

3rd quarter 2017

- Record sales and result for a quarter.
- Sales ended at MNOK 75.7 for the quarter (MNOK 67.9), an 11.4 % growth. Sales as of September increased by 9.3 % and ended at MOK 219.2 (MNOK 200.6)
- The revenue growth is driven by sales of own products and currency neutral growth was 12.5 % for the quarter and 11.5 % YTD
- Operating profit (EBIT) for the quarter ended at MNOK 19.4 (MNOK 15.9). Operating profit as of September ended at MNOK 49.1 (MNOK 46.6)
- Continued strong growth in USA with a currency neutral growth of 17.8 %
- Preliminary data from the REQUEST study supports Medistim's hypothesis; The combination of flow measurements and ultrasound imaging during cardiac bypass surgery improves surgical outcome
- Production capacity has improved in the 3 quarter and the back order situation is estimated to be solved by year end

3rd quarter 2017

FINANCIAL DEVELOPMENT

(Comparative numbers for 2016 in parenthesis)

Sales and geographic split

Sales in the 3rd quarter ended at MNOK 75.7 (MNOK 67.9), a 11.4 % increase. There was a strong growth in Europe and USA where growth in sales in NOK was 30.0 % and 16.4 % respectively. In Asia sales decreased with 7.8 %. Both Asia and the rest of the world are smaller regions for Medistim with larger variations per quarter.

Sales as of September increased with 9.3 % and ended at MNOK 219.2 (MNOK 200.6). There was a growth measured in NOK in all regions except in the rest of the world. In USA the positive trend continues and there was a 11.5 % growth in NOK. In Europe and Asia there was a growth of 12.5 % and 6.1 % respectively. In the rest of the world there was a decrease of 20.9 %, which in NOK amounted to MNOK 2.8.

The effect from currency

With the same rates as in 2016 sales would have amounted to MNOK 76.5 for the quarter, a currency neutral growth of 12.7 %. Similar as of September would have resulted in sales of MNOK 221.6, a currency neutral growth of 10.5 %.

Split of own products and 3.party products.

Sales of own products amounted to MNOK 59.4 (MNOK 53.6). Sales of 3.party products ended at MNOK 16.3 (MNOK 14.3). As of September sales of own products ended at MNOK 165.3 (MNOK 150.3) and sales of 3.party products ended at MNOK 53.9 (MNOK 50.3).

For sales of own products in the third quarter MNOK 51.2 was sales within the cardiac segment, while MNOK 8.2 was sales to the vascular segment, so the vascular segment represented 13.8 % of sales of own products. Similar percentage year to date was 15.4 % towards the vascular segment.

Cost of goods sold

Cost of goods sold ended at MNOK 15.3 for the quarter (MNOK 15.4) and cost of goods sold represent a percentage of 20.2 % of total sales (22.7 %). As of September cost of goods sold ended at MNOK 52.6 (MNOK 48.4), which represent a percentage of 23.8 % (24.1 %).

Salary, social and other operating expenses

Salaries and social expenses ended at MNOK 27.0 (MNOK 23.3) for the quarter. Other operating expenses ended at MNOK 10.6 (MNOK 10.2) for the quarter.

As of September salaries and social expenses ended at MNOK 71.6 (MNOK 64.4). Other operating expenses ended at MNOK 36.6 (MNOK 32.5).

The increase in salary expenses was related to the increased production capacity and the full year effect of hiring's from 2016.

The increase in other expenses was in relation to the support of the Eckstein study, a clinical vascular study, with MNOK 0.5, external assistance with MNOK 0.8, recruitment expenses with MNOK 0.5 and marketing expenses in relation to the e-learning program.

R & D expenses

For the quarter MNOK 2.1 (MNOK 2.6) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 25.0 (MNOK 20.3). This equals a margin of 33.0 % (29.9 %). During the quarter MNOK 0.0 of the R & D expense was activated in the balance sheet (MNOK 1.3).

As of September MNOK 6.2 (MNOK 7.1) was used within research and development (R&D). Result before R & D, depreciations and write offs was MNOK 64.6 (MNOK 60.2). This equals a margin of 29.5 % (30.0 %). As of september MNOK 1.0 (MNOK 2.3) of the R & D expense was activated in the balance sheet.

Earnings

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 22.8 (MNOK 18.9).

Operating profit before depreciation (EBITDA) as of September ended at MNOK 58.8 (MNOK 55.3).

Result before tax and finance (EBIT) ended at MNOK 19.4 (MNOK 15.9) for the quarter. As of September result before tax and finance (EBIT) ended at MNOK 49.1 (MNOK 46.6).

Net finance ended negative with MNOK 1.5 for the quarter (negative MNOK 0.6).

As of September net finance ended negative with MNOK 0.8 (negative MNOK 1.7).

Net finance was related to realized and unrealized gains or losses related to currency, hedging contracts, cash in USD and EUR and customer receivables.

Result before tax was MNOK 17.9 (MNOK 15.3) for the quarter. Result after tax for the quarter was MNOK 13.4 (MNOK 11.2).

As of September result before tax was MNOK 48.3 (MNOK 44.9). Result after tax as of September was MNOK 35.1 (MNOK 33.3).

Result per share for the quarter was NOK 0.74 (NOK 0.62). Result per share as of September was NOK 1.93 (NOK 1.83).

Average number of shares outstanding was 18.161.336 (18. 151.336) by end of September 2017.

Balance sheet

Equity by the end of September was MNOK 169.2 (MNOK 159.2). This equals an equity ratio of 74.4 % (77.3 %).

Cash as of 30th of September was MNOK 27.7 (MNOK 21.7) and the company had MNOK 17.1 in interest bearing debt. A dividend of MNOK 31.8 was paid in May.

Compared to last year working capital has increased with MNOK 11.7. The working capital increase is related to accounts receivable as a consequens of increased sales.

The balance sheet ended at MNOK 227.3, up MNOK 10.8 from MNOK 216.4 by the beginning of the year.

OPERATIONAL STATUS

Production

As previously reported, Medistim production capacity for flow probes has been to low. As a consequens the company has implemented process changes and increased staffing to meet the increased need.

Medistim experienced in the second quarter that the training of new personell took more time than anticipated. However, the process changes and increased staffing started to give positive effects in the third quarter.

It is expected that the productivity and therefore the capacity will increase even further in the fourth quarter as the assemblers gain more experience.

At the end of Q3, the company had approximately 250 probes, corresponding to MNOK 2.25 in sales not delivered due to lack of production capacity. It is expected that all flow probe orders will be covered by the end of the fourth quarter.

Europe

In Europe there was an increase in both sales of own products and sales of 3.party products. 3. Party products increased with MNOK 1.9 or 13.2 %. Sales of own products ended at MNOK 20.5, an MNOK 6.6 increase or 47.5 %. As of September sales of 3.party products increased with MNOK 3.6, or 7.2 %. Sales of own products ended at MNOK 56.4, which represent an 18.0 % increase.

During the quarter Medistim followed up its vascular opportunity and participated at the ESVS (European Society of Vascular Surgery). The global vascular market represents a significant opportunity for Medistim and is estimated to represent approximately 600,000 procedures annually. In comparison, cardiac bypass surgery, a segment where Medistim has its strongest position with a global market penetration of about 25 %, represent 700,000 procedures annually.

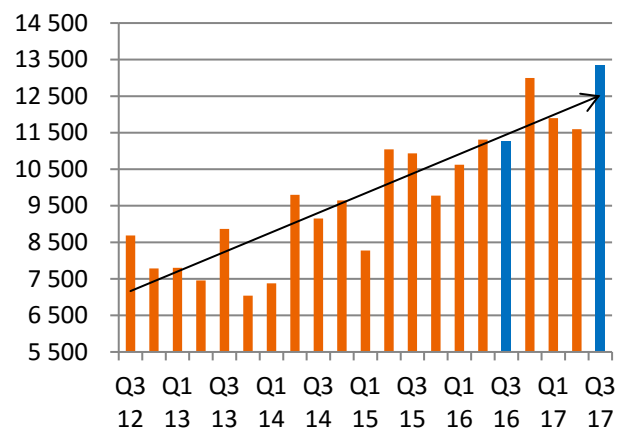
USA

Medistim has a business model in the US that is mainly based upon a leasing model and sale of procedures, but also offer capital sale as in other markets.

The US had a strong third quarter and sale increased with 16.4 % compared to last year. Currency neutral growth was 17.8 %. For the quarter there was sold 13.351 procedures compared to last year 11.270. During the quarter 1.608 (1.512) procedures was sold to customers using the imaging system. Further, 11.743 flow procedures were sold (9.758) during the quarter. Number of new customers for the quarter was 11. In addition, 1 customer converted from flow to flow and imaging.

Sales increased with 11.5 % as of September 2017. The currency neutral growth was 12.8 %. As of September there were sold 36.845 procedures (33.206) of which 4.658 were imaging procedures (4.000) and 32.178 flow procedures (29.206). Number of new customers in 2017 was 19. In addition, 4 customers converted from flow to flow and imaging.

Number of procedures sold per quarter in the US



In the US about 80 % of the bypass surgeries are performed with no other quality assurance of blood flow other than the surgeons experience by feeling pulse on the vessels using the finger. It is clinically proven that this method is not reliable. It is therefore a large potential and need for Medistims products in the US. Medistim has large ambitions in the US market. So far Medistim has achieved a market penetration of more than 18.0 % of the total market of approximately 240.000 bypass surgery procedures performed annually. Medistim has a market penetration of about 70 % in Germany, Scandinavia and Japan. Medistim expect that the market penetration in the US will develop in the same manner over time.

Asia

In Asia there was an decrease in sales for the quarter with 7.8 %, while as of September sales increased with 6.0 %.

During the third quarter Medistim received clearance from the China Food and Drug Administration (CFDA) for sale of its product MiraQ™. China represents a significant market opportunity for Medistim with about 50.000 CABG procedures performed per year and a projected annual growth rate of 5 to10 %. MiraQ is with this cleared for sale in

all of Medistims major markets except Japan. An application for Japan is in process.

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

In other markets sales for the third quarter decreased with 53.0 %. Year to date sales decreased with 21 %. In total this is marginal markets that have little effect on the total sales, and where quarterly sales vary.

CLINICAL STUDY - REQUEST

Preliminary findings from the REQUEST registry study

Preliminary findings from the REQUEST registry study were presented at the 3rd International Coronary Conference, ICC, in New York, USA, in August.

The REQUEST study is a prospective, multicenter registry with leading cardiac surgery centers from Europe, USA and Canada, led by Coordinating Investigator Professor David Taggart from the University of Oxford. The objective is to study how often the combination of high-resolution ultrasound imaging and transit time flow measurements (TTFM) performed with Medistim's VeriQC or MiraQ devices will change the surgical procedure. The surgical coronary artery bypass grafting (CABG) protocol includes ultrasound scanning of the aorta, conduit, target coronary vessel and anastomosis as well as TTFM graft assessment. The study is unique, since data from such a protocol have never been collected before.

The hypothesis motivating the REQUEST registry study is that employing this combination of functional flow measurement and morphological ultrasound imaging data will enable surgeons to make better-informed decisions during coronary surgery, and thereby improve surgical quality, outcomes and ultimately, contribute to improved healthcare efficiency from this surgical procedure. The endpoints for the study are any change in planned surgical procedure, type of procedure adaptation, number of graft revisions and adverse events.

Professor Taggart presented the first preliminary results from the 776 patients included so far showing that 26% of the patient population had one or more surgical changes made to the procedure based on imaging and flow data. This is a high number, which indicates that the addition of high-resolution ultrasound imaging is indeed helpful in guiding the CABG procedure, even for highly experienced surgeons. It will be of considerable interest to evaluate the data from the full 1000 patient population and learn more about how the imaging and flow techniques can help guide CABG surgery during the various stages of the procedure.

It is expected that the 1000 patient are enrolled by year end 2017, and that the final analysis is ready in the first half of 2018.

PROSPECTS AND TRENDS

Goals and vision

The company aims to develop products to meet surgeons' growing need for quality control of heart-bypass surgery, peripheral vascular surgery and transplant surgery. Our vision is that Medistim's solutions should represent the «standard of care» for clinical practice and that blood flow measurements and intraoperative 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, surgical guidance and quality assurance on the agenda in relevant forums and channels.

Continuous technology and product development will secure Medistims products and leading position within cardiac surgery also in the future. The company also has ambitions to launch new products adapted to specialities 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 Medistims products with 1/3 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 stabil growing trend in the years to come.

Adding intraoperative ultrasound imaging to flow measurements more than doubles Medistims 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 annually. The imaging functionality makes MiraQ™ and VeriQC relevant in other cardiac surgeries and not just by pass surgery. Medistim estimates this potential to be 1 billion NOK.

In addition, the company has a significant potential within the global vascular market, which is estimated to be about 600,000 vascular procedures annually. Total market size within vascular surgery is estimated to be over 1 billion NOK.

The trend in surgery moves towards less intervention and keyhole surgery, which gives the surgeon less workspace and the ability to control in a traditional way. It is therefore an increased need to verify the desired result in the future.

Global demographic trends are an important driving force for the many cost-efficiency measures around the world, with America's health care reform as very important. Focus on quality is growing, driven by the need to reduce costs, particularly related to correction of errors, the need for repeated treatments and repeated hospital admissions. Medistim therefore has a good opportunity to position their products as an important contributor to achieving these goals.

Position and Competition

Medistim's flow meters have been in use in more than 1.5 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 28 % 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 65 % of the cases where by pass surgery is performed there is no equipment in use to verify blood flow. This market represent Medistim's largest opportunity.

With Medistim's Ultrasound imaging technology and MiraQ™ platform, the company has acquired a new edge compared to competitors, with unique and differentiated products that is currently alone in its segment.

Exposure towards currency

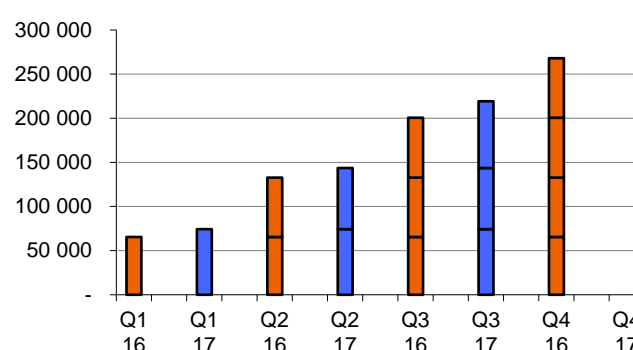
The company is exposed to EUR and USD. Exposure can vary depending on how large share of revenues and costs USD and EUR account for of total income and expenses. For 2017 a 10 % change in the exchange rate against USD and EUR would result in a 7.5 % change in sales and a 16.0 % change in operating result. The company partly secures its positions with hedging contracts.

SHARHOLDER AFFAIRS

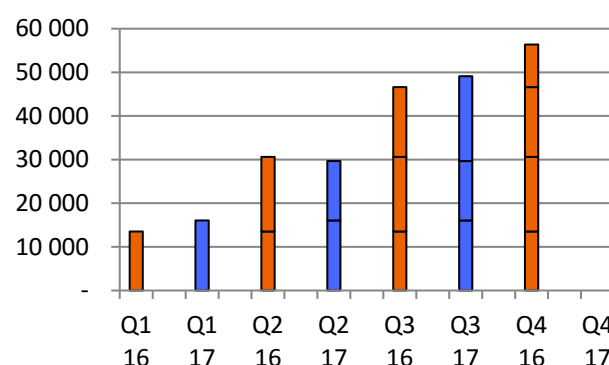
The company had 176.000 Medistim shares by the end of June 2016. The shares were purchased at a price per share of NOK 14.70. The share price was NOK 66.75 per share at the end of the quarter. The number of shares traded as of September 2017 was 4.899.817.

The five largest shareholders by the end of September 2017 were Intertrade Shipping AS with 4.003.500 shares, Salvesen & Thams Invest with 1.862.500 shares, Swedbank Robur with 1.376.596 shares, Follum Capital with 1.000.000 shares and Protector forsikring with 784.155 shares.

Accumulated sales per quarter



Accumulated operating profit per quarter



Oslo 23rd of October 2017,

Board of Directors and managing director in Medistim ASA

Profit & loss	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
All numbers in NOK 1000					
Sales	75 694	67 933	219 231	200 627	268 061
Cost of goods sold	15 321	15 420	52 206	48 428	64 957
Salary and sosial expenses	26 998	23 320	71 561	64 409	89 719
Other operating expenses	10 588	10 231	36 633	32 492	45 304
Total operating expenses	37 586	33 552	108 195	96 901	135 023
Opr. res.before. depr. and write offs	22 788	18 962	58 831	55 298	68 081
<i>EBITDA %</i>	<i>30,1 %</i>	<i>27,9 %</i>	<i>26,8 %</i>	<i>27,6 %</i>	<i>25,4 %</i>
Depreciation	3 358	2 978	9 729	8 692	11 726
Operating result	19 430	15 983	49 102	46 606	56 355
EBIT %	25,7 %	23,5 %	22,4 %	23,2 %	21,0 %
Financial income	1 494	573	5 327	4 126	7 506
Financial expenses	2 993	1 213	6 161	5 844	10 334
Net finance	(1 499)	(640)	(834)	(1 719)	(2 828)
Pre tax profit	17 931	15 344	48 269	44 887	53 527
Tax	4 514	4 113	13 171	11 630	14 429
Result	13 417	11 230	35 097	33 257	39 098
Dividend	-	-	31 782	29 950	29 950
Comprehensive income					
Result after tax	13 417	11 230	35 097	33 257	39 098
Exchange differences arising on translation of foreign operations	(548)	(355)	(824)	(466)	216
Total comprehensive income	12 869	10 875	34 273	32 791	39 314

Key figures	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
Equity share	74,4 %	77,3 %	74,4 %	77,3 %	77,0 %
Earnings per share	0,74	0,62	1,93	1,83	2,15
Earnings per share diluted	kr 0,74	kr 0,62	kr 1,93	kr 1,83	kr 2,15
Average shares outstanding in 1000	18 161	18 151	18 161	18 150	18 150
Average shares outstanding in 1000 diluted	18 161	18 151	18 161	18 150	18 150

Split of operating profit per segment	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
All numbers in NOK 1000					
Res from Medistim products	17 938	16 647	41 948	42 254	49 381
Margin Medistim products	30,2 %	31,1 %	25,4 %	28,1 %	24,7 %
Res from 3rd party products	1 492	(664)	7 154	4 352	6 974
Margin 3rd party products	9,2 %	-4,6 %	13,3 %	8,7 %	10,2 %
Totalt result	19 430	15 983	49 102	46 606	56 355
Margin	25,7 %	23,5 %	22,4 %	23,2 %	21,0 %

Balance sheet	30.09.2017	30.09.2016	31.12.2016
All numbers in NOK 1000			
Assets			
Intangible assets	46 335	53 195	51 698
Fixed assets	23 033	16 501	18 404
Total tangible and fixed assets	69 368	69 696	70 102
Inventory	62 136	56 105	59 297
Customers receivables	59 199	50 176	48 328
Other receivables	8 847	8 295	7 651
Cash	27 718	21 734	31 065
Total current assets	157 900	136 310	146 341
Total assets	227 268	206 007	216 443
Equity and liability			
Share capital	4 585	4 585	4 585
Share premium reserve	44 172	41 852	44 172
Other equity	120 438	112 716	117 946
Total equity	169 195	159 153	166 703
Deferred income	153	851	677
Other long term debt	11 250	2 813	1 875
Total long term debt	11 403	3 664	2 552
Total short term debt	46 670	43 190	47 188
Total equity and liability	227 268	206 007	216 443
Net interest bearing debt	(10 656)	(15 171)	(25 440)

Change in equity	30.09.2017	30.09.2016	31.12.2016
All numbers in NOK 1000			
Equity start of period	166 703	156 164	156 164
Result for the period	35 097	33 257	39 098
Dividend	(31 782)	(29 950)	(29 950)
Medistim shares	-	150	1 176
Changes in exchangerates	(824)	(468)	216
Equity end of period	169 195	159 153	166 703

Cash flow analysis	30.09.2017	30.09.2016	31.12.2016
All numbers in NOK 1000			
Result for the period	35 097	33 257	39 098
Cash flow from operation	(10 229)	(18 767)	(10 825)
Cash flow from operation	24 869	14 489	28 274
Cash flow from investments	(7 121)	(7 252)	(11 943)
Cash flow from financial activities	(21 095)	(34 428)	(34 191)
Change in cash for the period	(3 347)	(27 191)	(17 860)
Cash at start of period	31 065	48 925	48 925
Cash by the end of period	27 718	21 734	31 065

Geographic split of sales	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
All numbers in NOK 1000					
USA	27 319	23 465	77 072	69 117	90 990
Asia	8 182	8 872	21 271	20 057	24 805
Europe	36 801	28 294	110 292	98 062	136 383
Rest of the world	3 392	7 302	10 596	13 391	15 883
Total sales	75 694	67 933	219 231	200 627	268 061

Geographic split of sales in number of units	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
USA					
Procedures flow measurement	11 743	9 758	32 187	29 206	40 394
Procedures imaging and flow	1 608	1 512	4 658	4 000	5 807
Capital sales MiraQ and VeriQ flowmeasureme	4	1	6	3	6
Capital sales MiraQ and VeriQC imaging and flc	3	2	9	6	7
Asia					
MiraQ and VeriQ flowmeasurement instrument	2	7	19	18	20
MiraQ and VeriQC imaging and flowmeasureme	6	8	13	12	14
Imaging probes	7	8	12	17	22
Flowmeasurement probes	502	520	1 299	1 331	1 651
Europe					
MiraQ and VeriQ flowmeasurement instrument	5	3	23	23	40
MiraQ and VeriQC imaging and flowmeasureme	7	-	13	5	7
Imaging probes	7	1	23	9	13
Flowmeasurement probes	1 078	910	2 944	2 796	3 833
Rest of the world					
MiraQ and VeriQ flowmeasurement instrument	1	4	9	8	11
MiraQ and VeriQC imaging and flowmeasureme	2	8	4	12	12
Imaging probes	3	12	6	18	18
Flowmeasurement probes	148	177	470	499	724
Total sales outside the US in units					
Number of MiraQ and VeriQ flow instruments	8	14	51	49	71
MiraQ and VeriQC imaging and flowmeasureme	15	16	30	29	33
Total number of imaging probes	17	21	41	44	53
Total number of flowmeasurement probes out	1 728	1 607	4 713	4 626	6 208

Split of sales per segment	3. quarter 17	3. quarter 16	As of 30.09.17	As of 30.09.16	2016
All numbers in NOK 1000					
USA					
Procedural revenue	21 305	20 896	64 376	61 647	81 924
Capital sales MiraQ and VeriQ flowmeasureme	2 722	733	3 651	1 986	3 353
Capital sales MiraQ and VeriQC imaging and fl	3 292	1 835	9 046	5 483	5 713
Outside USA					
MiraQ and VeriQ flowmeasurement instrument	1 757	2 929	10 253	10 093	14 361
MiraQ and VeriQC imaging and flowmeasureme	6 517	6 559	14 253	12 711	15 281
Imaging probes	919	1 212	2 716	2 558	3 146
Flowmeasurement probes	21 101	18 147	55 923	52 948	70 446
Other	1 823	1 256	5 117	2 920	5 389
Total sale of Medistim products	59 437	53 567	165 334	150 347	199 613
Sale of 3 party products	16 256	14 366	53 897	50 280	68 448
Total sales	75 693	67 933	219 231	200 627	268 061