

4. quarter and preliminary year end financials for 2018

- Record sales for a quarter and year. Sales for the quarter ended at MNOK 97.9 (MNOK 82.2), a 19.1 % growth. Sales for 2018 ended at MNOK 325.9 (MNOK 301.5), a growth of 8.1 %
- Currency neutral sales of own products increased with 25.5 % for the quarter. For 2018, currency neutral growth in sales of own products was 10.0%
- EBIT for the quarter ended at MNOK 27.8 (MNOK 16.4), a 69.6 % growth. For 2018 EBIT ended at MNOK 74.0 (MNOK 65.5) a 13.0 % growth
- Record quarter in the US with a 43.4 % sales growth. Currency neutral growth for the year was 10 %
- Solid growth in sales in Asia with 144 % for the quarter and 43 % for the year.
- Earnings per share ended at NOK 3.14 (NOK 2.62) a 19.8 % increase. The Board suggests a dividend of NOK 2.25 per share (NOK 2.00), a 12.5 % increase

4. quarter and preliminary financials for 2018

The financial report as per December 2018 has been prepared according to the IFRS (International Financial Reporting Standard) and follows IAS 34 for interim financial reporting, as do the comparable numbers for 2017.

FINANCIAL DEVELOPMENT

(Comparative numbers for 2017 in parenthesis)

Sales and geographic split

Sales in the fourth quarter amounted to MNOK 97.9 (MNOK 82.2) and was the best quarter ever for Medistim. Previous record was from 4th quarter 2017. There was a solid growth in the USA and in Asia for the quarter with 41 % and 144 % growth respectively. In Europe there was a decrease in sales with 3.2 % due to weak 3. party sales, while in the "rest of the world" there was a 28 % decrease in sales. "Rest of the world" is Medistim smallest region with little contribution to total sales, but there can be large variation quarter to quarter when measured in percent.

For 2018 there was an increase in all regions except for in the "rest of the world". Sales for 2018 ended at MNOK 325.9 (MNOK 301.5). In the US sales increased with 8.2 %. In Asia and in Europe sales increased with 43.4 % and 3.0 % respectively. In the "rest of the world" there was an MNOK 0.3 decrease in sales, which represent 1.7%.

Split of own products and 3. party product.

Fourth quarter sales of own products amounted to MNOK 81.4 (MNOK 64.4), a 26.3 % growth. Sales of third party products were in the same period MNOK 16.6 (MNOK 17.8), a 6.9 % decrease.

For 2018, sales of own products ended at MNOK 254.8 (MNOK 229.8), a 10.9 % growth. Sales of third party products ended at MNOK 71.1 (MNOK 71.7).

Currency impact

With the same rates as in 2017 sales would have amounted to MNOK 97.4 for the quarter, a currency neutral increase of 18.5 %. With same rates, sale of own products would have amounted to MNOK 80.9, a 25.5 % growth.

Similar comparison for 2018 would have resulted in a sale of MNOK 324.0. For own products sales with the same rate as 2017 would have been MNOK 252.9, which indicates a volume growth of 10.0 %.

Cost of goods sold

Cost of goods sold ended at MNOK 21.0 for the quarter (MNOK 20.6) and cost of goods sold represent a percentage of 21.4 % of total sales (25.0 %). For 2018 cost of goods sold ended at MNOK 79.4 (MNOK 72.8), and cost of goods sold represent a percentage of 24.4 % of sales (24.1 %).

Salary, social and other operating expenses

Salaries and social expenses ended at MNOK 30.8 (MNOK 26.7) for the quarter. For 2018 salary and social expenses ended at MNOK 105.3 (MNOK 98.3). The higher expense level for 2018 is related to increased number of employees within production, and bonuses and commission related to the results achieved in the fourth quarter.

Other operating expenses ended at MNOK 15.2 (MNOK 15.1) for the quarter. For 2018 other operating expenses ended at MNOK 54.8 (MNOK 51.7).

R&D expenses

For the quarter MNOK 3.2 (MNOK 2.4) was used within research and development (R&D). Result before R&D and depreciations was MNOK 32.7 (MNOK 21.0). This equals a margin of 33.4 % (25.6 %). During the quarter MNOK 1.35 (MNOK 1.25) of the R&D expense was activated in the balance sheet.

For 2018 MNOK 10.2 (MNOK 8.6) was used within research and development (R&D). Result before R&D, depreciations and write offs was MNOK 92.7 (MNOK 85.1). This equals a margin of 28.5 % (28.2 %). In 2018 MNOK 3.8 (MNOK 2.2) of the R & D expense was activated in the balance sheet.

Earnings

Operating profit before depreciation (EBITDA) for the quarter ended at MNOK 30.9 (MNOK 19.9). EBITDA for 2018 ended at MNOK 86.3 (MNOK 78.7).

Result before tax and finance (EBIT) ended at MNOK 27.8 (MNOK 16.4) for the quarter. EBIT for 2018 ended at MNOK 74.0 (MNOK 65.5), which represents an EBIT margin of 22.7 %.

Net finance ended positive with MNOK 2.6 for the quarter (gevinst MNOK 2.0). For 2018 net finance ended positive with MNOK 0.5 (positive MNOK 1.1). Net finance was mainly related to realised and unrealized gains or losses from to currency exposure.

Result before tax was MNOK 30.3 (MNOK 18.3) for the quarter. Result after tax for the quarter was MNOK 23.8 (MNOK 12.5). Result per share for the quarter was NOK 1.31 (NOK 0.69).

For 2018, result before tax ended at MNOK 74.5 (MNOK 66.6). Result after tax for 2018 was MNOK 57.0 (MNOK 47.6). Result per share for 2018 ended at NOK 3.14 (NOK 2.62). Average number of shares outstanding was 18.178.002 (18.161.336) by end of December 2018.

Balance sheet

Equity by the end of December was MNOK 206.7 (MNOK 183.0). This equals an equity ratio of 76.7 % (72.8 %). A dividend of MNOK 36.4 was recorded against the equity in 2018.

Cash as of 31st of December 2018 was MNOK 47.5 and the company had 10.5 MNOK (MNOK 15.4) in interest bearing debt. By year end the company was cash positive with MNOK 37.0.

Cash flow from operation ended at MNOK 49.0 as of December. The Company invested 15.7 MNOK in 2018 (14.9 MNOK). The investments was related to infrastructure, new products and systems placed at customer sites in the US on leasing contracts.

Compared to last year working capital has increased with MNOK 16.2. The reason for the increase in working is related to increased customer receivables. The balance sheet ended at MNOK 269.6 from MNOK 251.1 by the beginning of the year.

OPERATIONAL STATUS

Europe

In Europe sales of own products ended at MNOK 22.3, which was at the same level as last year. Sales of 3.party products ended at MNOK 16.6 which represent a decrease of 6.9 %.

For 2018 sales of 3.party products ended at MNOK 71.1 compared to MNOK 71.7 from last year. Sales of own products ended at MNOK 83.7, which represent a 6.5 % increase compared to last year.

Medistim participated at The European Association for Cardiac- Thoracic Surgery (EACTS) during the quarter. This is the most important congress for coronary surgeons in Europe. The company establishes many important contacts, identify new projects and get to present new products during the exhibitions like EACTS. Attending the cardiac congress like EACTS is one of the most important marketing channels for the company.

USA

Medistim has a business model in the US that is mainly based upon sales of procedures, but also offers capital sale with probes as in other markets.

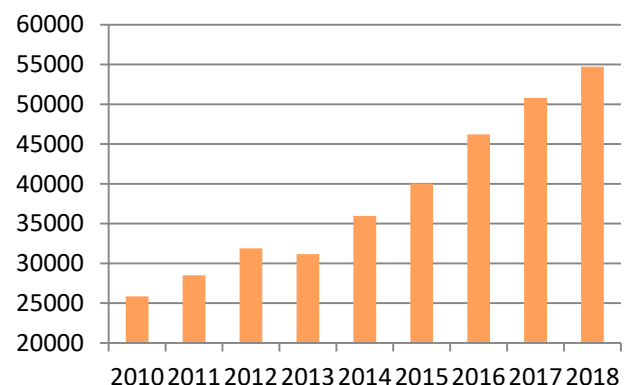
4th quarter sales ended with a growth of 41 % in NOK, while sales in USD increased 43 %. There was a solid growth within all product areas for the quarter and is the strongest quarter ever for Medistim in the US. The currency neutral growth for the year was 10.4%.

For the quarter there was sold 16.710 procedures, compared to last year 13.955, a 19.7 % increase.

During the quarter 2.470 procedures was sold to customers using the combined flow and imaging system compared 2.185 procedures in 2017. Number of flow procedures was 14.240 (11.770). Capital sales of the combined flow and imaging system contributed most to the growth, and increased from 2 units in the 4th quarter in 2017 to 10 units in the 4th quarter of 2018.

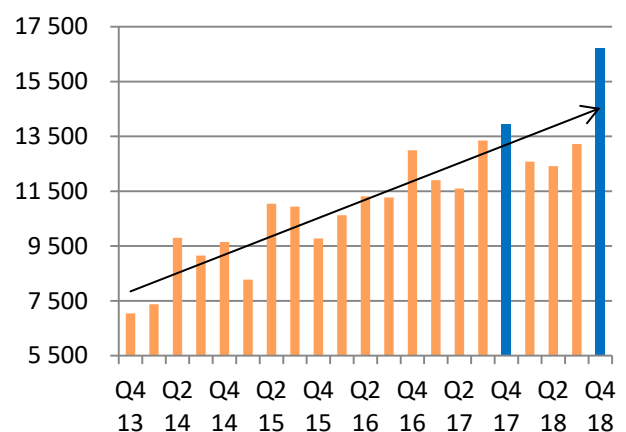
In 2018 there were sold 54.725 procedures, compared to last year 50.800 procedures. Total number of imaging and flow procedures sold was 7.380 (6.843), and total number of flow procedures sold were 47.345 (43.957). For the year, number of system sold and placed at customer site for lease increased from 41 systems in 2017 to 49 in 2018.

Number of procedures sold per year



In the US about 75 % 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 about 20 % of the total market of approximately 230.000 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.

Number of procedures sold per quarter



Asia

In Asia there was a 144 % increase in sales in the fourth quarter, while sales in 2018 increased with 43 % compared to last year. There was growth within all product areas. The strong development for the quarter and the year was related to growth in the Chinese market. Sales from China represented 57 % of total sales in the region and increased from MNOK 11.5 in 2017 to MNOK 22.5 in 2018.

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

In other markets sales decreased from MNOK 9.0 to MNOK 6.5 for the quarter. Sales for 2018 ended at MNOK 19.3, an MNOK 0.3 decrease compared to last year.

REQUEST – the clinical study

Presentation of the final results from the REQUEST registry study took place at the European Association of Cardiothoracic Surgery (EACTS) annual conference in Milan, Italy, on the 20th of October.

The objective for the REQUEST study is to document how often the combination of high-frequency ultrasound imaging (HFUS) and transit time flow measurement (TTFM) performed with Medistim's VeriQ C or MiraQ devices will change the surgical procedure. The REQUEST surgical coronary artery bypass grafting (CABG) protocol includes ultrasound scanning of the aorta, conduits, target coronary vessels and anastomoses, as well as TTFM graft assessment.

More than 1 000 CABG patients were included in this prospective, multicenter, registry study between April 2015 and December 2017. Seven leading cardiac surgery centers from Europe, USA and Canada, led by Coordinating Investigator, Professor David Taggart from the University of Oxford, participated. On October 20th, Professor Taggart presented the final results from this study.

The final results showed that 25 % of the patient population had one or more surgical changes made to the surgical strategy based on imaging and flow data. Of the sub-populations that went through aorta scanning and coronary target scanning, 10 % and 20 % of the patients had changes in the surgical strategy, respectively. Graft assessment with TTFM was performed in 99 % of the patients, with a result of 3 % anastomotic revision rate in 7 % of the patients. These results may be compared with previously published data showing about 4-5 % anastomotic revision rate in about 8 % of the patients.

Furthermore, the in-hospital outcomes showed a remarkably low mortality rate of 0.6 % and stroke/TIA rate of 1 %. These numbers are comparable to the database from Society of Thoracic Surgery (STS) in USA for 2017 where the mortality rate is 1.7 % and the stroke rate is 1.4 %.

"The final results confirmed the findings from the interim analysis presented in May. In the hands of expert cardiac surgeons, and using state-of-the-art surgical procedures, HFUS for surgical guidance and TTFM for graft assessment led to a 3 % revision rate of the anastomosis and very low level of in-hospital mortality and stroke rates", commented Professor David Taggart. "One of the striking findings is that without routine assessment in the operating room, most of these aorta and graft problems would have not been detected until after the patient had left the operating room. These results indicate that combining TTFM and HFUS in order to guide surgery, verify graft patency and to avoid or correct surgical problems intraoperatively, may play an important role in our continued endeavors to improve CABG surgery and its outcomes to the benefit of our patients. It should therefore become a standard of care."

Medistim's interest in this study has been to investigate and document the clinical value of the combined use of TTFM and HFUS. With these final results, the REQUEST study has provided new insights that may positively impact clinical outcomes and change clinical practice going forward. The data will support initiatives for further guideline recommendations as well as reimbursement. Medistim is very much encouraged by these final results, and look forward to further analysis and results to become available from this vast patient material in the future, in order to continue learning and developing this surgical procedure.

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 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 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. 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 2.0 million patients worldwide since it came on the market, and the company is the clear leader in its niche. In total Medistim has installed 2500 systems in more than 60 countries. The equipment is used today in more than 32 % of the total number of by-pass 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 5 % 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 2018 a 10 % change in the exchange rate against USD and EUR would result in a 7.0 % change in sales and a 15.2 % change in operating result. The company partly secures its positions with hedging contracts.

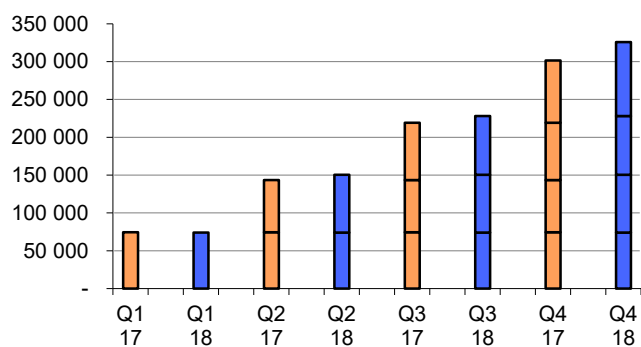
SHARHOLDER AFFAIRS

The company had 158.500 Medistim shares by the end of December 2018. The shares were purchased at a price per share of NOK 14.70. The share price was NOK 71.00 per share at the end of the quarter. The number of shares sold in 2018 was 5.371.129.

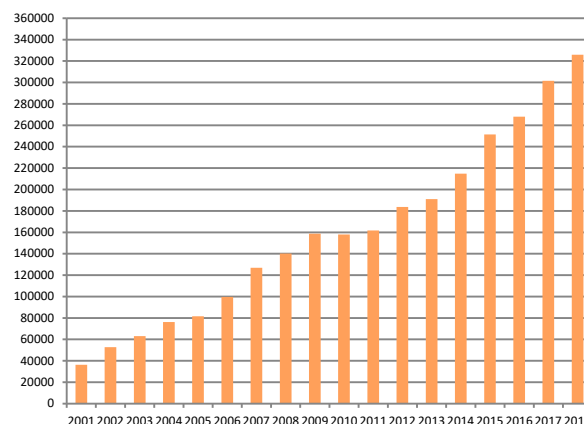
The five largest shareholders were Intertrade Shipping AS with 4.003.500 shares, Salvesen & Thams Invest AS with 1.862.500 shares, Swedbank Rorbur with 1.375.246 shares, Skandinaviska Enskilda Banken AB with 1.041.753 and Follum Capital with 1.000.000 shares.

The Board will suggest to the General Meeting a dividend of NOK 2.25 per share (NOK 2.00). The equals a pay out ratio of 72 % (76 %).

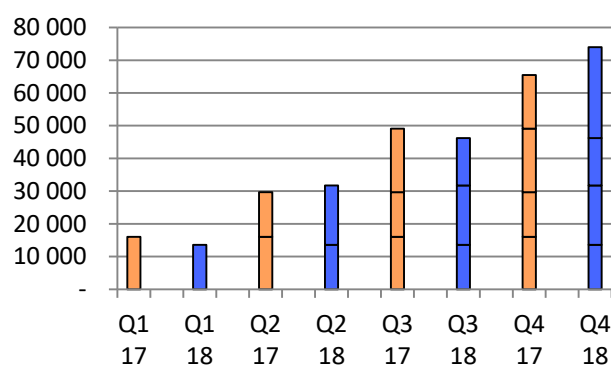
Accumulated sales per quarter



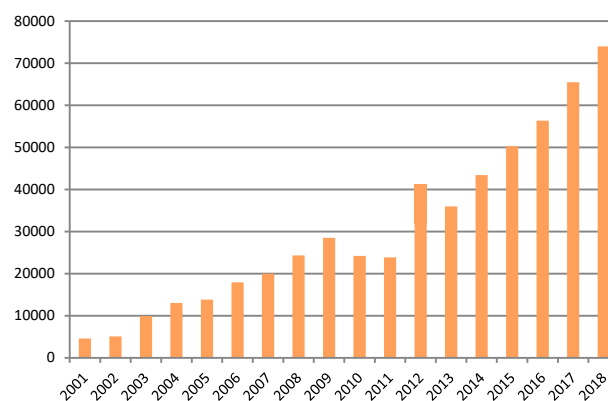
Sale per year



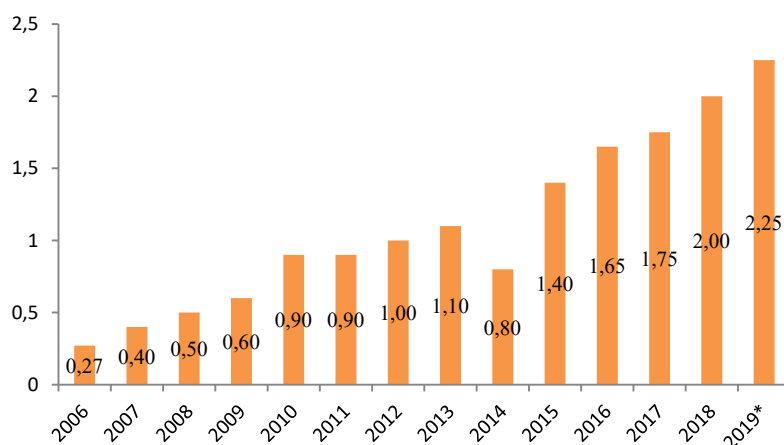
Operating profit per quarter.



Operating profit per year.



*Dividend per share. 2019 is suggested dividend by the Board of Directors



Oslo 26. February 2019,
Board of Directors and managing director in Medistim ASA

Profit & loss	4. quarter 18	4. quarter 17	2018	2017
All numbers in NOK 1000				
Sales	97 923	82 230	325 890	301 461
Cost of goods sold	20 999	20 576	79 381	72 782
Salary and sosial expenses	30 791	26 720	105 314	98 281
Other operating expenses	15 258	15 072	54 857	51 705
Total operating expenses	67 049	62 367	239 553	222 768
Opr. res.before. depr. and write offs	30 874	19 862	86 337	78 693
<i>Opr. res before depr and write off %</i>	<i>31,53 %</i>	<i>24,15 %</i>	<i>26,49 %</i>	<i>26,10 %</i>
Depreciation	3 120	3 495	12 361	13 223
Write offs	-	-	-	-
Operating result	27 754	16 368	73 977	65 470
EBIT %	28,34 %	19,90 %	22,70 %	21,72 %
Financial income	3 797	8 911	7 977	8 838
Financial expenses	1 210	6 935	7 475	7 696
Net finance	2 587	1 976	502	1 142
Pre tax profit	30 341	18 343	74 479	66 612
Tax	6 449	5 867	17 423	19 038
Result	23 892	12 476	57 055	47 574
Dividend	-	-	36 358	31 782
Comprehensive income				
Result after tax	23 892	12 476	57 055	47 574
Exchange differences arising on translation of foreign operations	1 921	(34)	1 921	(223)
Total comprehensive income	25 813	12 442	58 976	47 351
Key figures				
Equity share	76,68 %	72,87 %	76,68 %	72,87 %
Earnings per share	1,31	0,69	3,14	2,62
Earnings per share diluted	1,31	0,69	3,14	2,62
Average shares outstanding in 1000	18 179	18 161	18 178	18 161
Average shares outstanding in 1000 diluted	18 179	18 161	18 178	18 161

Split of operating result per segment	4. quarter 18	4. quarter 17	2018	2017
All numbers in NOK 1000				
Res from Medistim products	25 141	14 345	65 791	56 293
Margin Medistim products	30,90 %	22,26 %	25,82 %	24,50 %
Res from 3 party products	2 613	2 023	8 186	9 177
Margin 3 party prod.	15,78 %	11,37 %	11,51 %	12,80 %
Totalt result	27 754	16 368	73 977	65 470
Margin	28,34 %	19,90 %	22,70 %	21,72 %

Balance sheet	31.12.2018	31.12.2017
All numbers in NOK 1000		
Assets		
Intangible assets	33 067	45 090
Fixed assets	37 198	25 744
Total tangible and fixed assets	70 265	70 834
Inventory	63 843	62 722
Customers receivables	70 807	57 307
Other receivables	8 309	5 825
Cash	47 490	54 411
Total current assets	190 450	180 265
Total assets	260 714	251 099
Equity and liability		
Share capital	4 585	4 585
Share premium reserve	44 172	44 172
Other equity	149 077	134 226
Total equity	197 834	182 984
Total long term debt	7 500	10 500
Total short term debt	55 380	57 616
Total equity and liability	260 714	251 099
Net interest bearing debt	(36 990)	(38 495)

Change in equity	31.12.2018	31.12.2017
All numbers in NOK 1000		
Equity start of period	182 984	166 703
Result for the period	57 055	47 574
Dividend	(36 358)	(31 782)
Share based salary	1 115	711
Changes in exchangerates	1 916	(223)
Equity end of period	206 712	182 984

Cash flow analysis	31.12.2018	31.12.2017
All numbers in NOK 1000		
Result for the period	57 055	47 574
Other cash flow from operation	11 728	19 919
Cash flow from operation	48 993	59 913
Investments	(15 731)	(14 291)
Cash flow from financing	(40 182)	(22 276)
Change in cash for the period	(6 920)	23 346
Cash at start of period	54 411	31 065
Cash by the end of period	47 491	54 411

Geographic split of sales	4. quarter 18	4. quarter 17	2018	2017
All numbers in NOK 1000				
USA	38 789	27 518	113 147	104 590
Asia	13 849	5 683	38 650	26 954
Europe	38 761	40 025	154 822	150 317
Rest of the world	6 524	9 004	19 271	19 600
Total sales	97 923	82 230	325 890	301 461

Geographic split

of sales in number of units	4. quarter 18	4. quarter 17	2018	2017
USA				
Procedures flow measurement	14 240	11 770	47 345	43 957
Procedures imaging and flow	2 470	2 185	7 380	6 843
Capital sales MiraQ flowmeasurement instrument	5	11	15	17
Capital sales MiraQ imaging and flowmeasurement instrument	10	2	15	11
Lease flow instrument	1	1	10	8
Lease imaging and flow instrument	7	2	9	5
Asia				
MiraQ and VeriQ flowmeasurement instrument	9	4	39	23
MiraQ and VeriQC imaging and flowmeasurement instrument	12	3	30	16
Imaging probes	9	4	24	16
Flowmeasurement probes	701	367	1 743	1 666
Europe				
MiraQ and VeriQ flowmeasurement instrument	10	18	38	41
MiraQ and VeriQC imaging and flowmeasurement instrument	7	4	16	17
Imaging probes	15	13	30	36
Flowmeasurement probes	1 265	1 113	4 425	4 057
Rest of the world				
MiraQ and VeriQ flowmeasurement instrument	1	5	12	14
MiraQ and VeriQC imaging and flowmeasurement instrument	6	8	15	12
Imaging probes	7	6	16	12
Flowmeasurement probes	290	445	812	915
Total sales outside the US in units	20	27	89	78
Number of MiraQ and VeriQ flow instruments outside USA	25	15	61	45
MiraQ and VeriQC imaging and flow instruments	31	23	70	64
Total number of imaging probes	2 256	1 925	6 980	6 638

Split of sales per segment	4. quarter 18	4. quarter 17	2018	2017
All numbers in NOK 1000				
USA				
Procedural revenue flow	23 854	18 767	75 163	73 609
Procedural revenue Imaging and flow	3 693	2 878	14 301	12 412
Capital sales MiraQ flowmeasurement instruments	2 681	3 913	10 101	7 564
Capital sales MiraQ imaging and flowmeasurement instrument	8 560	1 960	13 582	11 006
Outside USA				
MiraQ and VeriQ flowmeasurement instrument	5 083	5 517	22 409	15 770
MiraQ and VeriQC imaging and flowmeasurement instrument	10 627	6 723	26 358	20 976
Imaging probes	1 934	1 461	4 302	4 177
Flowmeasurement probes	24 974	22 927	85 684	78 850
Other	(40)	290	2 880	5 407
Total sale of Medistim prod.	81 366	64 437	254 780	229 771
Sale of 3 party products	16 557	17 793	71 110	71 690
Total sales	97 923	82 230	325 890	301 461

Split of sales between coronary and vascular surgery and 3 party products	4. quarter 18	4. quarter 17	2018	2017
All numbers in NOK 1000				
Sales within coronary surgery	69 993	56 359	218 005	196 138
Sales within vascular surgery	11 373	8 078	36 775	33 633
Sales of 3. party products	16 557	17 793	71 110	71 690
Total sales	97 923	82 230	325 890	301 461