
ANNUAL
REPORT 2019
MiraQ

Annual report 2019

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Medistim group

For the holding company Medistim ASA

For the group and the holding company

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Introduction

A paradox ...
If you are a heart patient hospitalized due to a stenosis blocking the blood supply to your heart, it is possible that you will need to undergo a coronary stent angioplasty. This is a relatively minimally-invasive two hour procedure that is used to open clogged heart arteries. The procedure is performed and controlled using angiography, an X-ray examination of the coronary arteries, to ensure that the treated arteries are successfully supplying blood to the heart.

However, if your heart condition is more serious than that, you may need to undergo Coronary Artery Bypass Graft (CABG) surgery. Though this procedure is substantially more invasive and involves several hours on the operating table followed by weeks of convalescence, there is most often no objective diagnostic method used to ensure proper blood flow to the heart during surgery. Many surgeons still rely only on their fingertips and believe that feeling pulse palpation is an indicator of flow in the graft, as if the finger was an accurate and calibrated measuring instrument. But a vessel can pulsate even when there is no blood flowing through it.

The technology and equipment exists
The leading measurement method on the market for measuring blood flow during surgery is Transit Time Flow Measurement (TTFM). This is a tried and proven method that is a simple, safe, and economically viable way to verify satisfactory blood flow through a graft. For more than 30 years, Medistim has developed its products in consultation with medical and surgical specialists. The company has developed several generations of quality assessment and surgical guidance equipment and is currently ***the only supplier in the world that can offer a user-friendly, integrated TTFM and high frequency ultrasound imaging system for intraoperative use***. The imaging functionality provides surgeons with both guidance during surgery and the opportunity to uncover the cause of poor blood flow measurements. This way, errors can be avoided and it is easier to correct technical imperfections 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 throughout Europe, it is almost unthinkable to perform bypass surgery without using TTFM to ensure graft patency. TTFM is a proven technology and was included in the European guidelines for coronary revascularization in 2010. This was followed in 2011 by the British National Institute for Health and Care Excellence (NICE), which recommends routine use of TTFM in the NHS for assessing graft flow during coronary artery bypass surgery. Furthermore, the use of intraoperative ultrasound imaging to evaluate the presence, location, and severity of plaque in the aorta is recommended by the American Heart Association. In spite of this broad clinical and scientific support, the methodology is still not widespread in major markets like the USA, England and France, so there is clearly a large potential for expansion in these markets. At the same time, we see growing demand and interest in markets like Brazil, Russia, India and China. This represents significant growth opportunities for Medistim.

Medistim's vision
Medistim is a leading provider contributing to shaping future standard clinical practice. Through collaboration with physicians, specialists and hospitals, Medistim is developing innovative technology and devices that can greatly increase the patients' probability of a positive outcome and can give health care providers higher efficiency and lower costs by reducing the need for additional and unnecessary surgical re-interventions. Medistim can today proudly call itself the innovator and market leader in its niche within the quality assurance of coronary bypass surgery. Even so, only a small portion, about 40% of the total number of surgeries performed annually, uses any equipment to ensure quality. Our vision is that Medistim's technology shall benefit all patients and surgeons, regardless of where in the world they are located, and that ***Medistim's devices and solution represent standard clinical practice in all countries.***

Positive development in 2019
2019 was another good year for Medistim, with ***continued growth and profitability***. We have further strengthened our position within cardiac bypass surgery, particularly in our most important market USA, where we now have achieved a market penetration of 23 % measured as the share of bypass procedures done with Medistim devices. In addition, we have strengthen our position in Asia and Europe through increased sales and installed base.
Medistim is experiencing increased attention from the academic community within coronary surgery. A good example is the International Coronary Congress (ICC), established in 2015, where the only theme of the congress is coronary surgery. In 2019 the ICC was held in New York, USA, and Medistim's equipment was given much attention through presentations in the scientific program.

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During 2019 the multi-center registry study, REQUEST, received a lot of positive attention. This study was unique as it collected data from more than 1000 patients to illustrate the impact that the combined use of TTFM and ultrasound imaging has for the surgical results. Some of the best cardiac centers in Europe, Canada and the United States participated in the study. The results from the REQUEST study showed that 25% of the patient population had one or more surgical changes made to the procedure based on data obtained from high frequency ultrasound (HFUS) and TTFM. This is a high figure, indicating that using HFUS imaging together with TTFM has great clinical benefit during the CABG procedure, even for highly experienced surgeons. We believe the REQUEST study will continue to be an important piece of clinical evidence and support future growth for Medistim.

The MiraQ platform is Medistim's most advanced product generation and includes different system profiles to accommodate the needs of cardiac and vascular surgery, respectively. The MiraQ platform will strengthen our opportunities within cardiac surgery, but furthermore, it is key to build and establish a significant position within vascular surgery as well.

Future outlook

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 ***valuable 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 USA, Germany, UK, and Spain. USA and Germany are the countries where most of the coronary bypass- and vascular procedures are performed.
In 2019 we established a new Innovation team that will help speed up the development of new products and features while focusing on creating "ease of use" for our customers. We also strengthened our production team in Horten and relocated to new and modern production facilities. Developing our production technology further, is important for future profitability. This is adressed through the ProdTek project which is run in collaboration with GE and Sensocure with financial support from the Norwegian Research Council.

Medistim has ***highly skilled employees***, an experienced management team and an actively engaged board of directors. We stand inspired and united in the great and exciting task of fulfilling the vision of making Medistim's solutions standard of care - and thereby realize our considerable business potential.

Follow us in 2020!

Kari Eian Krogstad
President and CEO
Medistim Group and Medistim ASA

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Alternative performance measures, concepts and abbrevations

Alternative performance measures are used by investors, securities analysists and other interested parties. The intention with the alternative performance measures is to provide a better overview of achieved results and development in the company. In addition, concepts and abbreviations that are relevant for the branch Medistim operates in is explained in the below list. The company has referred to these measures over many years and has continued to do so to be consistent. Since Medistim develops its own products it is a point to put focus on how much is used within R & D. High values of intangable assets could result in a one time expense if the impairment test fail, and is highlighted for this reason. The companys exposure to foreign currency, the regulatory regime that forces the company to secure end of life parts and international customers with longer credit time, makes it useful to have measures for currency neutral development and changes in working capital. Below is the list of alternative performance measures, concepts and abbreviations Medistim uses in its reporting.

Alternative performance measures:

Profit before R & D, depreciation and impairment:	Margin after cost of goods, salary and social expenses and other operating expenses are deducted except for R & D expenses.
EBITDA:	Earnings before interest, taxes, depreciation and amortization. Corresponds to operating profit before depreciations and impairment loss.
EBIT:	Earnings before interest and taxes. Corresponds to operating profit.
Currency neutral growth:	Compares this year's sales with previous year sale when sale in foreign currency is recalculated using the same average currency rate in the reporting period to get a neutral comparison.
Working capital:	Inventory plus accounts receivable minus accounts payable.

Concepts and abbrevations:

VeriQ:	Medistims 3. generation systemplatform
MiraQ:	Medistims 4. Generation systemplatform
SonoQ:	Medistims basis solution for alternative markets
TTFM:	Transit Time Flow Measurement
Vascular surgery:	Surgery involving veins and arteries in the body except on the hart
CABG:	Coronary Artery Bypass Graft Surgery
REQUEST:	REgistry for QUality assESsmenT with Ultrasound Imaging and TTFM in Cardiac Bypass Surgery. En study initiated by Medistim ASA to collect data regarding the combined use of ultrasound imaging and TTFM.
HUFS:	High-frequency Ultrasound Imaging
CIDAC:	Comparison of intraoperative duplex ultrasound and angiography after carotid endarterectony
NICE:	British National Institute for Health and Clinical Excellence; an organization that recommends standard of care within healthcare.
AATS:	The American Association for Thoracic Surgery, an American organization focusing on thoracic surgery.
ESC	European Society of Cardiology
STS:	The Society of Thoracic Surgeons, American organization focusing on thoracic surgery.
EACTS:	European Association for Cardio-Thoracic Surgery, European organization focusing on thoracic surgery
ASCVS:	Asian Society of Cardiovascular Surgery, Asian organization focusing on cardiovascular surgery
ICC:	International Coronary Congress, organization focusing on CABG

Reconsiliation of currency neutral revenue:

Year	Rates 2019	Rates 2018
USD	8,81	8,13
EUR	9,85	9,60
GBP	11,24	10,85
DKK	1,32	1,29

Split of revenue in USD, EUR and NOK	2019	Revenue 2019 with 2018 rates
All numbers in NOK 1000		
Sales in USD		
Procedural revenue Imaging and flow	106 725	98 487
Capital sales MiraQ flowmeasurement instrument	9 852	9 092
Capital sales MiraQ imaging and flowmeasureme	19 517	18 011
Capital sales in Canada\LA	5 608	5 466
Sales in EUR		
MiraQ and VeriQ flowmeasurement instrument	23 047	22 462
MiraQ and VeriQC imaging and flowmeasurement	29 725	28 971
Imaging probes	5 000	4 873
Flowmeasurement probes	89 377	87 109
Other	6 809	6 636
Revenue in USD and EUR	**295 660**	**281 105**
Revenue in NOK	68 063	68 063
Total revenue	**363 723**	**349 168**

Reconsiliation of working capital:

All numbers in NOK 1000	2 019	2 018
Accounts receivable in balance sheet at year er	62 188	70 807
Inventory in the balancesheet at year end	90 070	63 843
Accounts payaple in balance sheet at year end	(21 034)	(11 937)
Working capital	**131 225**	**122 713**

Reconsiliation of profit before R & D, depreciation and impairment test:

All numbers in NOK 1000	2 019	2 018
EBITDA	107 778	86 337
Expensed R & D	7 806	6 399
Profit before R & D, depreciation and impairment	**115 584**	**92 736**

Chapter 1: Board of Director's report

Board of Director's report

Nature of the business

The Medistim Group's core business is within developing, producing, servicing, leasing and distributing medical devices. The Group has its head office at Økernveien 94 in Oslo. The production facilities are located at Bromsveien 17 in Horten. In additon, Medistim has sales and distribution centers in Minneapolis, Minnesota in the USA, a sales and distribution center in Munich in Germany, sales and distribution center in Copenhagen Denmark, sales and distribution center in London UK and a sales and distribution center in Madrid Spain. Medistim's equipment was in use in over 60 countries and 2700 clinics in 2019.

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 is also on the rise in Asian and Latin American countries adopting western lifestyles. The Company's products contribute to improved quality of surgery, which in turn reduces risk to the patients and contribute to a more efficient health economy.

Worldwide there are performed more than 700.000 CABG (Coronary artery bypass Graft procedures) per year and 600.000 vascular procedures are performed each year. On a global scale the Medistim group has a leading position within quality control of CABG. The largest market for the Medistim products is in the USA where 33 % of all CABG procedures are performed. Medistim strengthened its leading position within quality control of CABG surgery in 2019 by increasing its market penetration especially in the USA, but also in 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 2019

(Numbers for 2018 in parenthesis)

Sales

Sales for the group in 2019 ended at 363.7 MNOK (325.9 MNOK), a growth of 11.6 %. There was a growth in all markets. In Medistim's largest market, USA, there was a growth of 20.3 %. Sales in Asia increased by of 8.1 % while there was a 14.0 % increase in the "rest of the world". In USA, Asia and the "rest of the world" Medistim sells its own products and no 3.party products. 3. party products are sold through the subsidiaries in Norway and Denmark. In Europe, there was an increase in sales of 5.8 %. Sale of own products in Europe increased with 14.4 %, while 3. party products decreased with 4.3 % compared to last year.

Sales of Medistim products in 2019 ended at 295.6 MNOK (254.8 MNOK). Sales of 3.party products in 2019 ended at 68.1 MNOK (71.1 MNOK). Average exchange rates towards USD and EUR in 2019 were 8.81 and 9.85 respectively, while equivalent rates in 2018 were 8.13 for USD and 9.6 for EUR. With the same rates as in 2018 sales in 2019 would have ended at 349.1 MNOK. The volume growth in 2019 was 7.1 %. For own products the volume growth was 10.3 % while for 3.party products there was a decline of 4.3 %.

Cost of goods sold

For 2019 cost of goods sold ended at 80.1 MNOK (79.4 MNOK), and cost of goods sold represent a percentage of 22.0 % of sales (24.4 %).

Salary, social and other operating expenses

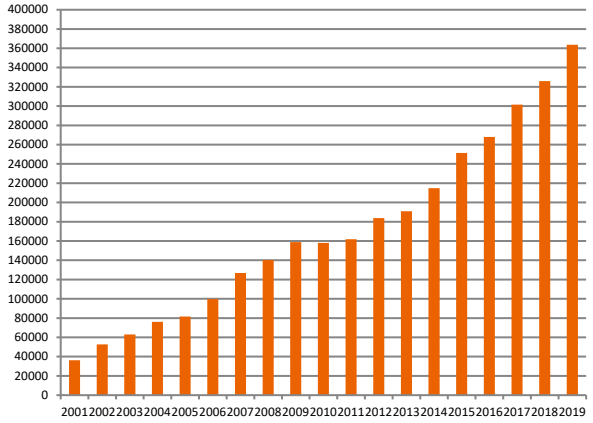
For 2019 salary and social expenses ended at 122.0 MNOK (105.3 MNOK). The increase in salary and social expenses was related to 8 new employees within production, logistics, service and product development. Increase in salary expenses was also related to currency and accrued bonuses and commissions.

Other operating expenses in 2019 ended at 53.8 MNOK (54.8 MNOK). Depreciation for the year increased with MNOK 5.6 for the year. This is related to IFRS 16 where leasing expenses in 2019 was booked as depreciaton and interest expense rather than other operating expenses.

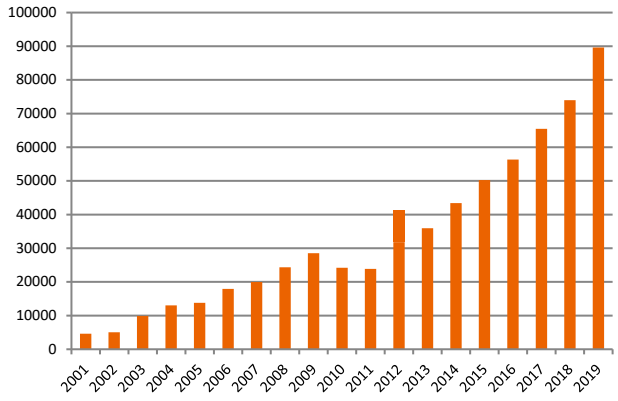
R & D expenses

During the year 12.4 MNOK (10.2 MNOK) was used within research and development (R&D). Profit before R & D, depreciations and write-down was 115.6 MNOK (92.7 MNOK). This equals a margin of 31.8 % (28.5 %). In 2019 4.6 MNOK (3.8 MNOK) of the R & D expense was recognized as intangible assets in the balance sheet.

Sales revenue per year in TNOK.



EBIT per year in TNOK.



Earnings

Operating profit before depreciation (EBITDA) for 2019 ended at 107.8 MNOK (86.3 MNOK). Profit before tax and finance (EBIT) for 2019 ended at 89.8 MNOK (74.0 MNOK).

The Group recorded a net financial income of 1.3 MNOK in 2019. In 2018, net financial income was 0.5 MNOK. Net finance for the respective years was mainly related to realized and unrealized gains and losses on foreign currency.

Profit before tax ended at 91.0 MNOK (74.5 MNOK). Profit for the year tax ended at 70.3 MNOK (57.0 MNOK) for 2019.

Earnings per share for 2019 were NOK 3.87 (NOK 3.14) an increase of 23.2 %. Average shares outstanding were 18.188.836 (18.178.002) by the end of December 2019.

Balance sheet

Total value of the balance sheet was 336.1 MNOK as of 31.12.2019 (269.6 MNOK). The equity by 31.12.2019 was 236.9 MNOK (206.7 MNOK).

The cash position by year-end was 66.7 MNOK (47.5 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. Net cash from operating activities was in 2019 80.6 MNOK (55.8 MNOK). By the end of 2019, the company had 138.500 own shares.

The company had by year-end 2019 an interest-bearing debt of 7.5 MNOK. Short-term debt was 71.4 MNOK.

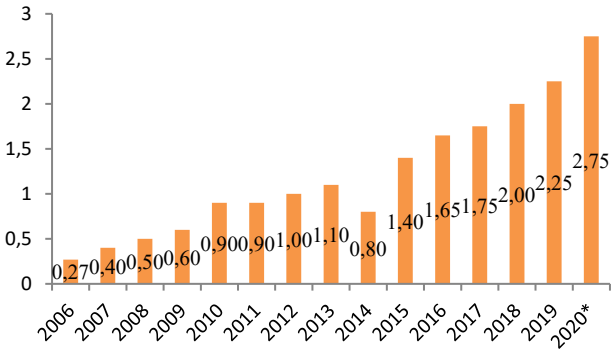
Compared to last year inventory has increased with MNOK 26.2. This is related to securing critical components and end of life components. Also, with the implementation of IFRS 16, lease agreements are recorded as assets in the balance sheet with a correspondig debt. As of december 2019 this amounted to MNOK 28.7.

The company has a deferred tax asset of 2.6 MNOK related to temporary differences between carrying amount and tax values.

Suggested distribution of profit for 2019

Profit after tax for the parent company Medistim ASA was 58.4 MNOK. The Board of Directors suggest to the general assembly a dividend of NOK 2.75 per share, a total of 50.0 MNOK adjusted for dividend on own shares. This is a pay ratio of 71 % (72 %). The remaining amount of 2019 profit of 8.3 MNOK is suggested allocated to 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 280 MNOK in dividend to shareholders.

Dividend per share 1 =1 NOK



*Suggested dividend for 2019

Going Concern

The Board of Directors confirms that the financial statement has been prepared based on the assumption of a going concern. The Board is not familiar with any events after year end that will affect the financial statements for 2019. Equity in the group was 236.9 MNOK as of 31.12.2019, which represent an equity percent of 70.5 % compared to the total balance sheet.

Clinical practice and documentation

There are tremendous differences in clinical practice around the world when it comes to graft patency verification during 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 of the importance of utilizing TTFM during CABG, Medistim is focused on getting TTFM is included in the guidelines as «standard of care». This

is the case not only international organizations, but also for national organizations and guidance for clinical practice.

Medistim's equipment is included in the guidelines from European Society of Cardiology (ECS) and European Association for Cardio-Thoracic surgery (EACTS) as standard of care during CABG. Medistim's equipment is also 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 believes being included in the guidelines is important and necessary in the company's efforts towards making blood flow measurement the «standard of care» in treating coronary bypass surgery (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 had an impact on the increased demand the company has experienced in 2019 and will continue to have an impact on increased demand in the future.

Many countries are going through reforms to make quality healthcare available to a growing population in a financially sustainable way, demands are increasing to reduce errors and re-interventions. For instance, in the USA, the Centers for Medicare and Medicaid Services are cutting reimbursement for 30-days readmission after CABG. Consequently, hospitals must not only deliver, but also document, high quality surgical results. Implementation of technology to provide intraoperative surgical guidance and quality assessment provides one potentially impactful way of achieving and documenting improved quality and outcomes.

Medistim recognizes the value of clinical documentation. In 2015 the company initiated the registry study, REQUEST, which the company has supported financially with 1 million EURO. The outcome of the study proved the clinical value of Medistims equipment and have been embraced by the medical societies and cardiac surgeons.

The objective for the REQUEST study was to document how often the combination of high-frequency ultrasound imaging (HFUS) and transit time flow measurement (TTFM) performed with Medistim's device changed the surgical procedure. The REQUEST surgical coronary artery bypass grafting (CABG) protocol included ultrasound scanning of the aorta, conduits, target coronary vessels and anastomoses, as well as TTFM graft assessment.

More than 1000 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.
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 10 % of the patients.
Furthermore, the in-hospital outcomes showed a remarkably low mortality rate of 0.6 % and stroke/TIArate of 1 %.

"The final results confirmed the findings from the interim analysis. 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 when presenting the results of the study . "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 the study has been to investigate and document the clinical value of the combined use of TTFM and HFUS. With the 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 the 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.

Vascular surgery is also a focus area for Medistim and the company has supported the CIDAC study by providing its equipment for the study. Dr. C. Knappich, Dr. A. Zimmermann and Dr. H-H Eckstein at the university hospital in Munich performed the study. The purpose of the study was to compare two methods of intraoperative completion control, angiography and intraoperative ultrasound imaging after carotid endarterectomy (CEA). CEA is a procedure where stenosis inside the carotid artery is removed surgically.150

patients were included in the study and results showed that intraoperative ultrasound imaging detects more defects compared to angiography and resulted in improved outcome for the patients.

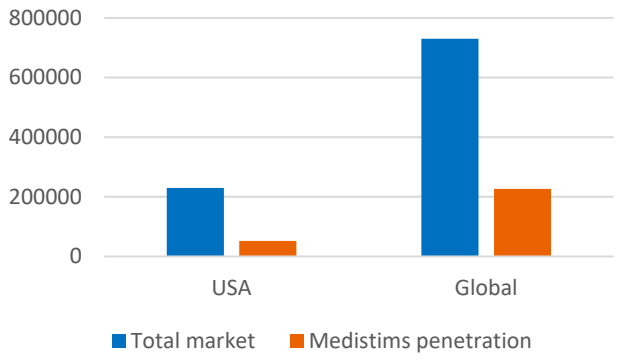
The results from both studies, REQUEST and CIDAC, have been presented at the international congresses for coronary surgery and vascular surgery.

Market development

Medistim sells its products all over the world and is direct in USA, Denmark, UK, Germany, Spain and Norway where Medistim has local representation. Elsewhere in the world, the products are sold through distributors.

Installed base

With more than 60 distributors worldwide, Medistim had an installed base of about 2.700 systems at the end of 2019. Medistim expects large revenues in the future from consumable demand generated through daily use of the systems. In addition, Medistim expects that many hospitals will purchase the most advanced MiraQ system with imaging functionality. 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 economic value of the equipment.



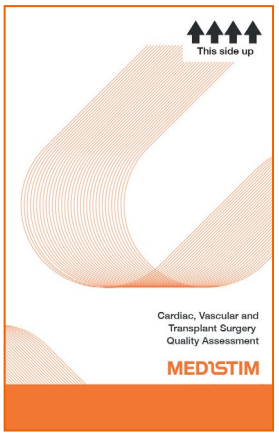
Medistim's market penetration compared to the total number of coronary bypass procedures performed

USA

In the USA, about 75 % of CABG surgeries are performed with no other quality assurance to ensure proper blood flow in the graft other than the surgeon's experience feeling pulse palpation on the vessels using their fingertips even though it is clinically proven that this method is not reliable. It is clear that there is a large potential and need for Medistim's products in the US market. So far, Medistim has achieved a market penetration of about 23 % of the total market of approximately 230.000 bypass surgery procedures performed annually.

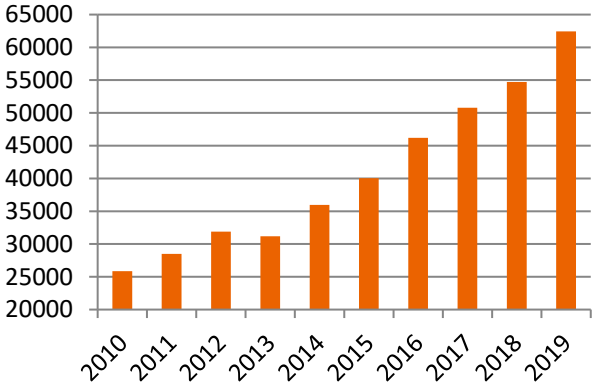
Medistim has established a unique and flexible business model for the US market. Instead of purchasing equipment and consumables, the hospital can choose to pay per procedure or enter a leasing agreement. A system is placed at the customer site free of charge and the hospital can choose to pay a monthly lease or purchase a smart-card that makes the system available for use. One smart-card represents surgery on one patient. Alternatively, if the customer would prefer to own the equipment, Medistim will sell the system as a capital purchase and the probes are sold as consumables like elsewhere in the world.

Medistim's US subsidiary has 16 sales representatives covering all US states and 6 employees with administration and support functions. All the employees and sales representatives have extensive experience within healthcare. The organization is well-established and motivated which is important since it serves Medistim's largest market.

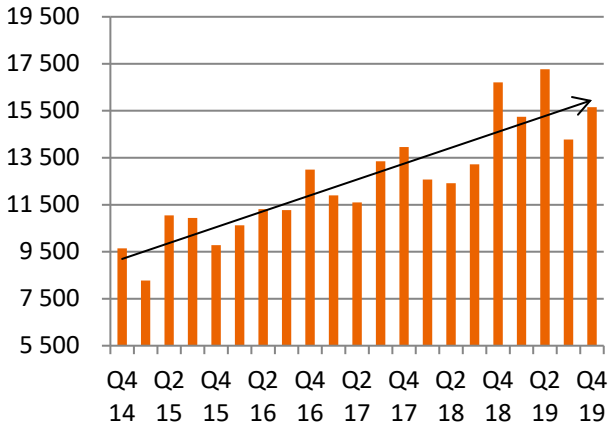


VeriQ smart-card used in the USA.

Sales in the US ended at 136.1 MNOK (113.1 MNOK). Number of procedures sold in 2019 was 62 438 (54 725), a growth of 14.1 %. In 2019, 21 206 of the procedures came from capital installations (17 235). Sale of imaging procedures (HFUS) had a growth of 38.7 % and of the total number of procedures sold was 10 233 (7 380). Sale of flow procedures (TTFM) ended at 52 206 procedures and represented a 10.3 % growth (47 345).



Number of procedures per year

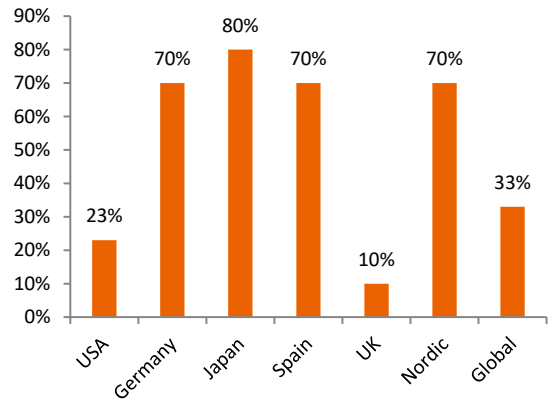


Number of procedures per quarter in the US

In addition to regular sales activities and the REQUEST results, the commercial strategy in the US includes strategic collaboration with influential surgeons at leading cardiac centers and dialogue with US medical associations like AATS (The American Association for Thoracic Surgery) and STS (The Society of Thoracic Surgeons). 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 considers this work 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 (HFUS) 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 well positioned for growth in the US market with the vision of achieving «standard of care» status.



Medistim's estimated market penetration within coronary bypass surgery.

Europe

Instead of pay per procedure and lease, that is an option for USA, 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. Consumables are the most significant source of revenue for the group.

Direct representation in Norway, Denmark UK, Spain and Germany

Medistim has a solid position in Norway and Denmark where all cardiac centers and many vascular centers have Medistim systems that they use on a regular basis. Revenue from Norway and Denmark is therefore stable and consists mainly probe revenues unless an old system needs to be replaced. Sales in 2019 have been as expected. In both Norway and Denmark, Medistim operates as distributor for other surgical instruments as well.

Medistim has had direct representation in UK for the past 7 years and it has taken more time than expected to penetrate the British market. Sales ended at 3.2 MNOK compared to 2.8 MNOK in 2018. Even though the growth percentage is high, sales are still modest compared to the potential. In the UK, between 20.000 and 25.000 procedures are performed per year, and in 2019, Medistim's equipment was in use in only 1.950 of these.

However, Medistim is still optimistic regarding the potential in UK. The reason for this is that British NICE updated in 2018 its recommendation for the use of Medistim's equipment on a regular basis in all British hospitals that performs coronary bypass surgeries. The estimated cost saving per surgery has increased from £115 to £141 from the previous 2011 guidance. The recommendation fuels the ongoing efforts to increase the adoption of both our TTFM and high frequency ultrasound imaging in this market. The NICE recommendation is highly recognized in the global market as well. Furthermore, Medistim has established a solid reference center in Oxford through the REQUEST study.

Medistim continues its positive trend in Germany which is the largest market in Europe with about 60.000 CABG procedures performed per year. In Germany, sales increased with 11 % and ended at 45.1 MNOK. Of total revenue, about 28.2 % of sales was towards vascular customers. Medistim has a high penetration within coronary surgery in Germany and the vascular market represents an opportunity for growth in the future. Within coronary surgery there are still growth opportunities. The opportunity is to convert flow customers to become flow and imaging customers

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Medistim established direct representation in Spain in 2017 The subsidiary has two local employees that serve the end customers directly.
In Spain, around 7.000 coronary artery bypass surgery (CABG) procedures and 8.000 vascular procedures are performed throughout the 56 cardiac centers and 75 vascular centers per year. Medistim currently has an installed base of 80 systems, most of them on the VeriQ platform and older versions that only include TTFM and do not support the imaging modality. Medistim has great potential to upgrade the installed base to the MiraQ platform, which provides the combination of ultrasound imaging and TTFM in one system. Medistim's technology is used in 80% of all coronary surgical procedures as the installed base is primarily in cardiac centers. This also shows there is an untapped potential in the vascular market where only a small number of Medistim systems are installed. Sales in Spain ended at 12.7 MNOK, a 10.2 % increase, and Medistim is satisfied with the development.

Medistim has in general been successful with direct sales and customer support through its subsidiaries. Medistim will always evaluate markets where there are opportunities and a potential for the company to establish direct representation.

Europe in general

The development in Europe has in general been good and investment and usage of Medistim's products has increased. The MiraQ upgrade possibility and the REQUEST results are well received by the customers in Europe and there is a large potential in the vascular market. In total sale of own products through distributors and direct representation increased with 14.4 % in 2019 end ended at 95.8 MNOK. Other sale in Europe was related to 3.party products.

Asia, Latin America, Middle East and other markets

In general, there is increased focus on cardiac diseases in Asia and Latin America as the population adopts western lifestyles. Whilst in Europe and US where the number of CABG procedures per year is decreasing slightly, the opposite trend can be seen 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.

Japan is one of the most developed counties in the world in terms of adopting and routinely applying quality assessment and surgical guidance to improve CABG surgery. Even after two decades of using the technology, health authorities implemented reimbursement 2016 when hospitals used Medistim's technology during CABG surgery. During 2019, Medistim's most advanced equipment, the MiraQ, was cleared for sale.

In Asia, sales increased with 8.1 % in 2019 and ended at 41.8 MNOK. In addition to Japan, China is the largest market. Sales from China represented 42,5 % of total sales in the region and amounted to MNOK 17.8 in 2019. In China, the number of coronary surgeries increases by 5-10 % per year and represents a future growth market for Medistim. MiraQ is cleared for sale in China.

With the clearance for MiraQ by the Canadian Health Authorities, Medistim now has clearance for the MiraQ platform in all its markets. The old platform, VeriQ, was taken out of production during 2019 as a consequence.

In Latin America, Brazil is the country with the largest potential for Medistim's products.

In the Middle East and Africa, Medistim's imaging products, has been well received, especially in Saudi Arabia. Australia is the largest market where the imaging modality is the main product the distributor sells to the end customers.

Introduction of new specialized product for vascular surgery

Medistim introduced its solution within vascular surgery when launching the MiraQ platform. The MiraQ Vascular system comes with a specialized application menu that is customized with a user interface adapted to the vascular surgeon's needs, and new probes tailored for vascular applications.

There are many types of applications within vascular surgery. Key target segments for Medistim will be peripheral bypass surgery and CEA (carotid endarterectomy), where the global number of procedures performed per year is 200,000 and 225,000 respectively. Peripheral bypass surgery is performed primarily on the major arteries in the legs. Carotid endarterectomy is a procedure where blockages in the neck arteries surgically are removed to ensure fresh blood flow to the brain. The MiraQ Vascular product support both type of interventions using ultrasound imaging and blood flow measurements to guide the surgeon during the procedure and to quality assure clinical outcome. Medistim will with its integrated and customized solution for vascular surgery, work focused towards this customer group that represent a large revenue potential for the company.

Focus on the vascular market is according to Medistim's strategy. 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 36 %, represent 730,000 procedures annually. Medistim estimates that the vascular market has an annual potential of NOK 1 billion. The company is well positioned in the vascular market in the Nordic countries and in Germany, but has only a modest

coverage in the vascular segment in other countries. Of total sales of own products around 15 % of the revenue was from vascular customers. In 2019 sales towards the vascular segment amounted to 43.3 MNOK, an 18 % increase compared to last year.

Exhibitions

Medistim participated at the following five large annual cardiac exhibitions:

- EACTS - The European Association for Cardio-Thoracic Surgery
- AATS - The American Association for Thoracic Surgery
- ICC – International Coronary Congress
- STS – The Society of Thoracic Surgeons
- ASCVS – The Asian Society of Cardiovascular Surgery

Attending these congresses is one of the most important marketing channels for Medistim and allows the company to establish new contacts, present the products and identify new projects.

Medistim's stand at EACTS in Lisbon 2019

Strategic alliance and the launch of SonoQ

Medistim has a License and OEM agreement with em-tec, where Medistim obtains exclusive, eternal, world-wide rights to market and sell em-tec's transit time flow measurement (TTFM) technology for use on human blood vessels within cardiac-, vascular- and transplant surgery. em-tec's flow measurement device is designed as a basic, entry-level customer solution that meets lower price-point market segments and fills a gap within Medistim's product portfolio. The Medistim labeled device is SonoQ.

One of the most important target markets for the SonoQ is India, a market with about 150,000 coronary artery bypass procedures per year, which is very low compared to the population size of 1.3 billion, and therefore expected to grow. SonoQ represents a basic model that could increase the adaptation in price sensitive markets like India. Medistim is optimistic about future cooperation with Indian surgeons and support their efforts in achieving best possible surgical outcomes. Currently Medistim is seeking the right partner to represent the company in India. Sales of the SonoQ product ended at a modest 2.0 MNOK in 2019.

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 15 employees including 8 sales representatives. The Danish subsidiary, Medistim Denmark, is managed from Norway and distributes Medistim's own products as well as 3.party products. Medistim strive to strengthen its position as a Nordic distributor by distributing common products in Denmark and Norway. Sales of third party products in 2019 ended at 68.1 MNOK.

Production

Medistim's production facilities are located in Horten where all electronics are assembled and flow probes are produced. The imaging probes 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.

During 2019 preparations have been made to relocate the production facilities to a new site in Horten. The relocation was successfully completed during the first quarter of 2020. The new production site enables Medistim to support future growth and to organize the production line more efficiently.

Research and development (R & D)

Medistim will invest in existing and new products to cover the surgeons need to verify quality. Medistim invests between 4 to 10 % of sales in research and development. In 2019 12.4 MNOK was invested, which is 4.2 % of sales of own products.

Development activities – development of new production technology

Medistim is part of a collaborative project together with GE Vingmed Ultrasound and Sensocure to develop new production technology within medical devices. The project,

«Advanced Manufacturing Technologies for High Impact Medical Devices», has been granted funding of MNOK 14,4 over 3 years from the BIA Health program at the Norwegian Research Council. 2019 is the second year in the project and is also in collaboration with University College of Southeast Norway and the research institutions SINTEF and NORNER.

Medistim sees this project as a unique opportunity to develop its production technology that will bring today's production of ultrasound probes to a higher level in terms of effectiveness and quality.

Research and innovation activities

Medistim established an innovation team in 2019. Focus for the innovation team will be to develop new features and to ensure "ease of use" for the end customers. The team collaborates closely with Medistim's end users to test prototypes and ideas. The idea is to capture the end customers ideas and experience before a development project is initiated that is forced to follow a strict regulatory regime. The intention is to speed up product innovation and reduce the development time, since the product design and functionality are clarified before the development is initiated.

Medistim has captured much data in addition to the REQUEST study over the years. It will be investigated to what extent these data can be used in machine learning to assist the surgeon during a procedure.

Medistim has collaboration with Aalborg University in Denmark and the purpose of the project is to develop methods that make it easier to apply ultrasound during coronary surgery.

Other matters

Events after year end

No events have occurred after 31.12.2019 that affect the amounts recognized in the 2019 consolidated financial statement 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 is considered to be good. The activities in the Group are in general at a low risk level. Sick leave at a group level was at 3.2 % (2.3 %) of total working hours. It has not been necessary to put into effect special measures in 2019, however, it is considered to be important and a priority to focus on improvements in the working environment. The Group had 112 employees by the end of the year.

The Group strives for workplace gender equality and has a group policy to ensure that there are no gender differences in cases like salary, promotions and recruitment. 53 of the 112 employees are 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 directors has therefore not taken any specific measures within the area.

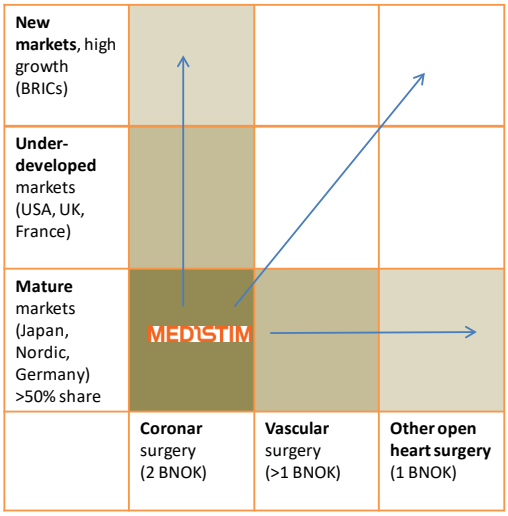
Prospects and trends

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 the 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

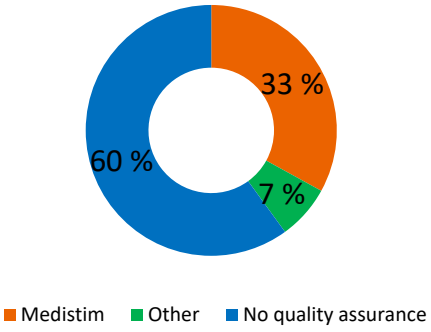
Continuous technology and product development will secure Medistim's products and leading position within cardiac surgery in the future. The company also has ambitions to

launch new products adapted to specialties within vascular- and transplant surgery.

Market size and trends

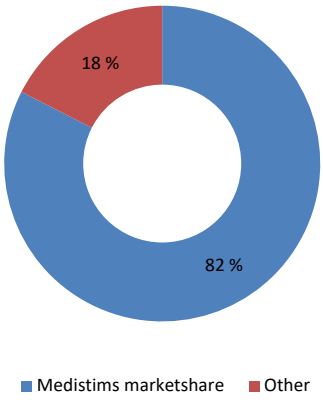
On a global basis, more than 700,000 heart bypass surgeries are performed per year. The US represents the largest market for Medistim's products with 33 % of the world market. The global number of procedures has in the past been constant. The decrease in number of procedures performed in western countries 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.

Market penetration



Within coronary bypass surgery, where Medistim is best represented, about 60 % of the surgeries performed are done without any quality assurance.

Market share penetrated market



Intraoperative ultrasound imaging combined with TTFM increases Medistim's market potential because it adds applications and relevance with 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 the MiraQ™ Cardiac relevant in other cardiac surgery procedures apart from CABG. 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. 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 entering the market, and the company is a clear leader in its niche. The equipment is used today in over 33 % 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 receiving more attention and acceptance.

There is a competitor that also offers TTFM technology, and their equipment is estimated to be in use in about 7 % of the procedures performed. This means that in about 60 % 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.

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 to reduce exposure.

Liquidity risk:
Liquidity risk 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 22.5 MNOK to secure available cash.

Interest risk:
The company is exposed to changes in the interest level since the company has long-term debt with a floating interest.

Global economy:
The global economic situation will affect the company since Medistim is a supplier to the health care sector in many countries. Management closely monitors the financial risks.

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.

Other risk

Regulatory risk:
Medistim is dependent upon regulatory approvals from health authorities for permission to sell its products. The company is revised on a regular 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 given market.

Health care priorities:
In general, health care institutions 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.

The Corona Virus outbreak:
The current outbreak of the Corina virus may affect Medistim. The effect depends on the length of the outbreak. Health authorities and hospitals may have to delay surgeries and prioritize acute situation of treating Corona virus patients. Some hospitals may even deny access to external personnel unless it is necessary. This will delay sales of new equipment. Medistim is well positioned in regard its components situation with up to 12 months inventory levels and many of the company functions may be handled through home office.

However, for production the company is dependent upon its employees physically being present at the production facilities. A large or local outbreak may result in several employees being infected by the virus. Also, to avoid the spread of the virus employees may be put in quarantine.

Future outlook

Medistim operates in a stable market. The company has a strong position and is the market leader. The company has strong competence and opportunity to develop the company further. With imaging technology and the MiraQ™ platform, the company has 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 within cardiac- and vascular surgery. The Board of directors is of the opinion that the company has a large potential, and a specific opportunity in the US and Asian market.

Oslo, 18.3.2020

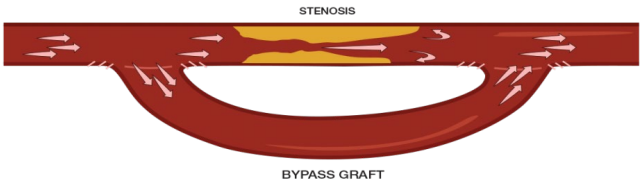
Øyvin A. Brøymer Chairman Sign,	Tove Raanes Board member Sign.	Bjørn M. Wiggen deputy chairman Sign.
Siri Fürst Board member Sign.	Lars Rønn Board member Sign.	Kari Eian Krogstad CEO Sign.

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 TTFM and high-frequency ultrasound imaging, blood flow through veins or arteries can be measured with precise accuracy during surgery and technical errors can be found. Physically the device consists of a system and probes. The probe is placed on a blood vessel and the volumetric flow is measured and analyzed by the system and the screen shows the blood flow curves and values. Probes are available in many different sizes depending upon the thickness of the vessel that is being measured.



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

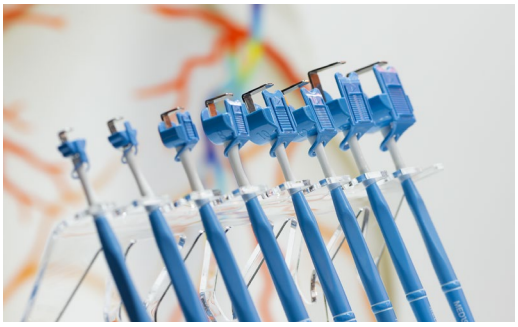
Medistim launched its first flowmeter based on transit time flow measurement (TTFM) technology in 1994 (CardioMed). Since then, the company has developed several generations of quality assurance equipment. Medistim introduced the first ultrasound imaging probe approved for direct contact with the heart in 2009 and is currently the only supplier in the world that can offer a user friendly integrated TTFM and intraoperative high frequency ultrasound (HFUS) imaging system.

Imaging functionality provides the surgeon with both guidance during surgery and the opportunity to uncover the cause of poor blood flow measurements, thereby making it easier to correct technical problems and achieve optimal clinical outcomes. The MiraQTM, Medistim's most advanced product generation, includes different configurations to fit the needs of cardiac and vascular surgery.
For use with the system, Medistim provides reusable TTFM probes, a sterilizable ultrasound imaging probe and a Doppler probe. Most of the TTFM probes are available with or without a handle.

To measure blood flow with TTFM is standard clinical practice in many countries. In 2010, TTFM was first included in the European guidelines for coronary revascularization. This was followed in 2011 by the British National Institute for Health and Care Excellence (NICE), which recommends TTFM to be used routinely in the British national health care system. In 2018 this was renewed to also include our latest product, MiraQ. Furthermore, the use of intraoperative ultrasound imaging is recommended by the American Heart Association.

The adoption of TTFM and HFUS for surgical guidance and quality control is increasing. However, there are still surgeons who rely on palpation for graft patency assessment even though feeling a pulse does not indicate that there is actually flow passing through the vessel.
Increasing demands by hospitals and payers for documentation of performance and quality control during surgery make this system an ideal fit for practice.

The MiraQ system

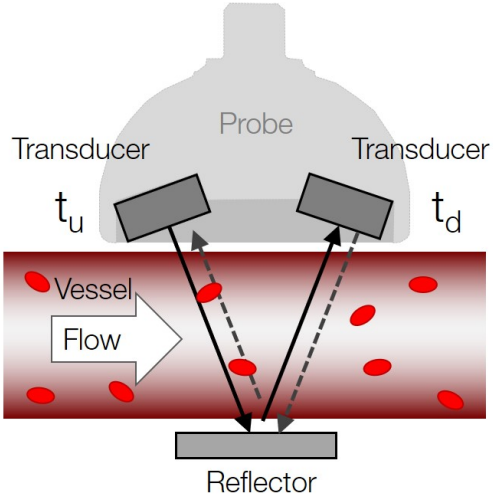


TTFM probes in different sizes

HFUS probe

Transit Time Flow Measurement -TTFM

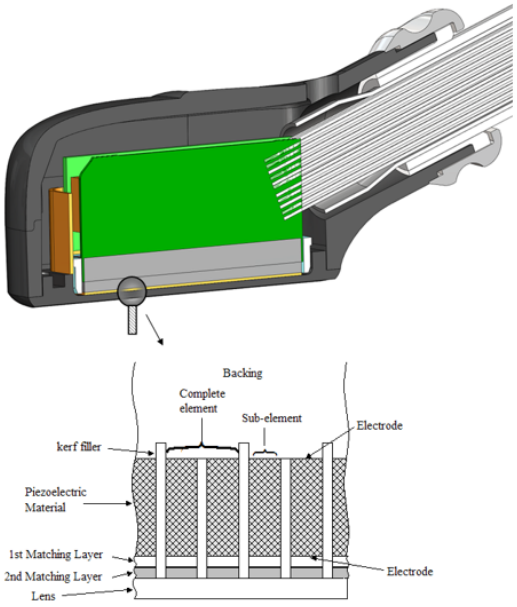
With TTFM, ultrasound is used to measure blood flow volume directly. This differs from the Doppler principle. TTFM is based on the fact that the time required for ultrasound to pass through blood is slightly longer upstream (tu) than downstream (td).



Performing flow measurements with the MiraQ is the quickest and most accurate way to verify graft patency while the patient is still in the operating room.

High-Frequency Ultrasound Imaging – HFUS

Ultrasound Imaging generates images by transmitting ultrasound pulses and receiving echoes from the pulses as they travel through the body which are used to create an image of the target area.



128 element linear array imaging probe

To help locate and understand technical imperfections during vessel surgery, the high frequency ultrasound imaging probe can image the areas of concern and reveal morphological issues for immediate correction before closure.
Epiaortic imaging allows a sensitive, direct diagnosis of aortic disease, which can lead to modifications in intraoperative surgical management.

Epicardial imaging can be used intraoperatively to assess coronary quality, strategize graft placement and visualize constructed anastomosis.

Imaging the carotids after a carotid endarterectomy (CEA) to visualize the lumen can reveal technical imperfections that may lead to thrombus formation and stroke if left unrepaired.

Doppler

Doppler technology estimates velocities from the Doppler shift of the reflected waves (backscattering) from particles (blood cells) within the vessel. Doppler measurements provide a spectrogram, showing the velocity distribution of the blood within the range gate.
The Doppler spectrogram can be used to calculate the blood flow volume in the vessel, but the result will rarely be as accurate as with TTFM. This is due to the varieties in intraluminal shape and diameter as well as angle sensitivity.
Doppler is useful when searching for deep/intramural vessels, and to distinguish between arteries and veins. Doppler provides information on type of flow (e.g. detect turbulent flow) and can be used to locate and quantify stenoses.

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

Like most companies is Medistim dependent upon good relations with its contacts to succeed and it is 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 requires 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 strives for independency and neutrality in the relations between the Board of Directors, management, owners and others. The principle of independence and neutrality and arm's 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 the 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 needs to give a notification at the 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. Not all members are on election at the same time. The Board evaluates its work once a year. The Board functions as audit committee. The Board has, considering the size of the company, not seen it necessary to use other steering committees based upon the issues treated by the Board in 2019.

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 Bjørn Henrik Rasmussen, which represents Follum Capital AS . Follum Capital AS Medistim's 4th largest shareholder. Other members are Asbjørn Buanes and Kristin Eriksen. Asbjørn Buanes is the 9th largest shareholder. Kristin Eriksen represents Salvesen & Thams Invest which is Medistim's 2end 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 for further development. The compensation to management will at all times be at market terms. There has been 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 unchanged. The principles for 2018 and 2019 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 2018 and 2019. The CEO receives 12 500 shares as part of the compensation if she stay in her position until 2021, further 12.000 shares under the same conditions if in position in 2022 and 12.000 shares under the same conditions if in position in 2023. CEO and management have in addition to fixed salary incentive plans related to achieved results. The criteria 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 immediately. 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 hires services from the auditor.

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 a 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 Brøymer (born 1948) was elected 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. Øyvin Brøymer has several years of experience within the medical industry and holds a degree within economics and business from Norwegian school of management and an MBA from the

University of Wisconsin in the US. Øyvin Brøymer is up for election for a new term at the ordinary general assembly in 2021. He controls 100 % of the shares in Intertrade Shipping AS. Intertrade Shipping AS is the largest shareholder in Medistim and holds 21.8 % of the shares in the company by year end.

Deputy Chairman Bjørn M. Wiggen (born 1959) was elected as deputy chairman in 2014. He 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 up for election for a new term at the ordinary general assembly in 2020.

Lars Rønn (born 1964) works as a consultant for Russell Reynolds Associates 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 holds a 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. He is up for election for a new term on the next ordinary general assembly in 2020. Rønn was first time elected as board member in 2012. Lars Rønn is independent towards the largest shareholders in the company.

Tove Raanes (born 1977) holds an MSC from NHH and works for the investment companies Nore-Invest AS and Dyvi Invest AS and Varner Kapital AS. Tove Raanes has experience from strategy, finance and business development from several investment companies and management consulting from McKinsey & Company. She is up for election for a new term on the next ordinary general assembly in 2020. Raanes was first time elected as board member in 2014. Tove Raanes is independent towards the largest shareholders in the company.

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 Fürst has had management positions in Hafslund AS, Hafslund Nycomed AS and DiaGenic ASA. She has worked within the areas strategy, business development, finance and investor relations. As a consultant, Siri Fürst 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 up for election for a new term on the ordinary general assembly in 2021.

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 this, the population develops lifestyle diseases where the thickening and calcification of blood vessels can be a result. When this group of patients is treated, it is often done surgically through a CABG procedure. 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 company's vision and goals it is essential that work and behavior is based on values that provide credibility, trust and respect among customers, employees and others that employees associate 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 on 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 to 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 the guidelines 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. The 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 judgment 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 meet through their work with courtesy and respect.
- Be 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, such as 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 has 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 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, 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 the 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 center 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 Financial Statements

Income statement and statement of comprehensive income for Medistim ASA group

1 = NOK 1000

	Note	2019	2018
Operating income and expenses			
Revenue	1	356 914	323 010
Other income	1	6 809	2 880
Total revenue	1	**363 723**	**325 890**
Operating expenses			
Cost of goods sold	3	80 138	79 381
Salary and social expenses	4,5,21	122 016	105 314
Other operating expenses	4,8	53 790	54 857
OPERATING PROFIT BEFORE DEPRECIATION AND IMPAIRMENT		**107 778**	**86 337**
Depreciation and amortisation on assets	6,7,12	18 010	12 361
OPERATING PROFIT		**89 768**	**73 977**
FINANCIAL INCOME AND EXPENSES			
Total financial income	9,20	6 649	7 977
Total financial expenses	9,20	5 373	7 475
Net finance		**1 276**	**502**
PROFIT BEFORE TAX		**91 044**	**74 479**
Tax expense	10	20 738	17 423
PROFIT FOR THE YEAR	11	**70 306**	**57 055**

Earnings pr. share		2019	2018
Basic	11	**3,87**	**3,14**
Diluted	11	**3,86**	**3,13**

	2019	2018
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Net profit	70 306	57 055
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	-87	1 916
TOTAL COMPREHENSIVE INCOME	**70 219**	**58 971**

Consolidated balance sheet Medistim ASA group

1=NOK 1000

	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	64 892	32 198
Deferred tax asset	1,1	2 605	2 212
Intangible assets	1,12	38 168	39 732
Other long term receivable	24	1 943	5 000
Total non current assets		**107 608**	**79 142**
Current assets			
Inventory	14	90 070	63 843
Accounts receivable	15	62 188	70 807
Other receivables	15	9 497	8 309
Cash	16	66 745	47 490
Total current assets		**228 501**	**190 450**
TOTAL ASSETS		**336 109**	**269 592**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	4 585	4 585
Treasury shares	17	- 36	- 39
Share premium	17	41 852	41 852
Other paid in capital	17	4 330	3 627
Other reserves	17	1 746	1 833
Retained earnings	17	184 384	154 854
Total equity		**236 861**	**206 712**
Non current liabilities			
Interest bearing loans	7,18	27 183	7 500
Deferred revenue		618	-
Total non current liabilities		**27 801**	**7 500**
Current liabilities			
Accounts payable		14 828	11 937
Income tax payable	10	13 646	11 430
Other short term liabilities	19	33 617	28 863
Provisions	22	150	150
Interest bearing loans	18,24	9 206	3 000
Total current liabilities		**71 447**	**55 380**
Total liabilities		**99 248**	**62 880**
TOTAL EQUITY AND LIABILITIES		**336 109**	**269 592**

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Cash flow statement

1 = NOK 1000

	Note	2019	2018
Cash flow from operations:			
Profit/loss after tax		70 306	57 055
Minus income tax paid	10	-18 961	-16 621
Plus this years tax expense	10	20 738	17 423
Plus depreciations	6,7,12	18 010	12 361
Change in inventory	14	-26 227	-1 121
Change in accounts receivable	15	8 619	-15 000
Change in accounts payable		2 891	-1 588
Change in other accruals		5 005	3 283
Net cash from operating activities		**80 380**	**55 792**
Investing activities:			
Purchase of property, plant and equipment	6,12	-13 682	-16 372
Ney cash from investing activities		**-13 682**	**-16 372**
Financing activities:			
Repayment of interest bearing debt	18,24	- 3 000	-4 875
Dividend	11	- 40 925	-36 358
Lease agreements		- 5 770	-
Other financing activities	23	2 800	-3 500
Net cash from financing activities		**-46 895**	**-44 733**
Foreign currency effect on cash		**-549**	**-1 608**
Net change in cash		19 254	-6 921
Cash as of 01.01		47 490	54 411
Cash as of 31.12	16*	**66 745**	**47 490**
Available cash and cash withholding			
Available cash as of 31.12	16*	62 403	43 500
Cash withholding for taxes	16*	4 342	3 990
Cash and cash equivalents as of 31.12		**66 745**	**47 490**

* See also Note 16. The group has a credit facility of 22.5 MNOK. The facility was not used by year end.

Consolidated change in Equity for Medistim ASA

1 = NOK 1000

	Note	Share capital	Treasury shars	Share premium	Other paid in capital	Paid in capital	Other reserves	Retained earnings	Other equity	Total Equity
Equity as of 31.12.17		**4 585**	**-43**	**41 852**	**2 780**	**49 174**	**-83**	**133 893**	**133 810**	**182 984**
Total comprehencive income for the period		-	-	-	-	-	1 916	57 055	58 971	58 971
Sharebased payments	17	-	4	-	848	852	-	263	263	1 115
Dividend	11	-	-	-	-	-	-	-36 358	-36 358	-36 358
Equity as of 31.12.18		**4 585**	**-39**	**41 852**	**3 628**	**50 026**	**1 833**	**154 853**	**156 686**	**206 712**
Total comprehencive income for the period		-	-	-	-	-	-87	70 306	70 219	70 219
Sharebased payments	17	-	3	-	702	704	-	150	150	854
Dividend	11	-	-	-	-	-	-	-40 925	-40 925	-40 925
Equity as of 31.12.19		**4 585**	**-36**	**41 852**	**4 330**	**50 730**	**1 746**	**184 384**	**186 130**	**236 861**

Comments to other reserves:

Other reserves in the equity reconciliation are differences related to translating equity from foreign subsidiaries to NOK. The subsidiaries present their financial statements in EUR, GBP, DKK and USD. When translated to NOK a difference occur due to the change in the exchange between NOK and these currencies. By year end 2018 this difference was 1833 TNOK and the change for the year was 1916 TNOK. By year-end 2019, the equivalent was 1 749 TNOK a change of -87 TNOK from the year before.

Accounting policies

Medistim ASA is a public company listed at the Oslo stock exchange. Medistim ASA is incorporated 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.
The board of Director's and the CEO authorized these financial statements for issue on March 18, 2020

1.1 Basis for preparation of financial statements

The financial statement for the group is prepared in accordance with International Financial Reporting standard (IFRS) as adopted by the EU and effective as of 31.12.2019.

The annual accounts for the company and the group has been prepared based on historical cost with exception of financial derivatives which are measured at fair value.

The consolidated accounts have been prepared using consistent accounting policies for similar transactions and events.

The accounting principles for the group for 2019 are the same as for the principles used in 2018 except for the new standard IFRS 16 that has been implemented as of 01.01.2019.

1.2 Change in accounting policies implemented from 01.01.2019

IFRS 16 Leases:

The standard introduces a model that requires the tenant to account for a right of a use and a lease for leases with a duration of more than 12 months, provided that the underlying asset is not of low value. The right to use asset will be depreciated over the lease term. Depreciation of right-of-use-assets is presented together with other depreciation in the income statement. Lease payments will be allocated between installments and interest. The interest element will be presented as a financial expense in the income statement. Implementation of IFRS 16 implies that presentation of lease expenses is changed from other operating expenses, to interest expenses and depreciation. The distribution of the expense over the lease term will also change. There will be a front-loading of expenses as a result of the liability being treated as an annuity loan, ie,.the interest expenses will be higher in the beginning of the lease term, while depreciation of the right-of-use asset is made on a straight-line basis.

Total lease expenses in 2019 amounted to 5.8 million NOK that under previous rules would have been recorded under operating expenses. In 2019, under the new IFRS 16, these expenses were divided between depreciation with 5.8 million NOK and financial expenses with 0.2 million NOK, adjusted for the effect of changed accruals on financial expenses.

The implementation method used is the modified retrospective method. The effect of the implementation was an increase in assets of 28.7 MNOK with an equally increase in debt as of January 1, 2019. Comparatives are not restated. See note 6 and 7 for further information about Medistim's lease obligations.

1.3 Functional currency and the presentation currency

The group presents its financial statements in NOK. This is also the functional currency for the parent company. Asset and liabilities of subsidiaries with other functional currency than NOK, are translated to NOK using the exchange rate at the balance sheet date. For the income statement, the average monthly rate in the period is used. Translation differences arising from translation to presentation currency, is recognized in other comprehensive income.

1.4 Principles for consolidation

The consolidated accounts include Medistim ASA and companies controlled by Medistim ASA. Control normally exists when the Group has more than 50 % of the shares in the investee. Currently all subsidiaries are wholly owned.

Intercompany transactions, balances and unrealized gains and losses are eliminated.

1.5 Cash and cash Equivalents

Cash includes cash in hand and bank deposits.
Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Classified as financial asset.

1.6 Accounts receivable

Accounts receivable that do not contain a significant financing component, are recognized at the transaction price with a deduction for expected credit losses. Classified as financial asset.

1.7 Inventory

Inventory is valued at the lower of cost, using the FIFO principle, and net realizable value. Production cost includes the cost for components, cost of conversion (including direct labour cost) and other cost in bringing the inventories to their present location and condition. Net realizable value is the estimated sales price in the ordinary course of business less cost of completion and selling cost.

1.8 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciations and write-downs. When an asset is sold, the carrying value of the asset is derecognized and any gain or loss from the sale is recognized in the income statement.

The cost of an acquired item of property, plant and equipment comprises of the purchase price, non-refundable taxes and other direct cost incurred in order to be able to use the asset as intended.

The cost for a self-constructed item of property, plant or equipment is the same as the cost of construction the asset for sale. Cost include materials, labour costs and an allocation of production overheads. . The cost allocated to the asset is based upon the time spent to build the asset.

Costs incurred for major replacements and updates are added to cost if it is probable that the cost will bring future economic benefit and the cost can be reliably measured. If new parts are capitalized, replace parts are derecognized. Repair and maintenance costs are expensed as incurred.

Items of property, plant and equipment are depreciated straight line over the estimated useful life from the time it is available for use. Useful life is as follows:

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

Depreciation time and method is evaluated on a yearly basis.

Property, plant and equipment are tested for impairment if there are indication of impairment. If the carrying amount exceeds the assets recoverable amount, being the higher of value in use and fair value less cost of disposal, the asset is written down to the recoverable amount.

1.9 Leasing

(i) The group as a lessee

The company recognizes a lease liability and a right-of-use asset for leases with a duration of more than 12 months, provided that the underlying asset is not of low value.

The lease liability is the present value of the lease payment over the lease term. Lease payment includes fixed payments and variable lease payments that depend on an index or a rate. The lease term is the non-cancellable period of the lease together periods covered by an option to extend the lease when the exercise of the option is reasonably certain.

The lease payments are generally discounted using the company's incremental borrowing rate, as the rate implicit in the lease generally cannot easily be determined.

The cost of the right of use assets comprises the initial measurement of the lease liability, any lease payments made before the commencement date an any initial direct cost incurred.

Right-of-use assets are depreciated over the shortest of the lease term and useful life. Depreciation of right-of-use assets is presented together with other depreciation in the income statement.

Lease payments are allocated between installments and interest based on a constant periodic rate of interest being the interest used to calculate the lease liability. The interest expense is presented as a financial expense in the income statement.

(ii) The group as lessor

The assets that are leased to customers are recognized as property, plant and equipment in the balance sheet. Direct cost related to the leasing agreement is added to the carrying amount of the leased assets and is depreciated over the lease term.

See note 1 for a description of recognition of lease revenue, and note 2 for a split of lease revenue on different product categories.

1.10 Derivatives

The group uses forward exchange contracts to reduce exposure towards USD and EUR. Financial derivates are recognized at fair value through profit and loss. Change in fair value is recognized in profit and loss and is presented as financial income or expense. Unrealized gains or losses are recorded in the same manner as realized gains and losses. Hedge accounting is not applied.

1.11 Intangible assets

Intangible assets are recognized in the balance sheet if it is probable that the future economic benefits will flow to the company, and the cost of the asset can be measured reliable.

Intangible asset with finite economic life is measured at cost less accumulated amortization and write-downs. Amortization is done on a straight-line basis over expected lifetime. The amortization period and method, are reviewed on a yearly basis.

Intangible assets with indefinite useful life is not amortized, but tested for impairment at least annually.

1.12 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is recognized as the difference between the aggregate of the consideration transferred and the amount of

any non-controlling interest less the fair value of the net identifiable assets at the acquisition date.

Goodwill is not depreciated, but is tested for impairment at least annually.

1.13 Research and development

Research cost is expensed as incurred.

Cost to internal development of intangible assets is capitalized when it is demonstrated that
-it is technical feasible to complete the asset,
-the company has the recourse to complete the project
-the product will generate future economic benefits, and
-expenditure can be reliable measured.

Expenses capitalized include materials, salary and social expenses and other expenses that can be allocated to the development of the asset.

Internally developed intangible assets are amortized on a straight-line basis over the expected useful life. Amortization starts when the asset is available for use. Intangible assets not ready for use, is tested for impairment on a yearly basis.

Capitalized development costs are written down when a new product is ready for sale or an improved product is ready for sale.

Internally develop intangible asset is tested for impairment on a regular basis by discounting expected cash flow generated from the asset. If the discounted value is lower than the carrying amount the asset is written down.

Own products
Capitalized cost related to development of own products are depreciated on a straight-line basis over expected lifetime. Expected lifetime varies from 3 to 8 years.

1.14 Provisions

A provision is recognized when the group has an obligation arising from a past event, when it is probable that company will be required to settle the obligation, and the obligation can be reliable measured.

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually

1.15 Equity and debt

(i) Equity and debt

Financial instruments are classified as debt or equity according the economic substance 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. Amounts distributed to holders of financial instruments classified as equity will be recorded directly against equity.

(ii) Treasury shares

When treasury shares are purchased, the purchase price including directly attributable costs is recognized in equity. Treasury shares are presented as a reduction of equity. Loss or gain on transactions of treasury shares are not recognized in the income statement.

(iii) Cost related to equity transactions

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

(iv) Translation differences

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities. Translation differences are recognized in other comprehensive income and presented as “other reserves” in the balance sheet. Translation differences is recognized in profit and loss when the investment is sold.

Exchange rate differences on monetary assets and liabilities that in substance is part of the net investment in a foreign operation, is also included in translation differences.

1.16 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition policies are described in detail in note 1.

1.17 Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to functional currency using 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 as either financial income or financial expence.

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 expenses are translated to Norwegian kroner using the rate at the transaction date. See also comment under 1.15 iv regarding exchange rate differences.

1.18 Pension and other employee benefits

Contribution pension plan

Employees in Medistim with a pension plan are included in a contribution plan where an 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 is incurred.

Share based payments

The Group has a share-based payment scheme for its CEO. The program is settled in shares. The fair value of the option at the grant date, is expensed over the vesting period. The expense is included in "salary and social expenses" in the income statement and a corresponding amount is recognized as other paid-in capital.

1.19 Interest bearing loans and borrowings.

Loan and borrowings are initially recognized at fair value net of directly attributable transaction costs, and subsequently measuring at amortized cost.

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 based on temporary differences between tax values and carrying amount of assets and liabilities.

A deferred tax asset is recognized when it is convincing evidence that the company will have sufficient taxable profit in the future to utilize the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are determined using the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax asset is settled/recovered. Deferred tax and tax assets are measured at nominal value and is classified as a non-current asset in the balance sheet.

Tax payable and deferred tax is recorded against equity if the transaction is an equity transaction.

1.21 Segment

The group is organized, for management purpose, in two divisions dependent upon products and services. The segments are identified based upon different risk and return on investment profile. Information regarding segments is presented in note 2.

Internal profit between the segments is eliminated in a separate column 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.

1.22 Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. Information about significant contingent liabilities is disclosed.

Contingent assets are not recognized in the financial statements, but are disclosed if an inflow of economic benefits is probable.

1.23 Events after the balance sheet date

Information after the reporting period that provide evidence of conditions that existed at the end of the reporting ("adjusting events"), are reflected in the amounts recognized in the financial statement. Information after the reporting period that are indicative of conditions that arose after the reporting period ("non-adjusting events") are not reflected in the amounts recognized in the financial statement, but are disclosed if material.

1.24 Use of estimates and judgement

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that effect the recognition and measurement of certain assets, liabilities, revenue and expense. The following area involves the most critical estimates and judgements for the company:

- Research and development cost relating to internally developed intangible assets
- Goodwill.

Future events could lead to a change in estimates. The estimates and assumptions for the estimates are continuously evaluated. Changes in accounting estimates are recognized in the period the change take place. If the change also affect future periods, the effect on future periods will be recognized as income or expense in those future periods.

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 2019 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 threafter. 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 2019 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 31.12.2019 was MNOK 22.9. 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.

1.25 New and amended standards not yet effective

There are no new standards, interpretations or amendments that are issued, but not yet effective, that are expected to cause any significant changes for Medistim.

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Notes to the accounts

Note 1 Revenue

Group revenue can be split in three different categories that have different risk and return on investment profile. The split is according to the company's internal reporting structure. The categories are as follows:

1. Revenue from sale of capital equipment (VeriQ\MiraQ) and consumable (probes)
2. Revenue from lease of equipment (VeriQ\MiraQ and probes)
3. Distribution and sales of third-party products

Category 1 and 2 covers the same equipment (VeriQ\MiraQ system) and consumables (probes). This is the products that are developed and produced by Medistim and is distributed through local partners unless Medistim has local representation.

1. Sale of capital equipment and consumable:

The sale of the equipment and the sale of the consumables are considered separate deliveries (performance obligations). Revenue is recognized at delivery when the customer obtains control of the goods. Payment terms varies from 30 to 90 days. The Group provides warranties for general repairs of defects that existed at the time of sale. This is considered an ordinary assurance type warranty, and not a separate performance obligation. A warranty provision is recognized, see note 21

2. Reveue from lease of equipment and probes:

The group has a range of contracts related to lease of equipment and probes and can be split in two categories

- Payment per procedures
- Lease of equipment and sale of probes

Payment per procedure:

Under this model, the equipment and probes are placed at the customer site free of charge. Medistim owns all equipment placed at the customer site. For the customer to be able to use the equipment a procedure (smart card) must be purchased. One procedure equals one surgery. The customer purchases a smart card that makes the system available for use.

The agreement is considered a lease with variable lease payments. Revenue is variable and recognized related to the actual use of the equipment and probes. For Medistim this means that revenue is recognized when a new card is shipped to a customer. There are two types of customers, flow customers and flow and imaging customers. Flow customers purchases a flow procedure, while flow and imaging customers purchase both a flow procedure and an imaging procedure. It is therefore a split of revenue between flow procedures and imaging procedures. Revenue is recognized when smartcards are purchased by the customer. The customer is dependent upon the smartcard in order to open the equipment and probe for use. The agreements are operational since equipment is returned when the agreement expires.

The individual agreement contains a minimum use clause. The duration of the agreement is 1-3 years, but divided into 12-month cycles, so minimum usage applies for 12 months at a time. If minimum usage is not achieved, Medistim has the right to extract the equipment from the customer site.

Lease of systems and sales of probes:

Under this model, the customer leases the system and purchases probes when needed. The system revenue is recognized on a straight-line basis over the lease term. Probe revenue is recognized when the probe is delivered to the customer.

Other terms in the agreements:

If a customer with a pay per procedure or lease agreement does not handle the equipment properly, the customer is liable towards Medistim to compensate for the damage and repair. It happens that customers after too low consumption want to keep the equipment. In such cases, the customer may purchase the equipment. In this case, this is registered as a system sale.

3. Third party sales:

Sale of other third-party medical equipment is recognized when the equipment is delivered to the customer. Payment from customers are mainly due within 30 days.

Other revenue in the P&L includes service, spare parts, grants and other revenue that is not own products or third party products

Se note 2 for split of revenue.

Note 2 Segments

.

The Group's activities are divided into strategic business units that are organized and managed separately. The division is also in accordance with the Group's internal reporting structure. The main divisions are sale of own products and sale of 3. party products. Sale of own products has two business models, the capital model and the lease model. Segment A represent sale of own products as capital sale or lease. Segment B is represent sale of third party products.

Own Products category A:

Medistim sells its own products either through a lease or as capital.

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 capital equipment and buy probes as consumable. Most customers in the US lease the equipment. The lease model in the USA has been successful since it does not demand upfront capital to have the equipment available. Medistim has direct representation in the USA, which makes it manageable to handle the lease model properly. However, several customers prefer to invest in the equipment and purchase probes as consumables and Medistim promotes both solutions.

The lease model has not been successful outside USA. It is often so that hospitals have a policy that the equipment they use must be hospital property. In addition, Medistim can only follow up this model properly where the company has direct representation, since lease customers require Medistim property at the customer site. Medistim serves around 60 distributors around the world. To follow up assets placed at customer sites in a global scale, and have distributors to manage Medistim assets, is considered to be to complex and risky.

Third party products category

Distribution of third party products:
Distribution and sale of third party products is a separate segment. The group sells medical devices from third party manufacturers in Norway and Denmark. The product portfolio is carefully selected and mainly instruments and consumables within surgery.

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.

Split of revenue and profit before tax according to operating segment
Segment is split in own products and third party products

Segment	Own products		Third party products		Group	
1 = NOK 1000	2 019	2 018	2 019	2 018	2 019	2 018
Revenue:						
Sales in USA						
Lease revenue from flow procedures	58 765	54 473	-	-	58 765	54 473
Lease revenue from imaging procedures	19 188	13 081	-	-	19 188	13 081
Probes	24 420	19 690	-	-	24 420	19 690
Systems	10 537	10 101	-	-	10 537	10 101
Ultrasound imaging	18 832	13 582	-	-	18 832	13 582
Ultrasound imaging probes	4 352	2 220	-	-	4 352	2 220
Sales outside USA			-	-		
Probes	94 985	85 684	-	-	94 985	85 684
Systems	23 047	22 409	-	-	23 047	22 409
Ultrasound imaging	29 725	26 358	-	-	29 725	26 358
Ultrasound imaging probes	5 000	4 302	-	-	5 000	4 302
Third party product sales	-	-	68 063	71 110	68 063	71 110
Other revenue	6 809	2 880	-	-	6 809	2 880
Total external revenue	-	-	68 063	71 110	363 723	325 890
Total revenue	**295 660**	**254 780**	**68 063**	**71 110**	**363 723**	**325 890**
Cost of goods sold	42 227	36 430	37 911	42 952	80 138	79 381
Salary and social expenses	107 884	91 965	14 132	13 349	122 016	105 314
Other operating expenses	50 361	48 566	3 430	6 291	53 790	54 857
Depreciation	15 304	11 913	2 706	448	18 010	12 361
Operating profit per segment	**79 883**	**65 906**	**9 885**	**8 071**	**89 768**	**73 977**

Additional sales information:

A geographical sales split is monitored to be able to follow the development in sales in the USA with the greatest potential, Europe where market penetration is strong and Asia with the largest future growth potential.

Information about geographical areas

Geographic split of segments 1 = NOK 1000	USA		Europe		Asia		Rest of the world		Group	
	2 019	2 018	2 019	2 018	2 019	2 018	2 019	2 018	2 019	2 018
Revenue own products	136 094	113 147	95 801	83 712	41 790	38 650	21 975	19 271	295 660	254 780
Revenue 3. party products	-	-	68 063	71 110	-	-	-	-	68 063	71 110
Revenue in units own products										
Procedures flow	52 206	47 345	-	-	-	-	-	-	52 206	47 345
Procedures imaging	10 233	7 380							10 233	7 380
Probes	2 547	1 984	4 269	4 425	1 909	1 743	1 012	812	9 737	8 964
Systems	14	15	54	38	40	39	8	12	116	104
Ultrasound imaging	19	15	20	16	25	30	15	15	79	76
Ultrasound imaging probes	117	79	25	30	28	24	25	16	195	149
Lease of flow systems	6	10	-	-	-	-	-	-	6	10
Lease of flow and imaging systems	13	9	-	-	-	-	-	-	13	9
Revenue in units 3. party	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Split of revenue between coronary surgery and vascular surgery:

The company has in addition to coronary surgery a strategy and focus towards vascular surgery. The principles for guiding and quality assurance within vascular surgery is the same as within coronary surgery. The difference is that within coronary surgery the surgeons focus is to supply the hart with blood, while within vascular surgery the focus is to ensure blood flow in other parts in the body or organs. The vascular market has gained increased focus from the company in order to ensure that the products from the company gets a foothold within more than just coronary surgery. It is therefore natural to report sales split between cardiac surgery and vascular surgery.

Split of revenue between coronary- and vascular surgery for own products and 3 party products	2 019	2018
All numbers in NOK 1000		
Split of own products		
Sales within coronary surgery	252 371	218 005
Sales within vascular surgery	43 289	36 775
Sales of 3. party products	68 063	71 110
Total sales	363 723	325 890

Major customers:

Where Medistim has direct representation the customers are hospitals and none of these are dominant in the sense that they represent a major part of the group revenue. Of Medistims installed base of about 2700 systems, the largest customer has 7 systems. This means that this customer would represent about 0.25 % of total revenue. However, Medistim is also represented through distributors, and the two largest distributors represent 6 % and 5 % of the groups revenue respectively. The two largest distributors are independent of each other and operates in different geographical areas.

Note 3 Split of cost of goods sold

1 = NOK 1000	2019	2018
Third party products	36 398	41 900
Components	37 015	31 546
3.party services	2 730	2 005
Packing material and other materials	941	1 059
Freight	3 055	2 870
Total cost of goods sold	**80 138**	**79 381**

Note 4 Salary and social expenses

1 = NOK 1000	2019	2018
Salary	90 947	79 898
Employer's tax	12 299	10 783
Bonus	10 458	7 736
Cost for contribution pension plan	4 396	3 979
Compensation to the Board	1 435	1 359
Other social costs	2 482	1 558
Total salary and social cost	**122 016**	**105 314**

Average number of employees:

	2019	2018
USA	22	22
Germany	4	4
UK	1	1
Spain	2	2
Denmark	1	1
Norw ay	82	75
Total	**112**	**105**

Audit fee

1 = NOK 1000

	2019	2018
Statutory audit	1 128	867
Other services	344	181
Total audit fee	1 472	1 048

The amounts are without VAT

Note 5 Pension expenses and obligations

For Norwegian employees there is a contribution plan that covers 5 % of salary up to 7,1 G and 8 % of G between 7,1 and 12. 1G is the base amount in the social security system. Employees in the US follows a pension plan, a 401k match that covers 4 % of salary. The total cost for the contribution plans was in 2019 TNOK 4.396, while it was TNOK 3.979 in 2018. It is compulsory by law for the company to have a pension plan for its employees in Norway. The pension plans in the company fore fill the obligation in the Norwegian law. Employees outside Norway and US do not have a pension plan.

Note 6 Property, plant and equipment

1 = NOK 1000	Equipment 2019	Other assets 2019	Right to use Assets	Total assets 2019	Equipment 2018	Other assets 2018	Total assets 2018
Historical cost							
Balance 1. January	68 800	15 409	7 487	91 696	59 041	13 062	72 103
Additions	8 328	1 997	25 239	35 564	10 249	2 347	12 596
Adjustments for reassessment and lease modifications	-	-	1 593	1 593	-	-	-
Disposals	-178	-	-	-178	-490	-	-490
31.December	**76 949**	**17 406**	**34 319**	**128 674**	**68 800**	**15 409**	**84 208**
Accumulated depreciation and impairment							
Balance 1. January	40 658	11 352	-	52 010	35 803	10 557	46 360
Depreciation this year	4 803	1 363	5 648	11 814	4 952	882	5 834
Impairments this year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-92	-	-92
Exchange rate differences	15	28	-	42	5	86	92
31. December	**45 447**	**12 688**	**5 648**	**63 782**	**40 658**	**11 352**	**52 010**
Book value	**31 503**	**4 719**	**28 671**	**64 892**	**28 142**	**4 057**	**32 198**
Depreciation in %	14-33 %	20-33 %	12,5-50 %		14-33 %	20-33 %	
Useful life	3-7 years	3-5 years	2-8 years		3-7 år	3-5 år	
Depreciation method	Linear	Linear	Linear		Linear	Linear	

Fully depreciated assets

Some assets with total historic cost value of 6.9 MNOK is fully depreciated as of 31.12.2019 but are still in use.

Security

Equipment and other assets is pledged as security as of 31.12.2019 with a value of 13 000 TNOK. The security is related to long-term loan and hedging credit facility. The group's bank had the same security as of 31.12.2018.

Note 7 Right to use assets and liabilities

Right to use assets

The company is renting offices in Økernveien 94 in Oslo, Moloveien 10 in Horten, Bromsveien 17 in Horten and in 14000 25ave. N. Suite 108 in Plymouth in Minneapolis, Minnesota, USA. In Oslo and Horten the rental agreement expires in 2025 and 2027 respectively. In the USA the rental agreement expire year-end 2023. The rental is adjusted yearly according to National indexes for goods and services. The lease in Økernveien 94 may be prolonged with 5 years after 2025, the lease in Bromsveien 17 may be prolonged with 2 years after 2027. It is at present uncertain whether these leases will be prolonged. In Økernvein 94 Medistim has

entered an agreement to increase the facilities with 500 square meters. It will not be available for Medistim before June 2020 and the right to use and obligation will in June be booked in the balance sheet.

The group also leases office equipment and cars. The longest remaining lease term for office equipment and cars is until November 2024 and September 2021 respectively.

According to IFRS 16 leased assets are to be recorded in the balance sheet with a corresponding debt and the lease expense recorded as depreciation and interest expense. Medistims leased assets with right to use and liabilities are shown below.

Note Right-of-use assets and lease liabilities

Right-of-use assets	**Buildings**	**Machinery anc**	**Vehicles**	**Total**
Initial recognition of right to use of asset as of January 1st 2019	5 829	-	1 839	7 668
Addition of right-of-use assets	26 247	404	-	26 651
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Currency exchange differences	-	-	-	-
Acquisition cost 31 december 2019	**32 076**	**404**	**1 839**	**34 319**
Accumulated depreciation and impairment 1 January 2019	**-**		**-**	**-**
Depreciation	4404	20	1224	5 648
Impairment losses in the period	-	-	-	-
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Currency exchange differences	-	-	-	-
Accumulated depreciation and impairment 31 December 2019	**4 404**	**20**	**1 224**	**5 648**
Carrying amount of right-of-use assets 31 December 2019	**27 672**	**384**	**615**	**28 671**
Low er of remaining lease term or economic life	4-8 years	2-5 years	1-2 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows				**Total**
Less than 1 year	4 830	80	1078	5 988
1-2 years	9 672	161	106	9 939
3-4 years	9 721	155	-	9 876
4-5 years	4 400	-	-	4 400
More than 5 years	-	-	-	-
Total undiscounted lease liabilities at 31 December 2019	**28 623**	**396**	**1 184**	**30 203**

Summary of the lease liabilities in the financial statements	**Statement of:**	**Total**
Initial recognition of right to use of asset as of January 1st 2019		7 668
New lease liabilities recognised in the year		26 651
Cash payments for the principal portion of the lease liability	Cash flow s	5 988
Interest expense on lease liabilities	Profit and loss	218
Depreciation on leased assets	Profit and loss	5 648
Total lease liabilities at 31. December 2019		**28 889**
Current lease liabilities	Financial position	**6 206**
Non-current lease liabilities	Financial position	**22 683**
Total cash outflows for leases	Cash flow s	**5 988**

Note 8 Other operating expenses

1 = NOK 1000	2019	2018
Office expenses	1 654	6 053
Travel cost	10 543	10 098
Marketing	6 366	5 514
Consultants	17 601	17 067
Insurance	1 723	1 560
Freight	1 552	1 315
Communication	1 168	1 087
IT cost	8 762	6 347
Other	4 422	5 816
Total	**53 790**	**54 857**

Note 9 Financial revenue and expenses

As of 31.12.2019, the company had 7.5 MNOK in interest bearing debt. Additional cash in the group gave interest revenue of 184 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	2 019	2 018
Interest income	184	97
Other financial income	67	47
Gains on foreign exchange	6 397	7 833
Total financial income	**6 649**	**7 977**
Loss on foreign exchange	-4 687	-6 930
Interest cost on loans	-435	-523
Other financial expenses	-251	-22
Total financial expenses	**-5 373**	**-7 475**
Net financial expenses	**1 276**	**502**

Note 10 Income tax

1 = NOK 1000	2019	2018
Current income tax charge	21 211	17 028
Deferred tax expense	-473	396
Income tax expense reported in income statement	20 738	17 423
Reconciling tax expense towards income before tax		
Tax expense for the year	20 738	17 423
22% of income before tax	20 030	17 111
Permanent differences and different tax rates	-708	-312

Specification of taxable income	**2019**	**2018**
Expected income tax at tax rate 22 % in Norway	20 030	17 130
Non-deductable expenses	227	461
Foreign tax rate differences	482	310
Other	-	-105
Utilizing losses carry forward	-	(374)
Income tax expense	20 738	17 423
Effective income tax rate	22,8 %	23,4 %

Payable tax in the balance sheet	**2019**	**2018**
Income tax expense	20 738	17 423
Prepaid tax	-6 207	-5 597
Utilizing deferred tax asset	-886	-396
Total payable tax	13 645	11 430

Specification of deferred tax

Difference in values:	**2019**	**2018**
Non current assets	-1 307	-5 191
Current assets	-11 214	-4 754
Other obligations	680	-108
Total differences	-11 841	-10 053
Deferred tax asset 22 %	-2 605	-2 212
Deferred tax asset recognized in the balance sheet	-2 605	-2 212

The deferred tax asset in the balance sheet is based upon future utilization of deductible temporary differences. There is no time limitation for utilization of 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 2019 to 22.8%.

Tax expense for the group is geographically split as follows:

1 = NOK 1000	2019	2018
Norway	12 699	11 079
Germany	2 540	2 393
USA	5 025	3 807
Spain	528	-
Denmark	28	144
Total	20 738	17 423

Note 11 Earnings per share

1 = NOK 1000	2019	2018
Profit for the year	70 306	57 055
Average numbers of shares outstanding		
Average number of shares used in basic EPS	18 188	18 179
Effect of share options	25	35
Average numbers of sharesused in diluted EPS	**18 213**	**18 214**
1 = NOK 1		
Profit per share	**2019**	**2018**
Ordinary	**3,87**	**3,14**
Diluted	**3,86**	**3,13**
Paid dividend	**40 925**	**36 358**
Dividend per share	**2,25**	**2,00**

The company has only one class of shares. 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. Treasure shares is not included and average number of treasury shares are excluded from the calculation. In 2019, there were share options to CEO. The share option plan to CEO is described under chapter 3 compensation to management and note 20. By year-end the company had 138 500 own shares.

Note 12 Intangible assets

Product technology and additions, goodwill and license agreement

In 2019, 4.6 MNOK of product technology additions, was recorded in the balance sheet related to the MiraQ products. The MiraQ platform forms the basis for future models from Medistim. All development activity is performed in the parent company. The license agreement is externally acquired from em-tec for the use of the SonoQ products.

1 = NOK 1000	Product technology	Goodwill	License agreement	Total intangible assets 2019
Historic cost				
Historic cost 31.12.	71 268	14 128	2 158	87 554
Internal additions	3 303	-	-	3 303
External additions	1 326	-	-	1 326
Intangible assets under development	3 514	-	-	3 514
Historic cost 31.12.	**75 897**	**14 128**	**2 158**	**92 183**
Accumulated depreciations and write downs				
Accumulated depreciation and w rite dow ns	47 282	-	539	47 822
Depreciations for the year	5 653	-	539	6 193
Total depreciation as of 31.12.08	**52 936**	**-**	**1 079**	**54 015**
Net value in balance sheet	**22 961**	**14 128**	**1 079**	**38 168**

1 = NOK 1000	Product technology	Goodwill	License agreement	Total assets 2018
Historic cost				
Historic cost 31.12.	67 490	14 128	2 158	83 776
Internal additions	2 647	-	-	2 647
External additions	1 131	-	-	1 131
Intangible assets under development	-	-	-	-
Historic cost 31.12.	**71 268**	**14 128**	**2 158**	**87 554**
Accumulated depreciations and write downs				
Accumulated depreciation and w rite dow ns	41 293	-	-	41 293
Depreciations for the year	5 989	-	539	6 528
Total depreciation as of 31.12.08	**47 282**	**-**	**539**	**47 821**
Net value in balance sheet	**23 986**	**14 128**	**1 619**	**39 733**

Intangible assets are depreciated on a straight-line basis over the useful life. Useful life for capitalized product development is 3 to 8 years. The license agreement is depreciated over 5 years.

Product technology:

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. Book value as of 31.12.2019 was 3.3 MNOK. Expected useful life for the PV probes are 8 years.

4th generation of systems; the MiraQ:

Entering into 2020, Medistim had invested 34.0 MNOK in the system platform that represent Medistims 4th generation of systems within flow measurement and imaging to ensure quality and guiding during surgery. The platform has a flexibility that will allow customer adaption and new applications. The technological improvements have secured and strengthen Medistim's leading position. The product, MiraQ Cardiac, based upon the platform, was launched by the end of 2014. The MiraQ Vascular system was introduced in 2015 together with the new vascular flow probes late 2015. At the same time the MiraQ Ultimate was introduced that combines the two cardiac and vascular modalities. Book value for the MiraQ platform by year-end was 19.6 MNOK. Expected lifetime for the product is 8 years.

Summary product technology:

In total 7.8 MNOK of the R & D expenses was recorded in the P & L in 2019. Similar expense was 6.4 MNOK in 2018. With 4.6 MNOK recognized as asset a total of 12.4 MNOK was used in R & D in 2019. Comparable number for 2018 was 10.1 MNOK.

License agreement:

Medistim entered a license and an OEM agreement with em-tec GmbH in 2015. With the agreement, Medistim obtains exclusive, worldwide rights to market and sell em-tec's transit time flow measurement (TTFM) technology, the SonoQ, for use on human blood vessels within cardiac-, vascular- and transplant surgery. em-tec's flow measurement device is designed as a basic, entry-level customer solution that meets lower price-point market segments and fills a gap within Medistim's product portfolio. The first Medistim labeled device was launched in 2016. As compensation for these rights, Medistim paid 2.7 MNOK, which was recorded in the balance sheet as of 31.12.2016. The rights are exclusive and will be depreciated over 5 years, since it is a 5 year agreement. The depreciation was effective from 2017, since the Medistim labeled product where launched by the end of 2016. Book value by year end 2019 was 1.1 MNOK. Sales of the SonoQ products is shown in note 2 as other revenue.

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	**2019**	**2018**
Acquisition of Medi-Stim Norge AS	7 960	7 960
Acquisition of Kir-Op AS	6 168	6 168
Total goodw ill 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 2020 and 3-year strategy plan for the years 2021 and 2023 with the assumption of 2 % growth in 2024 compared to 2022. 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 15.3 % discount rate. This includes an additional yield of 11.8 % 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
- 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 is 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, all 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 is the break even level for write down of goodwill.

Discount rate:
The company uses a discount rate that is equal to risk free interest with an addition of 11.8 %. This level is evaluated on a yearly basis and a change in the discount rate could 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 3.5 %. Including risk free interest of 3.5 % the total discount rate in 2019 is set to 15.3%.

Future growth:
It is projected growth in sales with a variation from 5 % to 2 % in the budget and strategy period, and with 2 % growth in the terminal value. 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.

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.

Sensitivity analysis:
Wtih the assumption used in the impairment test, the recoverable amount exceeds the carrying amount with 48,0 MNOK ("headroom"), and no impairment loss is recognized.

If the operating margin is reduced from 11.0% to 5.2% everything else equal, carrying amount would equal recoverable amount. A change in the discount rate from 15.3 % to 39.3 % everything else equal, would cause carrying amount to equal recoverable amount. An operating margin below 5,2 % or a discount rate above 39,3 % would result in an impairment loss.

Discount rate	15,3 %	27,0 %	39,3 %
Headroom in MNOK	48,0	13,2	-
Operating margin	12,9 %	8,2 %	5,2 %
Headroom in MNOK	48,0	19,4	-

Note 13 Shares in subsidiaries

All subsidiaries are 100 % owned and Medistim has all votes. 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 Denmark has offices in Copenhagen Denmark, Medistim Spain S.L has offices in Madrid and Medistim UK has offices in London UK. None of the subsidiaries are listed at a stock exchange. The US, Danish, Spanish and German subsidiaries are well established and creates a profit in 2019. Medistim UK is still in an establishing phase and negative profit in 2019.

Note 14 Inventory

Spesification of inventory (1=NOK 1000)	2019	2018
Raw material	29 301	19 667
Work in progress	16 722	12 438
Finished goods	26 613	14 493
Spare parts	2 302	1 615
Third party products	16 849	16 765
Inventory provision	-1 717	-1 135
Total	**90 070**	**63 843**

Finished goods are measured at cost which includes cost for components and internal labor cost. Work in progress is valued at the total of the component cost and labor cost. The inventory level in 2019 is at a higher level than compared to 2018. It is necessary for the company to keep an additional security inventory for critical components for own developed products. Due to a strict regulatory regime within medical device it takes time to introduce new devices or components. At the same time the tendency is that electronical components life circle is shorter. For this reason inventory level is high to secure future deliveries for Medistim developed products. Inventory is used as security for loan, see note 17.

Spesification of inventory provision (1=NOK 1000)	2019		2018	
	Gross value	Provision	Gross value	Provision
Demonstration products	1 465	1 099	512	384
Spare parts	837	418	1 102	551
Third party products	200	200	200	200
Total	**2 502**	**1 717**	**1 814**	**1 135**

Note 15 Accounts receivables and other receivables

Accounts receivable

1 = NOK 1000	2019	2018
Accounts receivable	62 400	71 019
Provision for bad debt	-212	-212
Total	**62 188**	**70 807**

Provision for bad debt

1 = NOK 1000	2019	2018
Inbound provision	212	212
Utilised provision	-	-
Total	**212**	**212**

Aging accounts receivable

1 = NOK 1000		Not due	0-30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Year 2019	Expected loss in %	0,00 %	0,00 %	1,00 %	2,00 %	2,00 %	
	Book value of receivables	37 628	12 185	3 249	6 828	2 296	62 186
	Expected credit loss	-	-	27	137	48	212
	Total	37 628	12 185	3 221	6 692	2 248	61 974
	Expected loss in %	0,00 %	0,00 %	1,00 %	2,00 %	2,00 %	
Year 2018	Book value of receivables	52 921	6 963	3 484	3 474	4 177	71 019
	Expected credit loss	-	-	59	69	84	212
	Total	53 133	6 963	3 425	3 405	4 094	70 808

All receivables are due within one year. 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.

Receivables is used as security for loan, see note 17

Other receivables are shown below:

Other receivables

1 = NOK 1000	2019	2018
Other pre-payments	2 312	2 748
Accrued income	3 057	1 684
VAT receivable	3 638	2 286
Other	490	1 592
Total	**9 497**	**8 309**

Note 16 Cash and cash equivalents

1 = NOK 1000	2019	2018
Available cash in bank	62 403	43 500
Restricted cash in bank	4 342	3 990
Cash and cash equivelents	66 745	47 490
Credit limit	22 500	17 500
Cash available	84 903	61 000

Restricted cash as of 31.12.2019 was 4 342 TNOK and was related to tax withheld from salaries. As of 31.12.2018 the restricted cash was 3 990 TNOK related to tax withheld on salaries. The group had interest revenue on excess cash and the interest rate was 1.19 % by the end of 2019. The holding company had a credit facility of 22.5 MNOK in 2019 and 17.5 MNOK in 2018. The credit facility was not in use as of 31.12.2019 or 31.12.2018.

Note 17 Shareholder information

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.

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Change in issued share capital in 2019:

	Number of shares	Par value per share	Share capital in NOK
Share capital 01.01.2019	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-		NOK -
Share capital 31.12.19	**18 337 336**	**NOK 0.25**	**NOK 4 584 334.00**

The Board of Directors received by the shareholders meeting the 24th of April 2019 permission to purchase up to 1 833 733 Medistim ASA shares at par value NOK 458 433.25. The permission is valid until the next ordinary general assembly in 2020 in the price range of NOK 0.25 to NOK 150 per share. Further the Board of Directors got permission to increase share capital with NOK 458 433.25 or issue 1 833 733 new shares at par value NOK 0.25. The permission can be used if there is a decision to enter into a merger, acquire another company or to create an option program. The permission is valid until the next ordinary shareholders meeting in 2020. See below for changes in the equity for the last year.

Status for the permissions as of 31.12.2019:

	Capital increase	Medistim shares
Permission given at the shareholders meeting in 2019	1 833 733	1 833 733
Permissions used	-	-
Status for the permissions as of 31.12.2019	**1 833 733**	**1 833 733**

The company owned 148 500 Medistim shares as of 31.12.2019. Number of Medistim shares by 01.01.2019 was 158 500.

The 20 largest shareholders in the company were as of 31.12.2019:

Shareholder	Number of shares	Shares in %	Nationality
INTERTRADE SHIPPING AS	4 003 500	21,83 %	Norway
SALVESEN & THAMS INVEST AS	1 862 500	10,16 %	Norway
SEB EUROPAFOND SMÅBOLAG	1 171 586	6,39 %	Sweden
FOLLUM CAPITAL AS	1 000 000	5,45 %	Norway
SWEDBANK ROBUR SMABOLAGSFOND	820 246	4,47 %	Sweden
State Street Bank and Trust Comp	630 353	3,44 %	United States
Skandinaviska Enskilda Banken AB	627 178	3,42 %	Denmark
Skandinaviska Enskilda Banken S.A.	498 962	2,72 %	Luxembourg
BUANES	494 936	2,70 %	Norway
HUMLE SMABOLAGSFOND	487 828	2,66 %	Sweden
JPMorgan Chase Bank, N.A., London	400 000	2,18 %	United Kingdom
HSBC TTEE MARLB EUROPEAN TRUST	296 356	1,62 %	United Kingdom
Danske Bank A/S	258 310	1,41 %	Denmark
Danske Invest Norge Vekst	250 000	1,36 %	Norway
VERDIPAPIRFONDET HOLBERG NORGE	247 271	1,35 %	Norway
Nordnet Bank AB	246 336	1,34 %	Sweden
BNP Paribas Securities Services	242 581	1,32 %	Italy
State Street Bank and Trust Comp	211 000	1,15 %	United States
CORE NY TEKNIK	200 616	1,09 %	Sweden
Bank Julius Bär & Co. AG	200 000	1,09 %	Switzerland
MONTANARO SMALLER COMP PLC	200 000	1,09 %	Ireland
Total 20 largest shareholders	14 349 559		
Total number of shares outstanding	18 337 336		
20 largest shareholders in %	78,25 %		

Board members and management team with shares in the company:

Shareholder	Number of shares	In % of total	Position
Tove Raanes via Trane AS	1 990	0,01 %	Board member
Roger Morberg	6 438	0,03 %	VP sales
Bjørn Wiggen (holds 24 % of the shares in Salvesen og Thams Invest AS	1 862 500	10,16 %	Deputy chairman
Erik Swensen	40 000	0,22 %	VP development
Thomas Jakobsen	75 000	0,38 %	CFO
Kari Eian Krogstad	122 500	0.66 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (Intertrade Shipping)	4 003 500	21.83 %	Chairman
Anne Waaler	6 651	0,03 %	VP medical dep.
Lars Rønn	885	0,004 %	Board member

There were no share options outstanding as of 31.12.2019 except from the share program to CEO described under chapter 3 Corporate Governance under compensation to management and note 20.

Note 18 Interest bearing debt

1 = NOK 1000	Interest rate	last due date	Carrying amount 2019	Carrying amount 2018
Secured loan				
Lease agreements	2-4 %	30.09.27	**28 889**	
Loan from DNB	NIBOR + 1,90 %	18.10.22	**7 500**	**10 500**
Total interest bearing debt			**36 389**	**10 500**
Total interest bearing debt			**36 389**	**10 500**
Interest bearing debt due within one year			**-3 000**	**-3 000**
Lease agreements due within one year			**-6 206**	
Total long term interest bearing debt with due date more than one year			**27 183**	**7 500**

Medistim borrowed 15.0 MNOK in 2017 and the remaining balance of the loan was 7.5 MNOK by 31.12.2019. The bank has collateral in property, plant and equipment, accounts receivable and inventory in the holding company and the Norwegian subsidiary. The collateral in property, plant and equipment is limited to 13.0 MNOK. The collateral in accounts receivables are limited to 23 MNOK and collateral in inventory is limited to 25.7 MNOK. Book value of pledged property, plant and equipment was as of 31.12.2019 32.3 MNOK, 54.6 MNOK for accounts receivables and 82.6 MNOK for inventory. There are no other restrictions related to the loan such as level of equity, minimum profit or similar covenants. The lease agreements are described under note 6.

Note 19 Other short term debt

1 = NOK 1000	2019	2018
Accrual for public taxes	9 387	9 010
Accrual for holiday pay	6 907	5 864
Accrual for salaries, commission and board men	11 948	9 816
Accrual for customer and supplier obligations	1 057	428
Other	4 319	3 179
Deferred revenue		565
Total	**33 618**	**28 863**

Note 20 Financial risk

The group's financial liabilities are interest bearing loans , leasing agreements, and accounts payable. The group also has a credit facility. The financial liabilities and facilities are important instruments that contribute to the financing of the group's operational activities. The group's financial assets are accounts receivables, and cash. From time to time the group also enters into financial derivative contracts to hedge currency exposure. Hedge accounting is not applied. The risk arising from financial instruments is market risk, credit risk towards customers, and liquidity risk

Market risk:

Interest rate risk:

The group had as of 31.12.2019 7.5 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 12 months in the future by entering into derivative contracts. The development in NOK towards USD and EUR is continuously monitored. By the end of 2019, the company had no derivative contracts for EUR or USD. In February 2020 6 hedging contracts of EUR 0.2 million each was entered and 6 hedging contracts of USD 0.15 million each was entered. Total amount of the hedging contracts was in EUR 1.2 million and in USD 0.9 million. The hedging contracts are entered to reduce the exchange risk towards currencies. Unrealized gain or loss related to the contracts is recorded in the balance sheet 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.

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 and the Group can enter hedging contracts for a total of 60 MNOK. 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 31.12.2019 32.3 MNOK for assets, 54.6 MNOK for accounts receivables and 82.6 MNOK for inventory.

The financial assets and liabilities in the balance sheet by year end 2019 and 2018 is shown below.

1 = NOK 1000	2019			2018		
	Original value	**Gain\loss**	**Book value**	**Original value**	**Gain\loss**	**Book value**
Financial assets						
Cash in USD	8 427	-337	8 090	8 578	407	8 985
Cash in EUR	13 325	-317	13 008	5 623	261	5 884
Accounts receivable in EUR	19 597	90	19 687	22 159	926	23 085
Accounts receivable in USD	193	12	181	0	0	0
Financial debt						
Accounts payable in EUR	1 699	7	1 706	1 191	67	1 258
Accounts payable in USD	287	14	301	558	25	583
Interest bearing loan						
Bank loans in NOK	7 500	0	7 500	10 500	0	10 500

For 2019 a 5 % weakening in NOK towards EUR would represent an increase in profit of 1549 TNOK. A similar strengthening of NOK towards EUR would represent a reduction in profit of 1476 TNOK. For 2019 a 5 % weakening in NOK towards USD would represent an increase in profit of 399 TNOK. A similar strengthening of NOK towards USD would represent a reduction in profit of 380 TNOK. For 2018 a 5 % weakening in NOK towards EUR would represent an increase in profit of 1386 TNOK. A similar strengthening of NOK towards EUR would represent a reduction in profit of 1320 TNOK. For 2018 a 5 % weakening in NOK

towards USD would represent an increase in profit of 420 TNOK. A similar strengthening of NOK towards USD would represent a reduction in profit of 499 TNOK.

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 31.12.2019.

Credit risk:
The group is at some extent exposed towards credit risk. 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.
See note 14 for a table showing the aging of accounts receivable.

Liquidity risk:
Liquidity risk 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 22.5 MNOK to secure available cash.

The table below sets out the maturity profile of the financial liabilities based on contractual undiscounted payments:

Overview of debt
1 = NOK 1000

Year 2018	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	3 000	- 7 500	-	10 500
Accounts payable	11 937	-	- -	-	11 937
Other debt	23 149	17 294	- -	-	40 443
Total	**35 085**	**20 294**	**7 500**	**-**	**62 880**

Overview of debt
1 = NOK 1000

Year 2019	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	3 000	4 500	-	7 500
Lease liabilities	1 552	4 655	17 969	4 496	28 671
Accounts payable	21 034	-	-	-	21 034
Other debt	25 052	16 993	-	-	42 045
Total	**47 637**	**24 647**	**22 469**	**4 496**	**99 249**

Financial strategy:
Management strives to strengthen the group's healthy financial position through profit and 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 2019 or 2018.

Note 21 Related party transactions

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

Compensation and benefits to the management group in 2019:

Group Management	Position	Salary	Bonus	Pension	Share based compens	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 261 516	87 054	84 744	-	4 392	1 437 706
Anne Waaler	VP Medical	1 253 004	66 964	78 096	-	4 392	1 402 456
Roger Reino Morberg	VP Sales	1 560 094	267 857	79 572	-	4 392	1 911 915
Erik Sw ensen	VP Development	1 178 683	66 964	76 980	-	4 392	1 327 019
Tone Ann Veiteberg	VP QA\Reg	1 064 356	66 964	73 104	-	4 392	1 208 816
Ole Jørgen Robsrud	CEO Medistim Norge AS	1 218 428	35 714	77 436	-	4 392	1 335 970
Helge Børslid	VP Operations	1 012 165	142 857	64 344	-	4 392	1 223 758
Håkon Grøthe	VP Innovation	778 978	-	51 200	-	3 303	833 481
Mike Farbelow	President Medistim USA	1 865 139	546 220	96 454	-	89 386	2 597 199
Cindy Kaffi	CEO Medistim Germany	1 123 353	275 800	-	-	-	1 399 153
Kari Eian Krogstad	CEO Medistim group	2 556 229	856 276	85 164	855 000	4 392	4 357 061
Thomas Jakobsen	CFO Medistim Group	1 718 384	200 893	77 436	-	4 392	2 001 105
Sum		16 590 329	2 613 563	844 530	855 000	132 217	21 035 639

Compensation and benefits to the management group in 2018:

Management	Position	Salary	Bonus	Pension	Share based compens	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 231 821	97 500	71 376	-	4 392	1 405 089
Anne Waaler	VP Medical	1 183 915	75 000	71 160	-	4 392	1 334 467
Roger Reino Morberg	VP Sales	1 576 699	300 000	71 376	-	4 392	1 952 467
Erik Sw ensen	VPP Development	1 154 584	75 000	68 916	-	4 392	1 302 892
Tone Ann Veiteberg	VP QA\reg	1 040 553	75 000	61 512	-	4 392	1 181 457
Ole Jørgen Robsrud	CEO Medistim Norge AS	1 190 506	40 000	71 376	-	4 392	1 306 274
Helge Børslid	VP Operations	980 332	160 000	56 844	-	4 392	1 201 568
Mike Farbelow	President Medistim USA	1 667 804	731 700	97 983	-	100 389	2 597 876
Kari Eian Krogstad	CEO Medistim ASA	2 427 460	960 000	71 376	900 000	4 392	4 363 228
Thomas Jakobsen	CFO	1 682 888	225 000	71 376	395 000	4 392	2 378 656
Total		14 136 562	2 739 200	713 295	1 295 000	139 917	19 023 974

There are no severance pay agreements towards any in the management team in case of leaving the company. All members of the management group have 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 other employees. For Norwegian members of the management group, this is a contribution plan that covers 5 % of salary up to 7.1 G and 8 % of salary for G between 7.1 and 12. 1G equals NOK 99.858. Management in the US has a contribution plan that covers 4 % of salary.

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 nor other employees in the group have loans from the company. The table shows the bonus paid in 2019.

Compensation to the board was 1 300 TNOK in 2019 and 1 215 TNOK in 2018. The chairman received 400 TNOK as compensation in 2019 and 375 TNOK in 2018. The four board members received a total 225 TNOK each as compensation in 2019, a total of 900 TNOK. In 2018 they received 210 TNOK each, a total of 840 TNOK.

The nomination committee leader received a compensation of 20 TNOK, while the two other members received 15 TNOK each. In total, the nomination committee received 50 TNOK as compensation.

CEO has an agreement with the Board that she can receive up to 34.500 Medistim shares as part of compensation if in position until 2022. The Shares is received by the CEO free of charge and last shares will be received in 2023. Fair value of the share based payment is the share price at grant date multiplied with the and number of shares granted. The fair value of the share based payment is expensed over the vesting period. In 2019, TNOK 975 including social security tax was expensed in the accounts related to the arrangement. See also overview below.

	2019			
Outstanding 1.1	44 500			
Granted	12 000			
Exercised	- 10 000			
Outstanding 31.12.	46 500			
Vested as of 31.12	10 000			
Weighte avereage exercise price	-			
Current year expense for share based payment	975 000			
	2019	2020	2021	2022
Vesting of share options	10 000	12 500	12 000	12 000
Share price time of grant	72,5	79,0	71,0	167,0

Transactions with related parties

There was no transactions towards related parties in 2019 or in 2018.

Note 22 Provisions

1 = NOK 1000	2019	2018
Warranty provision	150	150
Sum	**150**	**150**

The warranty provision 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.

Note 23 Exchange rates foreign currency

Currency	Rate 01.01.2019	Average rate	Rate 31.12.2019
USD	8.696	8.8037	8.7803
DKK	132.73	131.97	132.02
EUR	9.9108	9.8527	9.8638
GBP	10.9918	11.2307	11.5936

Note 24 Changes in liabilities arising from financial activities

1 = NOK 1000	Interest bearing short term debt	Interest bearing long term debt	Financial instruments	Total 2019
At 1st of January 2019	3 000	7 500	-	10 500
Implementation of IFRS 16	5 770	1 898	-	7 668
New lease agreements	-	26 651	-	26 651
Cash flows	-8 770	-	504	-8 266
Debt becomming current in 2019	9 206	-9 206	-	-
Effects of foreign exchange	-	-	-504	- 504
Other	-	340	-	340
31.December 2019	**9 206**	**27 183**	**0**	**36 389**

1 = NOK 1000	Interest bearing short term debt	Interest bearing long term debt	Financial instruments	Total 2018
At 1st of January 2018	4 875	10 500	-35	15 340
Cash flows	-4 875	-	-	-4 875
Debt becomming current in 2018	3 000	-3 000	-	-
Effects of foreign exchange	-	-	35	35
31.December 2018	**3 000**	**7 500**	**0**	**10 500**

Note 25 Events after 2019

The Board of directors has no knowledge about other events after 2019 that will affect the annual report and financial statement for 2019. See Board of director's report under other risk related to the Corona virus situation.

Oslo, 18.3.2020

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

Annual report 2019 for the holding company

Medistim ASA

Table of content

Medistim ASA
Økernveien 94
0579 Oslo
Company registration number: 936656013

Annual report 2019

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 Bromsveien 17 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 Denmark Aps located in Copenhagen Denmark, Medistim UK Ltd located in Nottingham, UK, Medistim Spain S.L is located in Madrid in Spain 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. Worldwide, about 700.000 cardiac bypass surgeries and about 600.000 vascular procedures are performed per year. Medistim has a world leading position within quality control of cardiac surgery. Medistim strengthened its leading position within quality control of coronary bypass surgery in 2019 through increased market share.

Medistims subsidiaries in Norway and Denmark, are in addition to Medistim products distributing other third party surgical products.

Working environment and employees

There has been no injuries or accidents related to the company activities in 2019. 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 794 in 2019 (531 in 2018) which is 5.1 % of total work time in 2019 (3.5 % in 2017). Employees that were on long-term sick leave for matters outside the workplace, represented 270 workdays. No specific measures have been necessary to implement in this regard. On average, there were 67 employees in 2019.

The company aims to be a work place with equal opportunities for women and men. It is company policy to make sure there is equal treatment of genders in cases like level of salary, promotions and recruiting. The company had 41 women employed of a total of 67 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 31.12.19 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 over 600 shareholders and owned 148 500 Medistim shares by 31.12.2019.

Profit for the year and key figures

Sales ended at 200.5 MNOK (171.1 MNOK). Profit before tax ended at 70.2 MNOK (55.7 MNOK). Medistim received a dividend from its subsidiary in Germany and Norway with 17.3 MNOK in 2019 (14.9 MNOK). No group contribution was received in 2018 or 2019.

Total assets in the balance sheet was for the company 233.2 MNOK as of 31.12.2019 compared to 206.2 MNOK as of 31.12.2018. Equity in the company was as of 31.12.2019 133.3 MNOK and 124.1 MNOK as of 31.1.2.2018. The equity ratio as of 31.12.2019 was 57.2 %.

By year-end 2019, the company had 23.3 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 65.5 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 enters 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 economic 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.

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.

Other risk

Regulatory risk:
Medistim is dependent upon regulatory approvals from health authorities for permission to sell its products. The company is revised on a regular 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 given market.

Health care priorities:
In general, health care institutions 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.

The Corona Virus outbreak:
The current outbreak of the Corina virus may affect Medistim. The effect depends on the length of the outbreak. Health authorities and hospitals may have to delay surgeries and prioritize acute situation of treating Corona virus patients. Some hospitals may even deny access to external personnel unless it is necessary. This will delay sales of new equipment. Medistim is well positioned in regard its components situation with up to 12 months inventory levels and many of the company functions may be handled through home office.

However, for production the company is dependent upon its employees physically being present at the production facilities. A large or local outbreak may result in several employees being infected by the virus. Also, to avoid the spread of the virus employees may be put in quarantine.

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 2018 and 2019 were the same and there are no planned 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 2018 and 2019. The exception is CEO that receive 12.500 shares as part of the compensation if she stays in her position until 2021, further 12.000 shares if in position until 2022 and further 12.000 shares if in position until 2023. CEO and management have, in addition to fixed salary, incentive plans related to achieved results. The criteria 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 2019

The focus on the vascular solutions are in line with Medistims strategy, as stated earlier by the company. 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 33 %, represent 700,000 procedures annually. Medistim estimate that the vascular market has an annual potential of NOK 1 billion. The company is well positioned in the vascular market in the Nordic countries and in Germany, but has so far only a modest coverage in the vascular segment in other countries. Of total sales of own products in 2019 14.6 % of the sales was to vascular customers. For comparison this was 15 % in 2018.

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 52.206 procedures (surgeries) in 2019. This represents 23.0 % of the US market. In the US, about 75 % of the bypass surgeries are performed with no quality assurance.
The business model in the US is flexible and offers procedural sales, lease of the equipment 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’s efforts with direct representation in the USA has given positive results and there has been a double-digit growth since 2014. In 2019 the currency neutral growth was 11.6 %. Focus and goal in 2020 is to increase usage per installation, create new customer relations and establish a customer base on the MiraQ product platform. The company has ambitions in the U.S. market that is expected to be met in the coming years.

Medistim continues the positive trend in its largest direct market in Europe, Germany, with a currency neutral growth of 8.1 %. The growth came mainly from the vascular market.
In Norway and Denmark Medistim is maintaining its position in these fully penetrated markets. Medistim also had in 2019 a positive year in Spain with a 7.4 % sales growth. In Spain Medistim has a high market penetration within coronary

surgery that creates a good basis for probe revenue for the company that was established in 2017. Future growth potential is within vascular surgery and converting flow customers to flow and imaging customers.

Medistim has had direct representation in UK in 7 years and it has taken more time than expected to penetrate the British market. Sales ended at 3.2 MNOK compared to 2.8 MNOK in 2018. Even if the growth in percent is high the sale is still modest compared to the potential in UK. Medistim covers about 10 % of the procedures performed in UK.
Medistim is still optimistic regarding the potential in UK. The reason for this is that British NICE updated in 2018 its recommendation for the use of Medistim's equipment on a regular basis in all British hospitals that perform coronary bypass surgeries. In UK Medistim has a low market penetration and this is an opportunity for Medistim. Additionally, Medistism has a solid reference center in the UK in Oxford that had a central role in the REQUEST study.

Despite the challenging economic situation in many European countries, sales in direct markets and through distributors is increasing. MiraQ upgrade capabilities is well received in the European market and there is a large potential within the vascular market. In 2019 there was a 14.4 % growth in sales of own products in direct markets and through distributors.

Asia is an important market for Medistim. 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.

Japan is one of the most developed countries in the world in terms of adopting and routinely applying quality assessment and surgical guidance to improve CABG surgery. During 2019 MiraQ was cleared for sale in Japan. Medistim covers more than 80 % of the procedures performed in Japan.

In Asia sales increased with 8.1 % in 2019 and ended at 41.8 MNOK. In addition to Japan, China is the largest market for Medistim in the region. In China, the number of coronary surgeries is increasing with 5-10 % per year and represent a future growth market for Medistim. MiraQ is cleared for sale in China. Medistim has a 40 % market penetration in China.

In Latin America, Brazil is the country with the largest potential for Medistim's products. In other markets Medistim has had a positive development in Australia. MiraQ was also cleared for sale in Canada in 2019. MiraQ is then cleared for sales in all Markets. The old VeriQ system is no longer in production and available for sale as of 2020.

In the Middle East and Africa, Medistim's imaging products, has been well received, led by Saudi Arabia.

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.

The objective for the REQUEST study was to document how often the combination of high-frequency ultrasound imaging (HFUS) and transit time flow measurement (TTFM) performed with Medistim's device changed the surgical procedure. The REQUEST surgical coronary artery bypass grafting (CABG) protocol included ultrasound scanning of the aorta, conduits, target coronary vessels and anastomoses, as well as TTFM graft assessment.

More than 1000 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.
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 10 % of the patients.
Furthermore, the in-hospital outcomes showed a remarkably low mortality rate of 0.6 % and stroke/TIArate of 1 %.

"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 when presenting the results of the study . "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 the study has been to investigate and document the clinical value of the combined use of TTFM and HFUS. With the 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 the 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.

Vascular surgery is also a focus area for Medistim and the company has supported the CIDAC study by providing its equipment for the study. Dr. C Knappich, Dr. A. Zimmermann and Dr. HH Eckstein at the university hospital in Munich performed the study. The purpose of the study was to compare the use of angiogram and Medistims ultrasound imaging capability when performing carotid endarterectomy. This is a type of procedure where a stenosis inside the carotid artery is removed surgically.150 patients were included in the study and it concluded that Medistims ultrasound imaging capabilities improved reliability and images. This resulted in improved outcome for the patients.

Medistim established an innovation team in 2019. Focus for the innovation team will be to develop new features and to ensure "ease of use" for the end customers. The team collaborates closely with Medistims end users to test prototypes and ideas. The idea is to capture the end customers ideas and experience before a development project is initiated that is forced to follow a strict regulatory regime. The intention is to speed up product innovation and reduce the development time, since the product design and functionality are clarified before the development is initiated.

Medistim is part of a collaborative project together with GE Vingmed Ultrasound and Sensocure to develop new production technology within medical devices. The project, «Advanced Manufacturing Technologies for High Impact Medical Devices», has been granted funding of MNOK 14,4 over 3 years from the BIA Health program at the Norwegian Research Council. 2019 is the second year in the project and is also in collaboration with University College of Southeast Norway and the research institutions SINTEF and NORNER. Medistim sees this project as a unique opportunity to develop its production technology that will bring today's production of ultrasound probes to a higher level in terms of effectiveness and quality.

Medistim has collaboration with Aalborg University in Denmark. The purpose of the project is to develop methods that make it easier to apply ultrasound during coronary surgery.

Position, Competition and outlook

Medistim's flow meters have been in use in more than 2 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 over 33 % 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 60 % 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.

With Medistim's MiraQ Cardiac and MiraQ vascular 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. 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 apply for the holding company.

The financial report per 31st of December 2019 has been prepared according to Norwegian accounting principles (NGAAP) as do the comparable numbers for 2018. 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 2019 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 2019 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 2019.

Allocation of profit

The Board of Directors suggests that the profit for 2019 of 58 328 TNOK is allocated to ordinary shareholder dividend of NOK 2.75 per share, which amounts to 50.047 TNOK corrected for own shares. The remaining 8.281 TNOK is allocated to other equity.

Oslo, 18.3.2020

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

Annual report 2019

Income statement Medistim ASA

1 = NOK 1000	Note	2019	2018
OPERATING INCOME AND EXPENSES			
Revenues			
Sales revenue	1	197 600	169 404
Other income	1	2 903	1 742
Total revenue		**200 503**	**171 146**
Operational expenses			
Cost of goods sold		41 432	35 315
Salary and social expenses	2	63 520	54 792
Depreciation on assets	3	10 963	11 243
Other operating expenses	2,4,14	33 053	29 647
Total operating expenses		**148 968**	**130 997**
OPERATING PROFIT		**51 535**	**40 149**
FINANCIAL INCOME AND EXPENSES			
Financial income			
Contribution from subsidiaries	6	17 268	14 860
Other financial income	12	6 332	7 668
Financial expenses	12	4 949	7 021
NET FINANCE		**18 651**	**15 507**
PROFIT BEFORE TAX		**70 186**	**55 656**
Tax expense	5	11 858	9 513
PROFIT FOR THE YEAR		**58 328**	**46 143**
ALLOCATIONS			
Dividend	11	50 047	40 924
Other equity	11	8 281	5 219
TOTAL ALLOCATION		**58 328**	**46 143**
Earnings per share		**2019**	**2018**
Ordinary		**3,21**	**2,54**
Diluted		**3,21**	**2,54**
Dividend per share		**2,75**	**2,25**

Balance Sheet Medistim ASA

1 = NOK 1000	Note	31.12.19	31.12.18
ASSETS			
Non current assets			
Intangible assets			
Deferred tax	5	444	1 039
Marketing rights	4	1 079	1 618
R & D	3,4	22 961	23 986
Fixed assets			
Property, plant and equipment	3	30 524	26 826
Office equipment	3	1 307	720
Financial assets			
Shares in subsidiaries	6	37 306	37 306
Other long term receivables	6	9 419	6 803
Total non current assets		**103 039**	**98 298**
Current assets			
Inventory	8	63 440	38 928
Accounts receivables	7,16	35 693	50 732
Other receivables	7,16	7 608	5 272
Cash	9	23 351	12 933
Total current assets		**130 092**	**107 865**
TOTAL ASSETS		**233 131**	**206 163**
EQITY AND LIABILITY			
Equity			
Issued capital			
Share capital	10,11	4 584	4 584
Share premium	10,11	40 253	40 253
Other paid in equity	11	4 334	3 632
Other equity			
Retained earnings	11	84 107	75 673
Total equity		**133 278**	**124 143**
Liabilities			
Other long term debt			
Long term debt from bank	15	4 500	7 500
Total other long term debt		**4 500**	**7 500**
Short term debt			
Interest bearing short term debt	15	3 000	3 000
Accounts payable		11 245	7 060
Payable tax	5	11 263	8 871
Employee withholding, social security taxes		10 145	8 466
Dividend	11	50 047	40 925
Other short term debt	13,16	9 653	6 199
Total short term debt		**95 353**	**74 521**
TOTAL EQUITY AND LIABILITY		**233 131**	**206 163**

Cash Flow Statement for Medistim ASA

1 = NOK 1000	Note	2019	2018
Cash flow from operations:			
Profit/loss before tax		70 186	55 656
Minus income tax paid		-8 871	-8 464
Plus depreciations		10 963	11 243
Change in inventory		-24 513	-93
Change in accounts receivable		15 040	-13 353
Change in accounts payable		4 185	269
Change in other accruals		-1 469	-94
Net cash from operating activities		**65 520**	**45 164**
Investing activities:			
Minus investment in assets		-11 177	-14 046
Ney cash from investing activities		**-11 177**	**-14 046**
Financing activities:			
Minus down payment of long term debt		-3 000	-3 000
Dividend	11	-40 925	-36 358
Net cash from financing activities		**-43 925**	**-39 358**
Net change in cash		10 418	-8 240
Cash as of 01.01		12 933	21 173
Cash as of 31.12		**23 351**	**12 933**
Available cash and cash withholding			
Available cash as of 31.12	9	20 927	10 820
Cash withholding for taxes	9	2 424	2 113
Cash and cash equivalents as of 31.12		**23 351**	**12 933**

ACCOUNTING 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 Denmark 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 (22 %) 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

All employees a defined pension plan.

Share based payments

The Group has share based payment scheme for its CEO, the program is measured at fair value at grant date. The share-based payment for the company's top leader is a scheme by issuing shares. 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.

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 is 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 2019
Notes to the accounts

Note 1 Geographic split of sales

1 = NOK 1000	2019	2018
USA	68 455	56 441
Asia	41 790	36 924
Europe	72 539	63 392
Rest of the w orld	17 719	14 389
Total sales	**200 503**	**171 146**

Other income amounted to TNOK 2 903 and was income related to services towards subsidiaries. For 2018 other income amounted to 1 742 TNOK and was also related to services towards subsidiaries.

Note 2 Salaries and other benefits

1 = NOK 1000	2019	2018
Salary	52 759	43 293
Social taxes	7 887	6 881
Other salary and social expenses	2 874	4 618
Total salary expenses	**63 520**	**54 792**

The total number of employees was through the year 67.

Medistim has a pension plan for all its employees. This is a contribution plan that covers 5 % of salary up to 7.1 G and 8 % of G between 7.1 and 12. 1G is the base amount (NOK 99.858) in the social security system. The cost for the contribution plan was in 2019 TNOK 2 531, while it was TNOK 2 340 in 2018.

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**	**Position**	**Salary**	**Bonus**	**Pension**	**Other**	**Total**
Hæge Johanne Krogh Wetterhus	VP Marketing	1 261 516	87 054	84 744	4 392	1 437 706
Anne Waaler	VP Medical	1 253 004	66 964	78 096	4 392	1 402 456
Roger Reino Morberg	VP Sales	1 560 094	267 857	79 572	4 392	1 911 915
Erik Sw ensen	VP Development	1 178 683	66 964	76 980	4 392	1 327 019
Tone Ann Veiteberg	VP QA\Reg	1 064 356	66 964	73 104	4 392	1 208 816
Helge Børslid	VP Operations	1 012 165	142 857	64 344	4 392	1 223 758
Håkon Grøthe	VP Innovation	778 978	-	51 200	3 303	833 481
Kari Eian Krogstad	CEO Medistim ASA	2 556 229	856 276	85 164	859 392	4 357 061
Thomas Jakobsen	CFO Medistim ASA	1 718 384	200 893	77 436	4 392	2 001 105
Sum		**12 383 409**	**1 755 829**	**670 640**	**893 439**	**15 703 317**

Of other compensation to CEO Kari Krogstad of NOK 859 392 , was NOK 855 000 related to her shares received through her share program. 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 except for CEO. The CEO will receive up to 36 500 shares as part of compensation if in position in 2023. Bonus paid in 2019 was based upon 2018 results.

Under other benefits it is included an expense related to CEO share option. CEO receives shares over a time period if in position as CEO. The share program is described in the annual report under the chapter "salary and benefits to management and leading employees". The expense for the share option is calculated based upon the share price at the time of the granted option. The expense is distributed in equal rates over the vesting period. The share program is described in detail under note 20 in the group accounts.

Compensation to the Board of Directors:

1 = NOK 1000

	Compensation
Chairman Øyvin Brøymer	400
Deputy chairman Bjørn Wiggen	225
Board member Siri Fürst	225
Board member Tove Raanes	225
Board member Lars Rønn	225
Total compensation to the Board of Directors	1 300

Compensation to auditor

1 = NOK 1000

	2019	2018
Expenses for auditing	849	542
Compensation for other services	317	65
Total compensation to auditor	1 166	607

The amounts are without VAT

Note 3 Assets and depreciation

1 = NOK 1000	Plant and Machinery	Equipment	Total fixed Assets	Activated Development	Trade name	Total
Historic cost as of 1/1	60 913	7 860	68 773	70 254	2 697	141 723
Additions	8 084	970	9 053	4 629	-	13 682
Disposals	-	-	-	-	-	-
Historic cost as of 31/12	68 997	8 829	77 826	74 883	2 697	155 406
Accumulated depreciation as of 1/1	34 099	7 130	41 229	46 267	1 078	88 575
Ordinary depreciation	4 375	392	4 767	5 654	539	10 960
Reversed depreciation	-	-	-	-	-	-
Accumulated depreciation as of31/12	38 473	7 522	45 996	51 921	1 618	99 535
Book value at 31/12	**30 524**	**1 307**	**31 830**	**22 961**	**1 079**	**55 871**

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 2019.

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 is 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 2019 was in total 12.4 MNOK compared to 10.2 MNOK in 2018. In 2019 4.6 MNOK of the R & D expense was activated in the balance sheet while 3.8 MNOK was activated in the balance sheet in 2018. The activated expense in 2019 were related to the coronary and vascular products on the MiraQ platform. The company did not receive any new OFU funds in 2018 or 2019.

In total 7.8 MNOK of the R & D expenses was recorded in the P & L in 2019. Similar expense was 6.4 MNOK in 2018. The expensed R & D was the rest value of all R & D expenses after activated R & D was deducted.

Medistim entered a license and an OEM agreement with em-tec GmbH in 2015. With the agreement, Medistim obtains exclusive, eternal, worldwide rights to market and sell em-tec's transit time flow measurement (TTFM) technology for use on human blood vessels within cardiac-, vascular- and transplant surgery. em-tec's flow measurement device is designed as a basic, entry-level customer solution that meets lower price-point market segments and fills a gap within Medistim's product portfolio. The first Medistim labeled device was launched in 2016. As compensation for these rights, Medistim paid 2.7 MNOK, which was recorded in the balance sheet as of 31.12.2016. The rights are exclusive and eternal, but will be depreciated over 5 years. The depreciation was effective from 2017, since the Medistim labeled product where launched by the end of 2016. Book value as of 31.12.2019 was 1.1 MNOK.

Note 5 Income tax and temporary differences

1 = NOK 1000	2019	2018
Current income tax charge for the year before deferred tax asset is utilised	11 263	8 871
Change in deferred tax	595	642
Income tax expense reported	**11 858**	**9 513**
Reconciling income tax expense against profit :		
Income tax expense for the year	11 858	9 513
22 % of profit before tax	15 441	12 801
permanent differences	-3 583	-3 288

Specification of taxable income:	**2019**	**2018**
Profit before tax	70 186	55 656
Permanent differences	-16 286	-14 466
Change in temporary differences	-2 702	-2 621
taxable profit:	**51 197**	**38 569**

Payable tax in balance sheet:	**2019**	**2018**
Tax on profit for the year	11 263	8 871
Total payable tax	**11 263**	**8 871**

Specification of deferred tax asset

Differences in accounting and tax values	**2019**	**2018**
Fixed assets	-1 023	-4 860
Current assets	-1 524	-559
Accrual for obligations	530	700
Total differences	-2 018	-4 719
Deferred tax asset 22 %	**444**	**1 038**
Deferred tax asset in balance sheet	**444**	**1 038**

Deferred tax asset in the balance sheet was reduced from the year before with 0.6 MNOK and was recorded at 0.4 MNOK. Deferred tax asset consist of temporary differences in valuation of assets. All deferred tax asset is recorded in the balance sheet as of 31.12.2019, 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 follow ing subsidiaries:
1 = NOK 1000

Unit	Country	Segment	Ownership	Balance sheet value	Profit in 2019
Medistim USA Inc.	USA	Lease and sale w ithin bypass surgery and vascular surgery	100 %	135	16 392
Medistim Deutschland GmbH	Germany	Capital sales w ithin bypass surgery and vascular surgery	100 %	188	7 757
Medistim Norge AS	Norw ay	Sale of 3 pary products and capital sales w ithin bypass surgery and vascular surgery	100 %	36 953	8 780
Medistim UK LTD	UK	Capital sales w ithin bypass surgery and vascular surgery	100 %	1	-807
Medistim Spain S.L		Capital sales w ithin bypass surgery and vascular surgery	100 %	28	1 585
Medistim Danmark Aps	Denmark	Sale of 3 pary products and capital sales w ithin bypass surgery and vascular surgery	100% - Ow ned indirectly through Medistim Norge AS w ith book value of TNOK 1 103		86
Total				**37 306**	**33 794**

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

Summary of financial information from subsidiaries all 100 % ow ned
1 = NOK 1000

Unit	Assets	Debt	Equity	Income	Profit
Medistim USA Inc.	63 130	13 344	49 786	140 468	16 392
Medistim Deutschland GmbH	14 443	1 467	12 975	45 094	7 757
Medistim Danmark Aps	2 062	1 504	558	4 657	86
Medistim Spain S.L	13 652	13 305	347	13 431	1 585
Medistim UK LTD	1 828	9 200	-7 372	3 216	-807
Medistim Norge AS	41 342	6 257	35 085	68 067	8 780
Total	**136 457**	**45 077**	**91 380**	**274 933**	**33 794**

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 Nottingham in UK and Medistim Denmark has offices in Copenhagen in Denmark. Medistim Spain S.L has offices in Madrid. Book value of goodwill related to the acquisition of Medistim Norge AS was as of 31.12.2019 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 9 200 TNOK, 7 743 TNOK is a long-term debt towards Medistim ASA. The debt is part of a cash transfer to finance and establish the company in UK. No interest has been charged on this debt. Medistim ASA received from its German and Norwegian subsidiary a dividend of 7.3 MNOK and 10.0 MNOK respectively in 2019.

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Note 7 Account receivables and other receivables

Accounts receivable

1= NOK 1000	2019	2018
Accounts receivable	35 808	50 847
Provision for bad debt	-115	-115
Total	**35 693**	**50 732**

All receivables are due within one year. Losses in 2019 were 0 TNOK and losses in 2018 were 13 TNOK. It is recorded an accrual of 115 TNOK to cover expected losses. Historically the company has small losses on receivables. Other receivables are shown below.

Other receivables

1= NOK 1000	2019	2018
Pre payments	829	1 032
Prepaid taxes and VAT	3 638	2 286
Accrued revenue	3 565	1 684
Other	-424	270
Total other receivables	**7 608**	**5 272**

Note 8 Inventory

1= NOK 1000	2019	2018
Components	46 860	28 404
Finished goods	18 097	11 459
Inventory accrual	- 1 517	-935
Total	**63 440**	**38 928**

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	2019	2018
Demonstration units	1 099	384
Service parts	418	551
Total	**1517**	**935**

Note 9 Cash in Bank

Restricted cash amounted to 2 424 TNOK as of 31.12.2019 and was related to tax withheld on salary paid to employees. The comparable amount as of 31.12.2018 was 2 113 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.

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Change in issued share capital in 2019:

	Number of shares	Par value per share	Share capital in NOK
Share capital 01.01.2019	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-		NOK -
Share capital 31.12.19	**18 337 336**	**NOK 0.25**	**NOK 4 584 334.00**

The Board of Directors received by the shareholders meeting the 24th of April 2019 permission to purchase up to 1 833 733 Medistim ASA shares at par value NOK 458 433.25. The permission is valid until the next ordinary general assembly in 2020 in the price range of NOK 0.25 to NOK 150 per share. Further the Board of Directors got permission to increase share capital with NOK 458 433.25 or issue 1 833 733 new shares at par value NOK 0.25. The permission can be used if there is a decision to enter into a merger, acquire another company or to create an option program. The permission is valid until the next ordinary shareholders meeting in 2020. See below for changes in the equity for the last year.

Status for the permissions as of 31.12.2019:

	Capital increase	Medistim shares
Permission given at the shareholders meeting in 2019	1 833 733	1 833 733
Permissions used	-	-
Status for the permissions as of 31.12.2019	**1 833 733**	**1 833 733**

The company owned 148 500 Medistim shares as of 31.12.2019. Number of Medistim shares by 01.01.2019 was 158 500.

The 20 largest shareholders in the company were as of 31.12.2019:

Shareholder	Number of shares	Shares in %	Nationality
INTERTRADE SHIPPING AS	4 003 500	21,83 %	Norway
SALVESEN & THAMS INVEST AS	1 862 500	10,16 %	Norway
SEB EUROPAFOND SMÅBOLAG	1 171 586	6,39 %	Sweden
FOLLUM CAPITAL AS	1 000 000	5,45 %	Norway
SWEDBANK ROBUR SMABOLAGSFOND	820 246	4,47 %	Sweden
State Street Bank and Trust Comp	630 353	3,44 %	United States
Skandinaviska Enskilda Banken AB	627 178	3,42 %	Denmark
Skandinaviska Enskilda Banken S.A.	498 962	2,72 %	Luxembourg
BUANES	494 936	2,70 %	Norway
HUMLE SMABOLAGSFOND	487 828	2,66 %	Sweden
JPMorgan Chase Bank, N.A., London	400 000	2,18 %	United Kingdom
HSBC TTEE MARLB EUROPEAN TRUST	296 356	1,62 %	United Kingdom
Danske Bank A/S	258 310	1,41 %	Denmark
Danske Invest Norge Vekst	250 000	1,36 %	Norway
VERDIPAPIRFONDET HOLBERG NORGE	247 271	1,35 %	Norway
Nordnet Bank AB	246 336	1,34 %	Sweden
BNP Paribas Securities Services	242 581	1,32 %	Italy
State Street Bank and Trust Comp	211 000	1,15 %	United States
CORE NY TEKNIK	200 616	1,09 %	Sweden
Bank Julius Bär & Co. AG	200 000	1,09 %	Switzerland
MONTANARO SMALLER COMP PLC	200 000	1,09 %	Ireland
Total 20 largest shareholders	14 349 559		
Total number of shares outstanding	18 337 336		
20 largest shareholders in %	78,25 %		

Board members and management team with shares in the company:

Shareholder	Number of shares	In % of total	Position
Tove Raanes via Trane AS	1 990	0,01 %	Board member
Roger Morberg	6 438	0,03 %	VP sales
Bjørn Wiggen (holds 24 % of the shares in Salvesen og Thams Invest AS	1 862 500	10,16 %	Deputy chairman
Erik Swensen	40 000	0,22 %	VP development
Thomas Jakobsen	75 000	0,38 %	CFO
Kari Eian Krogstad	122 500	0.66 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (Intertrade Shipping)	4 003 500	21.83 %	Chairman
Anne Waaler	6 651	0,03 %	VP medical dep.
Lars Rønn	885	0,004 %	Board member

There were no share options outstanding as of 31.12.2019 except form the share program to CEO described under chapter 3 Corporate Governance under compensation to management and note 20 in the group accounts.

Note 11 Change in equity

1 = NOK 1000	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
Equity 31.12.18	4 584	(40)	40 253	3 632	75 713	124 143
Change in equity:						
Change in treasury shares	-	3	-	702	150	854
Profit for 2019	-	-	-	-	58 328	58 328
Dividend to shareholders	-	-	-	-	-50 047	-50 047
Egenkapital 31.12.19	**4 584**	**-37**	**40 253**	**4 334**	**84 144**	**133 278**

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 up to 12 months in the future by entering hedging contracts. The development in NOK towards USD and EUR is continuously monitored. In February 2020 6 EUR contracts with EUR 200.000 per contract was secured. Each contract is due by the end of the month with EUR 200.000 until July 2020. In the same manner and timing 6 USD contracts of USD 150.000 was entered.

Unrealized gain or loss related to the contracts is recorded in the balance sheet 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	2019	2018
Foreign exchange gain	6 200	7 583
Foreign exchange loss	4 507	6 520
Total	**1 692**	**1 063**

Note 13 Specification of short-term debt

1= NOK 1000	2019	2018
Bonus and commission	4 775	3156
Goods received not invoiced		449
Board compensation	1 300	1215
Debt tow ards subsidiary	650	98
Accrual for incestment	2 505	150
Other	424	1131
Total short term debt	**9 653**	**6 199**

Note 14 Other operating expenses

1 = NOK 1000	2019	2018
Office rental	5 520	5 227
Travel expense	3 222	3 100
Marketing	2 282	2 937
Consultancy fee	9 226	8 643
Insurance	782	573
Freight	694	575
Communication	7 298	5 171
Other	4 029	3 421
Total other operating expenses	**33 053**	**29 647**

Note 15 Long-term debt and loan security

Medistim ASA had 7.5 MNOK in long-term debt by the end of 2019 The interest on the loan is 3 months NIBOR plus 1.9 %. Last down payment on the loan is due in the second quarter of 2022. Loan due within 12 months is shown as short-term debt in the balance sheet.

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 22.5 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 31.12.2019 30.8 MNOK for assets, 35.7 MNOK for accounts receivables and 63.4 MNOK for inventory. See also note 12 for status related to hedging contracts.

Note 16 Receivables and debt towards subsidiaries

1 = NOK 1000	2019	2018
Account receivable	18 179	26 166
Other receivable	7 743	5 803
Short term debt	-	992

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Note 17 Events after 2019

The Board of directors has no knowledge about events after 2019 that will affect the annual report and financial statement for 2019. See Board of director's report under other risk related to the Corona virus situation.

Oslo, 18.3.2020

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

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

We hereby confirm that the annual accounts for the group and the company for 2019 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 18.3.2020
Board of Director's in Medistim ASA

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

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Postboks 1704 Vika
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Independent Auditor's Report

To the General Meeting in Medistim ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medistim ASA.

The Financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, the income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In Our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of Medistim ASA as at 31 December 2019, 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.
- The accompanying financial statements give a true and fair view of the financial position of the group Medistim ASA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How the key audit matter was addressed in the audit
Revenue recognition The Group revenue recognition policy for sale in the United States of America (USA) is different from the policy used for sales in the rest of the world. The Group's deliveries outside the USA entail regular sales of goods where revenue is recognized upon delivery. In the US market, there are different sales models. Both regular sales, operational leasing and a sales model based on payment in relation to the use of the equipment and consumables. Under the sales model based on use, equipment located at the end customer's premises is recognized as assets in the groups and parent company's balance sheet and is amortized over the estimated useful life. Consumables are recognized upon delivery, unless unless they are an integrated part of the total delivery, so that the consideration for the consumables is variable. The difference between the sales models, and the complexity this cause in the accounting - including assessment of possible IFRS 15 effects - has led us to focus specifically on this during our audit. We refer to the annual report under Accounting policies and note 2 to the Group financial statements.	We have assessed the appropriateness of management's revenue recognition policies and the application of these policies. Our work includes review and evaluation of procedures and systems related to the Company and Group revenues We have obtained an understanding of the relevant internal controls and tested these controls and conducted additional tests to verify that the revenue recognition has been performed in accordance with the policies described. Further, we have assessed the adequacy of the description of the Group's policies for revenue recognition in the notes to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

BDO AS

Steinar Andresen
State Authorized Public Accountant
(This document is signed electronically)