and vision

The company aims to develop products to meet surgeons' growing need for quality control of coronary-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 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 and quality assurance on the agenda in relevant forums and channels.



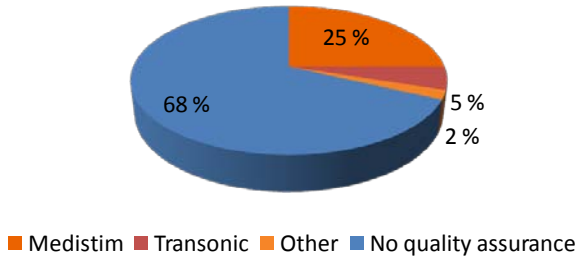
Medistim's market potential within the segments coronary bypass- vascular- and other open heart surgery

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.

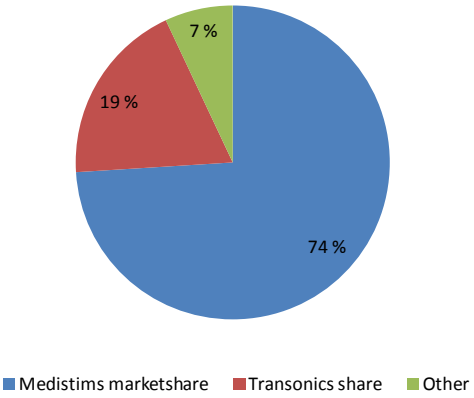
Market size and trends

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.

Markedtpenetration



Marketshare penetrated market



Within coronary bypass surgery, where Medistim is best represented, about 70 % of the surgeries performed are done without any quality assurance.

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. The imaging functionality makes MiraQ^{TM} Cardiac relevant in other cardiac surgeries and not just within bypass 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 verify 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 1.5 million patients worldwide since it came on the market, and the company a clear leader in its niche. The equipment is used today in about 25 % 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 bypass surgery is performed there is no equipment in use to verify blood flow. This market represents Medistim's largest opportunity.

Risk and uncertainties

Foreign exchange risk:
Medistim is exposed to changes in exchange rates towards USD and EUR, since most of the company's revenue is in these currencies. To reduce the risk of changes in exchange rates between the currencies the company has entered hedging contracts and therefore reduced the exposure.

Interest risk:
The company is exposed to changes in the interest level since the company has long term debt with a floating interest. However, changes in interest levels will not affect the company's investments opportunities in the future.

The global economical situation will affect the company since Medistim is a supplier to the health care sector in many countries. The financial risks are closely monitored by management. The company's position in financial instruments reflects underlying exposure in the business. Medistim enters hedging contracts to secure future sales in EUR and USD. Market risk is not secured through financial instruments.

Credit risk:
The risk that customers are unable to fulfill economic obligations is viewed as low and historical losses on receivables have been low. The company's customers are mainly public hospitals that have a secure financing.

Regulatory risk:
Medistim is dependent upon regulatory approvals from health authorities for permission to sell its products. The company is revised on a regularly basis to verify that approvals can be maintained. There is a latent risk that changes in regulatory conditions can result in lost approval to sell products in a market.

Market risk:
In general, health care systems have many priorities and limited resources. For this reason it is crucial for Medistim that the company's solutions have clinical acceptance, in order for the health care system to invest in Medistims products.

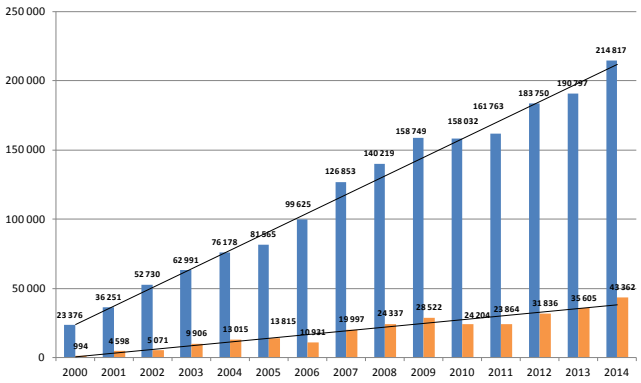
Future outlook

Medistim operates in a stable market. The company has a strong position and is the market leader. Technologically, the company has an edge with the imaging capabilities compared to competitors. Alternative technologies will not be able to replace Medistim solutions in the foreseeable future. The company is exposed to currency, but the company's economy is good. The group has had positive earnings for the last 14 years. The company has proper access to both recourses and competence.

With imaging technology and the new 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.

Annual report 2014

Revenue and EBIT in TNOK from 2000 to 2014



EBIT in 2012 is corrected for the positive one time effect of 9.2 MNOK related to the change in pension plan

The Board of Directors views the company's future opportunities as good. Medistim is well positioned for future growth. The Board of directors is of the opinion that the company has a large potential in general and a specific opportunity in the US market. There are large expectations towards the ultrasound imaging products MiraQ Cardiac and VeriQC, and new products under development on the MiraQ platform.

Oslo, 18.3.2015

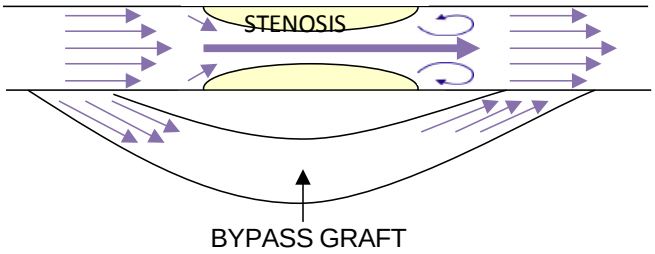
Øyvin A. Brøymer Chairman	Tove Raanes Board member	Bjørn M. Wiggen deputy chairman
Siri Fürst Board member	Lars Rønn Board member	Kari Eian Krogstad CEO

Chapter 2: Products and area of use

Products and area of use

Measuring blood flow with Medistim's equipment

The company develops and produces a medical device that is used to ensure quality of cardio-vascular surgery. With the use of ultrasound, blood flow through veins or arteries can be measured with precise accuracy during surgery. Physically the device consists of a system and probes. The probe, that is used for the measurement is set on a blood vessel and sends signals to the system that analyses the signal. The touch screen presents blood flow curves and values. The size of the probes varies dependent upon the thickness of the vessel that is measured.



A stenosis in an artery needs to be bypassed by conecting a new graft to supply blood to the heart.

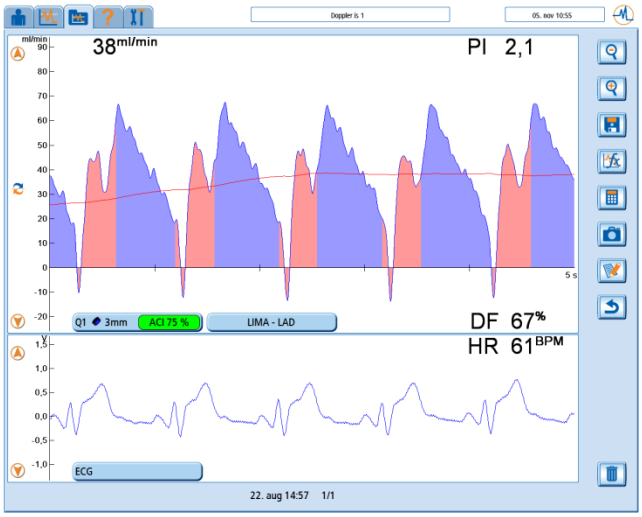
VeriQ™ system unit and probes in different sizes.

The most important area of use today is within coronary bypass surgery where blood flow is measured on new vessels (grafts) connected to the heart. The purpose is to supply the heart with blood in areas where diseased vessels are not supplying enough blood. It is then essential for the outcome of the surgery that the new vessels have the right blood flow. This is verified with precise accuracy using Medistim's equipment. In cases where blood stream is to low and the reason is a "technical error" during surgery, the surgeon can correct the error. The equipment then provides the surgeon a tool to verify quality and increase the level of precision. Proper grafts correlates positively with lower risk for complications like infarction, stroke and death during or after surgery. It is easier to redo a bypass immediately rather than having a new surgery at a later point in time. This reduces patient risk and increases efficiency at the hospital. The equipment can also be used to verify quality within vascular and transplant surgery.

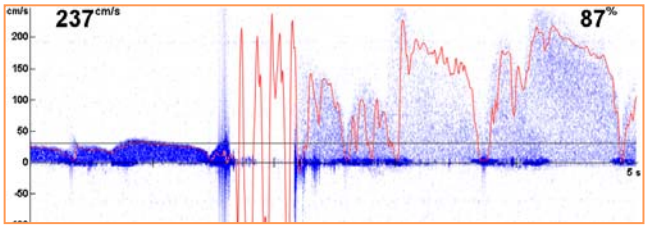
In addition to blood flow measurements using the transit time principle (TTFM) the equipment provides a tool for the surgeon to search for vessels and to decide the level of stenosis in a diseased vessel by using Doppler technology. Vessels can be hard to locate because of fat tissue and arteries located inside the heart. During cardiac surgery time is a critical factor. A quick and precise location for the new vessel reduces the time. In addition the surgeon does not make unnecessary incision on the heart to locate diseased vessels. This increases the surgeon precision and quality of the surgery.

Search Detect Verify

Doppler probe searches and locate, Quickfitprobe verify blood flow.



Correct blood flow visualized using VeriQ touch screen.

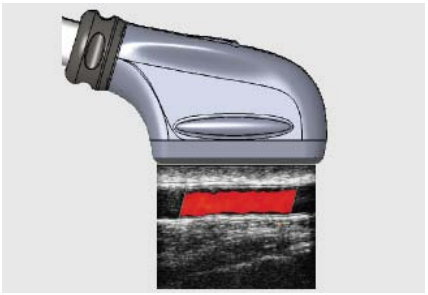


A shift in the Doppler curve that identifies a stenosis.

Medistim's most advanced model includes ultrasound imaging in addition to traditional functionality described above. The imaging capability represents multi functional equipment for the surgeon. Medistim's most advanced product for quality assurance within vascular and cardiac surgery is unique. The system is the only one of its kind that combines state of the art blood flow measurement with ultrasound based imaging functionality.

By visualizing it's easier to plan, assure quality and perform the surgical procedure. Medistim's equipment provides the surgeon with a clear picture of the inside of the vessel and vessel walls. As an example the surgeon can connect the heart lung machine to the patient at the optimal place on the aorta, search after vessels, locate stenosises, decide optimal placement for new graft and verify flow before the patient is closed. Increased precision and quality is good for the patient and save the health care system expenses by avoiding re-interventions. The product has clearance for sale in all of Medistim's major markets by health authorities in Europe, USA and Japan.

The ultrasound imaging probe used together with MiraQ Cardiac or VeriQC



The imaging probe is used to visualize blood flow

Medistim's new ultrasound imaging system MiraQ Cardiac and the older version VeriQ C™ in the background

Medistim completed during 2014 its new system platform for future products, the MiraQ, which will replace the VeriQ platform. It takes time to get approvals in place from the different health authorities around the world. For this reason the VeriQ products will be offered until the respective health authorities have approved the MiraQ products. The new product on the new platform is named MiraQ Cardiac and was launched in Europe in 2014. The new product is commented in more detailed under the market development for Europe.

There is today an un-served need for ultrasound based imaging equipment specially designed for surgical applications. The combination of ultrasound transit time measurement and imaging is unique. The combination strongly increases the market potential within existing markets but also open new markets.

Reading flow curves during surgery.

Medistim product includes a digital ultrasound module. A surgeon that operates the equipment using the specialized ultrasound probes and software will, in addition to traditional functionality, be able to see two dimensional pictures of the vessels. Blood flow in the vessels will also be visualized using color coded two dimensional Doppler technology (CFM).

In clinic surgeons have changed otherwise accepted methods and techniques several times during a procedure based on information visualized with Medistim's equipment. MiraQ Cardiac or VeriQC serves the surgeon with information that previously was not available.

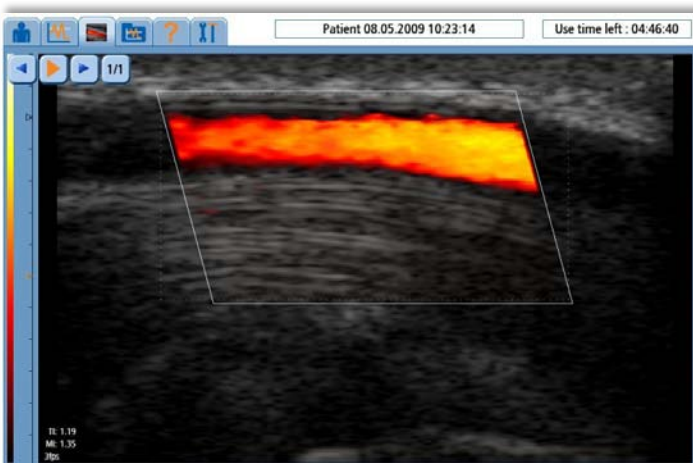


Image of a blood vessel using color Doppler.

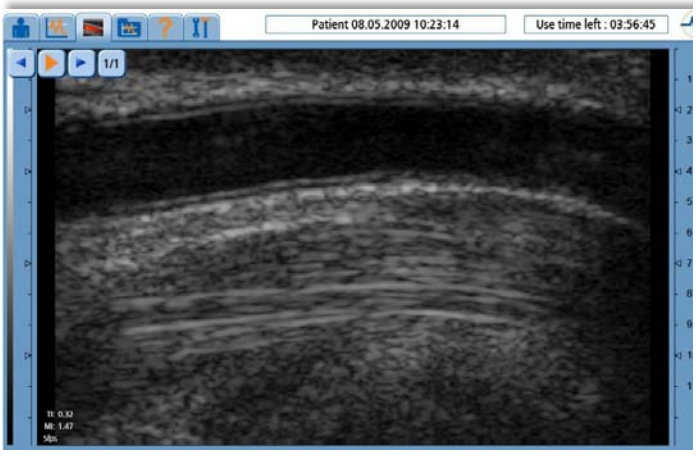
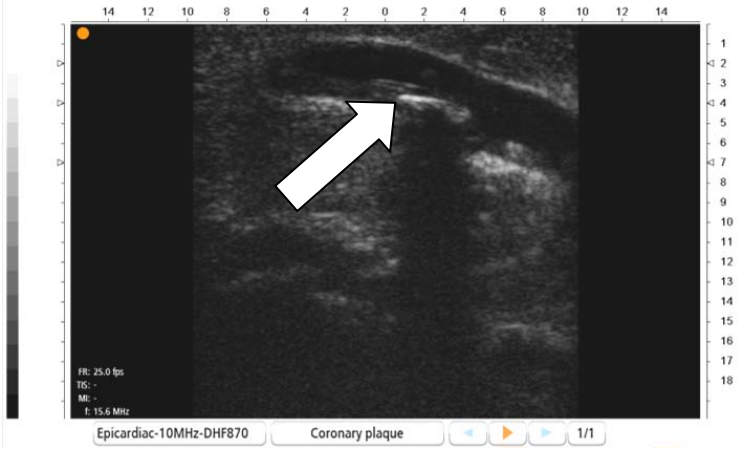
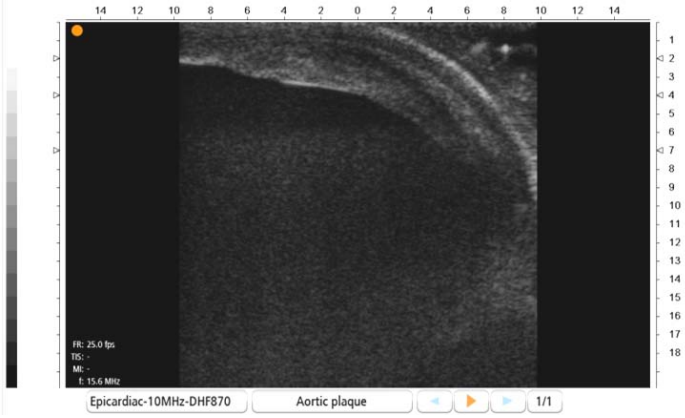


Image of a blood vessel without color Doppler.



The picture shows a coronary artery with a stenosis indicated by the arrow. A shadow is observed in the ultrasound which indicates that this is hard plaque that reflects that ultrasound more than soft plaque.

In addition to bypass surgery, Medistim's equipment will be a useful tool within other surgical procedures, like valve surgery, vascular surgery, transplant surgery and surgery on persons with congenital cardiac diseases. Medistim will together with its partners test the equipment in clinic to develop procedures for this type of surgery.



The picture shows a coronary artery with a stenosis inside the vessel wall. A shadow is observed in the ultrasound which indicates that this is hard plaque that reflects that ultrasound more than soft plaque.

Third party products

In Denmark and Norway the group has its own distribution companies offering products from other suppliers in addition to Medistim products. The third party products offered are mainly within surgery.

Chapter 3: Corporate governance

Corporate governance

Medistim is like other companies dependent upon good relations towards its contacts to succeed and it's a priority for the company. A good reputation and solid financial development is important in order to build and maintain trust and confidence towards important contacts like customers, investors, suppliers, employees, partners and public authorities. This demands good control of the business with an open and honest communication. Equal treatment of shareholders is also important to increase share value and achieve investor confidence. Medistim is also aware of its responsibility in society towards anticorruption, working environment, HMS, discrimination, environment and human rights.

Independency and neutrality

Medistim strive for independency and neutrality in the relations between the Board of Directors, management, owners and others. The principle of independence and neutrality and arms length principle applies towards all contacts and business associates like customers, suppliers, banks and other connections.

Equal treatment of shareholders and free trade of shares

Medistim strive to ensure that all shareholders shall be treated equally. There is one class of shares and one share has one vote at the shareholders meeting. All shares are freely negotiable with no form of restriction. Shareholders are treated equally in relation to dividend. All shareholders have the same rights in potential capital increases. There is no restriction related to the ownership of shares and there are no shareholder agreements that the company is aware of. Sales and purchases of own shares are done at the Oslo Stock exchange.

The Board of Directors has proxy to issue shares where shareholders first right to shares is not followed. In such a case the Board of Directors will publish its reasoning for not following existing shareholders first right of newly issued shares.

When there are major transactions between the company, its shareholders, subsidiaries, members of the board, leading employees or other close related parties, it will be performed an independent 3. party evaluation of the transaction. The General Assembly will treat the matter according to the rules by law and jurisdiction for ASA companies in Norway. It is board members and key employees responsibility to give notice to the board of directors, if they directly or indirectly have interests in any agreements the company is about to enter.

The guidance in the companies reporting of financial and other information is based on openness and equal treatment of the participants in the securities market. Medistim is listed at the Oslo stock exchange and is obliged to follow Oslo Stock exchange rules for handling information. All information is published through Oslo stock exchange and the company web site www.medistim.com.

General Assembly

The company will send out a notice to the shareholders regarding the general assembly minimum 21 days before the meeting as required by law. An agenda, documents and information about the issues on the agenda will be included in the notice, so that the shareholders can be prepared on the issues treated at the General Assembly.

To participate at the General Assembly, a shareholder need to give a notification at latest one day before the meeting. A shareholder can be represented through power of attorney. The Board of Directors is represented at the meeting. The company auditor and nomination committee will participate at the meeting.

Equity and financing

Medistim will strive to have a solid balance sheet.

Dividend

Medistim has ambitious goals for future growth. To reach the goals the company will endeavor to have an optimal capital structure. Medistim will seek to provide annual dividends. The level of the dividend per share will be evaluated based upon the Medistim's financial capacity. The company will at all times ensure that it has the financial capacity and equity to achieve future plans for growth.

Board of Directors

Medistim seeks a Board of Directors that is balanced in the sense of having the right competence, experience and relevant skills within the business. It is preferable that the members of the Board represent the owner structure. The need for neutral independent representatives is also important. The management is not elected as members of the Board. The Board of directors has a fixed yearly compensation decided by the General Assembly. The Board members are elected for a period of two years. All members are not on election at the same time. The Board is once a year evaluating its work. The Board has, considering the size of the company, not seen it necessary to use a steering committee based upon the issues treated by the Board in 2014.

Risk management and internal control

The Board of directors has a yearly meeting to set the strategy for the company within the next 3 years and identify important risk factors. The Board receives updated financial information at every Board meeting. The financial position is analyzed and compared against budget, strategy approved by the Board and last year's performance. The Board of

Directors reviews the quarterly reports, and risk factors for the company are discussed and evaluated. The Board of Directors has an annual review together with the auditor before approving the annual report. Risk factors are also reviewed. The auditors give their view of the company's risk exposure to the Board of Directors.

Nomination committee

The company has a nomination committee elected by the General Assembly. The company has in its article of association that the General Assembly shall appoint a nomination committee. The Nomination committee suggests candidates to the Board of directors and yearly compensation to the board or committees. The nomination committee is independent from the Board of Directors and management. Suggestions to the nomination committee must be sent at latest 14 days before the General Assembly announcement. The committee consists of 3 members. The leader of the committee is Johan Skjølberg which represents Salvesen & Thams Invest AS. Salvesen & Thams is Medistim's second largest shareholder. Other members are Asbjørn Buanes and Bjørn Henrik Rasmussen. Asbjørn Buanes is the 7th largest shareholder. Bjørn Henrik Rasmussen represents Follum Capital AS and is Medistim's 5th largest shareholder.

Compensation to management

It is important for Medistim to be an attractive employer. The company strives to attract competent employees with relevant experience and give the opportunity to further develop. The compensation to management will at all times be at market terms. It is established an incentive plan where defined measurable goals are identified. The Board of Directors set terms and conditions for the CEO. The CEO set the terms and conditions for the management team and leading employees. The principles for setting the terms to the CEO and leading employees are the same. The principles for 2014 and 2013 were the same and there are no planed changes. Terms and conditions are set at market terms and are evaluated on a yearly basis. It is company policy to reflect the average level in the market. There was, with the exception of CEO, no incentive related to shares, share options or development in share price in 2014 and 2013. The CEO receives 15 000 shares as part of the compensation if she stay in her position until 2015, further 10.000 shares under the same conditions if in position in 2016, further 10.000 shares under the same conditions if in position in 2017 and further 12.500 shares under the same conditions if in position in 2018. CEO and management have in addition to fixed salary incentive plans related to achieved results. The criteria's are reviewed annually and are linked to internal goals and budgets. If the criteria for bonus or provision are not reached, the Board of Directors or CEO may disregard the criteria in certain situations. This will be the case if a situation has been exceptionally demanding or the Board of directors has made decisions that affect earlier agreements. There are no employees in the company with an agreement giving additional compensation when leaving the company and there are no plans to introduce such agreements. Management is included in the same pension plan as other employees. Other benefits are of minor financial importance such as free access to communication tools for the management team to be available.

Policy for financial information

The company will give correct, accurate and adequate financial information every quarter and present the information without delay. Early reporting reduces the risk and possibility of information leakage and contributes to equal treatment of shareholders. The company does not give any forecast on future sales and results.

The responsibility for investor relations and sensitive information regarding Medistim shares is limited to the Managing Director (CEO) and the Financial Director (CFO).

Auditor

The group uses the same auditor for all companies within the group. The auditor is used as a consultant in accounting issues, tax calculation and tax issues. In due diligence processes other advisors are used than the company auditor. The auditor is not used when making the company strategy or in other operational matters. Only the CEO or the CFO is hiring the auditor services.

The auditor is participating in the board meeting treating the annual report. In this meeting the auditor is describing their views on accounting matters and principles, risk areas and internal control. The auditor participates in other board meetings on request from the Board when the Board wants to get the auditors view in a specific matter.

Compensation to the auditor is set by the General Assembly and is described in the notes to the financial statement.

Company take over

In a potential offer where the effect of the transaction is a takeover, the Board of Directors will handle the matter in professional manner, and ensure same information and treatment of all shareholders. A takeover requires a General assembly and the Board of Directors will give their recommendation of a potential offer on the shares.

Composition of the board of directors and independence

The board of directors consists of the following five members:

Chairman Øyvin A. Brøymer (born 1948) was chosen as chairman for the first time in year 2000 and works as a consultant and investor through his own company. He has experience from Aker Gruppen, Hafslund Nycomed ASA and

the shipping company Leif Høeg & Co ASA. He has extensive experience from boards in other companies. Brøymer has several years of experience within the medical industry and holds a degree within economics and business from Norwegian school of management and a master title from the University of Wisconsin in the US. Brøymer is on election for a new term at the ordinary general assembly in 2015. He controls 100 % of the shares in Intertrade Shipping AS. Intertrade Shipping AS is the largest shareholder in Medistim and holds 21 % of the shares in the company.

Deputy Chairman Bjørn M. Wiggen (born 1959) holds an MBA, and has a broad background and experience from Norwegian industry, particularly within food, media and branding. He has been Managing Director of Orkla ASA, and is currently Executive Chairman of Salvesen and Thams Invest AS, where he is the biggest shareholder. Salvesen and Thams Invest AS is the second largest shareholder in Medistim with 10.2 % of the shares. Bjørn M. Wiggen is on election for a new term at the ordinary general assembly in 2016.

Lars Rønn (born 1964) works as a consultant for Heidrick & Struggles with focus on recruitment of executives within the med-tech area. He has previous experience as Executive Vice President, Sales & Marketing in Ambu A\S, a Danish med-tech company and as CEO in Origio A\S. He has a long and extensive experience from several positions in Maersk-Medical AS. Lars Rønn is educated BSc in Business, Language & Culture and has a Graduate Diploma in Int. Trade from CBS (Copenhagen Business School). He also has a Management Program from INSEAD. Lars Rønn is board member in Pressalit A\S. He is on election for a new term on the next ordinary general assembly in 2016.

Tove Raanes (born 1977) holds an MBA and works as a consultant for the investment companies Dyvi Invest AS (shareholder in Medistim) Varner Kapital AS and AS Vidsjå. Tove has experience from strategy, finance and business development from several investment companies and management consulting from McKinsey & Company. She is on election for a new term on the next ordinary general assembly in 2016.

Siri Fürst (born 1958) was chosen as board member in 2013. Siri Fürst holds a degree in economics from NHH and is Managing Director of Considium Consulting Group from autumn 2011 and a Considium partner since 2005. Siri has experience within management and as a board member in a number of companies. She has worked within the areas strategy, business development, finance and investor relations. As a consultant Siri offers particular expertise in business development and strategy work, in addition to result assurance. She is independent towards the largest shareholders in the company and is on election for a new term on the ordinary general assembly in 2015.

Chapter 4: Corporate Social Responsibility in Medistim (CSR)

Corporate Social Responsibility in Medistim (CSR)

In general

Medistim ASA and its subsidiaries provide a positive contribution to society through their activities. Medistim ASA develops products that give patients better quality of life, as well as an effective health care system, by offering products that ensure quality during surgery. Quality assurance of surgery improves outcomes and increases the likelihood that it is performed right the first time. This gives patients quality of life, creating an effective health care system and is cost saving for the society.

Cardio- vascular diseases is a growing social problem in most countries as a result of better living conditions, fatty foods, smoking and less exercise. As a consequence of better living condition the population develops lifestyle diseases where thickening and calcification of blood vessels is one of these. When this group of patients is treated, it is often done surgically through a bypass. This is a new vein or artery that connects past the closed or partially condensed area. Medistim's proprietary equipment guides the surgeon in this effort by providing equipment that makes it easier for the surgeon to find condensed area, correct errors, and to qualify that the new vein or artery has proper blood flow.

The company is actively working towards clinics, surgeons and industry organizations to develop and improve practice in the clinic. Medistim aims to develop products that makes the everyday life in surgery easier and creates confidence that the desired outcome during a surgical procedure is achieved. Improved quality of performed surgery provides health benefits at several levels. Patients receive better quality of life, live longer and are healthier. Furthermore, improved quality of surgery will create an effective healthcare system that saves the community from unnecessary expenses with fewer re-admissions, shorter disease course and lower percentage of disability in the population. This provides social benefit.

The company's operations are, in other words, a contributor to improved clinical practice in hospitals. This is useful for the society that increases efficiency in health care that will cut costs for society. In addition, it provides enhanced quality of life for those affected. Healthy people make a positive contribution back to society.

In the same manner, the company is working with its distribution business in which the company offers various surgical equipment.

Medistim has a global leading role in developing products for quality control within of CABG and vascular surgery. The company's products are sold either directly through subsidiaries or distributors in all continents. For the distribution business, Medistim represent various agencies and suppliers from around the world. The business is in other words internationally landscaped. Therefore it is important for the company to create awareness and respect for human rights, labor conditions, environment and anti-corruption. To ensure compliance the company has prepared guidelines for ethical trade, anti-corruption handbook and code of conduct for all employees.

Ethical guidance in Medistim group

Employees of Medistim perform work of great importance to patients, surgeons and health authorities. To succeed with the companies vision and goal its essential that work and behavior is based on values that provide credibility, trust and respect among customers, employees and others that employees get in touch with through his/her work. Medistim will also be a driving force towards its partners, such as suppliers and distributors, to maintain high ethical standards in their daily work. As an example, Medistim Norge AS set clear standards for its suppliers in its "Guidelines for Ethical Trade / Code of Conduct". Medistim ASA poses similar demands on their suppliers and distributors. With this Medistim imposes itself with high ethical standards.

The purpose of the guidelines is to clarify Medistim's expectations when it comes to personal behavior, so that the employees perform their work in an ethical manner. Employees of Medistim should feel confident that the employer supports and defends the employees in the exercise of their work in line with the guidelines.

Scope and responsibility

The guidelines apply to Medistim's employees at all levels including temporary employees and contractors. The Code of Conduct also applies Medistim's officers in the execution of their office.

It is incumbent upon all who are covered by the Code of Conduct to familiarize themselves with them and help to ensure that they are followed. Managers have a particular responsibility to follow the guidelines and be perceived as good role models.

Medistim's employees must also have a clear understanding of how their individual behavior can influence the thrust of Medistim. Guidelines are an expression of Medistim's basic views on responsible and ethical behavior. They are not exhaustive and does not cover all ethical issues that may arise. It takes good judgement to determine whether a particular action or decision is ethically justifiable. If in doubt, its encouraged to seek guidance from superiors.

Basic expectations for employees are:

- They are familiar with Medistim's values and use them as the basis for their work.
- Act professionally and with care, integrity and objectivity.
- Abstain from actions that could undermine confidence in Medistim.
- Treat everyone they come in contact with through their work with courtesy and respect.
- Are aware of ethical issues in business, including human rights, labor rights, environment and anti-corruption in line with Medistim's Anticorruption Policy.
- In his\her work seeks to influence Medistim's employees and partners to maintain high ethical standards in their way of conducting businesses.

Personal behavior

The employee shall contribute to a good working environment characterized by equality, diversity, openness and tolerance. In the guidelines, the following are described:

- Zero tolerance for discrimination and harassment
- Drug abuse
- Treatment of confidential information
- Treatment of Medistim's assets
- Business travel
- Relation to environmental and social media
- Integrity and possible conflicts of interest
- Other paid contracts and any directorships
- Securities trading and trading in the stock Medistim
- Relationships with related parties
- Relationship with the media and general public
- Notification of unethical conduct

Medistim's anti-corruption policy

Corruption stand in the way of economic development, is anti-competitive and undermine both the rule of law and the democratic process. Medistim's worldwide operations are subject to national and international law prohibiting Medistim and Medistim's employees to take part in corruption, like for instance bribery of public officials and / or employees in the private sector. The fact that many corruption rules also apply outside the territory of each country, shows that it is not sufficient to follow the local national law when operating abroad.

Medistim has, in accordance with established principles as described in Medistim's ethical guidelines, a strong commitment to operate according to sound, ethical and sound business principles and comply with all laws and regulations. Medistim in particular will not allow or tolerate involvement in any form of corruption. Medistim have therefore compiled a handbook for employees to describe and explain the content of Medistim's anti-corruption policy and what this entails.

Medistim's subsidiaries and distributors are responsible for putting into the special corruption legislation concerning their business and to introduce further anti-corruption rules and guidance where necessary to comply with such rules.

There is a requirement for all Medistim's employees that they at all times fully comply with Medistim's anti-corruption policy, and no Medistim employee can give another Medistim employee authorization to deviate from this. Any violation of applicable anti-corruption legislation will be considered a serious violation of the employee's duties to Medistim and will most likely result in termination of employment or other appropriate sanctions.

All Medistim's employees are required to follow the principles given in the Group's anti-corruption policy. Medistim's companies should also take necessary steps to ensure that Medistim's independent business partners, including suppliers, customers and joint venture partners, does not take part in corruption or other illegal or unethical activities in connection with its business with Medistim.

Legal background

International conventions and agreements within the UN, the World Bank, the International Monetary Fund (IMF), World Trade Organization, the Organization of American States, OECD and EU oblige the participating countries to implement comprehensive national legislation against corruption.

Corruption is illegal in most countries of the world. It is important to be aware that Norwegian and other national anti-corruption legislation apply regardless of which country the actions are performed, and whether corruption is legal by respective country laws. In practice, individuals and corporations may be prosecuted under national anti-corruption legislation for acts committed anywhere in the world. Especially the U.S. government enforces extra territorial jurisdiction to pursue corruption anywhere in the world, according to the U.S. Foreign Corrupt Practices Act (FCPA).

General principles

Medistim shall act in a transparent, ethical and lawful manner to all potential or existing customers, suppliers and government officials.

In addition to following Medistim's guidelines on anti-corruption in their dealings with customers, suppliers and government officials, employees must also check whether customers, suppliers or public agencies have anti-corruption rules that require extra precautions to ensure that these parties' corruption policy are met. Medistim should always perform its contractual obligations in accordance with the terms of the relevant contract unless deviations are approved by the appropriate line managers and duly documented in the company's archives. Cash payments or the like or payments to unauthorized recipients or account numbers will not be accepted.

All sales and marketing activities, coverage of third party expenses, disbursements and contract execution on behalf of Medistim should be open and transparent both internally and towards Medistim's counterparts. Any invitation for

individuals to participate in events or activities that are wholly or partially paid by Medistim should be directed to the appropriate management level in the relevant legal entity or public body. It must be exercised particular caution in relation to public officials and in situations where the receiver is in a position in which he or she may make discretionary decisions or actions that may be beneficial for Medistim. Medistim's employees should consult their supervisor if there is any doubt that a specific marketing or service activities are not consistent with Medistim's or the applicable third party's anti-corruption policy.

All expenses must be approved in accordance with company standard procedures and documented and recorded in accordance with the right accounting standard.

Medistim's employees must not under any circumstances receive from or give to a supplier or business partner any improper advantage, including personal discounts, commissions , undocumented reduction etc.

Companies in Medistim group must always take the appropriate steps to ensure that Medistim's business partners, including suppliers, are not involved in corruption or any other illegal or unethical activities. Medistim employees who suspect that independent business partners are involved in corruption must report the matter and seek advice according to the procedures described the group's anti-corruption policy.

Code of Conduct (Guidelines for ethical trade)

Introduction

Medistim ASA works to promote a good working and environmental conditions in the supply chain and distribution chain. This is done in close cooperation with its suppliers and partners. To clarify what is expected of partners, Medistim ASA issued guidelines for ethical trade. The guidelines cover the basic requirements of human rights, labor rights and the environment.

Medistim ASA, is through its subsidiaries Medistim Norge AS a member of the Ethical Trading Initiative (ETI). ETI is an organization of organizations, private and public enterprises, a driver and a resource centre for ethical trade. Medistim report to the ETI on the progress of our work on ethical trade and these reports are publicly available.

Principles

Our distributors and suppliers must deliver goods and services to or for Medistim ASA produced or manufactured in accordance with the guidelines. The partner should also communicate and follow up guidelines of their business partners.

At the request of Medistim, the associate must be able to document compliance according to the guidelines. This can be done by declaration, follow-up conversations with Medistim and / or survey of the working conditions at the production site. If Medistim want to map business associates, partners are obliged to provide the names and contact details of the relevant partner.

In case of violation of the Code of Conduct, Medistim will in collaboration with associates make a plan for remediation of discrepancies. Corrective action should occur within a reasonable time. Termination of contract will only occur if the business associate, after repeated requests, is unwilling to rectify the situation.

Social and environmental standards will be a consideration in the selection of new suppliers.

Requirements for own business

Medistim will continually work to improve their own policies and practices that can help the business partners follow our guidelines for ethical trade.

Medistim, including all employees, will never offer or accept illegal or inappropriate monetary gifts or other benefits to achieve business or personal benefits for themselves or benefits for customers, agents or suppliers.

Medistim and Medistim's partners should avoid trading activities in countries with imposed trade embargo by the United Nations and / or the Norwegian authorities.

Requirements within the supply chain

ETI guideline for ethical trade is based on the internationally recognized UN and ILO conventions and specifies minimum and not maximum standards. The legislation at the production site must be respected. Where national laws and regulations covering the same topic as this policy, the higher standard shall prevail.

Medistim follow ILO conventions for:

- Forced labor and slavery
- Trade unions and collective bargaining
- Child labor and the UN conventions on children's rights
- Discrimination
- Brutal treatment and physical abuse or punishment
- Health and safety
- Working hours and wages
- Regular employment
- Marginalized populations
- Environment and corruption
- Management system with partner

Chapter 5: The Annual Accounts

Annual report 2014

Income statement Medistim ASA group

1 = NOK 1000

	Note	2014	2013
SALES REVENUE AND OPERATIONAL EXPENSES			
Revenues			
Sales revenue	3	214 251	190 333
Other income	3,11	566	646
Total revenue	2,3	**214 817**	**190 979**
Operational expenses			
Cost of goods sold	3	55 571	49 188
Salary and social expenses	4,5,20	69 175	62 440
Other operating expenses	7	38 449	36 042
Total operating expenses before depreciation and write down		**163 195**	**147 670**
OPERATING RESULT BEFORE DEPRECIATION AND WRITE DOWN		**51 622**	**43 309**
Depreciation on assets	6,11	8 260	7 703
Total operating expenses		**171 455**	**155 373**
OPERATING PROFIT		**43 362**	**35 605**
FINANCIAL INCOME AND EXPENSES			
Total financial income	8,19	9 495	7 070
Total financial expenses	8,19	7 964	5 187
Net finance		**1 531**	**1 883**
PROFIT BEFORE TAX		**44 892**	**37 488**
Tax expense	9	13 647	10 952
NET PROFIT	10	**31 245**	**26 536**

	2014	2013
COMPREHENSIVE INCOME		
Net profit	31 245	26 536
Other income and expenses for the period:		
Exchange differences arising on translation of foreign operations	699	643
TOTAL COMPREHENSIVE INCOME	**31 944**	**27 179**

Earnings pr. share		2014	2013
Basic	10	**1,73**	**1,47**
Diluted	10	**1,73**	**1,47**
Purposed dividend pr. share	10	**1,40**	**0,80**

Consolidated balance sheet Medistim ASA group

1=NOK 1000

	Note	31.12.2014	31.12.2013
ASSETS			
Non current assets			
Machinery and equipment	6	15 276	14 061
Deferred tax asset	1,9	4 405	5 560
Intangible asset R&D	1,11	34 724	29 711
Goodwill	1,11	14 128	14 128
Total non current assets		**68 533**	**63 460**
Current assets			
Inventory	13	36 874	37 930
Accounts receivable	14	39 948	38 781
Other receivables	14	9 778	8 406
Financial instruments	19	-1 120	-32
Cash	15	49 475	19 846
Total current assets		**134 955**	**104 930**
TOTAL ASSETS		**203 488**	**168 390**
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	4 585	4 585
Issued capital	16	46 381	46 381
Retained earnings		92 716	75 254
Total equity		**139 097**	**121 635**
Non current liabilities			
Interest bearing loans	17	11 043	4 981
Deferred revenue	11,17	2 074	2 772
Total non current liabilities		**13 117**	**7 753**
Current liabilities			
Accounts payable		8 479	10 011
Income tax payable	9	11 244	8 096
Employee withholding, social security taxes and other payable	17,18	24 320	17 413
Provisions	21	150	150
Interest bearing loans	17	7 082	3 332
Total current liabilities		**51 275**	**39 002**
Total liabilities		**64 391**	**46 755**
TOTAL EQUITY AND LIABILITIES		**203 488**	**168 390**

Cash flow statement

1 = NOK 1000

	Note	2014	2013
Cash flow from operations:			
Profit/loss after tax		31 245	26 536
Minus income tax paid	9	-8 096	-7 652
Plus this years tax expense	9	13 647	10 952
Plus depreciations	6,11	8 260	7 703
+/- Change in inventory	13	1 055	-1 756
+/- Change in accounts receivable	14	-1 167	-8 718
+/- Change in accounts payable		-1 532	1 580
+/- Interest revenue		198	146
+/- Interest expense		-759	-343
+/- Change in other accruals		6 088	-2 405
Net cash from operating activities		**48 939**	**26 044**
Investing activities:			
Minus investment in assets	6,11	-14 466	-21 848
Ney cash from investing activities		**-14 466**	**-21 848**
Financing activities:			
Minus down payment of interest bearing debt	17	-5 207	-1 687
Dividend	10	-14 481	-19 911
New loans	17	15 000	10 000
Net cash from financing activities		**-4 688**	**-11 598**
Unrealised loss foreign exchange		**-156**	**569**
Net change in cash		29 629	-6 833
Cash as of 01.01		19 846	26 680
Cash as of 31.12	15	**49 475**	**19 846**
Available cash and cash withholding			
Available cash as of 31.12	15	47 385	17 814
Cash withholding for taxes	15	2 090	2 032
Cash and cash equivalents as of 31.12		**49 475**	**19 846**

*Specification of other accruals 1 = NOK 1000:

Accrual for bonuses and commission	2753
Accrual for demo units	1012
Accrual for supplier obligations	1390
Other	933
Total	6088

Consolidated change in Equity for Medistim ASA

1 = NOK 1000

	Note	Share capital	Own shares	Share premium fund	Issued capital	Other reserves	Retained earnings	Total earnings	Total Equity
Equity as of 31.12.12		**4 585**	**-56**	**41 852**	**46 381**	**-1 414**	**70 204**	**68 790**	**115 170**
Net result recognised agains equity		**4 585**	**-56**	**41 852**	**46 381**	**-1 414**	**70 204**	**68 790**	**115 170**
Total comprehencive income for the period		-	-	-	-	643	26 536	27 179	27 179
Other corrections		-	-	-	-	-804	-	-804	-804
Dividend	16	-	-	-	-	-	-19 911	-19 911	-19 911
Equity as of 31.12.13		**4 585**	**-56**	**41 852**	**46 381**	**-1 575**	**76 829**	**75 254**	**121 635**
Net result recognised agains equity		**4 585**	**-56**	**41 852**	**46 381**	**-1 575**	**76 829**	**75 254**	**121 635**
Total comprehencive income for the period		-	-	-	-	698	31 246	31 944	31 944
Dividend	16	-	-	-	-	-	-14 481	-14 481	-14 481
Equity as of 31.12.14		**4 585**	**-56**	**41 852**	**46 381**	**-877**	**93 593**	**92 716**	**139 097**

Comments to other reserves:

Other reserves in the equity reconciliation are differences related to converting equity from foreign subsidiaries to NOK. The subsidiaries present their financial statements in EUR, GBP, DKK and USD. When converted to NOK a difference occur equal to the change in the exchange rate at the balance sheet day to NOK in these currencies. By year end 2013 this difference was -771 TNOK and the change for the year was 643 TNOK. By year end 2014 the equivalent was -73 TNOK a change of 698 TNOK from the year before.

Accounting principles

Medistim ASA is a public company listed at the Oslo stock exchange and is registered in Norway. The main office is located in Økernveien 94, 0579 Oslo, Norway. The Medistim group's business is within developing, producing, service, leasing and distribution of medical devices. Further description is described in the annual report.

1.1 Basis for preparation of financial statements

The financial statement for the group for 2014 is prepared in compliance with International Financial Reporting standard (IFRS) decided by EU and that is valid as of 31.12.2014.

The annual accounts for the company and the group has been prepared on the basis of historical cost. Financial derivatives have been evaluated according to actual market value.

The consolidated accounts have been compiled on the basis of uniform accounting for similar transactions and events under otherwise equal conditions.

1.2 Functional currency and the presentation currency

The group presents its financial statements in NOK. This is also the functional currency for the holding company. Subsidiaries with other functional currency are recalculated to NOK using the exchange rate at the balance date for the balance sheet. For the income statement the average rate in the period is used. Differences in exchange rates are recorded against equity. In case of assets held for sale in foreign subsidiaries the accumulative exchange rate difference is recorded in the income statement.

1.3 Principles for consolidation

The consolidated accounts include Medistim ASA and companies where Medistim ASA has obtained control. Obtained control is defined by more than 50 % of the shares in the company and where Medistim ASA is actually able to control of the company.

Subsidiaries are consolidated from the date of acquisition. Companies acquired or sold during the period are included in the accounts from the time control is obtained and excluded when control ceases.

Other investments are accounted for according to IAS 39 Financial instruments - recognition and measurement and further comments are given under 1.9.

Inter-company transactions and intra-group balances including inter-company profits and unrealized profits are eliminated. Unrealized losses are also eliminated unless there are indications of a permanent value reduction of an item sold within the group.

1.4 Cash and cash Equivalents

Cash includes cash in hand and cash in bank accounts. Cash equivalents are short term investments that immediately can be converted to cash to a known value within 3 months. The cash flow statement is presented using indirect method.

1.5 Accounts receivable

Accounts receivable are recorded at real value with a deduction for estimated losses and reduction in value.

1.6 Inventory

Inventory is valued at the lower of cost and net sales value according to the FIFO principle. Production cost includes the cost for components and cost for additional work done to get a complete product. The fixed and variable cost related to own products are allocated based upon normal capacity usage according to FIFO. Net sales value is estimated sales price in an ordinary operation environment with a deduction for cost to complete the product, including marketing and distribution.

1.7 Tangible fixed assets

Tangible fixed assets are recorded at cost less accumulated depreciations and write downs. When an asset is sold the remaining value of the asset in the balance sheet is deducted and profit or loss from sale is recognized in the financial statement.

The cost for fixed assets are the purchase price excluding taxes and VAT and other direct cost that incur in order to be able to use the asset. Costs accrued for major replacements and updates for a tangible fixed asset are added to cost if it is probable that the cost will bring future economic benefit and the cost can be reliably measured. Other cost such as maintenance is charged against income on an ongoing basis.

Tangible fixed assets are depreciated straight line over the estimated useful life from the time it's available for use. Depreciation time is as follows:

Machinery and equipment	3-7 years
Other assets	3-5 years

Depreciation time and method is evaluated on a yearly basis. The same evaluation is done for recoverable values. Management has evaluated the group's assets and has concluded that there is no need for decommissioned depreciation method for assets.

1.8 Leasing

(i) The group as a lessee

Finance leases

There was no financial lease in the group as of 31.12.2014.

Operational leases

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in the operating lease are added to the carrying amount of the lease and are recognized as cost on a straight line basis for the lease term.

(ii) The group as leaser

Operational leases

The group presents assets that are leased as assets in the balance sheet. Revenue related to the assets is recognized on a running basis in the leasing period. Direct cost related to the leasing agreement is added to the leased assets value and is depreciated over the lifetime of the lease in the same way revenue is recognized. The split of lease revenue is explained in note 2.

Financial leases

There was no financial lease in the group as of 31.12.2014.

1.9 Financial instruments

In accordance to IAS 39 financial instruments: recognition and measurement of financial instruments is defined as the following: fair value and changes in value is recorded in profit and loss at due date for receivables, loans, set for sale, hedging contracts and other obligations.

The most important financial derivatives for Medistim ASA are the forward exchange contracts. The group uses forward exchange contracts to reduce exposure towards USD and EUR. Change in fair value is recorded in income and is presented as financial income or expense when the contract is due. When closing a period unrealized gains or losses are recorded. The value of the contracts is an asset in the balance sheet and the change in value is recorded in profit and loss. The group has not been able to document hedge accounting, because the revenue in foreign currency is random orders and not long term contracts. The hedging contracts are categorized as financial instruments held for sale.

Other financial derivatives for the group are receivables, cash, loans, leasing agreements and supplier debt. These are commented under note 19.

1.10 Intangible assets

Intangible assets are recorded in the balance sheet if it is probable that it will create future economic benefit for the company. The asset must be identified at a reliable and measurable cost.

Intangible asset with limited economic life is measured at cost with deduction for depreciations and write downs. Depreciation is done on a straight line basis over expected lifetime. Economic life of the asset and depreciation method is evaluated on a yearly basis.

Intangible assets with undefined economic lifetime is not depreciated but tested yearly for fair value.

Development of own products

Expenses or amounts paid for development of own products are recorded in the balance sheet and depreciated on a straight line basis over expected lifetime. Expected lifetime varies from 3 to 8 years.

Software

Investments in software or own developed software is recorded in the balance sheet as an intangible asset, unless it is part of a cost related to hardware. Software is depreciated over 3 to 8 years. Expenses to maintain the program or to secure future use are expensed in the profit and loss unless the change in the program increases future economic benefit.

1.11 Goodwill

The difference between cost and fair value of the identifiable assets at the point of acquisition is classified as goodwill.

Goodwill is recorded in the balance sheet at cost with deduction of write downs if any. Goodwill is not depreciated, but it is tested yearly for write downs.

1.12 Research and development

Research and development is expensed on an ongoing basis. Development cost is capitalized as an intangible asset when it is identifiable and when the company has the recourse to complete the project. Expenses capitalized include materials, salary and social expenses and other expenses that can be allocated to the asset. Capitalized research and development cost are recorded in the balance sheet at cost with deduction for any accumulated write downs or depreciation.

Capitalized research and development cost are depreciated on a straight line basis according to expected life. Capitalized research and development is depreciated when a new product is ready for sale or an improved product is ready for sale. Capitalized research and development not ready for sales is tested for write downs on a yearly basis.

1.13 Provisions

Provisions are recorded when the group has an obligation associated with an event, when it is probable that the obligation can be measured or estimated. When all or part of a provision can be charged on to another party, it will be recorded in accounts receivable, if there is reasonable certainty that the other party will pay. The cost associated with a provision will be recorded net in the income statement after deduction for recharge and before tax. All risks, market value and all relevant issues related to the case will be reflected in the provision.

A provision for warranty is included based upon the level of product and services sold. The provision is based upon historic information related to warranties and the possible outcome for it to be a reality.

1.14 Equity and debt

(i) Equity and debt

Financial instruments are classified as debt or equity according the economic reality of the financial instrument.

Interest, dividend, profit and loss related to a financial instrument are classified as debt, will be presented as an expense or revenue. Financial instruments classified as equity will be recorded directly against equity. When rights and obligations related to a financial instrument are uncertain and impossible for the issuer and owner to know the outcome of, the financial instrument is classified as debt. This given that it is unlikely that the issuer must pay cash or other financial assets. In such a case the financial instrument is classified as equity.

Loans are recorded at net value. Direct transaction costs related to loans are recorded as financial expense in the income statement.

(ii) Own shares

Purchasing of own shares are recorded at purchase price including costs against equity. Own shares are presented as a reduction of equity. Loss or profit on own shares are not recorded in the income statement.

(iii) Cost related to equity transactions

Transaction costs related to changes in equity are recorded directly against equity in the balance sheet net after tax.

(iv) Other equity

Differences in exchange rates when recalculating an investment in a foreign company, and other related financial instruments to reduce risk on the foreign investment, is specified as difference in exchange rates in the equity. The difference in equity is recorded in the profit and loss when the investment is sold.

Changes in financial instruments that in reality are part of the investment in the foreign unit will also be included as exchange rate differences in equity.

1.15 Revenue recognition

Revenue is recognized when it is probable that transactions will generate future economic benefit that will accrue to the company and the revenue can be reliably measured. Revenue is presented net without VAT and rebates.

Revenue for sales of goods is recognized on date of delivery and when major control and risk have been transferred to the buyer. Systems and probes are recognized as revenue when the goods are shipped from Medistim ASA and when the risk and ownership is either transferred to distributor or end customer. The same is the case for third party products. In the US where the systems are at the end customer site the lease revenue is recognized when a new smart card is shipped to a customer.

Interest income is recognized based upon the effective interest method and as they are earned.

Dividend is recognized as income when the group has a right to receive dividend decided by the General assembly meeting.

1.16 Foreign currency

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate at the date of the transaction. Financial instruments in foreign currency are translated to Norwegian kroner at the closing rate of the balance day. Non financial items measured at historic cost are translated to Norwegian kroner using the exchange rate at the time of the transaction. Changes in exchange rates are recorded in the profit and loss statement.

Foreign subsidiaries

Assets, liabilities and goodwill in foreign subsidiaries that are consolidated are translated to Norwegian kroner at the date of the balance sheet. Revenue and costs are translated to Norwegian kroner using the rate at the transaction date. See also comment under 1.14 iv regarding exchange rate differences.

1.17 Pension and other employee benefits

Contribution pension plan

All employees in Medistim group are included in a contribution plan. The agreed percentage of the employee's salary is paid to the employee pension account. The company's payment of contributions is expensed in the period it's accrued.

Share based payments

If the Group has share based payment scheme for its management, the programs are measured at fair value at grant date. The share based payment for the company's top leader is a scheme by issuing shares, while the share based payment is for the US leader is a system of cash. For transactions that are settled in equity instruments (arrangements by issuing shares) recognize the value of shares granted during the period as a compensation expense in the income statement and a corresponding additional paid-in capital. For schemes that are settled in cash (cash-based schemes) recognize the value of the shares granted as compensation expense in the income statement in the period and with a corresponding liability in the balance. The commitments by arrangements with cash are measured by at fair value at each balance sheet date until the date of settlement, and changes in fair value are recognized.

1.18 Interest bearing loans and borrowings.

Interest on loan is recorded as financial expense in the P & L for the period they occur. Interest on loans is only activated in the balance sheet if it is directly linked to acquisition or development of an asset. The interest is activated during the construction period of the asset. The activation of interest ends when the asset is ready for use. The asset is written down to real value if cost price is more than real value for the asset. No interest expense from loans was activated in 2014.

1.19 Public grants

A public grant is accounted for when the company with reasonable certainty can assume that the conditions for the grant is for filled and that the grant will be paid. The grant is recorded systematically as other income over the grant period or as cost reduction dependent upon the type of project. Investment grants are recorded in the balance sheet as deferred income and revenue is recognized according to the life time of the asset.

1.20 Tax

The tax expense in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated on the basis of temporary differences between tax value of assets and accounting value of assets.

A tax asset is accounted for when it is objective proof that the company will have sufficient taxable profit in the future to offset the tax asset. Tax assets that are not accounted for will be re-evaluated at the next balance sheet date and included to the degree that it is probable that future tax profits will allow the recovery of assets in connection to deferred tax. Tax assets will in the same manner be reversed if it is probable that the company cannot utilize the asset.

Deferred tax and deferred tax assets are measured using the expected future tax percentage for the companies within the group that have temporarily differences between tax values and accounting values of assets or losses carry forward. Deferred tax and tax assets are recorded at nominal value and is classified as long term financial asset in the balance sheet. Tax payable and deferred tax is recorded against equity if the transaction is an equity transaction.

1.21 Write down of assets

A write down of assets are done when the fall in value is expected to be permanent. When a need for write down on an asset is identified, the asset will be written down to the lowest value of balance sheet value and fair value. Fair value is the largest of market value or future economic benefit of the asset. Best estimate is used when assessing future economic benefit. Best estimate is used by identifying cash flow from the asset independent of cash flow from other assets. An earlier write down is reversed only if the basis for the write down no longer exists. The reversal is limited to balance sheet value with deduction for accumulated depreciations calculated as if the write down never took place.

1.22 Segment

The group is organized, for management purpose, in three divisions dependent upon products and services. The segments are identified based upon different risk and return on investment profile. The divisions form the primary segment reporting. Information regarding segments and geographic split is presented in note 2.

Internal profit between the segments is eliminated in the segment report.

The segment reporting is similar to the internal reports that are given to the decision makers in the company. The decision makers are responsible for allocating resources and assessing profitability within the segments, and are identified as the management team that takes strategic decisions.

1.23 Contingent liabilities and assets

Contingent liabilities are not accounted for in the annual report. Information about significant contingent liabilities is in the notes to the accounts.

Contingent assets are not included in the annual accounts. Information about significant assets is in the notes to the accounts.

1.24 Events after the balance sheet date

New information regarding the company’s financial position after the balance sheet date is included in the annual accounts. Event’s after the balance sheet day that does not affect the financial position on the balance sheet day but

affects the future position is informed about in notes if it is significant.

1.25 Use of estimates in the annual accounts

Management has used estimates and assumptions that effect assets, debt, revenue and cost and contingent liabilities. This is especially the case for deferred tax, real value of assets and debt for acquired companies, research and development in the balance sheet, intangible assets and goodwill. Future events could lead to a change in the estimates. The estimates and assumptions for the estimates are continuously evaluated. Changes in estimates are accounted for in the period the change take place. If the change includes future periods, the effect will be split between current period and future periods.

When the annual accounts are prepared it is required according to the general accepted accounting principles in IFRS that management in the company prepares estimates that affects assets, debt revenue and expenses for the company in the accounting period. In addition a presentation of assets or debt for sale is to be enclosed. Later achieved results can be different from the estimates.

For some amounts that are included in the accounts and enclosures are based upon estimates that require the management to set assumptions when finalizing the accounts. The estimates in the accounts are important when evaluating the financial statements. It is a requirement that the management has assessed the issues and the complexity in the company at its best ability. The issues can by nature be uncertain, but when preparing the accounts it is management's best estimate that is reflected in the statements. The estimates are continuously evaluated based upon historic events, trends and experience. Management is consulting with its advisors to follow trends and methods management find reasonable to apply in the given situation in addition to forecasts and future development. See also note 1.

1.26 New principals

It is being developed new standards, amendments to existing standards and new interpretations on existing standards on an ongoing basis. Few of these have significant effects for Medistim ASA. The most important changes are discussed below.

1.27 Effect of implementing new standards after IFRS.

IFRS 10 Consolidated financial statements:
The change is included in Medistim Financial statements for 2014. It had no effect on the financial statements since all subsidiaries are owned 100 %.

IFRS 11 Joint arrangements:
Medistim has no such relations as of 2014 and therefore it had no effect on the financial statements.

IFRS 12 Disclosure of interests in other entities:
Requires additional note information related to investments. The change is implemented in 2014 and additional information is included for the Medistim subsidiaries.

IAS 27 Separated financial statements:
The holding company in the group follows NGAAP and the change does not apply to Medistim in 2014.

IAS 28 Joint Ventures:
Medistim has no such relations in 2014.

1.28 The effect of new future standards under IFRS.

There are standards and interpretations under IFRS that are publicized, but not yet effective and implemented in the annual report for Medistim ASA.

IFRS 9 Financial instruments: Classification and measurement of financial assets and obligations. New standard is ready and must be implemented by 2018. The effect of the standard on Medistim financial statements need to be analyzed.

IFRS 14 regulatory deferral accounts: This is only valid for companies that do not already report according to IFRS and are to convert to IFRS reporting for the first time. This will not affect Medistim consolidated accounts.

IFRS 15 Revenue for contracts with customers:
The standard must be implemented by 2017. The standard is not expected to have impact on Medistim financial statements since the nature of the business does not involve contracts with milestone deliveries.

Other standards and changes in existing standards and interpretations are not expected to cause any significant changes for Medistim.

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Notes to the accounts

Note 1 Estimate and assumptions

The company's main accounting estimates and assumptions are related to the following entries:

- Goodwill
- Research and development
- Deferred tax
- Other accruals

Goodwill

The group's goodwill in the balance sheet is yearly tested for impairment. Goodwill occurred with the acquisition of Medi-Stim Norge AS, which was executed with effect from 01.01.02, and the acquisition of Kir-Op AS that was executed with effect from 06.07.06. Total recorded goodwill by year end 2014 was 14.1 MNOK. Goodwill of MNOK 7.9 was allocated to the Medi-Stim Norge AS acquisition and MNOK 6.2 was allocated at the Kir-Op AS acquisition. Goodwill in both companies is related to employee know how, experience in the distribution business and cost savings by gathering common functions. Both companies distribute third party products within surgery. During 2006 there was a fusion of the two companies and a total evaluation for both companies in relation to impairment was done for goodwill in 2007. Both entities are within the same segment. The total value of the business is dependent upon the success of maintaining and increasing the product portfolio. The value from the cash generating unit exceeded the book value in the balance sheet and the goodwill value for 2014 was not impaired. See also note 11 for the assumptions used in the estimate.

Research and development

Development cost has been recognized as an intangible asset because Medistim can demonstrate technological feasibility for the asset to be available for sale for both existing products and new products. The revenue potential for the projects exceeds the investment. The balance sheet value as of 31.12.2014 was MNOK 34.7. The estimates that form the basis for the intangible asset are performed by the management of the company, and there will always be a level of uncertainty in relation to the assessments that are performed on future revenue for future products. Activated development costs are depreciated over 3 to 8 years. 8 years is used if it is a new product on a new technological platform that creates the basis for a new generation of products. Based upon a platform or new generation of products there will be further developments and improvements. These enhancements of the products are depreciated over 3 years because of rapid technological development. Within 3 years it is assumed that parts or all of existing technology is updated.

Deferred tax asset

The deferred tax asset in the balance sheet was MNOK 4.4 by the end of 2014. The deferred tax asset arises from temporarily differences between book value and tax value on assets. All possible deferred tax is included in the balance sheet as of 31.12.2014. The company is of the opinion that it is likely that the future taxable income will exceed temporarily differences. The company is optimistic in regard to the company's future and income, but there are always an uncertainty related to future projections.

Accounts receivable and inventory

The group had an accrual for bad debt of 833 TNOK where TNOK 620 was related to two specific events. Confirmed losses over the last 10 years have been 811 TNOK. The end customers are to a large extent hospitals that have public financing. The risk for losses is therefore considered to be low. The group has an inventory accrual of 0.8 MNOK. The accruals are related to spare parts inventory and demo inventory that is written down with respectively 50 % and 75 %. There can be some uncertainty related to the real value of these inventories.

Uncertainty related to the lifetime of depreciated assets is considered to be low and it's the management's opinion that there are no other material uncertainties for the company related to estimates and assumptions for other assets and debt.

Note 2 Segments

Segment information is presented for operating segment and geographical segment.
The group's activity is split into strategic operating units that are organized and managed separately. The different operating segments sell different products or the same product using another business model. They have different customers, risk and return on investment profile. The split is according to the company's internal reporting structure. The activities are split in the following areas:

A. Lease of equipment within cardiac surgery
B. Capital and consumable sales within cardiac surgery
C. Distribution and sales of third party products

Medistim has a flexible business model in the US and leaves it up to the customer whether they want to lease the equipment or purchase the systems and buy probes as consumable. Most customers in the US lease the equipment. When leasing equipment within cardiac surgery, the system and probes are placed at the customer site free of charge. For the customer to be able to use the equipment a procedure must be purchased. One procedure equals one surgery. The customer purchases a smart card that makes the system available for use. For the customer, the smartcard is a consumable purchase while Medistim owns all equipment placed at the customer site. The business model is used in the US where the health care sector is more focused on cost per patient. The financing of the products is more beneficial by placing the equipment at the customer site and only charge per usage. The economical barrier is reduced by avoiding large investments before the system can be taken into use. Outside the US, cost per patient is not focused in the same way so the US model is not suitable in the rest of the world. There is also a policy among many hospitals that equipment used in the hospital shall be hospital property. For this reason systems are sold as capital equipment and probes as consumables outside the US. All revenue related to the procedural sales is defined as leasing revenue according to IFRIC. The reason is that the customer has the physical control of the equipment, which was a change that was implemented in 2007. The change was triggered by the establishment of a direct sales and distribution centre in the US. The split of leasing revenue is based upon expected lifetime on the system and average usage of probes in a capital sale. This gives a split of revenue with 48 % allocated to system rental and 52 % allocated to probe rental. See also comment under 1.8 accounting principles. If a customer mistreat the equipment they become liable towards the company. The most common damage is related to cleaning and sterilizing of probes where chemicals used damages the probe. The probe is marked with the chemicals one should use. In these cases Medistim invoice the customer for a new probe. For this reason its recorded probe revenue for the segment. In the leasing agreements there are clauses for minimum usage per year giving Medistim the right to withdraw the equipment if these levels are not reached. In some cases the customer wants to keep the equipment without being able to guarantee for minimum usage. In such a case a customer may purchase the equipment and this explains that there are some system revenue allocated to the segment. Minimum usage per year in the contracts is 100 procedures per year, which gives minimum revenue of USD 25.000. The contracts can be terminated within 1 year and yearly revenue related to the contracts was in 2014 48.3 MNOK.

Capital and consumable sales within cardiac surgery is based upon the same products as within lease of equipment within cardiac surgery. The products are developed and produced by Medistim and is distributed through local partners unless Medistim has local representation. The systems are sold as capital equipment and the probes are sold as consumables. Through sales of the equipment the ownership is changed which then represent a different risk and return on investment profile compared to leasing. For this reason it's treated as a separate segment.

Distribution and sale of third party products is a separate segment. The group sells third party products in Norway and Denmark. For smaller markets there is a need to offer more than one product to have a profitable business. The product portfolio is carefully selected to fit the same customer segment.

Medistim ASA uses geographical segment in addition to operating segment. The groups business by geography is split as follows: USA, Europe, Asia and the rest of the world. The split is based upon the localization of customers. The US is an important geographical area for Medistim. It is only in the US that the business model with leasing of equipment is promoted. Also the US is the largest market for Medistim's products and represents 33 % of the world market. It is for this reason important for the management to track the development in this market. The largest market penetration is in Europe, while Asia is the region with the largest growth potential as Asians are adopting western lifestyles. A split between the US as the largest market, Europe where the market penetration is the highest and Asia with future growth potential, is important for the company in order to follow the trends in the different markets.
Transactions between internal business units are performed at market terms. Revenue, cost and result for each segment includes transaction between the segments. On group level these transactions are eliminated.

Segment	Lease of equipment within cardiac surgery		Capital sales/consumables within cardiac surgery		Third party products		Elimination		Group	
1 = NOK 1000	2 014	2013	2 014	2013	2 014	2013	2 014	2013	2 014	2013
Revenue:										
Lease revenue from systems	23 197	20 626	-	-	-	-	-	-	23 197	20 626
Lease revenue from probes	25 130	22 345	-	-	-	-	-	-	25 130	22 345
Probes	-	-	61 564	51 128	-	-	-	-	61 564	51 128
Systems	1 788	852	15 224	16 242	-	-	-	-	17 013	17 094
Ultrasound imaging systems	5 396	2 217	13 394	11 706	-	-	-	-	18 790	13 923
Ultrasound imaging probes	987	254	2 385	2 402	-	-	-	-	3 372	2 656
Third party sales	-	-	-	-	65 185	62 561	-	-	65 185	62 561
Other revenue	40	(416)	526	1 062	-	-	-	-	566	646
Total external revenue	56 539	45 878	93 093	82 540	65 185	62 561	-	-	214 817	190 979
Intercompany sales	27 280	23 081	28 215	20 425	-	-	-55 495	-43 506	-	-
Total revenue	83 819	68 959	121 308	102 965	65 185	62 561	-55 495	-43 506	214 817	190 979
Other operating expenses	10 704	9 277	20 442	18 988	7 303	7 777	-	-	38 449	36 042
Segment result before tax	6 943	5 341	30 177	24 880	7 772	7 267	-	-	44 892	37 488

Segment	Lease of equipment within cardiac surgery		Capital sales/consumables within cardiac surgery		Third party products		Elimination		Group	
	2 014	2013	2 014	2013	2 014	2013	2 014	2013	2 014	2013
Sale in number of units										
Procedures	35 972	31 170	-	-	n.a	n.a	-	-	35 972	31 170
Probes	1 398	1 410	6 535	6 028	n.a	n.a	-	-	7 933	7 438
Systems	5	2	85	100	n.a	n.a	-	-	90	102
Ultrasound imaging	8	3	43	34	n.a	n.a	-	-	51	37
Ultrasound imaging probes	48	31	45	54	n.a	n.a	-	-	93	85

Split of debt and assets according to operating segment

Segment	Lease of equipment within cardiac surgery		Capital sales/consumables within cardiac surgery		Third party products		Elimination		Group	
1 = NOK 1000	2 014	2013	2 014	2013	2 014	2013	2 014	2013	2 014	2013
Intangible assets	17 362	15 854	21 727	19 377	14 168	14 168	-	-	53 257	49 399
Tangible assets	11 083	9 049	1 321	2 229	2 872	2 783	-	-	15 276	14 061
Current assets	17 956	13 523	89 330	70 632	47 174	38 886	-19 505	-18 111	134 955	104 930
			-	-						
Total assets	46 401	38 426	112 378	92 238	64 214	55 837	-19 505	-18 111	203 488	168 390
Equity	57 885	50 942	27 362	24 616	53 849	46 077	-	-	139 097	121 635
Long term debt	-	-	13 117	7 753	-	-	-	-	13 117	7 753
Short term debt	20 074	19 322	38 259	27 074	12 447	10 717	-19 505	-18 111	51 275	39 002
Total debt and equity	77 959	70 264	78 737	59 443	66 296	56 794	-19 505	-18 111	203 488	168 390
Investments	8 681	10406	5 037	10 348	749	1 094	-	-	14 466	21 848
Depreciations	4 264	4004	3 955	3 092	41	607	-	-	8 260	7 703
Write downs	-	-	-	-	-	-	-	-	-	-

Split of revenue, debt and assets according to geographical segment

Geographic split of segments	USA		Europe		Asia		Rest of the world		Not allocated		Group	
1 = NOK 1000	2 014	2013	2 014	2013	2 014	2013	2 014	2013	2 014	2013	2 014	2013
Revenue	56 539	43 407	128 768	114 583	18 730	19 210	10 780	11 308	-	-	214 817	188 508
Assets	46 401	38 426	150 318	119 978	4 818	6 893	1 951	3 093	-	-	203 488	168 390
Investments	8 681	10 406	5 786	11 442	-	-	-	-	-	-	14 466	21 848
Revenue in numbers												
Procedures	35 972	31 170	-	-	-	-	-	-	-	-	35 972	31 170
Probes	1 398	1 410	4 601	3 914	1 133	1 419	801	695	-	-	7 933	7 438
Systems	5	2	44	47	34	39	7	14	-	-	90	102
Ultrasound imaging	8	3	23	12	12	11	8	11	-	-	51	37
Ultrasound imaging probes	48	31	24	21	16	20	5	13	-	-	93	85

Activated development cost is equally split between lease of equipment within cardiac surgery and capital sales and consumables within cardiac surgery in 2014 and 2013 since it is the same products. Dividend and own shares is partially split between capital sales, lease and third party products.

Note 3 Split of revenue and cost of goods sold

Split of revenue:

1 = NOK 1000	2014	2013
Sale of third party products	65 185	62 561
Probe revenue	61 564	51 128
System revenue	17 013	17 094
Ultrasound imaging systems	18 790	13 923
Ultrasound imaging probes	3 372	2 656
Leasing revenue	48 326	42 971
Grants/other	566	646
Total revenue	**214 817**	**190 979**

The nature of the lease is described in note 2

Split of cost of goods sold

1 = NOK 1000	2014	2013
Third party products	34 892	31 869
Components	16 666	13 911
Development	1 410	1 162
Write down of inventory	0	-
Packing material and other materials	93	38
Freight	2 511	2 209
Total cost of goods sold	**55 571**	**49 188**

Note 4 Salary and social expenses

Split of salary expenses

1 = NOK 1000	2014	2013
Salary	52 759	48 788
Employers tax	7 509	7 229
Bonus	4 387	1 344
Cost for contribution pension plan	2 543	2 503
Compensation to the Board	880	699
Other social costs	1 097	1 877
Total salary and social cost	**69 175**	**62 440**

Average number of employees:

	2014	2013
USA	17	17
Germany	4	4
UK	1	2
Denmark	1	1
Norway	61	62
Total	**84**	**86**

Audit expenses

1 = NOK 1000

	2014	2013
Expense for compulsory audit	530	402
Expense for other services	24	42
Total audit expense	554	444

The amounts are without VAT

Note 5 Pension expenses and obligations

The contribution plan covers 5 % of salary up to 6 G and 8 % of G between 7 and 12. 1G is the base amount in the social security system. The cost for the contribution plan was in 2014 TNOK 2.543, while it was TNOK 2.503 in 2013. It is compulsory by law for the company to have a pension plan for its employees. The pension plans in the company fore fill the obligation in the law.

Note 6 Assets and depreciation

1 = NOK 1000	Machinery and equipment 14	Other assets 14	Total assets 14	Machinery and equipment 13	Other assets 13	Total assets 13
Historical cost						
Balance 1. January	33 342	9 002	42 344	28 980	7 430	36 410
Additions	4 584	817	5 401	5 270	1 573	6 842
Assets sold/written down	0	-	0	-908	-	-908
31.December	**37 926**	**9 819**	**47 745**	**33 342**	**9 003**	**42 344**
Accumulated depreciation						
Balance 1. January	21 297	6 986	28 283	19 315	6 152	25 467
Accumulated depreciation through acquisition			-			-
Depreciation this year	3 180	1 027	4 207	2 781	868	3 649
Assets sold/written down	0	-	-	-786	-	-786
Exchange rate differences	2	19	21	13	34	47
31. December	**24 475**	**7 994**	**32 469**	**21 297**	**6 986**	**28 283**
Book value	**13 451**	**1 825**	**15 276**	**12 045**	**2 016**	**14 061**
Depreciation in %	14-33 %	20-33 %		14-33 %	20-33 %	
Economic lifetime	3-7 year	3-5 year		3-7 year	3-5 year	
Depreciation method	lineary	lineary		lineary	lineary	

Fully depreciated assets

Some assets with total historic cost value of 4.8 MNOK is fully depreciated as of 31.12.2014 but are still in use.

Assets no longer in use

All assets were in use in 2013 and 2014 and no assets were temporarily out of use as of 31.12.2014.

Write downs

All assets have been evaluated and there was no need to write down any asset. In case of a write down of an asset the estimated current price is used.

Guaranties and securities

As of 31.12.2014 assets with value up to 13 000 TNOK is used as security for long term loan and hedging credit facility. The group's bank had the same security as of 31.12.13.

Note 7 Other operating expenses

1 = NOK 1000	2014	2013
Office rent	5 435	4 690
Travel cost	9 524	6 956
Marketing	4 284	4 161
Consultants	8 796	8 794
Insurance	1 115	1 200
Freight	1 282	2 192
Communication	1 061	967
IT cost	2 961	2 435
Other	3 991	4 647
Total	**38 449**	**36 042**

Note 8 Financial revenue and expenses

As of 31.12.2014 the company had 18.1 MNOK in interest bearing debt. Additional cash in the group gave interest revenue of 198 TNOK. Other finance revenue and expenses was realized or unrealized gains or losses towards foreign currency. Financial revenue and expenses are shown below. See note 19 for comment about financial risks and exposure.

1 = 1000 NOK	2014	2013
Interest income	198	146
Gains on foreign exchange	9 297	6 924
Total financial income	**9 495**	**7 070**
Loss on foreign exchange	-7 205	-4 769
Interest cost on loans	-759	-342
Other financial expenses	0	-76
Total financial expenses	**-7 964**	**-5 187**
Net financial expenses	**1 531**	**1 883**

Note 9 Reported tax expense and temporary differences

Income tax for the year:		
1 = NOK 1000	**2014**	**2013**
Current income tax charge	12 447	9 420
Change in temporary differences	1 200	1 532
Income tax expense reported in income statement	13 647	10 952
Reconciling tax expense towards income before tax		
Tax expense for the year	13 647	10 952
27% of income before tax	13 018	10 497
Permanent differences and different tax rates	629	456

Specification of taxable income	**2014**	**2013**
Income before tax	44 892	37 488
Permanent and other differences	228	237
Difference because of different tax rate	2 107	324
Change in temporary differences	3 318	3 086
- Skattefunn	-	-2 019
Taxable income	50 544	39 115
Reported income tax	13 647	10 952
Tax penalty	-	-
Total tax	13 647	10 952

Payable tax in the balance sheet	**2014**	**2013**
Payable tax this years profit	13 647	10 952
Prepaid tax	-1 203	-1 324
Utilizing deferred tax asset	-1 200	-1 532
Skattefunn	-	-2 019
Total payable tax	11 244	6 077
Bet receivable is recorded in other receivables		
Specification of deferred tax		
Changes in values:	**2014**	**2013**
Fixed assets	-17 311	-19 413
Current assets	-2 044	-3 781
Other obligations	3 040	2 264
Total differences	-16 315	-20 593
Deferred tax asset 27 %	-4 405	-5 560
Recorded tax asset in the balance sheet	-4 405	-5 560

The deferred tax asset in the balance sheet is based upon future utilization of negative temporary differences. There is no time limitation utilizing the temporary differences. Tax rates in Germany and in the US are different from Norwegian rates. The difference in tax rates increases average tax rate in 2014 with 3 % for 2014. See also comment in note 1.

Tax expense for the group is geographically split as follows:

1 = NOK 1000	**2014**	**2013**
Norway	10 721	9 810
Germany	1 238	1 037
USA	1 547	105
Denmark	141	-
Total	13 647	10 952

Note 10 Earnings per share

1 = NOK 1000	2014	2013
Profit for the year	31 245	26 536
Average numbers of shares outstanding 31.12		
Ordinary issued shares	18 101	18 101
Average numbers of shares outstanding 31.12	**18 101**	**18 101**
1 = NOK 1		
Profit per share	**2014**	**2013**
Ordinary	**1,73**	**1,47**
Diluted	**1,73**	**1,47**
Paid dividend	**14 481**	**19 911**
Dividend per share	**0,80**	**1,10**
Suggested dividend per share	**1,40**	**0,80**

The company has only one class of shares and there are no share options outstanding. Ordinary earning per share is calculated as the relation between profits for the year that is allocated to ordinary shareholders divided with average number of shares outstanding. Shares purchased by the company is not included and average number of own shares are excluded from the calculation. In 2014 there were no share options to employees. By year end the company had 236 000 own shares.

Note 11 Intangible assets

Activated R & D expenses and deferred revenue

Capitalized development costs include expenses incurred in connection with one project. This is the development of 4th generation of systems, the MiraQ, replacing today's platform for VeriQ and VeriQC. The 4th generation of systems is module based and flexible in regard to the configuration the customer needs. In addition there are components in the VeriQ platform that are at end of life and soon no longer available in the market. In 2014 8.2 MNOK was activated in the balance sheet. The new platform forms the basis for future models from Medistim. Another 0.8 MNOK was activated related to other minor projects.

Intangible assets derived from internal R & D:

1 = NOK 1000	R & D expenses in 2014	R & D expenses in 2013
Historic cost		
Historic cost 31.12.	45 713	32 847
Internal additions	4 321	3 077
External additions	4 744	11 785
Skattefunn	-	(1 996)
Historic cost 31.12.	**54 778**	**45 713**
Accumulated		
Accumulated	16 002	11 949
Depreciations for the	4 052	4 053
Total depreciation	**20 054**	**16 002**
Net value in	**34 724**	**29 711**

When estimating cash flow from the development projects, the company's budget for 2015 and 3 year strategy plan for the years 2016 and 2017 is the basis for the estimation. Cash flows for more than three years are estimated by using Gordon's growth formula with a 2 % growth in the terminal year. The cash flow is discounted using 16.0 % discount rate. This includes an additional yield of 12.0 % compared to risk free interest.

Ultrasound imaging transferred to new system platform MiraQ:

The imaging possibility represents a major enhancement since the inside of the blood vessel is shown. This has clinical value for the surgeon because diagnose can be set directly if something is wrong. Also, the trend within surgery is less invasive procedures and this increases the demand for better technology to compensate for the overview that surgeon is used to have. Imaging also opens other areas of use in the operating theatre. The value of the system increases when it has multi functionality for the surgeon.

The company has over time through its contacts in the industry received requests for imaging functionality, and a project was initiated in 2005. Medistim soon concluded, together with surgeons after several tests on animals, that it was feasible to produce the requested images. Later tests in the project with own developed equipment was successful and the images had a good quality. In 2014 the equipment was used in several clinics and the product has been available for sale in Europe, USA and Japan. Customers using the product in clinic have given valuable feedback and experiences with the equipment during surgery. The product has been available for sale since 2009.
The ultrasound imaging module is transferred to Medistim's new technological platform, the MiraQ that will form the basis for future technological development. For this reason the ultrasound module is depreciated over 8 years. This is in line with the company's earlier experience when introducing new technology. The products have lasted over 10 years and are still in use.
Medistim qualified for OFU funds and had a grant of 5.85 MNOK. The project was finalized in December 2009 and Medistim has received 100 % of the original grant from the OFU fund. Book value of the project was as of 31.12.2014 11.7 MNOK and is depreciated over 8 years. No further investments were done in the ultrasound imaging product in 2014.

Probes to vascular surgery – the PV probe:
Within vascular surgery, there is a corresponding need to measure blood flow in the same manner as within cardiac surgery. Some vascular surgeons are already using Medistim's equipment despite the fact that the probes are designed for cardiac surgery. The company has seen an increasing demand over time and in 2011 the company developed a specially designed probe for use in the vascular area. The market in vascular surgery is large and it is performed about 600,000 procedures annually. In comparison, about 700,000 procedures are performed per year within cardiac surgery. This is a significant market where Medistim can customize its solution with a modest investment. The first probes were available for sale by the end of 2011 and the company invested 2.6 million in the new product in 2011. In 2014 there was invested another 0.8 MNOK and the purpose is to develop probes of the same kind only in smaller sizes. The new probe sizes are expected to be completed during 2015. Book value as of 31.12.2014 was 1.9 MNOK.

4th generation of systems; the MiraQ:

Main focus in 2014 has been the work with the new system platform for future flow measurement and imaging systems. The new platform will have a flexibility that will allow customer adaption and new applications. The technological improvement will secure and strengthen Medistim's leading position. The product, MiraQ Cardiac, based upon the new platform, was launched by the end of 2014. In total it is invested 21.1 MNOK in the project.

Summary:

The projects have been tested yearly for write downs. In the test, cash flow for the coming 5 years are used. It is expected that all of the projects will give an economic benefit that exceed the book value. The R & D expense for 2014 was in total 12.2 MNOK compared to 18.0 MNOK in 2013. In 2014 9.1 MNOK of the R & D expense was activated in the balance sheet while 14.9 MNOK was activated in the balance sheet in 2013. The company received funds from Skattefunn with 2.0 MNOK in 2013, which was recorded as a reduction of investments in the platform project. As of 31.12.2014, 2.0 MNOK was recorded in the balance sheet as deferred revenue and 0.7 MNOK was recorded as revenue in the P & L in 2014. In total 3.1 MNOK of the R & D expenses was recorded in the P & L in 2014. Similar expense was 3.1 MNOK in 2013. The expensed R & D was the rest value of all R & D expenses after activated R & D was deducted. All R & D activities are in the holding company.

Goodwill:
A yearly test of values is done for the cash flow generating units that has a goodwill value in the balance sheet:

1 = NOK 1000	2014	2013
Acquisition of Medi-Stim Norge AS	7 960	7 960
Acquisition of Kir-Op AS	6 168	6 168
Total goodwill Medistim Norge AS	**14 128**	**14 128**

A test of values is performed by estimating the cash flow for Medistim Norge AS. This is estimated using the company's budget for 2015 and 3 year strategy plan for the years 2016 and 2018 with the assumption of 2 % growth in 2019 compared to 2018. Cash flows for more than five years are estimated by using Gordon's growth formula with a 2 % growth in the terminal year. The cash flow is discounted using 16.0 % discount rate. This includes an additional yield of 12.0 % compared to risk free interest. The value of the discounted cash flow exceeded the recorded book value in the balance sheet and there was no need for a write down of goodwill.

The estimates in the tests are most sensitive to changes in the following parameters:

- Maintaining market share and product lines
- Maintaining margins and keep competitive prices
- Level of minimum return on investment
- Future growth
- Changes in foreign exchange rates
- Employee know how

Maintaining market share and product lines:
Within the medical device industry there are major investments done in the development of products. Medistim Norge has certain product lines that have a large portion of total sales. Medistim Norge's financial situation will be affected if a new product was released in the market that would replace existing key products, and Medistim Norge is not distributor for the new product. The company would also be affected if a supplier changes distributor or chooses to go direct in the Norwegian market. For this reason it's important for the company to maintain know how and performance to secure key product lines. It is equally important that the company is able to see trends and take in new products with a future potential. The largest product line for the company has 20 % of total sales. If this product line is lost together with another line that is 5 – 10 % of total sales, goodwill needs to be written down.

Maintain margins and keep competitive prices:
The company's largest customers are Norwegian hospitals. The hospitals are continuously improving their purchasing routines and purchasing is centralized and professionalized. This increases the demand for better quality and prices from the suppliers. The company's ability to maintain prices by offering quality products and services is crucial in the competition for future contracts. The company is well connected to its suppliers and when the competition increases the suppliers is contributing by lowering their prices. However it is not realistic to expect that the suppliers will compensate for all of the reduction in prices. The company's experience is that about 50 % of the price change is covered by the suppliers in an increased competitive situation. A price reduction of 10 % without any compensation from the suppliers will trigger a write down of goodwill. In the test it's assumed the same margin level as of today for 2016. The margin level is adjusted down in 2015 because of the weakening of the Norwegian currency by year end 2014. This is expected to be normalized in 2016 and the company also has the possibility to adjust prices if exchange rates changes.

Level of return on investment:
The company uses a level of minimum return on investment that is equal to risk free interest with an addition of 12.0 %. This level is evaluated on a yearly basis and a change in the level of minimum return on investment will affect the evaluation of the intangible assets. Risk-free interest rate is based on 10-year government bond that at the beginning of the year was 4%. It is further added another 4.5 % based on 15-year interest rate swap, an additional 5% market risk premium and 4% in small company premium. With a beta of 0.82, the interest rate before tax used to discount the cash flow is 16%.

Future growth:
It is projected growth in sales that on average is 6.5% the next 5 years. To be able to maintain this increase it is crucial that the company handles existing product lines in an effective manner and that the company is able to identify and get distribution agreements for new product lines that create more business than lost product lines. For the first year it's assumed a growth of 9.0 % that is gradually reduced to 2 % in the terminal year.

Changes in foreign exchange rates:
Medistim Norge AS is purchasing goods in foreign currencies that are sold to Norwegian customers in NOK. A change in the exchange rates where the company is exposed will directly affect the margin. The result effect is 1.2 MNOK if all exchange rates changes with 5 %. The largest exposure is towards USD and EUR. The group has revenue in these currencies and is netting exchange rate fluctuations when this is possible.

Employee knowhow:
Medistim Norge has over the years built a competence within the medical device industry and distribution. It is essential that this knowhow is updated and passed on to new employees.

Changes in the analysis:
If the operating margin changes from 15.0% to 7.0% everything else equal, goodwill needs to be written down. A change in the discount rate from 16.0 % to 33.0 % everything else equal triggers a write down of goodwill.

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Note 12 Shares in subsidiaries

Summary of financial information from subsidiaries all 100 % owned

1 = NOK 1000

Unit	Assets	Debt	Equity	Sales	Profit
Medistim USA Inc.	22 360	20 074	2 286	59 619	1 785
Medistim Deutschland GmbH	12 521	1 620	10 901	32 871	3 637
Medistim Danmark Aps	2 057	1 683	374	2 511	-301
Medistim UK Ltd	2 413	6 664	-4 251	1 899	-726
Medistim Norge AS	50 046	14 657	35 231	68 176	6 357
TotalI	**89 397**	**44 698**	**44 541**	**165 076**	**10 753**

Medistim Norge AS has offices at Økern in Oslo. Medistim USA Inc has offices in Minneapolis in the USA. Medistim Deutschland GmbH has offices in Munich in Germany, Medistim Danmark has offices in Copenhagen Denmark and Medistim UK has offices in London UK. Book value of goodwill related to the acquisition of Medistim Norge AS was as of 31.12.2013 14 128 TNOK. Goodwill at the time of acquisition was 16 097 TNOK. None of the subsidiaries are listed at a stock exchange. The US and German subsidiaries are well established and creates a profit in 2014. Medistim Denmark and Medistim UK are still in the establishing phase and had a deficit in 2014. Medistim US had a 13.3 MNOK debt towards Medistim ASA by year end 2014. Medistim UK, Medistim Denmark, Medistim Germany and Medistim Norge had a debt towards Medistim ASA with 5.3 MNOK, 0.9 MNOK 0.1 MNOK and 2.7 MNOK respectively.

Note 13 Inventory

Specification of inventory (1=NOK 1000)	2014	2013
Raw material	10 975	10 863
Work in progress	105	887
Finished goods	9 562	11 729
Spare parts	1 523	1 248
Third party products	15 737	14 091
Inventory provision	-1 028	-888
Total	**36 874**	**37 930**

Finished goods are valued at production cost that includes cost for components and internal labor cost. Work in progress is valued at the total of the component cost. The inventory level in 2014 is similar to the level in 2013. The inventory level is relatively high. The reason for the high inventory level is to secure access to critical components to own developed products.

Specification of inventory provision (1=NOK 1000)	2014		2013	
	Gross value	Provision	Gross value	Provision
Demonstration products	266	199	260	195
Spare parts	1 257	628	987	493
Third party products	200	200	200	200
Total	**1 723**	**1 027**	**1 447**	**888**

Note 14 Accounts receivable and other receivable

Accounts receivable

1 = NOK 1000	2014	2013
Accounts receivable	40 781	39 139
Provision for bad debt	-833	-358
Total	**39 948**	**38 781**

Provision for bad debt

1 = NOK 1000	2014	2013
Inbound provision	358	301
Utilised provision	-	-93
increased provision	475	150
Total	**833**	**358**

Aging accounts receivable

1 = NOK 1000	Not due	0-30 days	31 - 60 days	61 - 90 days	More than 91 days	Total
Year 2014	27 604	6 293	2 805	353	3 725	40 781
Year 2013	19 083	12 701	1 957	794	4 603	39 139

All receivables are due within one year. Confirmed losses on receivables was in 2014 122 TNOK. For 2013 the confirmed losses was 182 TNOK. There is an accrual of 833 TNOK to cover unforeseen losses. The accrual is based upon previous experience and status as of 31.12.2014. Historically the group losses have been limited. End customers are often public hospitals with government funding and the risks for losses are low. However, days sales outstanding is high compared to other businesses, something that the aging receivables confirm. Other receivables are shown below:

Other receivables

1 = NOK 1000	2014	2013
Prepaid insurance	936	295
Prepaid rent	574	-
Other pre payments	764	2 229
Deferred income	1 903	1 336
Unrealised value hedging contracts	1 935	-
Skattefunn	-	1 996
Inbound VAT receivable	2 602	1 664
Demo units/returns	770	-
Other	294	886
Total	**9 778**	**8 406**

Note 15 Cash and cash equivalents

1 = NOK 1000	2014	2013
Available cash in bank	46 976	17 814
Restricted cash in bank	2 499	2 032
Cash and cash equivalents	49 475	19 846
Credit limit	-	-
Cash and cash equivalents in cash flow analysis	**49 475**	**19 846**

Restricted cash as of 31.12.2014 was 2499 TNOK and was related to tax withheld from salaries. As of 31.12.2013 the restricted cash was 2032 TNOK related to tax withheld on salaries. The group had interest revenue on excess cash and the interest rate was 1.2 % by the end of 2014. The holding company had a credit facility of 7.5 MNOK. The credit facility was not in use as of 31.12.2014 or 31.12.2013.

Note 16 Shareholder affairs

The company had 18.337.336 shares at par value of NOK 0.25 per share and total share capital amount to NOK 4.584.334. There is only one class of shares and all shares are treated equally. Each share represents one vote.

Change in issued share capital in 2014:

Number of shares	Par value per share	Share capital in NOK

Share capital 01.01.2013	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-	NOK 0.25	NOK -
Share capital 31.12.13	**18 337 336**	**NOK 0.25**	**NOK 4 584 334.00**

The Board of Directors received by the shareholders meeting the 23rd of April 2014 commission to purchase up to 1 833 733 Medistim ASA shares at par value NOK 458 433.25. The commission is valid until the next ordinary general assembly in 2015 in the price range of NOK 0.25 to NOK 100 per share. Further the Board of Directors got commission to increase share capital with NOK 458 433.25 or issue 1 833 733 new shares at par value NOK 0.25. The commission can be used if there is a decision to fusion, acquire another company or to create an option program. The commission is valid until the next ordinary shareholders meeting in 2015. See under change in equity for changes in the equity for the last year.

Status for the commissions as of 31.12.2014:

	Capital increase	**Medistim shares**
Commission given at the shareholders meeting in 2014	1 833 733	1 833 733
Commissions used	-	-
Status for the commissions as of 31.12.2014	**1 833 733**	**1 833 733**

The company owned 236 000 Medistim shares as of 31.12.2014. Number of Medistim shares by 01.01.2014 was 236 000. The change through the year is shown below:

Change in Medistim shares

Number of shares as of 31.12.2013	236 000
Change of own shares	0
Number of shares as of 31.12.2014	236 000

The 20 largest shareholders in the company were as of 31.12.2014:

Shareholder	**Number of shares**	**Shares in %**	**Nationality**
INTERTRADE SHIPPING*	3 850 000	21,00 %	NOR
SALVESEN OG THAMS INVEST AS	1 862 500	10,16 %	NOR
STENSHAGEN INVEST AS V/Lars Hatletveit	1 695 813	9,25 %	NOR
SKAGEN VEKST	1 465 625	7,99 %	NOR
FOLLUM CAPITAL AS	1 000 000	5,45 %	NOR
Skandinaviska Enskil A/C CLIENTS ACCOUNT	999 600	5,45 %	SWE
BUANES ASBJØRN JOHN	928 436	5,06 %	NOR
HOLMEN SPESIALFOND	800 000	4,36 %	NOR
VEVLEN GÅRD AS	531 151	2,90 %	NOR
GRANDEUR PEAK **	466 850	2,55 %	USA
VERDIPAPIRFONDET HANDELSBANKEN NORGE	446 154	2,43 %	NOR
DYVI INVEST AS	446 154	2,43 %	NOR
VJ INVEST AS	425 603	2,32 %	NOR
THE NORTHERN TRUST C AIF CLIENTS NON LEND	317 316	1,73 %	GBR
ROSLAND BRIGT	271 000	1,48 %	NOR
Danske Invest Norge	250 000	1,36 %	NOR
MEDISTIM AS	236 000	1,29 %	NOR
BLIX RIGMOR HELEN	180 000	0,98 %	NOR
FONDSFINANS FARMASI-BIOTEKNOLOGI	177 844	0,97 %	NOR
MP PENSJON PK	174 500	0,95 %	NOR

Total 20 largest shareholders	16 524 546
Total number of shares outstanding	18 337 336
20 largest shareholders in %	90,11 %

* Company controlled by Chairman of the board Øyvin A. Brøymer.

** Includes Grandeur Peak International fund and Grandeur Peak Global fund

Board members and management team with shares in the company:

Shareholder	Number of shares	In % of total	Position
Tove Raanes via Trane AS	990	0,005 %	Board member
Bjørn Wiggen (holds 24 % of the shares in Salvesen og Thams Invest AS	1 862 500	10,16 %	Deputy chairman
Roger Morberg	6 438	0,031 %	VP sales
Erik Swensen	40 000	0,22 %	Development man.
Thomas Jakobsen	70 000	0,38 %	CFO
Kari Eian Krogstad	40 000	0.22 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (indirect)	3 850 000	21.00 %	Chairman
Anders Lillebø	5 000	0,03 %	Production man.

There were no share options outstanding as of 31.12.2014.

Note 17 Deferred revenue

1 = NOK 1000	Balance sheet value	Balance sheet value
	2014	2013
Deferred revenue - OFU funds	2 074	2 772

1 = NOK 1000	2014	2013
Revenue to P & L	699	699
Reduction of deferred revenue	699	699

Medistim ASA received MNOK 5.85 in OFU funds in relation to the development of VeriQC as described in note 11. The revenue is reversed to the P & L in the same phase as the expected lifetime for the investment, which is 8 years. 2014 was the 5th year of releasing revenue to the P & L and the remaining 2.1 MNOK will be released to the P & L over the next 3 years.

Interest bearing debt

1 = NOK 1000	Interest rate	last due date	Balance sheet value 2014	Balance sheet value 2013
Secured loan				
Loan from DNB	NIBOR + 2,50 %	18.06.18	13 125	8 313
Loan from DNB	NIBOR + 0,50 %	06.07.16	5 000	0
Total long term debt			18 125	8 313
Total long term debt			18 125	8 313
Long term debt due within one year			-7 082	-3 332
Total long term debt with due date more than one year			11 043	4 981

Medistim ASA has two loans through DNB. The original loan amount for the first loan was 10 MNOK and the original amount on the second loan was 15 MNOK. Remaining loan as of 31.12.2014 was 18.1 MNOK. The bank has security in assets, accounts receivable and inventory in the holding company and the Norwegian subsidiary. The security in assets is limited to 13.0 MNOK. The security in accounts receivables are limited to 23 MNOK and security in inventory is limited to 25.7 MNOK. Book value of secured items was as of 31.12.2014 13.6 MNOK for assets, 51.2 MNOK for accounts receivables and 31.9 MNOK for inventory. There are no other restrictions related to the loan such as level of equity, minimum profit or similar covenants.

Note 18 Payable expenses and accruals

1 = NOK 1000	2014	2013
Accrual for public taxes	4 640	5 040
Accrual for holiday pay	4 402	4 123
Accrual for salaries and board member fee	5 742	2 984
Accrual for customer and supplier obligations	2 669	1 279
Unrealised exchange rate differences	3 596	1 919
Other	2 259	2 068
Accrual for demo products	1 012	-
Total	**24 320**	**17 413**

Note 19 Financial risk

The group's financial obligations are credit facility, leasing agreements, hedging contracts and accounts payable. The financial obligations and facilities are important instruments that contribute to the financing of the group's operational activities. The group's financial assets are accounts receivables, prepayments, own shares and cash from operation. The exposure towards financial instruments is changes in interest level, exchange rates and credit risk towards customers.

Market risk:

Interest rate risk:

The group had as of 31.12.2014 18.1 MNOK interest bearing debt. If the group needs a loan it is group policy to have floating interest since this will be the lowest interest rate over time. In general the group considers the exposure towards changes in interest rates as low.

Foreign exchange rates risk:

Change in exchange rates involves a direct and indirect financial risk for Medistim ASA. The company has revenue and expenses in EUR and USD where most revenue is in EUR and USD and expenses mostly in NOK. Efforts are made to neutralize net exposure up to 18 months in the future by entering hedging contracts. The development in NOK towards USD and EUR is continuously monitored. By the end of 2014 the company had secured 12 hedging contracts for EUR. The contracts are due by the end of each month with EUR 150.000. Total amount of hedging contracts in EUR as of 31.12.2014 was USD 1.8 mill. that gave an unrealized loss of 1120 TNOK. The hedging contracts are entered to reduce the exchange risk towards USD and EUR. Unrealized gain or loss related to the contracts is recorded in the balance sheet as of 31.12.2014 and the change of value related to the contracts is recorded in the profit and loss. The management and Board of directors evaluate the handling of risks related to exchange rates fluctuations continuously together with its professional advisers. See overview of hedging contracts below.

Currency	Number of contracts as of January 2015	Amount per month	Total value of contracts in currency	Average rate on contracts	Rate as of 31.12.2014	Unrealised gain/loss in NOK
EUR	12	150 000	1 800 000	8,41	9,04	(1 120 410)
Total unrealized loss						**(1 120 410)**

The group had an unrealized gain on accounts receivables of TNOK 615 related to receivables in USD and EUR.

The group had 68% of its revenue in USD or EUR, while 60 % of the expenses were in NOK. Comparable numbers for 2013 was 66% and 65 %. The share of revenue in foreign currency increases because of direct operation in the US and the share of expenses in NOK are reduced for the same reason. This may vary from year to year dependent upon the fluctuation in exchange rates. It is group policy to secure 75 % of net exposure using hedging contracts. A change in exchange rate of 5 % in USD and EUR will change profit and equity as shown below:

Year 2014	Change in exchange rate	Effect on P & L	Effect on equity

	+ 5 %	TNOK 4 096	TNOK 4 597
	-5 %	TNOK 3 706	TNOK 4 159
Year 2013	+5 %	TNOK 3 790	TNOK 4 130
	-5 %	TNOK 3 429	TNOK 3 737

The group had a credit facility of 6.0 MNOK to enter hedging contracts. The facility represents 10 % of the value of the contracts the group can use. The security in assets is limited to 3.0 MNOK. The security in accounts receivables are limited to 10 MNOK and security in inventory is limited to 10 MNOK. Book value of secured items was as of 31.12.2014 11.9 MNOK for assets, 38.9 MNOK for accounts receivables and 16.4 MNOK for inventory. The group has not been able to document hedge accounting and the contracts are categorized as financial instruments held for sale.

Credit and liquidity risk:
Other financial risk as credit risk and liquidity risk is viewed by the company as low based upon the group's financial position as of 31.12.2014.

Credit and liquidity risk:
Credit risk:
The group is at some extent exposed towards credit risk. Over the last two years confirmed loss on receivables was 305 TNOK. The general risk is low since the majority of customers are financed by public authorities. Still history records for payments, the size of the transaction and the other party's credit risk is evaluated from case to case. The level of credit given is evaluated when there is a change in market conditions. The level of risk is reduced by using bank guaranties and prepayments in cases where the level of risk is found to be higher than normally accepted.

Liquidity risk:
Liquidity risk for Medistim is the risk that the company is not able to meet its obligations in time. Managing liquidity risk is therefore prioritized to secure financial flexibility. Medistim main source of cash is cash generated from operations. The group has over the last 5 years experienced an increase in profit and available cash. Therefore the company has been able to build up a cash reserve due to strong profits to handle the increased need for working capital as the company grows. The liquidity buffer also secures cash in situations where the incoming cash is delayed. In addition, the company has a credit facility with a limit of 7.5 MNOK to secure available cash.

Real value of financial instruments:

Overview of debt

1 = NOK 1000

Year 2013	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	3 332	4 981	-	8 313
Accounts receivable	10 011	-	-	-	10 011
Other debt	12 560	13 099	-	-	25 659
Total	**22 571**	**16 431**	**4 981**	**-**	**43 983**

Overview of debt

1 = NOK 1000

Year 2014	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	7 082	11 043	-	18 125
Accounts receivable	8 324	-	-	-	8 324
Other debt	19 433	16 436	-	-	35 869
Total	**27 757**	**23 518**	**11 043**	**-**	**62 318**

All of the financial derivates in the group are recorded at real value.

Cash and cash equivalents are recorded in the balance sheet at real value because of the short due date. Accounts receivable and account payable is following the same principle and are entered with normal terms. The bank loan has a floating interest rate. Even so there are unrealized gains and losses related to the items as shown below.

1 = NOK 1000	2014			2013		
	Original value	Gain/loss	Book value	Original value	Gain/loss	Book value
Financial assets						
Cash	49 258	217	49 475	19 843	3	19 846
Accounts receivable	39 399	549	39 948	38 166	615	38 781
Other financial assets	-	-	-	-	-	-
Own shares	3 620	-	3 620	3 620	-	3 620
Forward currency contracts	-	-1 120	-1 120	-	-32	-32
Financial debt						
Accounts payable	8 479	-	8 479	10 011	-	10 011
Interest bearing loan						
Bank loans	18 125	-	18 125	8 313	-	8 313
Forward currency contracts	-	-	-	-	-	-

Financial strategy:
Management strives to strengthen the group's credit rating and healthy financial position through a high level of equity. This will secure continued growth and will maximize shareholders values. The group will adjust capital structure to adapt to changes in the financial climate. Capital structure can be adjusted through dividend, repayment of share capital or issue new shares. There were no changes in the financial strategy in the group in 2014 or 2013.

Note 20 Transactions towards close related partners

Compensation to management
The management group consists of 10 people in 2014 and 10 people in 2013 including CEO. The managing directors in the subsidiaries are included in the management group.

Compensation and benefits to the management group:

Group Management	Position	Salary	Bonus	Pension	Other	Total
Hæge Johanne Krogh Wetterhus	Marketing dir.	1 141 432	133 929	77 316	4 037	1 356 714
Roger Reino Morberg	VP sales	1 438 848	267 857	74 280	4 037	1 785 022
Erik Swensen	VP development	1 033 135	133 929	68 364	4 037	1 239 465
Rigmor Blix	Quality manager	717 266	22 321	39 048	4 037	782 672
Tone Ann Veiteberg	Regulatory manager	871 554	89 286	58 608	4 037	1 023 485
Ole Jørgen Robsrud	CEO Medistim Norge	1 085 372	89 286	70 944	4 037	1 249 639
Anders Lillebø	VP production	1 080 877	111 607	73 296	4 037	1 269 817
Mike Farbelow	Presisdent Medistim US	1 102 500	472 500	110 250	-	1 685 250
Kari Eian Krogstad	CEO	2 096 490	535 714	77 700	4 037	2 713 941
Thomas Jakobsen	CFO	1 462 905	223 214	72 336	4 037	1 762 492
Total		**12 030 379**	**2 079 643**	**722 142**	**36 333**	**14 868 497**

There are no special agreements towards any in the management team in case of leaving the company. CEO has though an agreement receiving shares. All members of the team has a two way arrangement of 3 months notice. The exception is management in the US that has no notice period. The management group has the same pension plan as for other employees. This is a contribution plan that covers 5 % of salary up to 6 G and 8 % of salary for G between 7 and 12. 1G equals NOK 85.245. Management in the US has a contribution plan. Bonus accrued to the CEO in 2014 was 535 TNOK. The board decides incentives to CEO. Bonus and incentives to the management group is decided by the CEO. Bonus and incentives for both management group and CEO is based on achieved results. Neither the board, CEO or other employees in the group have loans from the company. Bonus is accrued in the accounts as of 2014 but not paid.

Compensation to the board was 790 TNOK in 2014 and 790 TNOK in 2013. The chairman received 230 TNOK as compensation in 2014 and 2013. The four board members received a total 140 TNOK each as compensation in 2014 and 2013, a total of 560 TNOK.

No options were issued by the board in 2014 and no options were outstanding as of 31.12.2014. CEO receives up to 32.500 Medistim shares as part of compensation if in position until 2018.

The nomination committee leader received a compensation of 15 TNOK, while the two other members received 10 TNOK each. In total the nomination committee received 35 TNOK as compensation.

Transactions with close related parties

All transactions between the companies within the group are according to the arms length principal. Intercompany goods and services sold between the companies was 55 441 TNOK in 2014. In 2013 this was 43 928 TNOK. The split between goods and services was as follows:

1 =NOK 1000	2014	2013
Goods	52 630	43 506
Services	2 811	422
Total	55 441	43 928

Medistim ASA sold in 2014 goods for 52 630 TNOK to Medistim Deutschland GmbH, Medistim US Inc, Medistim Danmark Aps, Medistim UK Ltd and Medistim Norge AS. Medistim Deutschland, Medistim US Inc, Medistim Danmark Aps, Medistim UK Ltd and Medistim Norge AS are distributors for Medistim ASA in respectively Germany, USA, Denmark, UK and Norway for Medistim's own developed products. Medistim Deutschland GmbH and Medistim Norge AS purchased administrative services for 2 811 TNOK from Medistim ASA.

Medistim ASA sold goods to in 2013 to Medistim Deutschland GmbH, Medistim US Inc, Medistim Denmark Aps and Medistim Norge AS for 43 506 TNOK. Medistim Deutschland GmbH purchased administrative services from Medistim ASA for 422 TNOK in 2013.

Medistim ASA had a receivable as of 31.12.2014 towards Medistim Deutschland GmbH of 60 TNOK, a receivable towards Medistim Danmark Aps of 861 TNOK, a receivable towards Medistim Norge AS of 2 748 TNOK, a receivable towards Medistim UK Ltd of 5 291 TNOK and a receivable towards Medistim US Inc of 13 295 TNOK.

Note 21 Other obligations

1 = NOK 1000	2014	2013
Warranty accrual	150	150
Sum	**150**	**150**

The guaranty accrual is based upon the company's experience with sales and return of its own products. The estimate is based upon this experience to cover future obligations.

The company is renting offices in Økernveien 94 in Oslo, Moloveien 10 in Horten, and in 14000 25ave. N. Suite 108 in Plymouth in Minneapolis, Minnesota, USA. Yearly rent for the offices in Oslo amounts to 3.4 MNOK. In Horten yearly rent it 784 TNOK, while yearly rent for the US office is 470 TNOK. In Oslo and Horten the rental agreement expires in 2018 and total lease obligation is 16.5 MNOK. In the USA the rental agreement expire year end 2016 and total lease obligation is 0.95 MNOK. The rental is adjusted yearly according to National indexes for goods and services.

Split of lease obligation:

Within 1 year	TNOK	4 657
Within 2 – 5 years	TNOK	17 676

More than 5 years	TNOK	17 676

Leased equipment

The cost for leased equipment was 1921 TNOK in 2014 and 1901 TNOK in 2013.
The group is leasing office equipment and cars. Office equipment is operationally leased and the last lease exceeds in April 2017. The leasing cost was 139 TNOK in 2014 and there were no value in the balance sheet related to the lease of office equipment. Cars are also operationally leased. The leasing cost for 2014 was 1782 TNOK and there were no prepayments related to the car leases. Last lease for the cars exceeds September 2017. The lease obligation within one year is 1921 TNOK. Lease obligation as of 31.12.2014 for the coming 3 years was 3249 TNOK. Total obligation as of 31.12.2014 was 3562 TNOK and last lease exceeds in September 2017.

The company has no other obligations with specific govern ants.

Note 22 Exchange rates foreign currency

Currency	Rate 01.01.2014	Average rate	Rate 31.12.2014
USD	6.0837	6.3019	7.8138
DKK	112.37	112.06	121.36
EUR	8.3825	8.3534	9.0365
GBP	10.0527	10.369	11.571

Note 23 Events after 2014

The Board of directors has no knowledge about other events after 2013 that will affect the annual report and financial statement for 2014.

Oslo, 18.3.2015

Øyvin A. Brøymer Chairman	Tove Raanes Board member	Bjørn M. Wiggen Deputy Chairman
Siri Fürst Board member	Lars Rønn Board member	Kari Eian Krogstad CEO

Annual report 2014 for the holding company

Medistim ASA

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Medistim ASA
Økernveien 94
P.B 6471 Etterstad 0605 Oslo
0605 OSLO
Company registration number: 936656013

Annual report for the holding company

Nature of the business

Medistim ASAs business is within development, producing, selling, service and distribution of medical equipment. The company has its main office in Økernveien 94 in Oslo and production facilities in Moloveien 10 in Horten. Medistim ASA has 5 subsidiaries Medistim US Inc located in Minneapolis, Minnesota in the US, Medistim Deutschland GmbH in Munich in Germany, Medistim Danmark Aps located in Copenhagen Denmark, Medistim UK Ltd located in London, UK and Medistim Norge AS located at Økernveien 94 in Oslo. Medistim ASA is the holding company in the Medistim Group.

Medistims business is focused towards cardiac and vascular surgery. Cardiac and vascular diseases are the most common cause of death in the western world and have an increasing trend in Asian countries where western lifestyle is adopted. On a global scale it's performed about 700.000 cardiac bypass surgeries per year and about 600.000 vascular procedures per year. Medistim has a world leading position within quality control of cardiac surgery. Medistim strengthen its leading position within quality control of coronary bypass surgery in 2014 through increased market share.

Medistims subsidiaries are in addition to Medistim products distributing other third part products within the surgery segment.

Working environment and employees

There has been no injuries or accidents related to the company activities in 2014. The working environment is considered to be good. On a general basis the activities within the company are considered to be on a low risk level. However, health, environment and safety at the workplace have priority. The number of sick leave days was 294 in 2014 (270 in 2013) which is 2.9 % of total work time in 2013 (2.7 % in 2013). No specific measures have been necessary to implement in this regard. On average there were 44 employees in 2014.

The company aim to be a work place where there are equal opportunities for women and men. It is company policy to make sure there is equal treatment between sexes in cases like level of salary, promotions and recruiting. The company had 25 women employed of a total of 44 employees.

The company actively works to prevent discrimination because of disabilities, ethnicity, national origin, color, religion or belief. This is the case in matters like recruitment, wages and working conditions, promotion, development and protection from harassment.

External environment

It is the Board of Directors belief that the external environment in not polluted or affected by the company activities. On this basis no specific measures have been made.

Share capital and number of shareholders

The share capital in Medistim ASA was as of 31.12.14 NOK 4 584 334,00 split on 18 337 336 shares at par value of NOK 0, 25 per share. The share is freely traded at the Oslo stock exchange. The company had 328 shareholders and had 236 000 Medistim shares by 31.12.2014.

Profit for the year

Sales ended at 105.2 MNOK (90.3 MNOK). Profit before tax ended at 31.4 MNOK (32.2 MNOK). Medistim received a dividend from its subsidiary in Germany with 2.8 MNOK in 2014 (4.4 MNOK). No group contribution was received in 2013 or 2014.

Total assets in the balance sheet was for the company 168.6 MNOK as of 31.12.2014 compared to 148.7 MNOK as of 31.12.2013. Equity in the company was as of 31.12.2014 101.1 MNOK and 102.8 MNOK as of 31.1.2.2013. The equity ratio as of 31.12.2014 was 60.0 %.

By year end 2014 the company had 21.7 MNOK in cash. The company's ability to finance its activities and investments are satisfactory. The same is the case for the company's financial and cash position. Cash flow from operating activities was 36.1 MNOK.

Financial risk

Foreign exchange risk:
Medistim is exposed to changes in exchange rates towards USD and EUR, since most of the company's revenue is in these currencies. To reduce the risk of changes in exchange rates between the currencies, the company has entered hedging contracts and therefore reduced the exposure.

Interest risk:
The company is exposed to changes in the interest level since the company has long term debt with a floating interest. However, changes in interest levels will not affect the company's investments opportunities in the future.

The global economical situation will affect the company since Medistim is a supplier to the health care sector in many countries. The financial risks are closely monitored by the management. The company's position in financial instruments reflects underlying exposure in the business. Medistim enters hedging contracts to secure future sales in EUR and USD. Market risk is not secured trough financial instruments.

Credit risk:
The risk that customers are unable to fulfill economic obligations is viewed as low and historical losses on receivables have been low. The company's customers are mainly public hospitals that have a secure financing.

Salary and benefits to management and leading employees

The Board of Directors set terms and conditions for the CEO. The CEO set the terms and conditions for the management team and leading employees. The principles for setting the terms to the CEO and leading employees are the same. The principles for 2014 and 2013 were the same and there are no planed changes. Terms and conditions are set at market terms and are evaluated on a yearly basis. It is company policy to reflect the average level in the market. There was no incentive related to shares, share options or development in share price in 2014 and 2013. The exception is CEO that receive 15 000 shares as part of the compensation if she stay in her position until 2015, further 10.000 shares if in position until 2016, further 10.000 shares if in position until 2017 and further 12.500 shares if in position until 2018. CEO and management have, in addition to fixed salary, incentive plans related to achieved results. The criteria's are reviewed annually and are linked to internal goals and budgets. If the criteria for bonus or provision are not reached, the Board of Directors or CEO may disregard the criteria in certain situations. This will be the case if a situation has been exceptionally demanding or the Board of directors has made decisions that affect earlier agreements. There are no employees in the company with an agreement giving additional compensation when leaving the company and there are no plans to introduce such agreements. Management is included in the same pension plan as other employees. Other benefits are of minor financial importance such as free access to communication tools for the management team to be available.

Important events in 2014

R & D activities in 2014 have been focused on 4th generation of systems, the MiraQ, that are to replace today's platform for the flow product VeriQ and the imaging product VeriQC.
The new products MiraQ plus and MiraQ Cardiac was launched at the European Congress EACTS in 2014. The new platform is flexible that will allow customer adaptions and new applications. The technological improvement will secure and strenghten Medistim's leading position. This way the respective coronar- and vascular surgeons get an adapted solution for their specific needs.

The MiraQ™ platform is CE approved and the product can be sold in Europe and all other countries that accept this approval. Medistim is seeking clearance from the US Food and Drug Administration (FDA) for the sale of MiraQ™ in the United States. In parallel Medistim is seeking 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.

The US is an important market for Medistim, since this market represents 33 % of the world market for Medistims products. The equipment was used in 35.972 procedures (surgeries) in 2014. This represents 13.6 % of the US market. In the US about 80 % of the bypass surgeries are performed with no quality assurance.
The business model in the US is flexible and offers both procedural sales and capital sales as else were in the world.
The company is now in an exciting phase with a paradigm shift for quality assessment during bypass surgery. By combining the established transit time flow measurement (TTFM) technology with coronary and epiaortic ultrasound scanning (EUS), the risk of major adverse cardiac and cerebrovascular events will be further reduced.

The company did not in 2013 manage to follow up the positive trend in sales from the 2 previous years of more than 10 % annual growth. A change in management in the US was initiated in 2014 and focus was set on the company's commercial strategy. In 2014 the company is back on track with double digit growth and sales increased with 23.2 %. The company has ambitions in the U.S. market that is expected to be met in the coming years.

In Asia, Medistim is still best represented in Japan, which accounted for 62 % of sales in the region in 2014. The corresponding proportion in 2013 was 64 %. Japan is one of the countries where the introduction of VeriQC has made the most progress, and Medistim has a solid representation through its distributor Nippon BXI. Sales in Japan have been stabile over the years which also were the case for 2014. The reason that the share of sales to Japan has decreased is that there has been a good growth in China. This is a positive trend since China is the country in Asia with the highest population and a fast growing economy.
The region has an increasing level of cardiac diseases as elements of western lifestyles are adopted. It is therefore important for Medistim to be well represented with their products in the Asian markets. Medistim have good representation through its distributors and is well positioned to meet the expected growth in the region. Medistim is well represented in China through its distributor Pacific Medical systems Ltd.

In other markets, the features of Medistims top model the VeriQC, has been well recognized in the Middle East led by Saudi-Arabia. In Latin America there are several countries with the same trend as in Asia where Brazil is the country with the largest potential for Medistims products.

The most important event for Medistim in Europe for 2014 was the launch of MiraQ as described above.
In Europe there has been a positive trend for the year. There has been an increase in investments and increased usage at

installed base. Towards external distributors the consumables probes increased in sales with 28 % for the year. The investments in systems for flow measurements and the combined system with flow and imaging also increased. Sales to external distributors increased with 30 % in 2014.

There are tremendous differences in clinical practice around the world when it comes to graft patency verification during Coronary Bypass Grafting (CABG). The lack of utilization of clinically proven, cost effective technology in many countries must be a concern, not only to patients and surgeons, but also to publich and private payers.
In order to increase the awareness and importance of utilizing TTFM during CABG, Medistim is focusing on and push for that TTFM is included in the guedelines as «standard of care». This is the case for both international organizations, but also for national organizations and guidance for clinical practice.

Position, Competition and outlook

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 25 % of the total number of bypass surgeries performed worldwide. Medistims 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 bypass surgery is performed there is no equipment in use to verify blood flow. This market represent Medistim's largest opportunity.

With Medistim's new MiraQ systems, the company has acquired a new edge compared to competitors, with a unique and differentiated product that is currently alone in its segment.

The Board of Directors views the company's future opportunities as good. Medistim is well positioned for future growth. The Board of directors is of the opinion that the company has a large potential in general and a specific opportunity in the US market with an established direct sales organisation. There are large expectations towards the ultrasound imaging product and new products under development on the MiraQ platform.

Other affairs

Corporate governance and CSR is described in the chapters with the same heading in the report for the group and the same principles applies for the holding company.

The financial report per 31st of December 2014 has been prepared according to Norwegian accounting principles (NGAAP) as do the comparable numbers for 2013. The board of Directors and Managing Director confirm to the best of their knowledge that the condensed set of financial statements for the period 1st of January to 31st of December 2014 has been prepared in accordance to Norwegian GAAP and gives a true and fair view of the groups assets, liabilities, financial position and result for the period viewed in their entirety, and that the annual report includes a fair review of any significant events that arouse during the period and their effect on the 2014 financial report, any significant related parties transactions, and description of the principal risks and uncertainties relevant for the company.

The Board of Directors confirms that the fiscal year is closed under the assumption of continued operation. The Board is not familiar with any incidents after the closing that will affect the financial statements for 2014.

Allocation of profit

The Board of Directors suggests that the profit for 2014 of 23 680 TNOK is allocated to ordinary shareholder dividend of NOK 1.40 per share, which amounts to 25.341 TNOK corrected for own shares. The remaining 1.661 TNOK is deducted from other equity. Free equity as of 31.12.2014 was 17 885 TNOK after 25 341 TNOK was allocated to dividend.

Oslo, 18.3.2015

Øyvin A. Brøymer Chairman	Tove Raanes Board member	Bjørn M. Wiggen Deputy Chairman
Siri Fürst Board member	Lars Rønn Board member	Kari Eian Krogstad CEO

Income statement Medistim ASA

1 = NOK 1000	Note	2014	2013
SALES REVENUE AND OPERATIONAL EXPENSES			
Revenues			
Sales revenue	1	101 726	89 228
Other income	1,4	3 510	1 121
Total revenue		**105 236**	**90 349**
Operational expenses			
Cost of goods sold		19 774	16 273
Salary and social expenses	2	33 310	28 183
Depreciation on assets	3	7 179	6 820
Other operating expenses	2,4,14	19 722	15 763
Total operating expenses		**79 985**	**67 039**
OPERATING PROFIT		**25 251**	**23 310**
FINANCIAL INCOME AND EXPENSES			
Financial income			
Contribution from subsidiaries	6	2 835	4 440
Other financial income	12	8 889	6 410
Financial expenses	12	5 533	1 942
NET FINANCE		**6 191**	**8 908**
PROFIT BEFORE TAX		**31 442**	**32 218**
Tax expense	5	7 762	7 418
NET PROFIT		**23 680**	**24 800**
ALLOCATIONS			
Dividend	11	25 341	14 481
Other equity	11	(1 661)	10 319
TOTAL ALLOCATION		**23 680**	**24 800**

Earnings per share	**2014**	**2013**
Ordinary	**1,31**	**1,37**
Diluted	**1,31**	**1,37**
Dividend per share	**1,40**	**0,80**

Balance Sheet Medistim ASA

1 = NOK 1000	Note	31.12.14	31.12.13
ASSETS			
Non current assets			
Intangible assets			
Deferred tax	5	3 614	4 135
R & D	3,4	34 724	29 711
Fixed assets			
Machinery	3	10 872	9 568
Office equipment	3	1 055	1 706
Financial assets			
Shares in subsidiaries	6	37 278	37 278
Other long term receivables	6	3 418	-
Total non current assets		**90 961**	**82 397**
Current assets			
Inventory	8	16 387	20 111
Accounts receivables	7,16	35 507	36 529
Other receivables	7,16	4 035	6 384
Cash	9	21 722	3 232
Total current assets		**77 650**	**66 256**
TOTAL ASSETS		**168 611**	**148 653**
EQITY AND LIABILITY			
Equity			
Issued capital			
Share capital	10,11	4 584	4 584
Share premium fund	10,11	40 253	40 253
Other equity			
Retained earnings	11	56 292	57 953
Total equity		**101 129**	**102 790**
Liabilities			
Accruals for obligations			
Deferred income	4	2 074	2 772
Total accruals		**2 074**	**2 772**
Other long term debt			
Long term debt from bank	15	11 043	4 981
Total other long term debt		**11 043**	**4 981**
Short term debt			
Interest bearing short term debt	15	7 082	3 332
Accounts payable		2 367	3 250
Payable tax	5	7 241	5 874
Employee withholding, social security taxes		2 680	2 408
Dividend	11	25 341	14 481
Other short term debt	13,16	9 654	8 764
Total short term debt		**54 366**	**38 109**
TOTAL EQUITY AND LIABILITY		**168 611**	**148 653**

Cash Flow Statement for Medistim ASA

1 = NOK 1000	Note	2014	2013
Cash flow from operations:			
Profit/loss before tax		31 442	32 218
Minus income tax paid		-3 855	-5 787
Plus depreciations		7 179	6 820
+/- Change in inventory		3 724	-408
+/- Change in accounts receivable		1 022	-10 864
+/- Change in accounts payable		-883	-744
+/- Change in paid and expensed pension		-	-
+/- Change in other accruals		-2 606	2 797
Net cash from operating activities		**36 024**	**24 032**
Investing activities:			
Minus investment in assets		-12 846	-20 328
Purchase of own shares		-	-
Net cash from investing activities		**-12 846**	**-20 328**
Financing activities:			
Minus down payment of long term debt		-5 207	-1 666
Dividend	11	-14 481	-19 911
New loans		15 000	10 000
Net cash from financing activities		**-4 688**	**-11 577**
Net change in cash		18 490	-7 873
Cash as of 01.01		3 232	11 105
Cash as of 31.12		**21 722**	**3 232**
Available cash and cash withholding			
Available cash as of 31.12	9	20 234	1 862
Cash withholding for taxes	9	1 488	1 370
Cash and cash equivalents as of 31.12		**21 722**	**3 232**

ACCONTING PRINCIPLES

Accounting principles

The financial statement and notes is according to Norwegian GAAP, Norwegian accounting law and according to best practice within Norwegian GAAP

Sales revenue

Sales revenue is recognized in the profit and loss on the date of delivery and when the major risk and ownership of the product have been transferred to the customer. Systems and probes are recognized as revenue when the goods are shipped from Medistim ASA and the risk and ownership is transferred to the distributor or end customer. The same is the case for sale of procedures for quality control of cardiac surgery and other third party products. Services are recognized as revenue at the time the service is performed.

Current assets and short term debt

Current assets and short term debt are defined as items that are due for payment within one year at the last day of the accounting year, and items defined as working capital. Current assets are evaluated at the lowest of cost and net sales value. (The lowest value principle).

Fixed assets and long term debt

Fixed assets are defined as property for long term use. Fixed assets are valued at cost in the balance sheet and depreciated of the expected economic lifetime. Fixed assets are written down to real value if the reduction in value is expected to be permanent. Write down is reversed if the basis for the write down no longer exists.

Shares in subsidiaries

Shares in subsidiaries are valuated according to cost. Shares in Medistim Norge AS, Medistim US Inc, Medistim Danmark Aps, Medistim UK Ltd, and Medistim Deutschland GmbH are owned 100 %. The shares are recorded at cost or written down to real value if real value is assumed to be the lowest and that it is permanent. Dividend and group contributions are recognized as revenue in the holding company as financial revenue in the year that it has been accrued given that Medistim had the ownership of the shares in this period.

Foreign currency

Balance sheet items in foreign currency are valued at the exchange rate on the balance sheet day. Sales revenue is recorded at the exchange rate that was at the time of the sale. Unrealized gains or losses on hedging contracts are recorded in the profit and loss.

Inventory

Inventory is valued at the lowest of cost (FIFO principle) and net sales value (lowest value principle). For components the lowest of historic cost and current price is used to value the component inventory.

Work in progress and finished goods

Cost for finished goods includes direct cost and a portion of indirect and fixed production cost. Basis for the allocated cost to the products is a normal production situation. Goods in progress are valued at the component cost price.

Accounts receivables

Account receivables and other receivables are recorded in the balance sheet at par value with deduction for estimated losses. The accrual for losses is based upon a separate evaluation in each case. In addition there has been made an unspecified accrual on receivables to cover expected losses. The same evaluation is made for other receivables.

Taxes

Tax cost in the income statement includes payable tax for the current accounting year and changes in temporary differences that are due for payment the coming accounting year. Temporary differences occurs using the tax rate by the end of the accounting year (27 %) and comparing tax increasing or tax reducing temporary differences between accounting values and tax values. Tax increasing or reducing temporary differences that can be reversed in the same period is recorded at net value. Deferred tax asset is recorded if it is likely that the company will be able to utilize the tax asset.

Pension liabilities

The defined pension plan is terminated for all employees and the defined pension plan is replaced by a contribution plan for all employees. The actuarial losses are therefore reversed.

Research and development

The activities in the development department are split in 3 categories. These are maintenance, general research and development of new products. Maintenance and general research is expensed in the P & L while new products are recorded as an asset and depreciated over expected lifetime. When recorded as an asset it is expected that revenues from the product will exceed activated amounts. An immaterial asset that is acquired, or other immaterial assets that are developed, are recorded as an asset in the balance sheet if they are identifiable and that it is likely to give future economic benefits. The asset is amortized over the expected economic lifetime of the asset. The values of the assets are evaluated yearly and if the book value exceeds future economic benefit the asset is written down. The evaluation is performed by the management in the company.

Cash flow analysis

The cash flow analysis is prepared using indirect method. Cash is defined as cash in bank and other financial assets that are due within 3 months after it's acquired.

Other financial assets

Shares and other financial assets are evaluated at the lowest of cost and market value. The company enters hedging contracts in USD and EUR. The value of the contracts is based upon the exchange rate at the balance sheet day and a change in value is recorded in the P & L.

Accruals

Obligations and accruals are made if it is more than 50 % likely that the obligation is real. Best estimate is used to estimate the obligation.

Annual report 2014

Notes to the accounts

Note 1 Geographic split of sales

1 = NOK 1000	2014	2013
USA	27 280	23 081
Asia	18 730	19 210
Europe	51 526	40 235
Rest of the world	7 700	7 823
Total sale	**105 236**	**90 349**

Other income amounted to 3 510 TNOK in 2014. 699 TNOK was reversal of deferred income from OFU funds and 2 811 TNOK was income from services provided to subsidiaries.

Note 2 Salaries and other benefits

Specification of salary and social expenses

1 = NOK 1000	2014	2013
Salaries	26 777	21 356
Payroll tax	4 293	3 935
Other benefits	2 240	2 892
Total salary expenses	**28 183**	**28 183**

The total number of employees was trough the year 44.

Medistim has a pension plan for all its employees. This is a contribution plan that covers 5 % of salary up to 6 G and 8 % of G between 7 and 12. 1G is the base amount (NOK 88.370) in the social security system. The cost for the contribution plan was in 2014 TNOK 1 495, while it was TNOK 1 254 in 2013.

It is compulsory by law for the company to have a pension plan for its employees. The pension plans in the company fulfill the obligation in the law.

Compensation to management

Medistim ASA **Management team**	**Position**	**Salary**	**Bonus**	**Pension**	**Other**	**Total**
Hæge Johanne Krogh Wetterhus	VP marketing	1 141 432	133 929	77 316	4 037	1 356 714
Roger Reino Morberg	VP sales	1 438 848	267 857	74 280	4 037	1 785 022
Erik Swensen	VP development	1 033 135	133 929	68 364	4 037	1 239 465
Rigmor Blix	Quality manager	717 266	22 321	39 048	4 037	782 672
Tone Ann Veiteberg	Regulatory manager	871 554	89 286	58 608	4 037	1 023 485
Anders Lillebø	VP production	1 080 877	111 607	73 296	4 037	1 269 817
Kari Eian Krogstad	CEO	2 096 490	535 714	77 700	4 037	2 713 941
Thomas Jakobsen	CFO	1 462 905	223 214	72 336	4 037	1 762 492
Total		**9 842 507**	**1 517 857**	**540 948**	**32 296**	**11 933 608**

There are no special agreements towards any in the management team in case of leaving the company. All in the team has a two way arrangement of 3 months notice. The Board of Directors, neither CEO nor any other in the company has a loan from Medistim

ASA. There are no options to employees or members of the Board. CEO has though an agreement receiving shares. The CEO will receive up to 32 500 shares as part of compensation if in position in 2018. Bonus was accrued in the accounts as of 2014, but not paid.

Compensation to the Board of Directors:

1 = NOK 1000

	Compensation
Chairman Øyvin Brøymer	230
Deputy chairman Bjørn Wiggen	140
Board member Siri Fürst	140
Board member Tove Raanes	140
Board member Lars Rønn	140
Total compensation to the Board of Directors	790

Compensation to auditor

1 = NOK 1000

	2014	2013
Expenses for auditing	305	323
Compensation for other services	21	26
Total compensation to auditor	326	349

The amounts are without VAT

Note 3 Assets and depreciation

1 = NOK 1000	Plant and Machinery	Equipment	Total fixed Assets	Activated Development	Total
Historic cost as of 1/1	27 985	6 264	34 249	44 698	78 947
Additions	3 674	107	3 781	9 065	12 846
Historic cost as of 31/12	31 659	6 370	38 029	53 763	91 792
Accumulated depreciation as of 1/1	18 417	4 558	22 975	14 987	37 962
Ordinary depreciation	2 370	757	3 127	4 052	7 179
Accumulated depreciation as of31/1	20 787	5 315	26 102	19 039	45 141
Book value at 31/12	**10 872**	**1 055**	**11 927**	**34 724**	**46 651**

Plant and machinery is depreciated over 3 to 7 years on a straight line basis dependent upon expected economic lifetime. Tools and equipment is depreciated over 3 to 5 years on a straight line basis dependent upon expected economic lifetime.

No items from the fixed asset registry were sold during 2014.

Development cost is recorded as intangible assets when a project has reached technological feasibility and it is likely that it will result in a new product or improved product that has revenue potential that exceeds the investment. Maintenance of existing products is expensed. The investment is depreciated over 3 to 8 years dependent upon whether it's a new product or improvement of existing product. A new product that represents a new technological platform has a longer expected lifetime and for Medistim products this is 8 to 10 years. Product improvements on existing technological platform is replaced more rapid and is therefore depreciated over 3 years.

Note 4 Research and development

The R & D expense for 2014 was in total 12.2 MNOK compared to 18.0 MNOK in 2013. In 2014 9.1 MNOK of the R & D expense was activated in the balance sheet while 14.9 MNOK was activated in the balance sheet in 2013. The activated expense in 2014 was related to the new system platform MiraQ. The company received funds from Skattefunn with 2.0 MNOK in 2013 and 0.0 MNOK in 2014. As of 31.12.2014 2.1 MNOK was recorded in the balance sheet as deferred revenue and 0.7 MNOK was recorded as revenue in the P & L in 2014. In total 3.1 MNOK of the R & D expenses was recorded in the P & L in 2014. Similar expense was 3.1 MNOK in 2013. The expensed R & D was the rest value of all R & D expenses after activated R & D was deducted. Activated expenses related to the VeriQC project is depreciated over 8 years and the deferred income related to the project is released to the P & L within the same timeframe.

Note 5 Income tax and temporary differences

1 = NOK 1000	2014	2013
Current income tax charge for the year before deferred tax asset is utilised	7 241	5 874
Change in deferred tax	521	1 544
Income tax expense reported	**7 762**	**7 418**
Reconciling income tax expense against profit		
Income tax expense for the year	7 762	7 265
27 % of profit before tax	8 489	9 149
Additional tax	-	153
Difference because of permanent differences	-727	-1 731
Specification of taxable income:	**2014**	**2013**
Profit before tax	31 442	32 218
Permanent differences	-2 695	-4 252
Change in temporary differences	-1 928	-4 969
Skattefunn	-	-2019
Estimated income tax:	**26 819**	**20 978**
Payable tax in balance sheet:	**2014**	**2013**
Tax on profit for the year	7 241	5 874
Refund from Skattefunn	-	2019
Total payable tax	**7 241**	**3 855**
Specification of deferred tax asset		
Differences in accounting and tax values	**2014**	**2013**
Fixed assets	-17 103	-19 435
Current assets	636	1 782
Accrual for obligations	3 080	2 337
Total differences	-13 387	-15 316
Deferred tax asset 27 %	**3 614**	**4 135**
Deferred tax asset in balance sheet	**3 614**	**4 135**

Deferred tax asset in the balance sheet was reduced from the year before with 0.5 MNOK and was recorded at 3.6 MNOK. Deferred tax asset consist of temporary differences in valuation of assets. All deferred tax asset is recorded in the balance sheet as of 31.12.2014, since it is likely that the company will have future taxable income that will exceed temporary differences.

Note 6 Shares in subsidiaries

Medistim ASA has investments in the following subsidiaries:

1 = NOK 1000

Unit	Country	Segment	Ownership	Balance sheet value 31.12.14	Profit in 2014
Medistim USA Inc.	USA	Lease and sale within bypass surgery	100 %	135	1 785
Medistim Deutschland GmbH	Germany	Sale of 3 pary products and capital sales within bypass surgery	100 %	188	3 637
Medistim Norge AS	Norway	Sale of 3 pary products and capital sales within bypass surgery	100 %	36 953	6 357
Medistim UK LTD	UK	Sale of 3 pary products and capital sales within bypass surgery	100 %	1	-726
Medistim Danmark Aps	Denmark	Sale of 3 pary products and capital sales within bypass surgery	100% - Owned indirectly through Medistim Norge AS with book value of TNOK 1 103		-301
Total				**37 277**	**10 753**

Medistim Norge AS has a subsidiary Medistim ASA owns indirectly through Medistim Norge AS in Denmark. The company is named Medistim Danmark Aps and is within the same segment as Medistim Norge AS.

Summary of financial information from subsidiaries all 100 % owned

1 = NOK 1000

Unit	Assets	Debt	Equity	Sales	Profit
Medistim USA Inc.	22 360	20 074	2 286	59 619	1 785
Medistim Deutschland GmbH	12 521	1 620	10 901	32 871	3 637
Medistim Danmark Aps	2 057	1 683	374	2 511	-301
Medistim UK Ltd	2 413	6 664	-4 251	1 899	-726
Medistim Norge AS	50 046	14 657	35 231	68 176	6 357
Total	**89 397**	**44 698**	**44 541**	**165 076**	**10 753**

Medistim Norge AS has offices at Økernveien 94 in Oslo. Medistim USA Inc has offices in Minneapolis in the USA. Medistim Deutschland GmbH has offices in Munich in Germany, Medistim UK has offices in London in UK and Medistim Danmark has offices in Copenhagen in Denmark. Book value of goodwill related to the acquisition of Medistim Norge AS was as of 31.12.2013 14 128 TNOK. Goodwill at the time of acquisition was 16 097 TNOK. None of the subsidiaries are listed at a stock exchange. Of Medistim UK's debt of 6 664 TNOK, 3418 TNOK is a long term debt towards Medistim ASA. The debt is part of a cash transfer to finance and establish the company. No interest has been charged on this debt. Medistim ASA received from its German subsidiary a dividend of 2.8 MNOK in 2014.

Note 7 Account receivables and other receivables

Accounts receivable

1= NOK 1000	2014	2013
Accounts receivable	36 242	36 789
Provision for bad debt	-735	-260
Total	**35 507**	**36 529**

All receivables are due within one year. Losses in 2014 were 18 TNOK and losses in 2013 were 153 TNOK. It is recorded an accrual of 735 TNOK to cover expected losses. Historically the company has small losses on receivables. Other receivables are shown below.

Other receivables

1= NOK 1000	2014	2013
Pre payments	1 116	884
Prepaid taxes and VAT	2 602	1 201
Skattefunn\OFU	-	1996
Temporarily funding of subsidiaries	-	2109
Other	317	194
Total other receivables	**4 035**	**6 384**

Note 8 Inventory

1= NOK 1000	2014	2013
Components	7 699	11 750
Finished goods	9 515	9 049
Inventory accrual	-828	-688
Total	**16 386**	**20 111**

Finished goods are valued at production cost that includes cost for components and internal labor cost. Work in progress is valued at the total of the component cost. Inventory accrual is related to service inventory and demonstration inventory. The sales value of the products are assessed and found lower than historic cost. See table below:

Specification of accrual 1 = NOK 1000

1= NOK 1000	2014	2013
Demonstration units	199	195
Service parts	628	493
Total	**827**	**688**

Note 9 Cash in Bank

Restricted cash amounted to 1 488 TNOK as of 31.12.2014 and was related to tax withheld on salary paid to employees. The comparable amount as of 31.12.2013 was 1 370 TNOK.

Note 10 Shareholder affairs

The company had 18.337.336 shares at par value of NOK 0.25 per share and total share capital amount to NOK 4.584.334. There is only one class of shares and all shares are treated equally. Each share represents one vote.

Change in issued share capital in 2014:

	Number of shares	Par value per share	Share capital in NOK
Share capital 01.01.2013	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes in share capital	-	NOK 0.25	NOK -
Share capital 31.12.13	**18 337 336**	**NOK 0.25**	**NOK 4 584 334.00**

The Board of Directors got under the shareholders meeting commission to purchase up to 1 833 733 Medistim ASA shares at par value NOK 458 433.25. The commission is valid until the next ordinary general assembly in 2015 in the price range of NOK 0.25 to NOK 100 per share. Further the Board of Directors got commission to increase share capital with NOK 458 433.25 or issue 1 833

733 new shares at par value NOK 0.25. The commission can be used if there is a decision to fusion, acquire another company or to create an option program. The commission is valid until the next ordinary shareholders meeting in 2015. See note 11 for changes in the equity for the last year.

Status for the commissions as of 31.12.2014:

	Capital increase	Medistim shares
Commission given at the shareholders meeting in 2014	1 833 733	1 833 733
Commissions used	-	-
Status for the commissions as of 31.12.2014	**1 833 733**	**1 833 733**

The company had 236 000 Medistim shares as of 31.12.2014, unchanged from 01.01.2014.

Change in Medistim shares

Number of shares as of 31.12.2013	236 000
Change in own shares	0
Number of shares as of 31.12.2014	236 000

The 20 largest shareholders in the company were as of 31.12.2014:

Shareholder	Number of shares	Shares in %	Nationality
INTERTRADE SHIPPING*	3 850 000	21,00 %	NOR
SALVESEN OG THAMS INVEST AS	1 862 500	10,16 %	NOR
STENSHAGEN INVEST AS V/Lars Hatletveit	1 695 813	9,25 %	NOR
SKAGEN VEKST	1 465 625	7,99 %	NOR
FOLLUM CAPITAL AS	1 000 000	5,45 %	NOR
Skandinaviska Enskil A/C CLIENTS ACCOUNT	999 600	5,45 %	SWE
BUANES ASBJØRN JOHN	928 436	5,06 %	NOR
HOLMEN SPESIALFOND	800 000	4,36 %	NOR
VEVLEN GÅRD AS	531 151	2,90 %	NOR
GRANDEUR PEAK **	466 850	2,55 %	USA
VERDIPAPIRFONDET HANDELSBANKEN NORGE	446 154	2,43 %	NOR
DYVI INVEST AS	446 154	2,43 %	NOR
VJ INVEST AS	425 603	2,32 %	NOR
THE NORTHERN TRUST C AIF CLIENTS NON LEND	317 316	1,73 %	GBR
ROSLAND BRIGT	271 000	1,48 %	NOR
Danske Invest Norge	250 000	1,36 %	NOR
MEDISTIM AS	236 000	1,29 %	NOR
BLIX RIGMOR HELEN	180 000	0,98 %	NOR
FONDSFINANS FARMASI-BIOTEKNOLOGI	177 844	0,97 %	NOR
MP PENSJON PK	174 500	0,95 %	NOR

Total 20 largest shareholders	16 524 546
Total number of shares outstanding	18 337 336
20 largest shareholders in %	90,11 %

* Company controlled by Chairman of the board Øyvin A. Brøymer

** Consist of two Grandeur Peak fund, Grandeur Peak International and Grandeur Peak Global

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Board members and management team with shares in the company:

Shareholder	Number of shares	In % of total	Position
Tove Raanes through Trane AS	990	0,005 %	Board member
Bjørn Wiggen (holds 24 % of Salvesen og Thams Invest)	1 862 500	10,16 %	Deputy chairman
Roger Morberg	6 438	0,031 %	VP Sales
Erik Swensen	40 000	0,21 %	Development man.
Thomas Jakobsen	70 000	0,38 %	CFO
Kari Eian Krogstad	40 000	0.22 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (indirect)	3 850 000	21.00 %	Chairman
Anders Lillebø	5 000	0,03 %	Production man.

It was no share options outstanding as of 31.12.2014.

Note 11 Change in equity

Medistim ASA

1 = NOK 1000	Share capital	Own shares	Premium fund	Other equity	Total
Equity 31.12.13	4 584	(60)	40 253	58 014	102 791
Change in equity					
Profit for 2014	-	-	-	23 680	23 680
Dividend to shareholders	-	-	-	-25 341	-25 341
Equity 31.12.14	**4 584**	**-60**	**40 253**	**56 353**	**101 129**

Note 12 Financial risk

Change in exchange rates involves a direct and indirect financial risk for Medistim ASA. The company has revenue and expenses in EUR and USD where most revenue is in another currency and expenses mostly in NOK. Efforts are made to neutralize net exposure 12 to 18 months in the future by entering hedging contracts. The development in NOK towards USD and EUR is continuously monitored. By year end the company had 12 EUR contracts. Each contract is due by the end of the month with EUR 150.000.

Total amount of hedging contracts in EUR as of 31.12.2014 was EUR 1.8 mill. that gave an unrealized loss of 1.1 MNOK. The hedging contracts are entered to secure sales in foreign currency. Unrealized gain or loss related to the contracts is recorded in the balance sheet as of 31.12.2014 and the change of the value related to the contracts is recorded in the profit and loss. The management and Board of directors evaluate the handling of risks related to exchange rates fluctuations continuously together with its professional advisers.

Gains and losses related to currency:

1= NOK 1000	2014	2013
Foreign exchange gain	8 827	6 369
Foreign exchange loss	4 776	1 540
Total	**4 051**	**4 829**

Note 13 Specification of short term debt

1= NOK 1000	2014	2013
Bonus program distributor		
Inventory accrual	1 012	1 013
Bonus and commission	2978	1177
Holiday allowance	3 072	2 790
Goods received not invoiced	802	731
Board compensation	790	700
Debt towards subsidiary	-	2000
Other	1000	353
Total short term debt	**9 654**	**8 764**

Note 14 Other operating expenses

1 = NOK 1000	2014	2013
Office rental	4 812	2 579
Travel expense	2 136	1 227
Marketing	1 942	1 937
Consultancy fee	4 162	4 348
Insurance	610	704
Freight	591	554
Communication	2 467	1 980
Other	3 002	2 434
Total other operating expenses	**19 722**	**15 763**

Note 15 Long term debt and loan security

Medistim ASA had 18.1 MNOK in long term debt by the end of 2014. The interest on the loan is 3 months NIBOR plus 2.5 %. Last down payment on the loan is due in the second quarter of 2018.

Medistim ASA has a credit facility of 6.0 MNOK to enter foreign currency hedging contracts. The facility represents 10 % of the total value the company can sign up contracts for. In addition the company has a credit facility of 7.5 MNOK. As security for the facilities are assets with 3 MNOK, accounts receivable with 10 MNOK and inventory with 10 MNOK. Book value of secured items was as of 31.12.2014 11.9 MNOK for assets, 38.9 MNOK for accounts receivables and 16.4 MNOK for inventory. See also note 12 for status related to hedging contracts.

Note 16 Receivables and debt towards subsidiaries

1 = NOK 1000	**2014**	**2013**
Account receivable	17 188	20 523
Other receivable	5 472	2 679

Note 17 Events after 2014

The Board of directors has no knowledge about events after 2014 that will affect the annual report and financial statement for 2014.

Oslo, 18.3.2015

Øyvin A. Brøymer Chairman	Tove Raanes Board member	Bjørn M. Wiggen Deputy Chairman
Siri Fürst Board member	Lars Rønn Board member	Kari Eian Krogstad CEO

Statement pursuant to section 5-5 of the Securities Trading Act

We herby confirm that the annual accounts for the group and the company for 2014 to the best of our knowledge have been prepared in accordance applicable accounting standards and give a true and fair view of assets, liabilities, financial position and profit and loss for the group and the company as a whole. The director's report give a true and fair view over development and performance of the business and the position of the group and the company, and a description of principal risk and uncertainties facing the group.

Oslo 18.3.2015
Board of Director's in Medistim ASA

Øyvin A. Brøymer Chairman	Tove Raanes Board member	Bjørn M. Wiggen Deputy Chairman
Siri Fürst Board member	Lars Rønn Board member	Kari Eian Krogstad CEO

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To the Annual Shareholders' Meeting of Medistim ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Medistim ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BDO AS, et norsk aksjeselskap, er deltaker i BDO International Limited, et engelsk selskap med begrenset ansvar, og er en del av det internasjonale nettverket BDO, som består av uavhengige selskaper i de enkelte land. Foretaksregisteret: NO 993 606 650 MVA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Medistim ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Medistim ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 March 2015

BDO AS

Marianne Hamre
State Authorised Public Accountant (Norway)

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