

Medistim ASA Fourth Quarter 2016

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February 17th, 2017

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Table of contents

1. Highlights fourth quarter
2. Financial statements
3. Business segments update
4. Implementing the strategy











1. Highlights fourth quarter



Highlights fourth quarter 2016

- 9.6 % or MNOK 7.2 decline in sales for the quarter,
 - Comparing to Q4-15, best quarter ever in Medistim
 - MNOK 4.6 in 3.party products is lost for the quarter due to the terminated Medtronic agency
 - MNOK 3.6 in flow probes backorders due to temporary lack of production capacity
 - Another strong quarter for the USA with sales up 10.0 % to MNOK 21.9
- Full year 2016 shows 6.6 % revenue growth
 - Currency neutral sales of own products grows 9.5 %
 - 3.party products decline by 10%
- EBIT at MNOK 9.7 for the quarter due to the lower sales
 - Full year 2016 EBIT is up 21.0 % to MNOK 56.4
- SonoQ™ launched in India in November
- Board suggest a dividend of NOK 1.75 per share

Q4 2016		Q o Q
Revenue MNOK 67.4 (74.6)		-9.6 %
EBIT MNOK 9.7 (15.9)		-39.0 %
Currency		-1.9 %
No of capital units sold:		
Flow systems 25		47 %
Imaging systems 5		-82 %
Flow probes 1 582		-5.7 %
Imaging probes 18		-33 %
Procedures (USA) 12 995		33 %

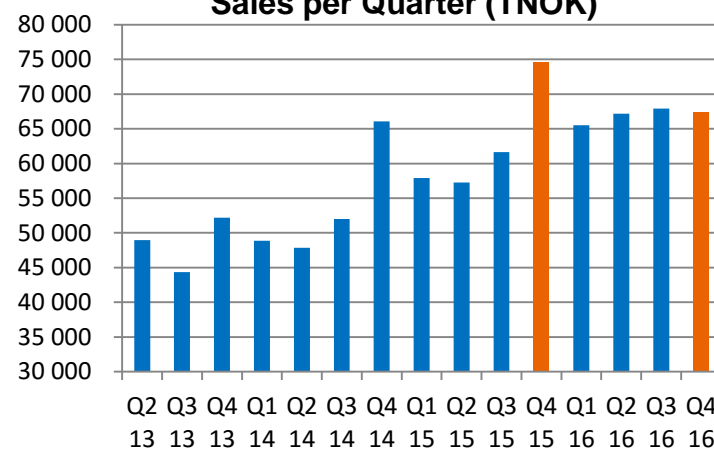
2. Financial statements



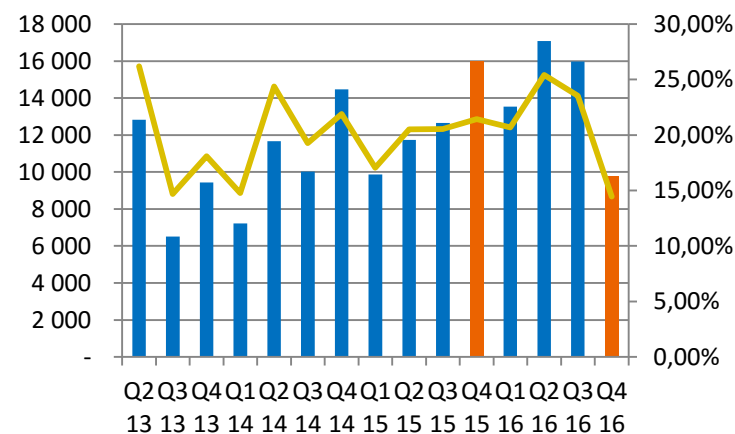
Profit and loss Q4 2016

Profit & loss	Q4 2016	Q4 2015
<i>All numbers in NOK 1000</i>		
Sales	67 433	74 621
Cost of goods sold	16 529	20 091
Salary and sosial expenses	25 310	23 378
Other operating expenses	12 812	12 847
Total operating expenses	54 651	56 317
Op. res. before depr. and write-offs (EBITDA)	12 783	18 305
<i>EBITDA%</i>	<i>19,0 %</i>	<i>24,5 %</i>
Depreciation	3 034	2 770
Write offs	-	(453)
Operating result (EBIT)	9 749	15 988
<i>EBIT %</i>	<i>14,5 %</i>	<i>21,4 %</i>
Financial income	3 381	2 518
Financial expenses	4 490	1 327
Net finance	(1 109)	1 190
Pre tax profit	8 640	17 178
Tax	2 798	4 951
Result	5 842	12 227

Sales per Quarter (TNOK)



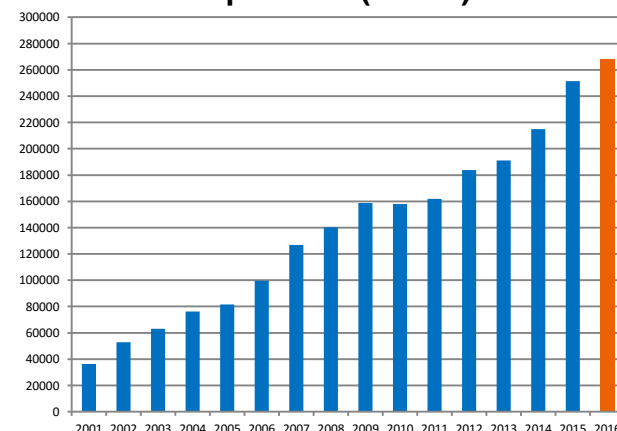
EBIT per Quarter (TNOK)



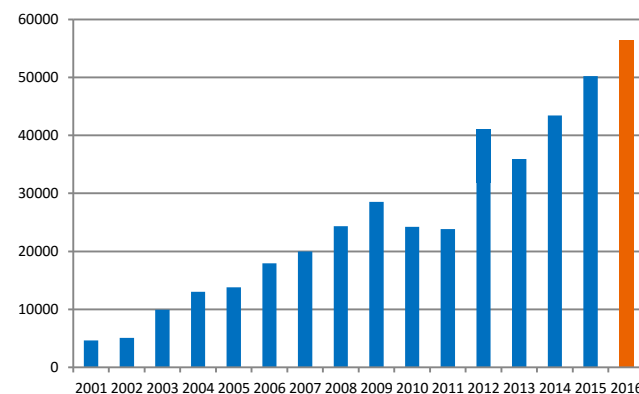
Profit and loss Year to date

Profit & loss	2016	2015
<i>All numbers in NOK 1000</i>		
Sales	268 061	251 429
Cost of goods sold	64 957	64 653
Salary and sosial expenses	89 719	79 102
Other operating expenses	45 304	44 027
Total operating expenses	199 980	187 783
Op. res. before depr. and write-offs (EBITDA)	68 081	63 646
<i>EBITDA%</i>	<i>25,4 %</i>	<i>25,3 %</i>
Depreciation	11 726	10 642
Write offs	-	2 747
Operating result	56 355	50 257
Financial income	7 506	10 755
Financial expenses	10 334	5 367
Net finance	(2 828)	5 388
Pre tax profit	53 527	55 645
Tax	14 429	15 223
Result	39 098	40 422
Dividend	29 950	25 362

Sales per Year (TNOK)



EBIT per Year (TNOK)



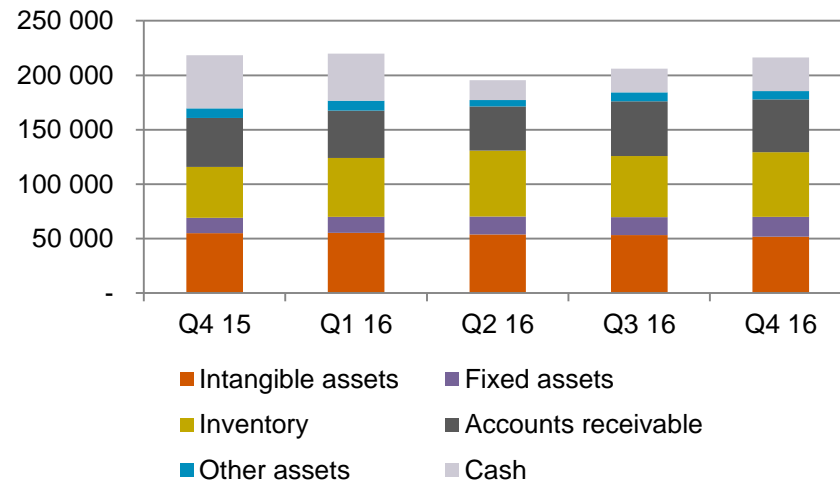
Balance sheet - Assets

Balance sheet 31.12.2016 31.12.2015

All numbers in NOK 1000

Assets

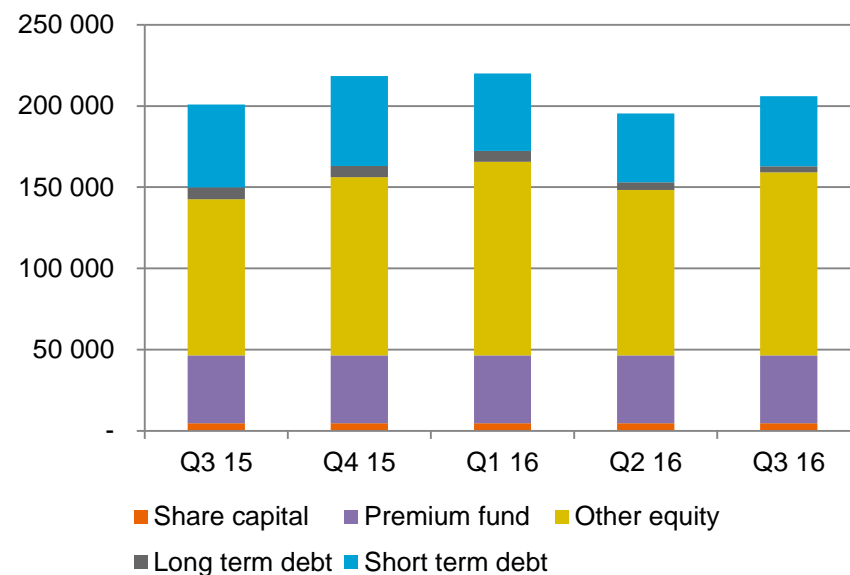
Intangible assets	51 698	55 122
Fixed assets	18 404	14 158
Total intangible and fixed assets	70 102	69 280
Inventory	59 297	46 613
Customers receivables	48 328	44 831
Other receivables	7 651	8 787
Cash	31 065	48 925
Total current assets	146 341	149 156
Total assets	216 443	218 436



- Inventory level is high, related to
 - MiraQ product line introduction while maintaining the VeriQ/VeriQC products with last-time-buy of components
 - Increased 3.party consignment inventory of Mentor products related to the Aleris agreement and HINAS tender
 - Securing safety level of critical components

Balance sheet - Equity and liability

Balance sheet	31.12.2016	31.12.2015
<i>All numbers in NOK 1000</i>		
Share capital	4 585	4 585
Premium fund	44 172	41 852
Other equity	117 947	109 727
Total equity	166 704	156 164
Total long term debt	2 552	7 001
Total short term debt	47 188	55 271
Total equity and liability	216 444	218 436



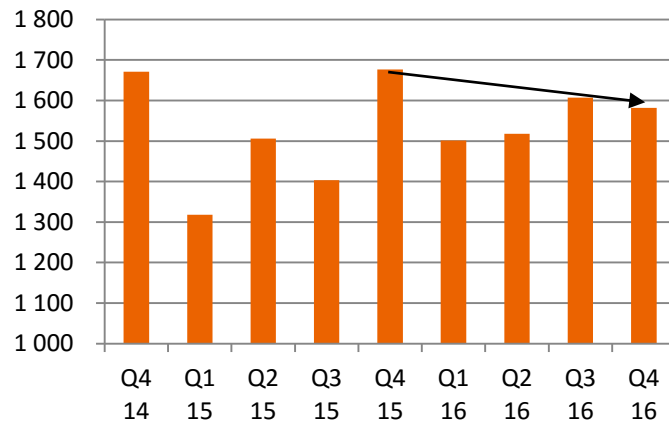
- 5.6 MNOK in interest bearing debt
- Suggested dividend of NOK 1.75 per share

3. Business segments update



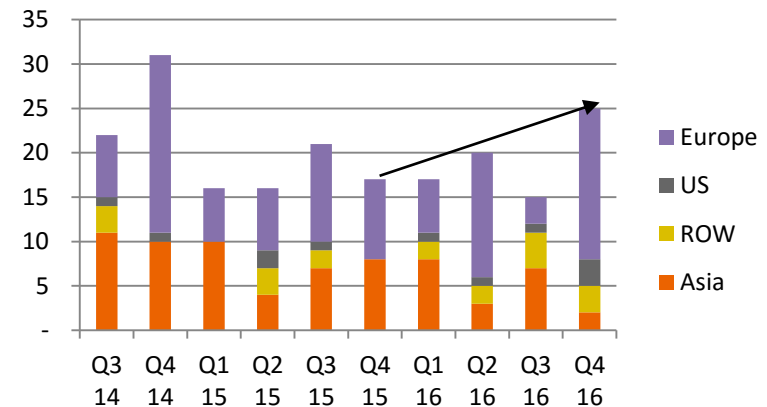
Flow probes and systems in units

Flow probes in units (excl USA)



- About 400 probes in backorder for Q4 due to temporary lack of production capacity
- 5.1 % growth in probe sales in 2016

Flow systems in units (VeriQ & MiraQ)



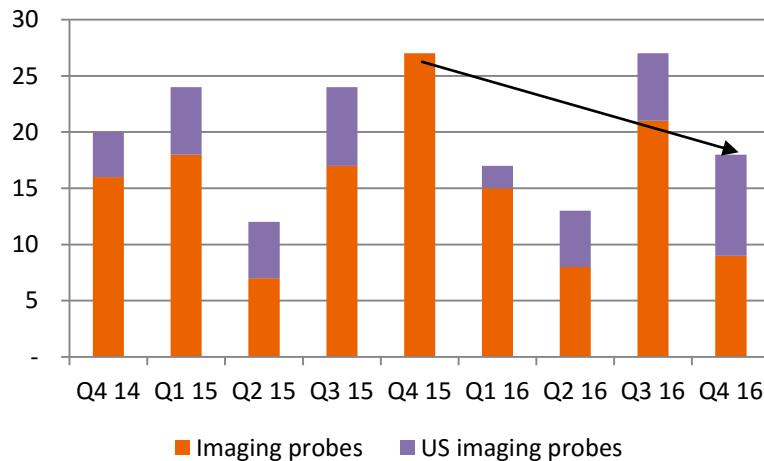
- Strong flow system sales in all regions except Asia
- Flow-to-imaging upgrade opportunity is well received by customers
 - 16 of the 25 systems were MiraQ



Imaging probes and systems in units

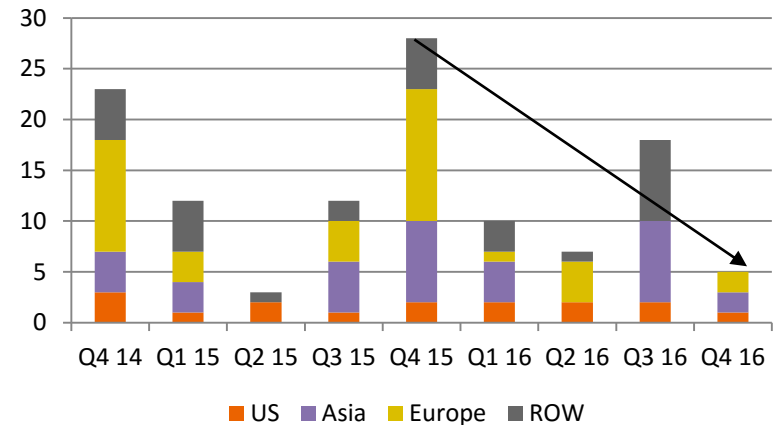


Imaging probes in units (incl USA)



- Increased sales of imaging probes in the USA
- Lower number of imaging systems sold this quarter results in weaker imaging probe sales outside the USA

Imaging systems in units (VeriQC & MiraQ)



- Low imaging system sales in Q4 2016 in all regions, only 5 systems vs 28 in Q4 2015
- 3 of the 5 systems sold were on the MiraQ platform

Q4 revenue performance by region

Mill NOK	Q4 '16	Q4 '15	Q / Q	2016	2015	Y/Y
Europe	38,3	42,5	-9,8 %	136,4	141,7	-3,8 %
USA	21,9	19,9	10,1 %	91,0	76,2	19,4 %
Asia & Jp	4,7	8,1	-41,6 %	24,8	21,7	14,3 %
ROW (MEA, CAN, SA, AUS)	2,5	4,2	-40,0 %	15,9	11,8	34,7 %
Total	67,4	74,6	-9,6 %	268,1	251,4	6,6 %

- **In Europe**, Q4 was weak, since both 3.party product sales decreases by 13.2 % due to the lost Medtronic agency and own products decreased by 6.5 % due to lower probe sales and imaging systems sales. For 2016, own products grow 3.5% and 3. party is down by 10.0%.
- **In the USA**, Medistim delivers yet another good quarter and growth in NOK was 10.0%, currency neutral growth was 13.4%. For 2016 growth is 19.4% in NOK and 14.2% currency neutral.
- **Both Asia/Japan and ROW** are so far smaller sales territories, with significant quarter to quarter variation.

Negative currency effects for Q4 with 1.4 MNOK and positive with 7.6 MNOK for 2016.

Average actual exchange rate for USD 8.40 and EUR 9.29 versus last year USD 8.07 and EUR 8.95.

Q4 revenue performance by product

Mill NOK	Q4 '16	Q4 '15	Q/Q	2016	2015	Y/Y
Procedures (USA)	20,3	18,0	12,5 %	81,9	69,7	17,5 %
Flow probes	17,5	19,9	-12,3 %	70,4	64,1	9,8 %
Flow systems (VeriQ & MiraQ)	5,6	3,6	55,3 %	17,7	12,9	37,7 %
Imaging systems (VeriQ C & MiraQ)	2,8	10,3	-72,8 %	21,0	23,3	-9,8 %
Imaging probes	0,6	1,8	-67,0 %	3,1	3,9	-19,0 %
3rd party	18,2	20,9	-13,2 %	68,4	76,1	-10,0 %
Other	2,5		#DIV/0!	5,4	1,5	269,4 %
Total revenues	67,4	74,6	-9,6 %	268,1	251,4	6,6 %

- **Procedure sale in the USA:** In number of procedures, pure flow procedures are up 25 % while imaging procedures are up 118 % in Q4. 2016 flow procedures increase with 12 % while imaging procedures increase with 45 %.
- **Flow probes revenue:** In addition to the backorder situation, 6.6 % of decline was currency driven in Q4. For the year 2016, 5.1 % of growth was volume driven and 4.7 % was related to currency.
- **Flow systems:** The Q4 growth in revenue is driven by growth in units and more direct sales. For the year, favorable currency also contributes.
- **Imaging systems and probes:** Total system units sold in Q4 was 5, down 23 units from last year, which explains the reduction in sales for the quarter and the year.
- **3rd party products:** As expected, sales is down from last year due to the loss of the Medtronic agency.

4. Implementing the strategy

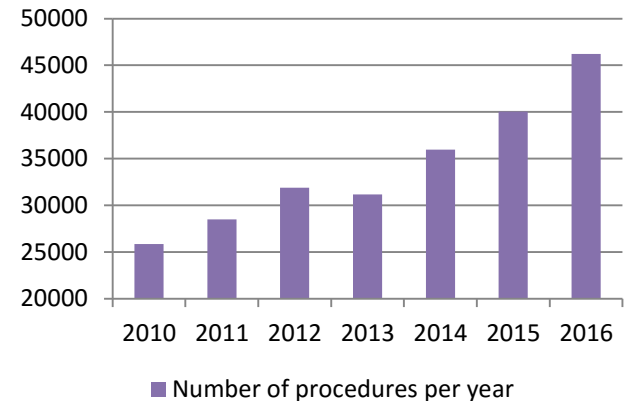


Growth opportunities – in developing Medistim markets

Emerging, high-growth economies (e.g. brIC)			
Developing Medistim markets (e.g. USA, UK, Fra)			
Strong Medistim markets (e.g. Jp, Nordic, Germany) >50% CABG share			
GEOGRAPHIES	CABG surgery (2 BNOK)	Vascular surgery (>1 BNOK)	Other open heart surgery (1 BNOK)
APPLICATION AREAS			

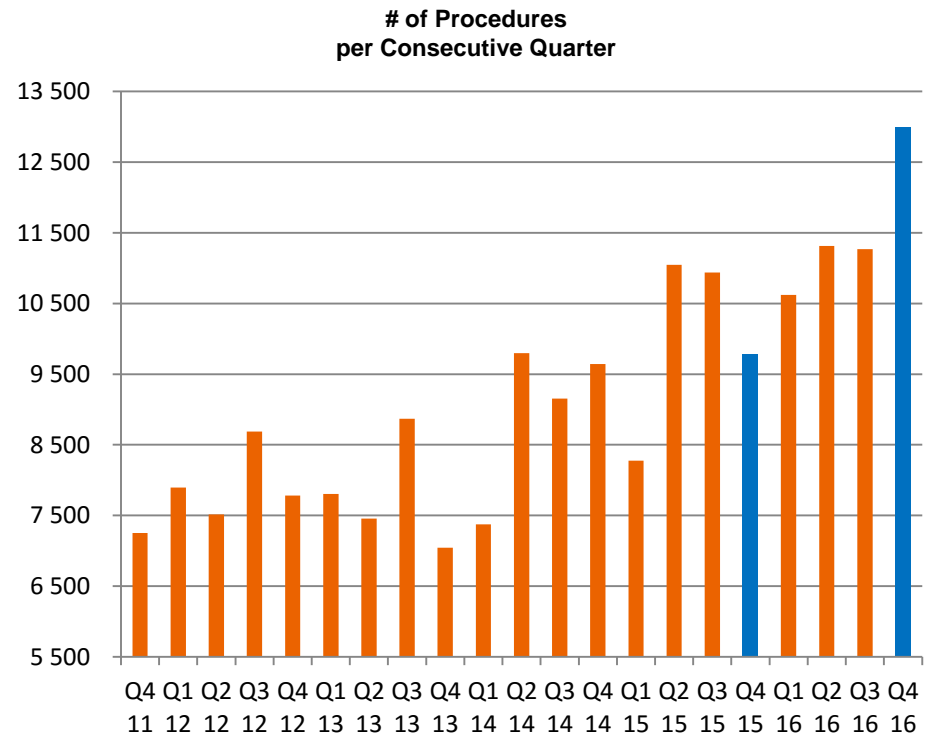
- Convert** the routine Flow market to a **Flow-and-Imaging market** by establishing *Surgical Guidance and Quality Assessment* as the new standard of care through
 - Early adopter & KOL support
 - REQUEST study
 - Ease conversion from flow to imaging with MiraQ
- Achieve **routine use** of both Flow and Imaging by fighting ignorance, indifference and ease-of-use objections through
 - Clinical marketing & Educational programs
 - Product innovation for ease of use
 - Increased sales force capacity**
- Build and strengthen position** in vascular surgery
 - Dedicated system (MiraQ Vascular) & probes
 - Build position with societies and KOLs
- Offer an **entry-level solution** to reach emerging, price-sensitive, high-growth markets

High performance US sales organization



RESULTS 2016

- Revenues up by 19.4 % in NOK
- 14.2 % growth in USD
- Number of procedures up by 15.4 %
 - 12 % growth in flow procedures
 - 45 % growth in imaging procedures
 - 40 % increase in capital sales
- Continued growth in Q4 in USA
 - 6 completely new accounts, 23 for the year
 - 2 TTFM account converted to Imaging, 4 for the year



Growth opportunities – in emerging markets

Emerging, high-growth economies (e.g. brIC)	4		
Developing Medistim markets (e.g. USA, UK, Fra)	2		
Strong Medistim markets (e.g. Jp, Nordic, Germany) >50% CABG share	1	3	
GEOGRAPHIES APPLICATION AREAS	CABG surgery (2 BNOK)	Vascular surgery (>1 BNOK)	Other open heart surgery (1 BNOK)

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Launch of SonoQ™ in India

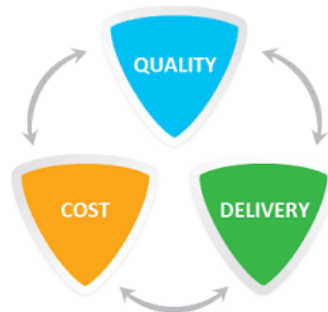
- SonoQ introduced during the International Coronary Congress in India (ICC) in November 2016
- Medistim premium products are well accepted, but price has been an issue
- Large market with 150.000 coronary surgeries performed per year and high growth



Adressing growth and development needs in Medistim manufacturing

Situation:

- Increasing volumes
- Increased complexity
 - MiraQ platform
 - VeriQ / VeriQC platform
 - Cardiac and vascular probe families
- Temporary lack of probe production capacity
- Product quality is indisputably nr 1 priority



Key initiatives:

- Review and revision of
 - manufacturing processes
 - quality procedures
 - monitoring and control
- New VP Manufacturing, Helge Børslid, started January
 - Coming from Production Manager role in Halliburton, Sandefjord
 - Previous experience from Norautron, Infineon Technologies Sensoror, Kongsberg Maritime and Sensor Development



20 largest share holders (per 9. February 2017)

Number of shared	Shares in %	Shareholder
3 850 000	21,00	INTERTRADE SHIPPING
1 862 500	10,16	SALVESEN & THAMS INV
1 023 612	5,58	JPMorgan Chase Bank, NORDEA TREATY ACCOUN
1 000 000	5,45	FOLLUM CAPITAL AS
784 155	4,28	PROTECTOR FORSIKRING Aksjer
653 212	3,56	Skandinaviska Enskil A/C CLIENTS ACCOUNT
604 462	3,30	BNP Paribas Securiti S/A ITALIAN RESIDENT
519 936	2,84	BUANES ASBJØRN JOHN
446 154	2,43	DYVI INVEST AS
443 032	2,42	STENSHAGEN INVEST AS V/Lars Hatletveit
439 751	2,40	Citibank Europe plc S/A SEB SA UCITS
420 559	2,29	GRANDEUR PEAK INTERN BROWN BROTHERS HARRI
346 154	1,89	VERDIPAPIRFONDET HAN NORGE
320 978	1,75	RBC Investor service S/A LUX-NON-RES/DOM
262 419	1,43	SEB PRIME SOLUTIONS SKANDINAVISKA ENSKIL
250 000	1,36	Danske Invest Norge
202 534	1,10	Danske Bank A/S 3993 NORDIC SETTLEME
200 000	1,09	Bank Julius Bär & Co
200 000	1,09	VEVLEN GÅRD AS
190 535	1,04	REGENTS OF THE UNIVE The Bank of New York



Seeing is believing