Medistim ASA
Third Quarter 2017

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October 24th, 2017

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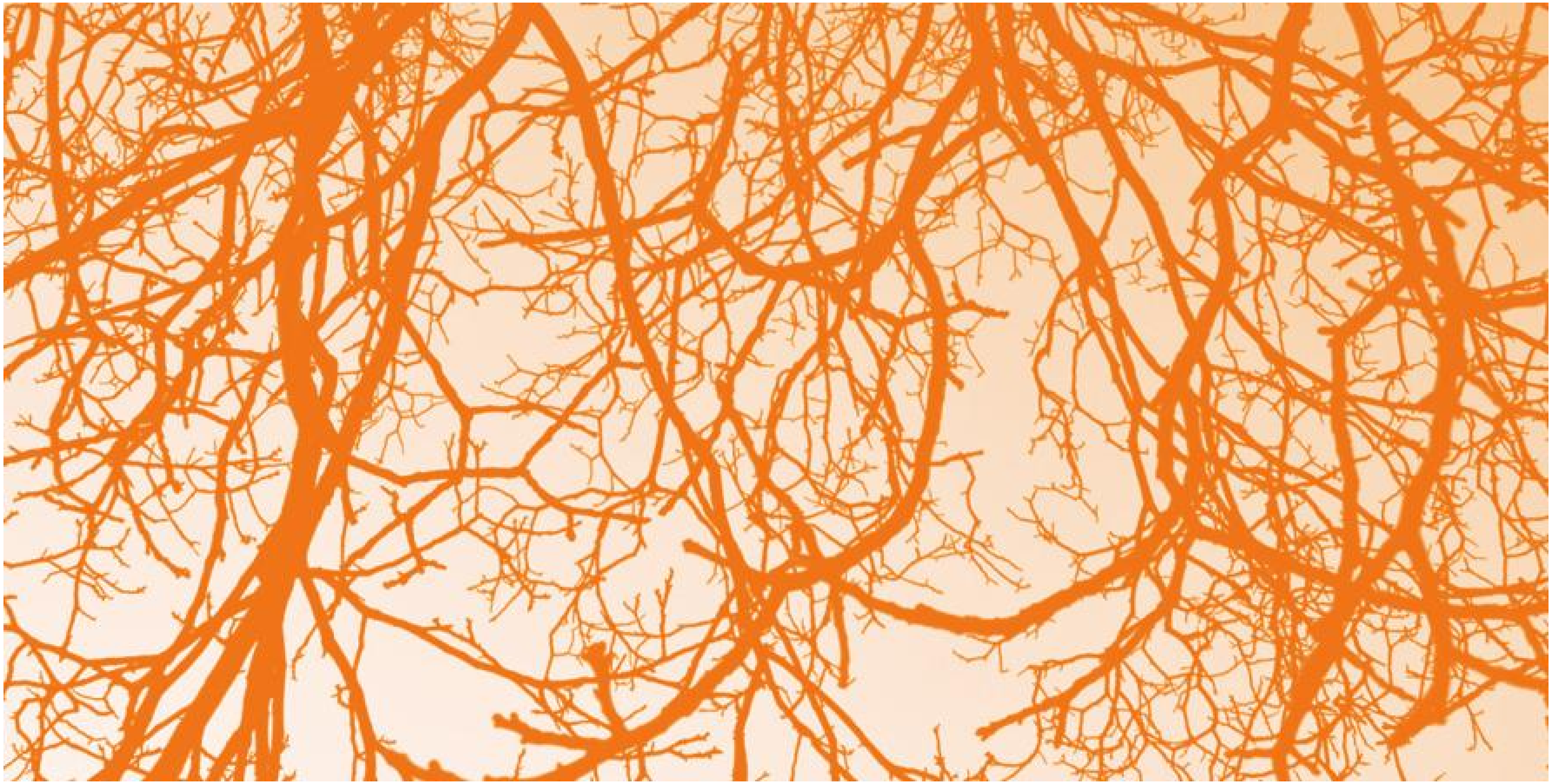
1. Highlights 3rd quarter

Highlights 3rd quarter 2017

- 11.4 % increase in sales for the quarter
  - Currency neutral total growth is 12.7 %
  - Currency neutral growth of own products is 12.5%
  - Flow probe sales negatively impacted with MNOK 2.2, however production of flow probe capacity is improving and backorder is reduced form 500 to 250 probes
  - Another strong quarter for the USA with currency neutral sales up 17.8 %
- EBIT up MNOK 3.5 to MNOK 19.4, an 21.6 % increase
- Preliminary data from the REQUEST study supports Medistim's hypothesis that the combination of flow measurements and ultrasound imaging during cardiac bypass surgery may improve surgical outcome
- MiraQ cleared for sale in China

Q3 2017	Q o Q
Revenue MNOK 75.7 (67.9)	11.4%
EBIT MNOK 19.4 (15.9)	21.6 %
Currency	-1.3 %
No of capital units sold:	
Flow systems 12	-20.0 %
Imaging systems 18	0.0 %
Flow probes 1 728	7.5 %
Imaging probes 21	-28.5 %
Procedures (USA) 13 351	18.5 %

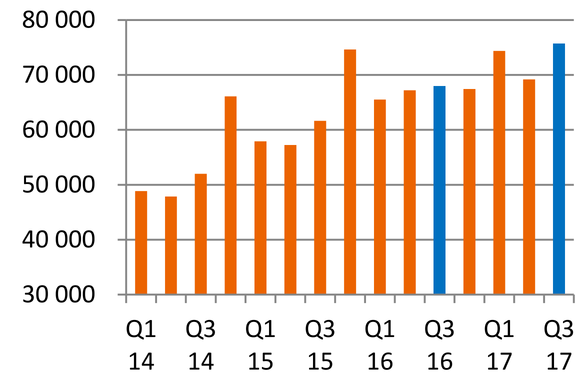
2. Financial statements



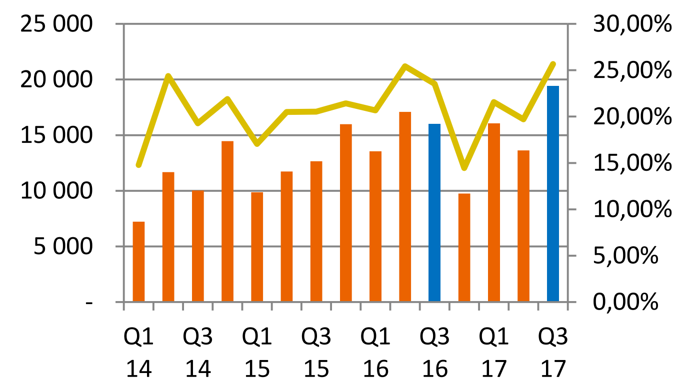
Profit and loss Q3 2017

Profit & loss	Q3 2017	Q3 2016	2016
All numbers in NOK 1000			
Sales	**75 694**	**67 933**	**268 061**
Cost of goods sold	15 321	15 420	64 957
Salary and sosial expenses	26 998	23 320	89 719
Other operating expenses	10 588	10 231	45 304
Total operating expenses	37 586	33 552	135 023
Op. res. before depr. and write-offs (EBITDA)	**22 788**	**18 962**	**68 081**
EBITDA %	*30,1 %*	*27,9 %*	*25,4 %*
Depreciation	3 358	2 978	11 726
Operating result (EBIT)	**19 430**	**15 983**	**56 355**
EBIT %	*25,7 %*	*23,5 %*	*21,0 %*
Financial income	1 494	573	7 506
Financial expenses	2 993	1 213	10 334
Net finance	(1 499)	(640)	(2 828)
Pre tax profit	**17 931**	**15 344**	**53 527**
Tax	4 514	4 113	14 429
Result	**13 417**	**11 230**	**39 098**

Sales per Quarter (TNOK)

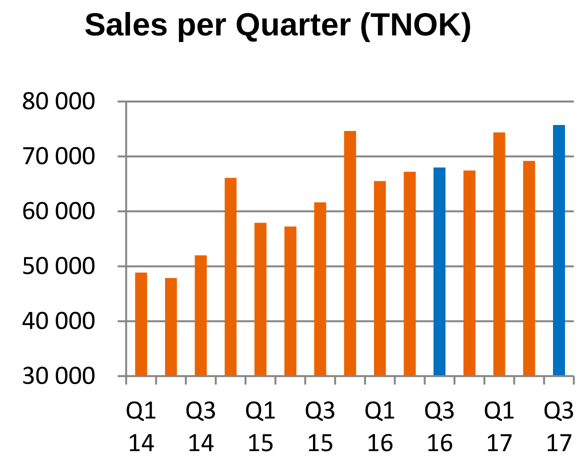


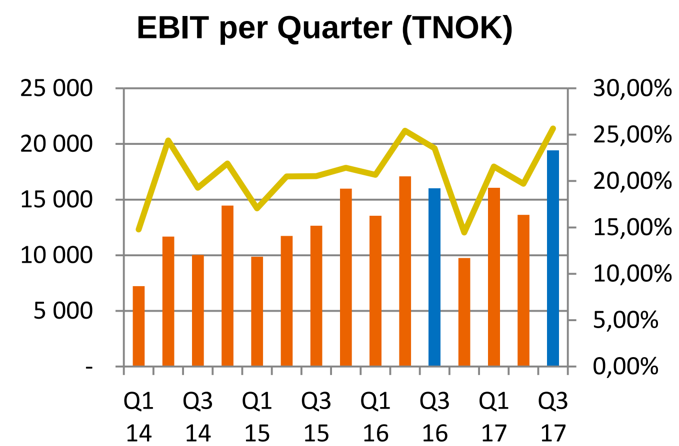
EBIT per Quarter (TNOK)



Profit and loss as of September 2017

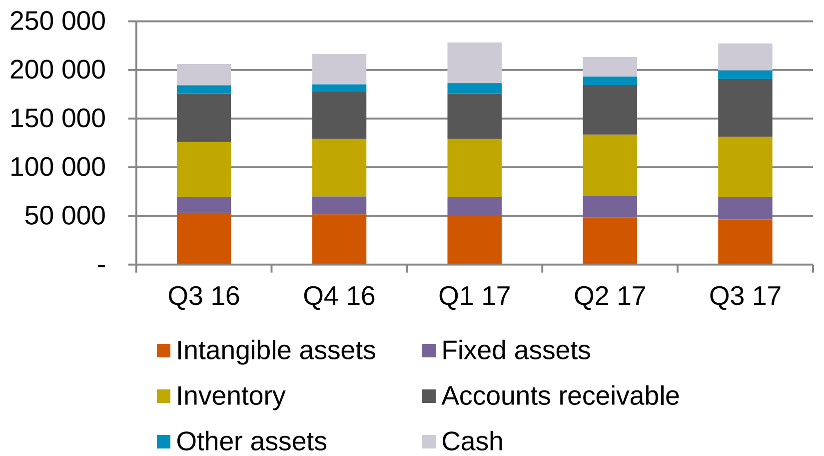
Profit & loss	YTD Sept 2017	YTD Sept 2016	2016
All numbers in NOK 1000			
Sales	**219 231**	**200 627**	**268 061**
Cost of goods sold	52 206	48 428	64 957
Salary and sosial expenses	71 561	64 409	89 719
Other operating expenses	36 633	32 492	45 304
Total operating expenses	108 195	96 901	135 023
Op. res. before depr. and write-offs (EBITDA)	**58 831**	**55 298**	**68 081**
EBITDA %	*26,8 %*	*27,6 %*	*25,4 %*
Depreciation	9 729	8 692	11 726
Operating result (EBIT)	**49 102**	**46 606**	**56 355**
EBIT %	*22,4 %*	*23,2 %*	*21,0 %*
Financial income	5 327	4 126	7 506
Financial expenses	6 161	5 844	10 334
Net finance	(834)	(1 719)	(2 828)
Pre tax profit	**48 269**	**44 887**	**53 527**
Tax	13 171	11 630	14 429
Result	**35 097**	**33 257**	**39 098**





Balance sheet - Assets

Balance sheet	**30.09.2017**	**31.12.2016**
All numbers in NOK 1000		
Assets		
Intangible assets	46 335	51 698
Fixed assets	23 033	18 404
Total intangible and fixed assets	**69 368**	**70 102**
Inventory	62 136	59 297
Customers receivables	59 199	48 328
Other receivables	8 847	7 651
Cash	27 718	31 065
Total current assets	**157 900**	**146 341**
Total assets	**227 268**	**216 443**

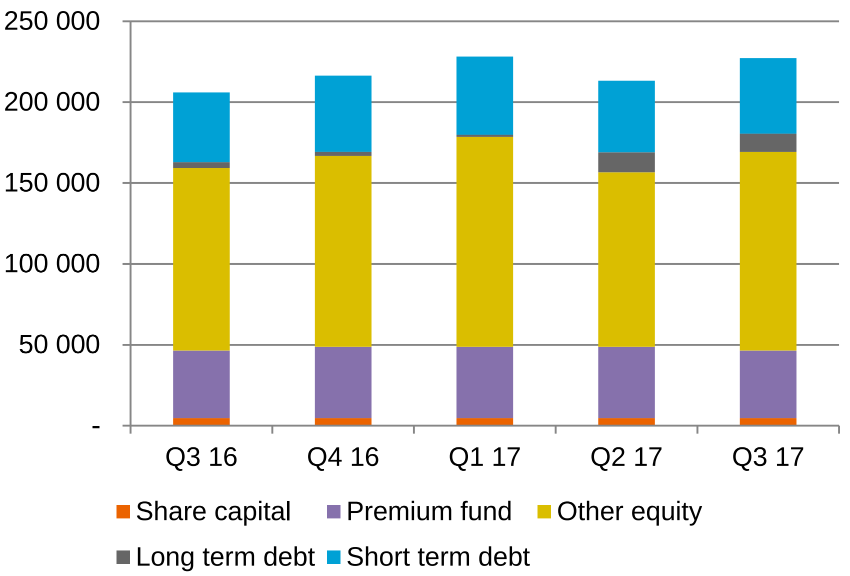


- Working capital is still high, related to
  - MiraQ product line introduction while maintaining the VeriQ/VeriQC products with last-time-buy of components
  - Securing safety level of critical components
  - Increased customer receivables due to record sales for the quarter

MEDISTIM

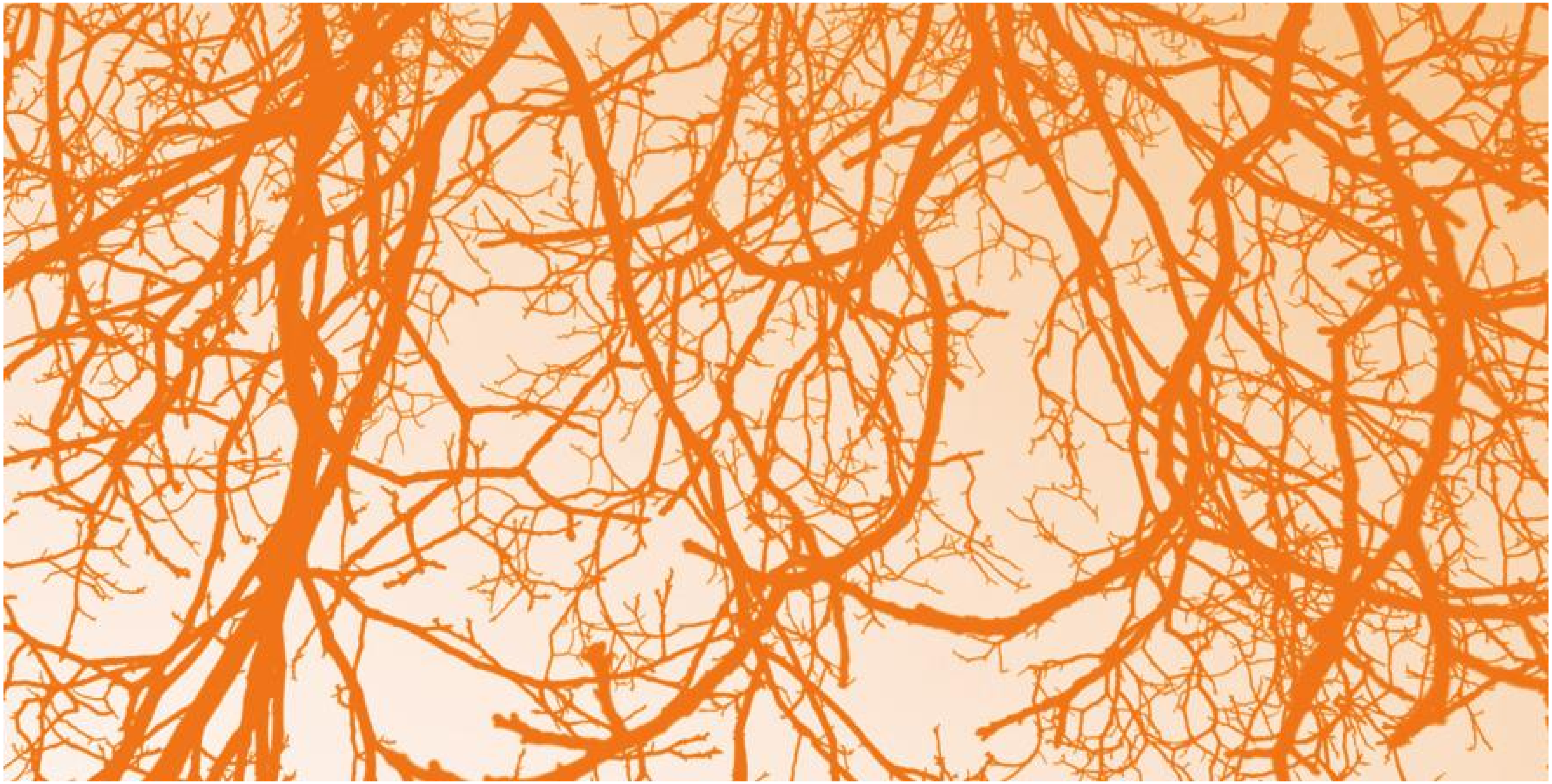
Balance sheet - Equity and liability

Balance sheet	30.09.2017	31.12.2016
All numbers in NOK 1000		
Share capital	4 585	4 585
Premium fund	44 172	44 172
Other equity	120 438	117 947
Total equity	**169 195**	**166 704**
Total long term debt	**11 403**	**2 552**
Total short term debt	**46 670**	**47 188**
Total equity and liability	**227 268**	**216 444**



- 17.1 MNOK in interest bearing debt

3. Business segments update



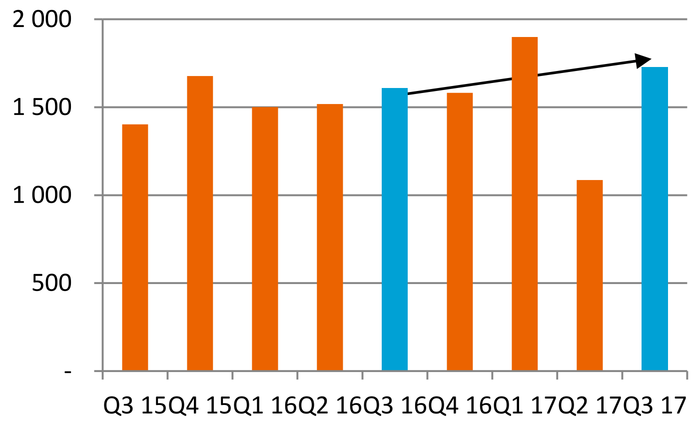
Status production capacity of flow probes

- Development in number of TTFM probes in backorder at the end of the quarter:
  - Q4 2016: 400
  - Q1 2017: 250
  - Q2 2017: 500
  - Q3 2017: 250
  - Est. Q4 2017: 0

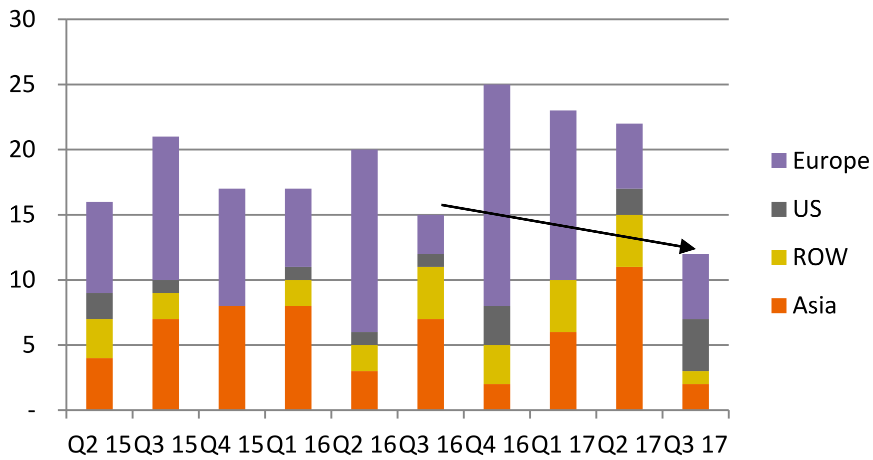
- During the first half year we invested in building capacity by increasing the number of probe assembly operators
- For Q2, we saw that the immediate effect of this was negative
  - the productivity per operator went down due to new operators being in training and experienced operators spending time on giving training
- For Q3 and Q4, production capacity is gradually increasing and we will enter 2018 with an overcapacity enabling inventory build

Flow probes and systems in units

Flow probes in units (excl USA)



Flow systems in units (VeriQ & MiraQ)

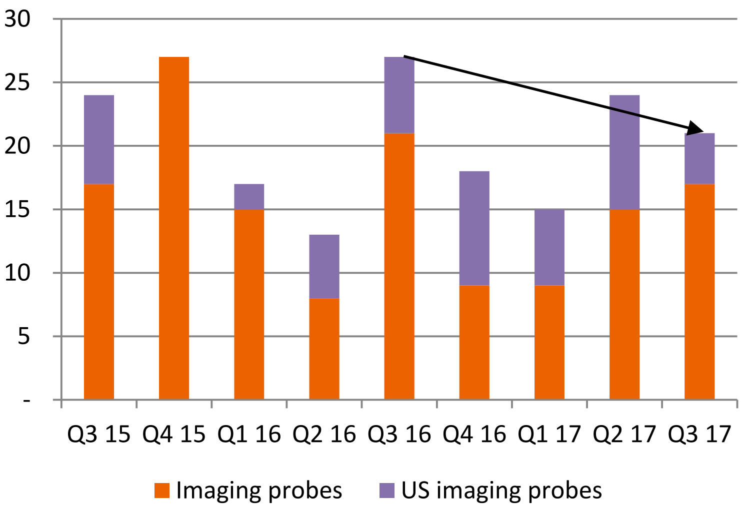


- 7.5% increase in flow probe volume sales enabled by positive trend in production capacity. Backorder has decreased by 50% to 250 probes, equaling 2,2 MNOK
- Strong sales in direct markets like Spain and Germany increases revenue

- Weak quarter for all regions except USA, going from 1 to 4 capital sales flow systems this quarter

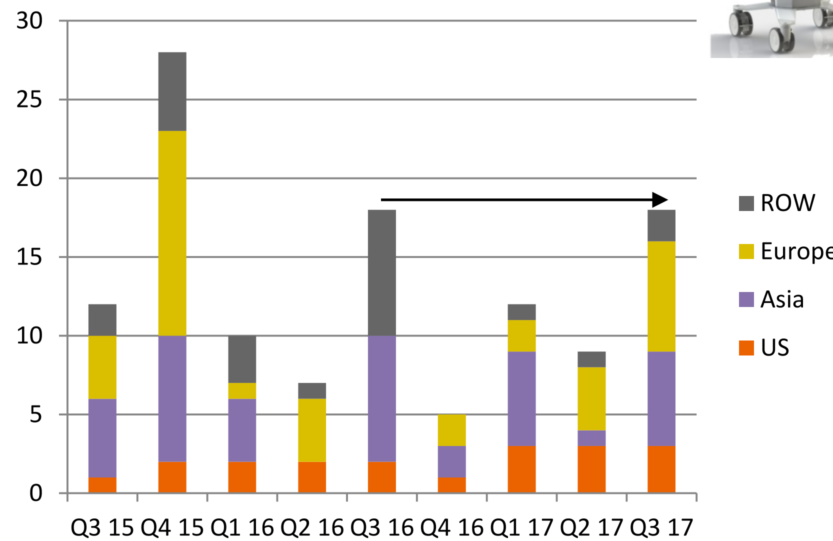
Imaging probes and systems in units

Imaging probes in units (incl USA)



- Good quarter despite decrease from last year

Imaging systems in units (VeriQC & MiraQ)



- Good quarter with number of systems sold at the same level as last year
- Strong sales in direct markets like Norway and USA explains the revenue increase

Q3 revenue performance by region

Mill NOK	Q3 '17	Q3 '16	Q / Q	YTD '17	YTD '16	Y/Y	2016
Europe	36,8	28,3	30,1 %	110,3	98,1	12,5 %	136,4
USA	27,3	23,5	16,4 %	77,1	69,1	11,5 %	91,0
Asia & Jp	8,2	8,9	-7,8 %	21,3	20,1	6,1 %	24,8
ROW (MEA, CAN, SA, AUS)	3,4	7,3	-53,5 %	10,6	13,4	-20,9 %	15,9
Total	**75,7**	**67,9**	**11,4 %**	**219,2**	**200,6**	**9,3 %**	**268,1**

- In Europe, Q3 was up 30.1 % due to a solid 47% volume growth of own products and strong sales in direct markets
- In the USA, Medistim delivers yet another good quarter with currency neutral growth of 17.8 %, driven by 134 % increase in capital sales
- Both Asia/Japan and ROW are so far smaller sales territories with significant quarter to quarter variation.

Negative currency effects as of September was 2.4 MNOK .

Average actual exchange rate for USD 8.31 and EUR 9.23 versus last year USD 8.38 and EUR 9.41.

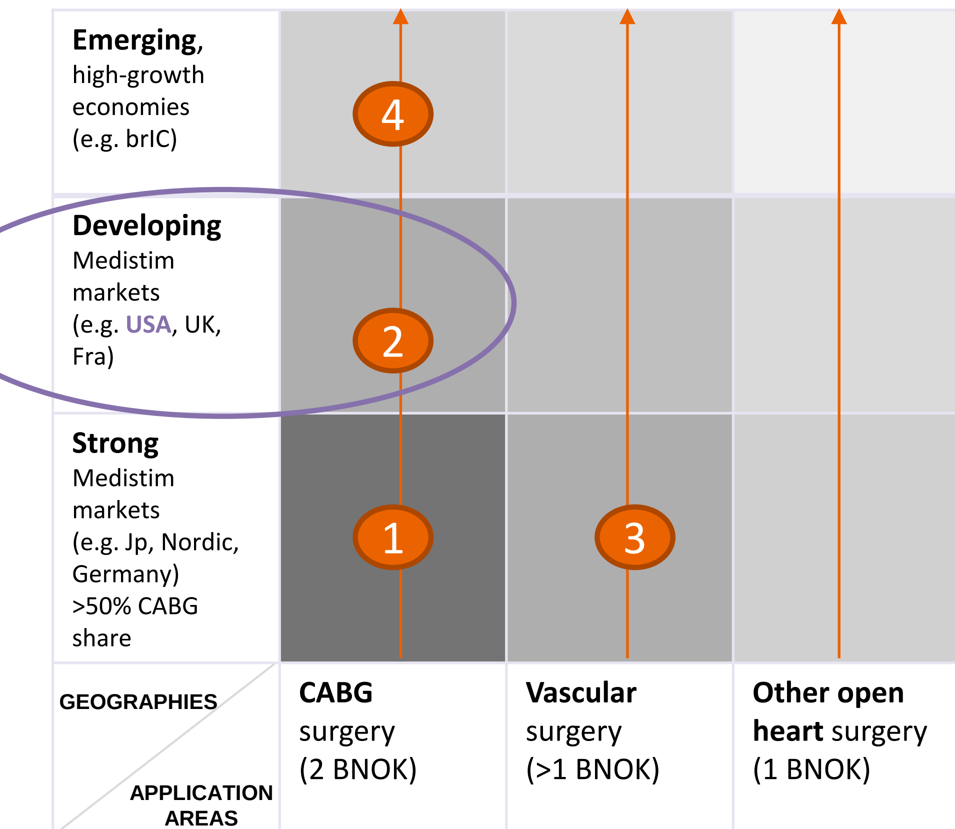
Q3 revenue performance by product

Mill NOK	Q3 '17	Q3 '16	Q/Q	YTD '17	YTD '16	Y/Y	2016
Procedures (USA)	21,3	20,9	2,0 %	64,4	61,6	4,4 %	81,9
Flow probes	21,1	18,1	16,3 %	55,9	52,9	5,6 %	70,4
Flow systems (VeriQ & MiraQ)	4,5	3,7	22,3 %	13,9	12,1	15,1 %	17,7
Imaging systems (VeriQ C & MiraQ)	9,8	8,4	16,9 %	23,3	18,2	28,1 %	21,0
Imaging probes	0,9	1,2	-24,2 %	2,7	2,6	6,2 %	3,1
3rd party	16,3	14,3	13,4 %	53,9	50,3	7,2 %	68,4
Other	1,8	1,3	45,1 %	5,1	2,9	75,2 %	5,4
Total revenues	**75,7**	**67,9**	**11,5 %**	**219,2**	**200,6**	**9,3 %**	**268,1**

- Procedure sale in the USA: The total number of procedures grew with 18.5 % in Q3. Revenue increase is lower due to currency and a larger portion of procedures coming from capital probe sales compared to card sales.
- Flow probes revenue: 7.5 % increase in units to 1728 probes, 16.3 % in NOK due to higher level of sales in direct markets like Spain and Germany.
- Flow systems: 20 % decline in units, however 22.3 % growth in NOK because more units this quarter were sold through direct markets to end customers.
- Imaging systems and probes: Flat development in units with 11.4 % growth in NOK due to higher level of sales in direct markets.
- 3rd party products: Strong development in Q3

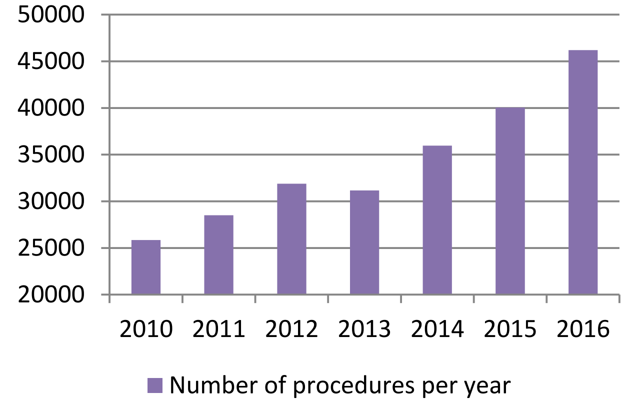
4. Implementing the strategy

Growth opportunities – in developing Medistim markets



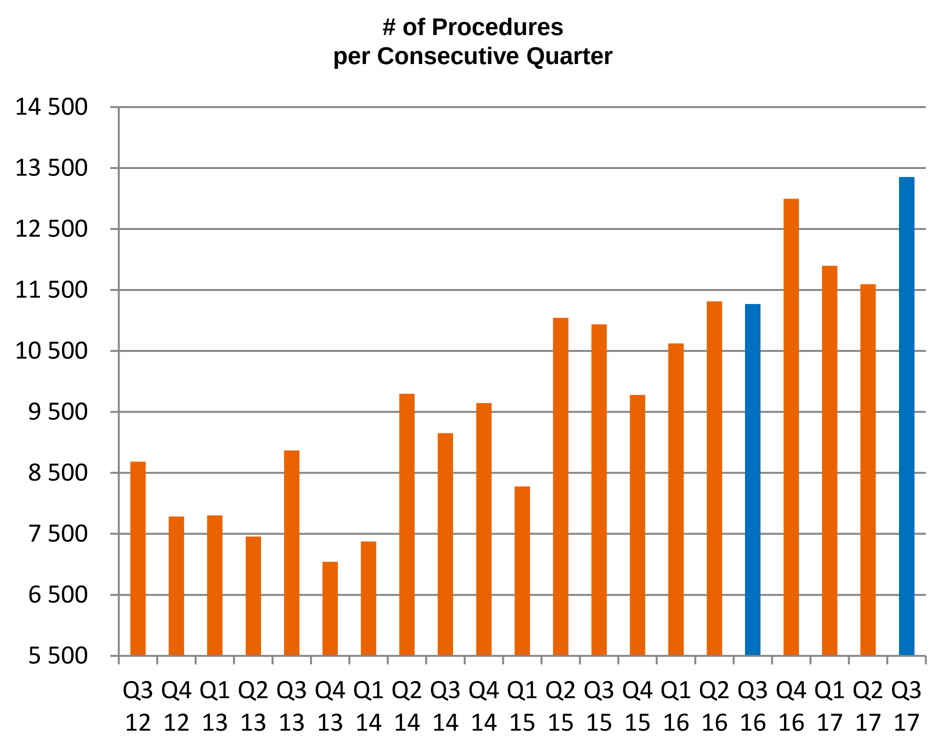
1. **Convert the routine Flow market to a Flow-and-Imaging market** by establishing *Surgical Guidance and Quality Assessment* as the new standard of care through
   - Early adopter & KOL support
   - REQUEST study
   - Ease conversion from flow to imaging with MiraQ
2. **Achieve routine use** of both 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 capacaity
3. **Build and strengthen position** in vascular surgery
   - Dedicated system (MiraQ Vascular) & probes
   - Build position with societies and KOLs
4. **Offer an entry-level solution** to reach emerging, price-sensitive, high-growth markets

High performance US sales organization

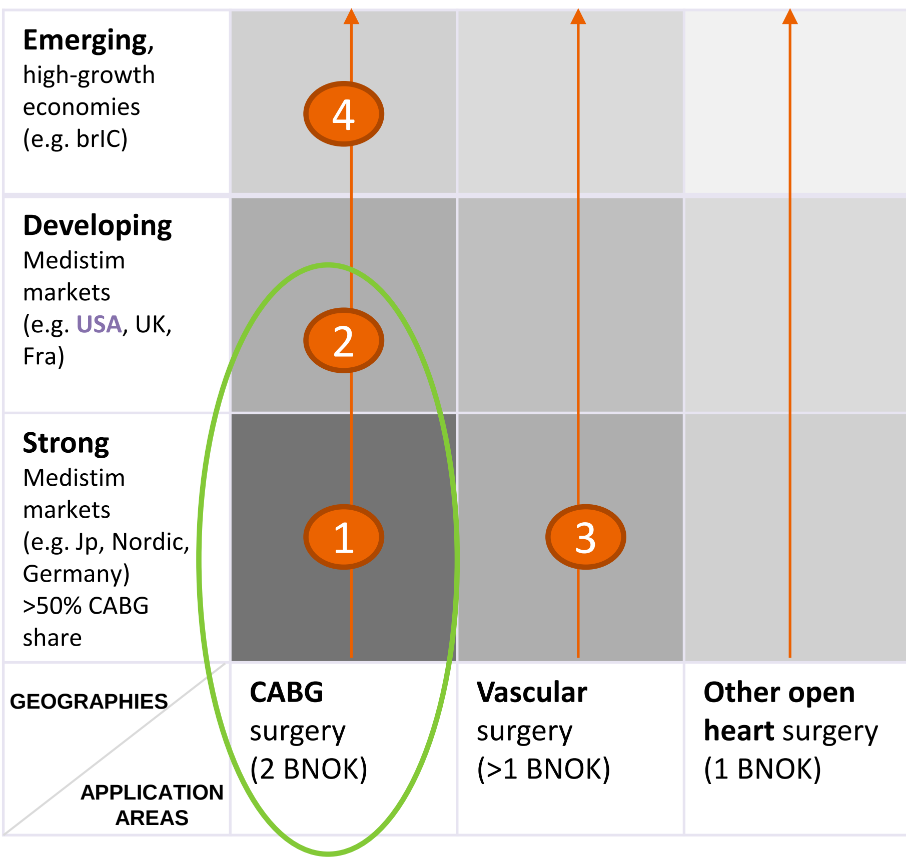


RESULTS Q3

- Revenues up by 16.4 % in NOK and 17.8 % in USD
- Number of procedures up by 18.5 %
  - 20.3 % increase in flow procedures
  - 6.3 % growth in imaging procedures
- 134 % increase in capital sales (systems and probes)
- Continued growth in new customers
  - 11 completely new accounts
  - 1 TTFM account converted to Imaging
  - 19 new and 4 converted accounts YTD



Growth opportunities – Convert Flow market to Flow & Imaging



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GOAL: CONVERT A FLOW MARKET TO A FLOW-AND-IMAGING MARKET

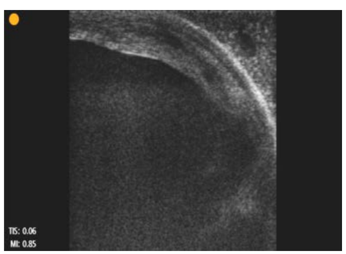
Ultrasonic Surgical Guidance & Quality Assessment

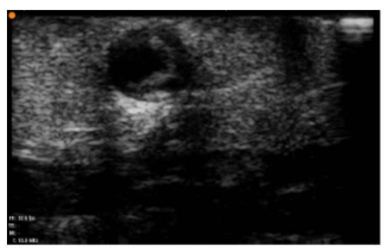
Reduce strokes

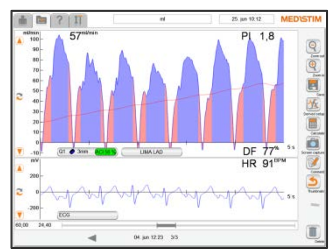
Optimize graft strategy

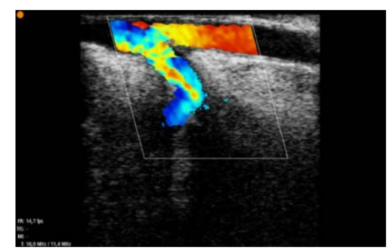
Verify graft functionality…revise when needed

- Evaluate ascending aorta prior to any manipulation
- Evaluate morphology of coronaries & IMA's
- Assess graft functionality PI<5, DF>50%, Q>15ml/min
- Evaluate morphology of anastomosis









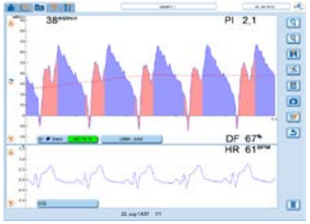
Improve surgical outcome, demonstrate quality and increase cost efficiency

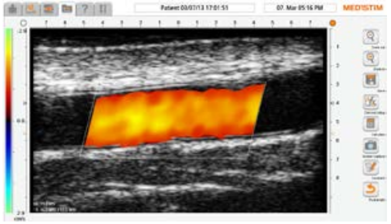
REQUEST

Registry for Quality Assessment
with Ultrasound Imaging and TTFM in Cardiac Surgery

What is the study protocol?

- Perform ultrasound imaging of the aorta, conduit arteries *in situ*, compromised coronary arteries and completed grafts (anastomosis)
- Perform TTFM on completed grafts
- The procedures will be done with Medistim's devices (VeriQ C™ and MiraQ™)





- Record all changes to the surgical procedure and the number of revisions done to the grafts based on the flow and imaging data
- Capture major adverse cardiac and cerebrovascular events (MACCE)

Why are these data interesting to the surgical community?

- The hypothesis motivating the REQUEST registry study is that employing a new and unique combination of functional flow measurement and morphological ultrasound imaging data may enable surgeons to
  - **make better informed decisions during coronary surgery**
  - **improve surgical quality and outcomes**
  - **contribute to improved healthcare efficiency from this surgical procedure**

- The study is the first of its kind to investigate the value of implementing both TTFM and intraoperative ultrasound imaging as a concerted effort to provide surgical guidance and graft quality assessment

REQUEST | Registry for Quality Assessment with Ultrasound Imaging and TTFM in Cardiac Surgery

Study objective

Objective:
Prospective study of the number and type of CABG surgical procedure changes (to aortic manipulation and coronary grafting) based on aortic and coronary ultrasound intraoperative images and transit time flow measurements (TTFM) with the Medistim device

Protocol:
Ethical Approval published in *ClinicalTrials.gov* in Feb 2015

Design:
Prospective study of 1000 patients (multicenter registry in 7 sites)

Patient population:
Isolated CABG patients with at least 2 vessel disease

Target period:
Feb 2015 – Dec 2017

Status enrollment 1 August 2017:
776 patients

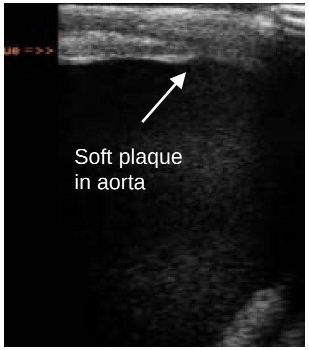




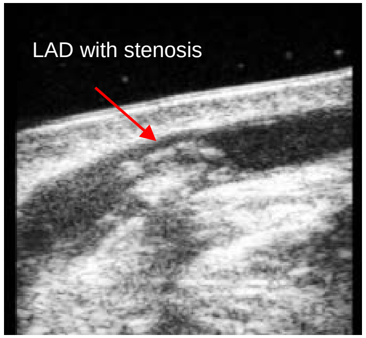

REQUEST | Registry for Quality Assessment with Ultrasound Imaging and TTFM in Cardiac Surgery

Surgical protocol

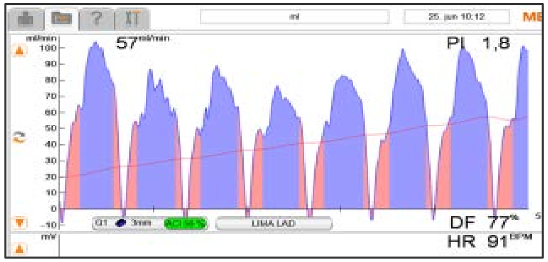
1) Ultrasound assessment of aorta prior to manipulation



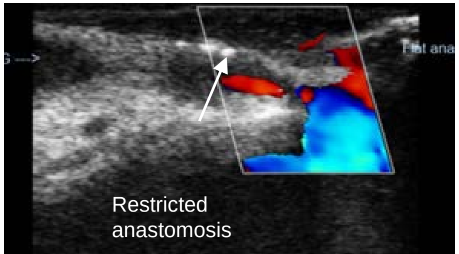
2) Ultrasound assessment of conduit arteries *in situ* and 3) diseased coronaries



4) TTFM graft assessment (Flow, PI, DF, BF)



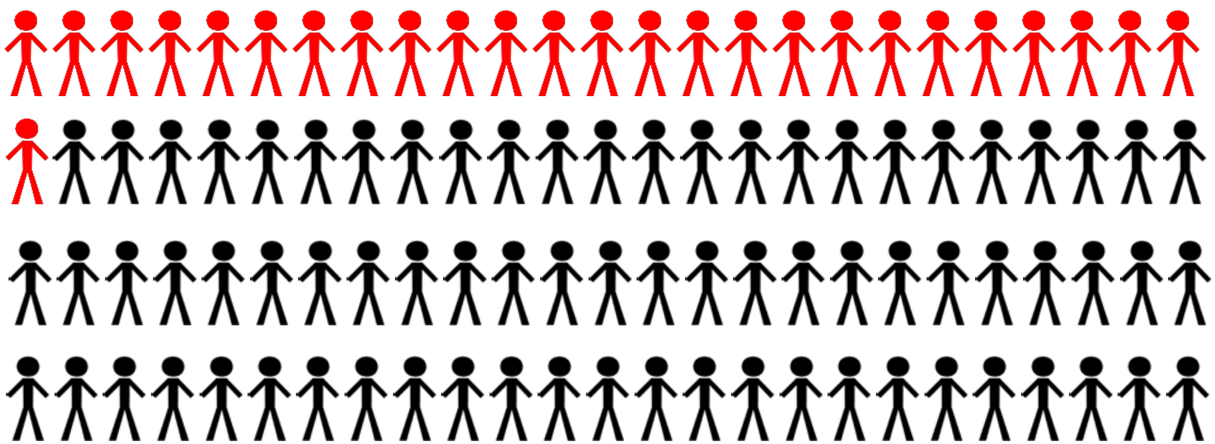
5) Ultrasound assessment of anastomosis



REQUEST Registry for Quality Assessment with Ultrasound Imaging and TTFM in Cardiac Surgery

Preliminary findings presented at ICC, New York, August 19th

- 285 changes in the surgical procedure in 203 of 776 patients
- 26% of patients had at least 1 surgical change



ICC = International Coronary Conference

20 largest share holders (per 16. October 2017)

Number of shares	Shares in %	Shareholder	Account type	Nationality
4 003 500	21,83	INTERTRADE SHIPPING		NOR
1 862 500	10,16	SALVESEN & THAMS INV		NOR
1 376 596	7,51	JPMorgan Chase Bank, NORDEA TREATY ACCOUN	NOM	GBR
1 000 000	5,45	FOLLUM CAPITAL AS		NOR
784 155	4,28	PROTECTOR FORSIKRING		NOR
730 470	3,98	Skandinaviska Enskil A/C CLIENTS ACCOUNT	NOM	DNK
639 692	3,49	Citibank Europe plc S/A SEB SA UCITS	NOM	LUX
519 936	2,84	BUANES ASBJØRN JOHN		NOR
420 559	2,29	GRANDEUR PEAK INTERN BROWN BROTHERS HARRI		USA
398 656	2,17	HOLBERG NORGE VERDIPAPIRFONDET V/HOLBERG FONDSFORVA		NOR
391 241	2,13	RBC Investor service S/A LUX SCV-EXEMPT-U	NOM	LUX
346 154	1,89	DYVI INVEST AS		NOR
336 143	1,83	BNP Paribas Securiti BPSS MLN/PENSION FUN	NOM	ITA
262 412	1,43	Danske Bank A/S 3993 NORDIC SETTLEME	NOM	DNK
258 908	1,41	JPMorgan Chase Bank, JPMCB RE HB SWED FUN	NOM	SWE
250 000	1,36	Danske Invest Norge		NOR
247 891	1,35	REGENTS OF THE UNIVE The Bank of New York		USA
239 560	1,31	NN PARAPLUFONDS 1 N. BNY MELLON SA/NV		NLD
200 000	1,09	Bank Julius Bär & Co	NOM	CHE
195 608	1,07	DANSKE INVEST EUROPE Skandinaviska Enskil		FIN


Seeing is believing