MEDISTIM

CORPORATE ANNUAL REPORT 2020

www.medistim.com

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1. MEDISTIM IN BRIEF

Cardiac and vascular diseases continue to be the most common cause of death in the western world. Globally, more than 700,000 patients undergo coronary artery bypass surgery annually while more than 600,000 patients have vascular surgery procedures performed. Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis and other problems inside the blood vessels, and thereby help improve the quality and outcome of cardiac and vascular surgery.

One million beating hearts later, Medistim has set the standard in the field.

Today, Medistim's proprietary products are regarded to be standard-of-care in most European countries and Japan, while market adoption is growing in the USA, Asia and the Middle East. In addition, Medistim in Norway represents about 100 different medical technology companies, as a distributor of their products in this country.

Medistim is a market leader within intra-operative transit time flow measurement (TTFM) and ultrasound imaging, providing the MiraQ™ system to the global market. These systems enable medical professionals to reduce risk and enhance quality of cardiac, vascular and transplant surgery. They provide clinically relevant information that empowers surgeons to make better-informed decisions in the operating room.

The company's devices are developed by working closely together with surgeons, who in turn have produced a growing amount of clinical data and studies that point to their efficacy and cost-effectiveness. Medistim is committed to continuing to serve the cardiac and vascular surgeons by investing in new product development.

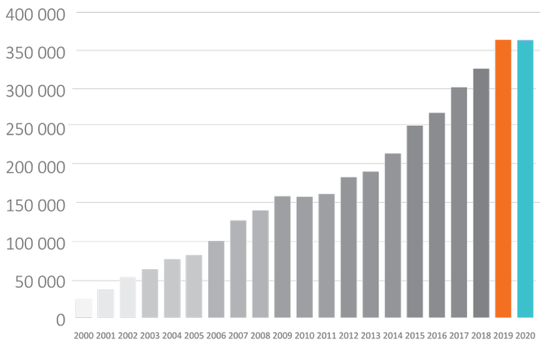
Medistim has wholly owned subsidiaries with marketing and sales organizations in the USA, Germany, the United Kingdom, Spain, Denmark and Norway, in addition to a global distributor network representing the company in more than 60 countries in Asia, Europe, America and Africa. Medistim ASA is listed on the Oslo Stock Exchange and has its global head office in Oslo, Norway.

"Our vision is that blood flow measurements and intra-operative ultrasound imaging shall benefit all patients and surgeons, regardless of where in the world they are located, and that Medistim's device and solution represent standard clinical practice in all countries.

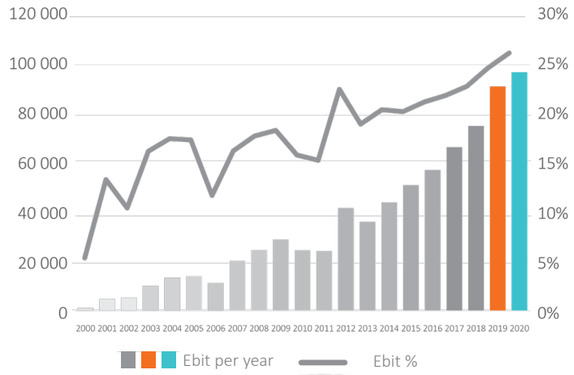
- Kari E. Krogstad - CEO

2. KEY FIGURES

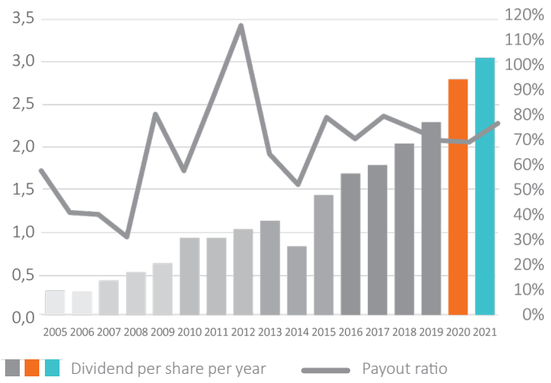
Sales per year in TNOK



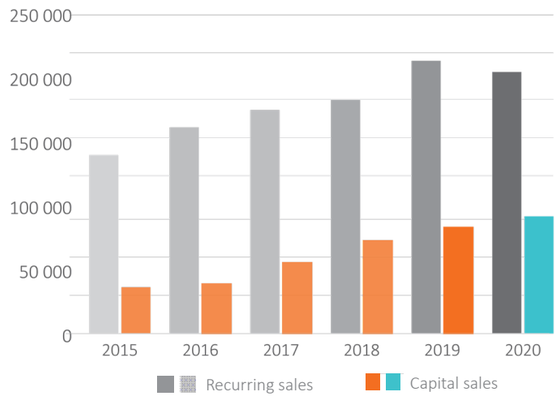
EBIT in TNOK and EBIT %



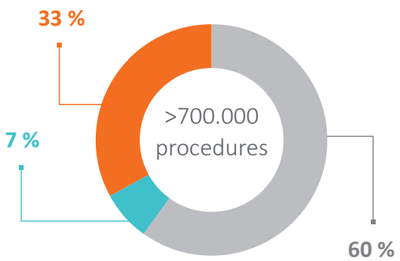
EPS in NOK per share and Pay-out ratio



Capital sales and recurring sales in TNOK



Leader in a large untapped CABG market



- Competition share
- Medistim share
- Open market (finger palpation)

USA
(332M people)
200,000 procedures
23 % Medistim share

Brazil
(213M people)
40,000 procedures
< 5 % market share

UK
(68M people)
16,000 procedures
≈10 % Medistim share

Germany
(83M people)
44,000 procedures
> 80% Medistim share

Russia
(145M people)
40,000 procedures
≈25 % Medistim share

China
(1.4B people)
50,000 procedures
≈45 % Medistim share

India
(1,3B people)
100,000 procedures
< 1 % market share

Japan
(126M people)
13,000 procedures
> 80 % market share

Headquartered in Oslo, with production facilities in Horten, Norway. Medistim sells its products through more than 60 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain and Norway.

Medistim's Milestones

1984
Medi-Stim AS Founded

1994
CardioMed™ launched in Europe

1997
Butterfly™ launched in Europe

1998
Manufacturing established in Horten , Norway

1999
FDA clearance for the Butterfly ™ in the USA

2003
VeriQ™ launched in Europe

2004
Listing on the Oslo Stock Exchange

2006
Acquisition of Kir-Op AS - a Norwegian distribuor of medical devices

2007
US direct sales operations in the USA

2008
Awarded Innovation Norway's "Internationalization Award"

2009
VeriQ C™ launched in Europe

2010
European Guidelines recommend routine use of TTFM in CABG

2011
- UK's NICE endorses routine use of TTFM in CABG

2014
MiraQ™ launched in Europe

2016
- MiraQ™ launched in the USA

2018
Final results from REQUEST study presented at EACTS

2019
Clearance for sale of MiraQ™ in Canada and Japan

2020
-REQUEST study published in JTCVS*

-CIDAC study published in EJVES**

*The Journal of Thoracic and Cardiovascular Surgery
**The European Journal of Vascular and Endovascular Surgery

4. LETTER FROM THE CEO

2020 started off on a high note, with record sales in the first quarter, indicating that Medistim was on track to deliver its 10th consecutive year of profitable growth. But, due to the severe implications from the COVID-19 pandemic we ended the year with sales on par with 2019.

However, quickly adapting to the situation, Medistim found ways to manage the new challenges and ended the year with all-time-high operating profit and a strengthened cash position, confirming our market position and robust business model.

During this unprecedented year we experienced that hospitals all over the world, understandably, prioritized COVID-19 patients over elective surgeries.

Widespread travel- and hospital access restrictions limited marketing activities and delayed sales projects. This impacted demand for Medistim products in 2020. On-site presence for demonstrations and facilitation of clinical evaluations are critically important steps in our sales and purchasing process. We also normally rely on conferences and in-person meetings to promote our products and influence clinical practice.

On the other hand, through our efforts to adapt to this new situation we found new ways of cooperating and performing our business, ways that may provide great opportunities for us in the future.

Digital opportunities

To address the challenges, we did as many others in 2020; "we went digital". We quickly adapted to using digital platforms for conferences and meetings with our customers as well as suppliers, distributors, investors, and other stakeholders. Our experience is that it is possible to maintain close contact, exchange information, influence, and make business progress – all while saving cost and time by just becoming more efficient.

By applying digital communication platforms and remotely controlling our ultrasound systems, we were even able to give product demonstrations and clinical evaluations. This has opened new ways for developing future customer relations and support. And while we look forward to meeting people in person in 2021, we will continue to take advantage of these technology-enabled opportunities in the future.

Medistim's vision is to become standard-of-care in the operating room, all around the globe.

In 2020, sales in all regions were impacted as the pandemic reduced surgical activity. This was offset by higher sales in Japan early in year following the MiraQ regulatory approval in late 2019 and favorable currency effects in Asia and Europe.

The US market continues to be the most important near-term growth driver for the company. This was reflected in our team signing 25 new accounts in a challenging year and underpins our expectation of renewed growth into 2021. Longer term, we expect emerging economies to increasingly contribute to Medistim's growth. The distributor agreement signed with LivaNova in 2020 for India is an important milestone in that respect.

The pandemic is not yet behind us. Still, we saw a decreasing impact on our business from the pandemic's initial onset in the second quarter as the year progressed. We expect to gradually move towards a more normal situation over the course of 2021 and resume more traditional customer interaction by balancing in-person and digital communication.

The roll-out of mass vaccination will create herd immunity and enable societies to re-open and hospitals to attend to all patient groups. While there may be a backlog of postponed surgeries which provides an upside potential, the most important factor for us is that the need for Medistim's products has not diminished.

Innovation and people- the secret of our success

Our customers, cardiac and vascular surgeons, are experts in their fields.

Surgeons are progressive, innovative and technology savvy in their desire to improve outcomes of surgery for their patients.

The expectations they set for industry partners and medical equipment are growing and becoming increasingly sophisticated.

For Medistim it means that we need to continue product and solution innovation.

We have therefore created a dedicated innovation team to maximize efficiency of prototyping and testing of new solutions and devices. Some of the team members have background from artificial intelligence and virtual reality and will challenge established thinking on how our devices should operate. We are excited to continue these efforts in 2021 and to bring innovation to our customers over the years to come.

Our employees are our most critical asset and the protection of their health is our number one priority. We are relieved that the pandemic to date has not brought any serious health issues upon us.

With our 120 employees in Norway and international subsidiaries, supported by a distributor network in more than 60 countries, trusted business partners, long-term owners, and our board of directors; the Medistim team is well equipped to continue our journey of profitable growth.

March 2021
Kari E. Krogstad
President and CEO

5. EXECUTIVE MANAGEMENT & BOARD OF DIRECTORS

5.1 Management Team

Kari Eian Krogstad

President and CEO, Medistim ASA

Kari E. Krogstad joined Medistim as CEO in September 2009. She has 30 years of experience from the biomedical industry, from commercial leadership roles within the international pharma, biotech and medtech sectors. Before joining Medistim, she spent 11 years at Dynal and held the position as General Manager of Invitrogen Dynal after the acquisition from U.S. based Invitrogen in 2005. Krogstad holds a Cand. Scient. degree in Molecular Biology from the University of Oslo as well as a Business degree from IHM Business School.

Thomas Jakobsen

CFO, Medistim ASA

Thomas Jakobsen joined Medistim as VP Finance in 2001. He has broad experience from financing positions, including Controller and Finance Manager at Sysdeco and Finance Director of Microtronica Nordic. Jakobsen holds a B.Sc. in Management from the BI Norwegian School of Management.

Erik Swensen

VP R&D, Medistim ASA

Erik Swensen joined Medistim as VP Research & Development in 2002. Previous experience includes Development Engineer at ABB, Norway, where he participated in the development of advanced process control systems and developing ABB's new control system for safety critical applications. Swensen holds a M.Sc. degree in Engineering Cybernetics from the Norwegian University of Science and Technology (NTNU).

Håkon Grøthe

Chief Innovation Officer, Medistim ASA

Håkon Grøthe joined Medistim as CIO in April 2019. He is an experienced leader with a passion for increasing customer value through digital innovation. Grøthe has put disruptive technologies such as AI, VR and Machine learning into work in his leadership roles from IT technology companies such as Impact Reality and Inspera. He also brings methodology experience relevant for agile processes, such as Google Sprint, Design Thinking and Kanban. Grøthe holds an M.Sc. degree in Industrial Economics/Computer Science from the Norwegian University of Science and Technology (NTNU).

Hæge J.K. Wetterhus

VP Marketing, Medistim ASA

Hæge J.K. Wetterhus joined Medistim as VP Marketing in 2010. She has more than 25 years of experience working with diagnostic, analytical and biotech device companies. Before joining Medistim, she worked for Invitrogen Dynal where she held a variety of leadership roles in strategic marketing, product development and business development in the area of life science and biotechnology – always with an international focus. Wetterhus is a business economist from BI Norwegian School of Management, a chemical engineer from the Technical University of Bergen and holds a B.Sc. Honour in molecular biology from the University of Glasgow, UK.

Roger Morberg

VP Sales, Medistim ASA

Roger Morberg joined Medistim as VP Sales in June 2010. He has extensive experience from the healthcare industry and is a trained medical professional. Before joining Medistim he worked for Siemens Medical as Country Manager for Ultrasound. Morberg has previously held various roles within sales and senior management positions in Marquette Electronics, GE Healthcare and Hewlett Packard.

Helge Børslid

VP Manufacturing, Medistim ASA

Helge Børslid joined Medistim as Vice President Manufacturing in January 2017 from the position as production manager at Halliburton. Previous experience includes roles as test engineer and quality engineer at Norautron, Infineon Technologies, Kongsberg Maritime, and Sensor Development. Børslid holds a B.Sc. in Electronics Engineering from Vestfold University in Norway and is currently completing his final year of a Master's degree in Management from the BI Norwegian Business School.

Tone Veiteberg

VP Regulatory Affairs & Quality Assurance, Medistim ASA

Tone Veiteberg joined Medistim as VP Quality Assurance & Regulatory Affairs in 2013. She has more than 25 years of experience in Medical and Regulatory Affairs from the pharmaceutical and medical device industry, including Clavis Pharma, the Norwegian Association of Pharmaceutical Manufacturers, Leo Pharmaceuticals, and Glaxo/GlaxoWellcome (now GlaxoSmithKline). Veiteberg holds a M.Sc. in Pharmacy from the University of Oslo.

Anne Waaler

VP Medical Department, Medistim ASA

Anne Waaler joined Medistim as VP Medical Department in 2016. She has more than 25 years of experience from the pharma and medtech industry, including roles within medical, marketing and strategy with Nycomed and GE Healthcare. Waaler holds a M.Sc. in Pharmacy from the University of Oslo, an MBA from the BI Norwegian School of Management in Oslo, and an ESCP-EAP in Paris.

Ole Jørgen Robsrud

Managing Director, Medistim Norge AS

Ole Jørgen Robsrud joined Medistim Norge AS as Managing Director in 2010, from the position as Country Manager in HemoCue Norway. He has 13 years of experience in the pharmaceutical company Pfizer, where he has held a variety of management positions in sales and marketing both on national and international level. Robsrud holds a M.Sc. in Business and Economics from the Norwegian Business School (BI) and the University of Florida.

Mike Farbelow

President, Medistim USA, Inc.

Mike Farbelow joined Medistim as Vice President of the US sales team in May 2012. He has extensive sales and management experience from the medical device industry. He served for many years with Smith & Nephew's Endoscopy division both as a sales representative and the Director of Sales for the central region. His most recent position prior to joining Medistim was with Richard Wolf USA where he served as their national sales manager in spinal endoscopy. Farbelow holds a degree in management from the University of Minnesota Carlson School of Management.

Cindy Kaffai

Country Manager, Medistim Deutschland GmbH

Cindy Kaffai joined Medistim as Territory Sales Manager for Germany in 2005. She has 18 years of experience from the medical device industry. Since 2015, Kaffai has led Medistim Deutschland GmbH as General Manager and is responsible for all activities and sales efforts in Germany & BeNeLux. Prior to Medistim she was Territory Sales and Key Account Manager for Stryker Corporation.

5.2 Board of Directors

Øyvin Brøymer (1948)
Chair

Øyvin Brøymer has served as chair of Medistim since 2000. He works as a consultant and investor through his own company Intertrade Shipping AS, and holds the position as chair in Vistin Pharma ASA. Previous experience includes executive positions in The Aker Group, Hafslund Nycomed ASA and Leif Høeg & Co ASA, as well as broad board room experience from other companies in the medical industry. He holds a degree within economics and business from Norwegian School of Management and an MBA from the University of Wisconsin.

Bjørn M. Wiggen (1959)
Deputy Chair

Bjørn M. Wiggen was elected as deputy chair in 2014. He is a partner in Kverva Management, and has broad experience from the Norwegian industry, particularly within food, media and branding. Previous experience includes positions as CEO of Orkla ASA, SAPA and Elkem. Wiggen has a degree in economics from the Norwegian School of Economics (NHH).

Lars Rønn (1964)
Board member

Lars Rønn has been board member in Medistim since 2010. He 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 Danish med-tech company and as CEO in Origio. He has also experience from several positions in Maersk-Medical AS. Rønn holds a BSc in Business, Language & Culture and has a Graduate Diploma in Int. Trade from Copenhagen Business School. He also has a Management Program from INSEAD.

Tove Raanes (1977)
Board member

Tove Raanes has been board member in Medistim since 2014. She works as an advisor in the investment companies Nore-Invest AS, Dyvi Invest AS and Varner Kapital AS, and serves as board member in Bouvet ASA and Multiconsult ASA. Her experience includes strategy, finance and business development from investment companies and management consulting from McKinsey & Company. Raanes holds a MSc from the Norwegian School of Economics (NHH).

Siri Fürst (1958)
Board member

Siri Fürst was elected as board member in Medistim in 2013. She has been a partner of Considium Consulting Group AS since 2005 where she is also chair of the board. She offers expertise in business development and strategy work, in addition to corporate governance and management. She also serves as board member in Norinnova AS, Norinnova Startcap AS, GC Rieber VivoMega AS, Røros Produkter AS, Unicef Norge and JM Hansen AS. She has broad experience in strategy, business development, finance and investor relations from management positions in Hafslund, Hafslund Nycomed and DiaGenic. Fürst holds a degree in economics and finance from the Norwegian School of Economics (NHH).

6. BOARD OF DIRECTOR'S REPORT

2020 was a challenging year for Medistim. As the COVID-19 pandemic escalated, the need to treat COVID-19 patients took priority over elective surgeries. Following a good start to the year, Medistim experienced a significant impact on operations in first moths of the pandemic. However, due to a solid revenue base and good pipeline activity throughout second half of the year, overall sales for the year ended unchanged from 2019.

The Medistim Group's core business is within developing, producing, servicing, leasing and distributing medical devices. The Group is headquartered in Oslo, with production facilities in Horten, Norway. Medistim sells its products through more than 60 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain and Norway. At the end of 2020, Medistim's equipment was in use in more than 60 countries and 3,000 clinics all over the world.

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 on the rise in Asian and Latin American countries adopting western lifestyles. The Group'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, over 700,000 CABG (Coronary artery bypass graft) procedures and 600,000 vascular procedures are performed each year. On a global scale Medistim has a leading position within quality control of CABG.

Medistim is also a distributor of other medical devices through its subsidiaries Medistim Norge AS and Medistim Denmark Aps. The products distributed are medical devices within surgery and opthalmology.

6.1 Operational review

COVID-19 consumed a significant share of hospital capacity as health authorities prioritized the immediate need to treat victims to the pandemic over elective surgeries, thereby reducing the number of procedures using Medistim equipment. Concern for COVID-19 infection may also have impacted the number of people seeking medical assistance, including cardiovascular surgery.

Medical facilities faced increased requirements for distance-keeping and comprehensive infection control regimes. This affected Medistim's customer relations activities and sales negatively in the early phases of the pandemic. As the impact on sales abated throughout the second half of the year, Medistim product sales for the full year ended unchanged from 2019. Adjusted for currency effects, sales were down 7%. Sale of third-party products were down 1% from 2019.

During 2020, Medistim sold 197 new systems (195), and at year-end total installed base of Medistim systems was 3,000 units (2,800). Probes and other consumables related to use of the medical systems represent a significant share of total sales for Medistim, depending of number of systems installed and utilization. Reduced surgical activity negatively impacted Medistim's sales of consumables for the year.

To maintain functional customer, supplier and stakeholder relations, Medistim adopted digital solutions for conferences and meetings. By applying digital communication platforms and remotely controlling ultrasound systems, Medistim was also able to demonstrate products and perform end-user training.

The experience is that it is possible to maintain close customer contact, exchange information, influence, and make business progress, while saving cost and time by using digital tools. With mainly digital client interaction, cost related to traveling and physical meetings were reduced to a minimum, contributing to the 6% increase in operating result from 2019.

Throughout 2020, Medistim maintained its focus on customer and marked development. In December, the company signed a Distributor Agreement with LivaNova, a global medical technology and innovation company, for distribution of Medistim products in India, one of the world's largest and fastest growing markets for cardiovascular surgery. LivaNova is already the distributor for Medistim in Australia.

Further, as part of Medistim's work to improve operational efficiency and drive further growth, the company's production was relocated to new improved facilities in Horten.

Medistim's growth strategy relies on strong clinical documentation by leading medical centers to create support from Key Opinion Leaders (KOLs). It is a strategic priority to support this by increasing the focus on blood flow measurements, ultrasound imaging, surgical guidance, and quality assurance in relevant forums and channels.

In May 2020, the CIDAC (Comparison of Intra-operative Duplex Ultrasound and Angiography after Carotid Endarterectomy) study was published in the European Journal of Vascular and Endovascular Surgery (EJVES). The results demonstrated that HFUS detected significantly more high-grade defects that needed revision compared to angiography, and with significantly higher interobserver reliability. The authors conclude that given the lesser invasiveness, HFUS could be considered as an alternative to angiography for intra-operative completion control in CEA, further strengthening the support of using Medistim's ultrasound imaging device and probe for reducing the risk of stroke after CEA.

6.2 Regional development

USA	2020	2019	% CHG Y-O-Y
Flow procedures	**47,256**	52,206	-9%
Imaging procedures	**8,803**	10,233	-14%
Capital sales	**26**	33	-21%.
Lease	**13**	19	-32%

OUTSIDE USA	2020	2019	% CHG Y-O-Y
Flow systems	**124**	102	+22%
Flow and imaging systems	**47**	60	-22%
Imaging probes	**75**	78	-4%
Flow probes	**6,218**	7,190	-14%

USA

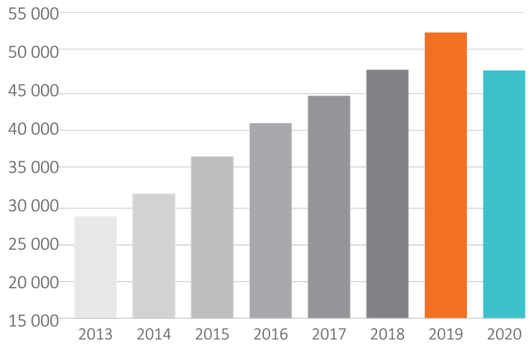
USA is the largest market for Medistim's products, representing about 30% of global CABG procedures. Total U.S. sales amounted to NOK 126.4 million in 2020, down 9% from 2019. Adjusted for currency effects, sales were down 13%.

Some 70% of all bypass surgeries in the U.S. are performed by surgeons, using their fingertips to check for a pulse as the only quality assurance. This is a clinically proven unreliable method, highlighting the need and potential for Medistim's products and the Group has high market ambitions. Medistim's current market penetration is about 23% of the total market of approximately 200,000 bypass surgery procedures performed annually. In comparable markets like Germany, Scandinavia, and Japan, Medistim has achieved market penetration exceeding 80%. The Group expects that market penetration in USA will develop in the same manner over time.

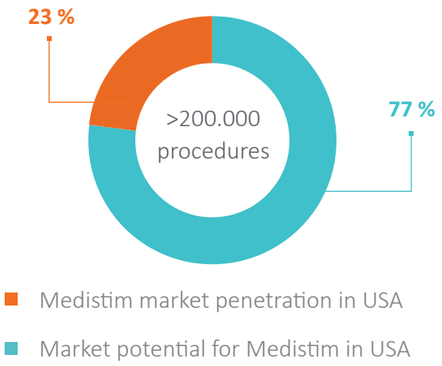
To strengthen its market outreach, Medistim offers several business models in the USA. In addition to traditional capital investments and purchase of consumables, hospitals can choose to either pay per procedure or enter leasing agreements. In 2020, procedural sales amounted to 80% of the total sales, ending at NOK 99 million. This is down 7% from 2019 (-12% currency adjusted). The reduction is mainly due to strained capacity at hospitals during the COVID-19 pandemic.

During the year, 56,059 procedures were sold, (62,439) of which 47,256 were flow procedures (52,206) and 8,803 were imaging (10,233). Capital sales were 26 units, compared with 33 units in 2019.

Procedure sales in the USA



Market penetration in USA Cardiac market



Outside USA

Sales in markets outside USA, mainly Europe and Asia, were NOK 169 million, up from NOK 160 million in 2019. Adjusted for currency effects, sales were down 3%.

In these markets, the systems are owned by the hospitals and revenues are more evenly split between capital sales and sale of consumables. In 2020, sales of flow and imaging measurement probes amounted for some 60% of total sales, ending at NOK 98 million, compared with NOK 100 million in 2019. Currency neutral sales were down 10% year-over-year, mainly due to lower activity within CABG surgery due to COVID-19. Sale of systems however, increased to NOK 64 million from NOK 53 million in 2019.

Europe

Medistim has developed a strong market position in Europe with about 1000 systems installed, representing a solid base for future recurring revenues. Total European sales of own products in 2020 were NOK 105.7 million, up 10% from NOK 95.8 million in 2019. Currency neutral sales were up 1.3 %.

During the year 3,979 probes were sold, (4,294) of which 3,943 were flow probes (4,269) and 36 were imaging (25). Capital sales were 71 units (74), due to high replacements of old installations in the Nordic market. Performance in the UK was good with sales increasing some 30% following a weak 2019 performance. 2020 was also a good year for Medistim in Russia. The installed base continued to increase and solid probe demand resulted in a 75% growth in sales compared to 2019.

Asia

Sale to Asian markets were NOK 47 million for the year, up from NOK 42 million in 2019. The increase is mainly driven by higher sales of systems during the first half of the year, following the introduction of MiraQ to the Japanese market late 2019. During 2020, 82 MiraQ systems were sold in the Asian markets, compared with 65 systems in 2019.

Total number of probes sold in Asia decreased 11% from 2019, reflecting reduced CABG activity. The decrease was partly offset by a significant inventory buildup by the distributor in China during the first half of the year. During 2020, Medistim sold 1,719 probes, (1,937) of which 1,693 were flow probes (1,909) and 26 were imaging (28).

Other markets

Sales in other markets amounted to NOK 17 million, down from NOK 22 million the previous year.

6.3 Organization, HSEQ and sustainability

Medistim has sales representation in its main markets and production and main office functions in Norway. At year-end 2020, Medistim had 121 employees, compared to 118 in 2019. The working environment and culture in Medistim are considered strong, and there is continuous focus on initiatives for improvement. In 2020, absence due to sickness was 3.8 %. This compares to 3.2 % in 2019.

Medistim strives to be an attractive workplace that offers challenging and motivating jobs and equal development opportunities for all. There is no discrimination due to gender, nationality, culture or religion with respect to remuneration, promotion or recruitment. The Company is committed to recognize diversity and ensure equal opportunities, including fair employment conditions. Medistim supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organization (ILO).

For more information, please see Chapter "9. Sustainability Report" of this Annual Report.

6.4 Financial Review

Going concern

The Board of Directors confirms that the financial statement has been prepared based on the assumption of a going concern.

Profit & Loss

The Medistim Group's sales for the full year 2020 ended at NOK 363.1 million (NOK 363.7 million). Currency neutral, sales declined 6.1%.

Sales in Asia increased 12.0%, while sales in the U.S. and "Rest of the world" decreased 7.1% and 24.2%, respectively. Regional sales in Europe rose 5.7%, with sales of own products growing 10.3% and third-party product sales through the subsidiaries in Norway and Denmark on par with 2019.

Total sales of own products in 2020, amounted to NOK 295.6 million (NOK 295.7 million), while sales of third-party products were NOK 67.5 million (NOK 68.1 million). Currency adjusted, sales of own products declined 7.1% during the year, while sale of third-party products was unchanged. Average NOK exchange rates towards USD and EUR in 2020 were 9.37 and 10.72 respectively, while equivalent rates in 2019 were 8.81 for USD and 9.85 for EUR.

Currency adjusted development of total sales in 2020 was 6.1% decline (+7.1%). For own products the volume decline was 7.2% (+10.3%) while third-party products was on par with last year (-4.3%). The decline was related to reduced activity within CABG surgery with COVID 19 displacing hospital capacity.

Cost of goods sold (COGS) amounted to NOK 76.6 million (NOK 81.1 million), representing 21.1 % of sales (22.0 %). Positive currency effects explain the relative reduction in COGS. Salary and social expenses were NOK 119.1 million (NOK 122.0 million), while other operating expenses were NOK 48.9 million (NOK 53.8 million).

Medistim continuously invests in existing and new products to cover the surgical requirements for quality verification. Historically, the company has invested between 4% and 10% of annual sales in research and development (R&D). In 2020, total R&D investments amounted to NOK 16.5 million (NOK 12.4 million), corresponding to 5.6 % of sales of own products. Of this, NOK 1.9 million (NOK 4.6 million) was capitalized in the balance sheet.

The result before R&D, depreciation and write-offs was MNOK 133.1 (MNOK 115.6 million), equaling a margin of 36.6% (28.5%). Operating result before depreciation and write-offs (EBITDA) ended at MNOK 118.6 (MNOK 107.8). Depreciation for the year amounted to NOK 23.1 million (NOK 18.0 million). The increase in depreciation was related to the implementation of IFRS 16.

The operating result (EBIT) was a record NOK 95.5 million (NOK 89.8 million), corresponding to an EBIT-margin of 26.3 % (24.7 %)

The Group recorded net financials of NOK-3.9 million (NOK 1.3 million), of which NOK 18.0 million of financial expenses (NOK 5.4 million) and NOK 14.1 million of financial income (NOK 6.6 million). The increase in net financial cost in 2020 compared to 2019 was due to a volatile NOK against USD and EUR because of COVID 19 pandemic.

Profit before tax was NOK 91.6 million (NOK 91.0 million). Tax amounted to NOK 22.2 million (NOK 20.7 million) and the net profit for the year was NOK 69.4 million (NOK 70.3 million), corresponding to earnings per share for the full year of NOK 3.81 (NOK 3.87).

Average number of shares outstanding during the year were 18.200.836 (18.188.836) by the end of December 2020.

Cash Flow Statement

Net cash flow from operating activities amounted to NOK 74.1 million (NOK 80.4 million). Working capital increased NOK 18.7 million during the year, driven by a NOK 22.6 million increase in inventories.

Net cash flow from investing activities was negative NOK 10.6 million (NOK 13.7 million) all related to investments in fixed assets. Medistim reduced investments to a minimum in 2020 to adapt to the uncertainty created by the COVID-19 pandemic.

Net cash flow from financing activities was negative NOK 58.3 million (NOK -46.9 million), of which NOK 50 million (NOK 41.0 million) was payment of dividends. Debt repayment was unchanged at NOK 3 million during the year, while leases amounted to NOK 6.9 million (NOK 5.8 million)

During the year cash and cash equivalents increased by NOK 5.1 million (NOK 19.3 million). At 31 December 2020, total cash and cash equivalents amounted to NOK 71.9 million (NOK 66.7 million).

Financial position

At 31 December 2020, Medistim's working capital totaled NOK 160.4 million, compared with NOK 146.9 million the year before. During the year, inventory increased by NOK 22.6 million, mainly related to securing critical and end-of-life components. Account receivables decreased NOK 4.7 million during the year, while account payables decreased NOK 1.3 million. With the implementation of IFRS 16, lease agreements are recorded as assets in the balance sheet with a corresponding debt. As at 31 December 2020, this amounted to NOK 27.9 million.

The total balance sheet amounted to NOK 345.8 million (NOK 336.1 million). Total equity was NOK 256.8 million (NOK 236.9 million), corresponding to an equity ratio of 74% (70.5%). Book value of properties, plants and equipment amounted to NOK 66.6 million (66.8). Intangible assets were NOK 33.5 million (NOK 40.8 million), of which product development and goodwill represented NOK 18.0 million and NOK 14.1 million respectively.

The company has a deferred tax asset of NOK 0.8 million (2.6) related to temporary differences between carrying amount and tax values.

Net interest-bearing debt at the end of the year amounted to NOK 19.5 million, up from NOK 15.5 million at the end of 2019. The year-end cash position was NOK 71.9 million (NOK 66.7 million).

The Medistim Group's financial position, cash flow and ability to finance its activities is considered satisfactory.

Share capital and number of shareholders

At 31 December 2020 the share capital of the Medistim ASA parent company was NOK 4 584 334,00 split on 18 337 336 shares outstanding at par value of NOK 0.25 per share. The share is freely traded on the Oslo Stock Exchange. The company had over 600 shareholders and owned 148 500 treasury shares at year-end.

6.5 Parent company financial review

The parent company Medistim ASA had 2020 sales of NOK 195.4 million (NOK 200.5 million). Operating profit was NOK 45.4 million (NOK 51.5 million) and profit before tax amounted to NOK 70.0 million (NOK 70.2 million). Medistim received a dividend from its subsidiary in Germany and Norway of a combined NOK 25.2 million in 2020 (NOK 17.3 million). No group contribution was received in 2020 or 2019. Profit after tax for the parent company was NOK 60.2 million for the full year (NOK 58.4 million).

At 31 December 2020, the parent company's total assets amounted to 244.7million compared to NOK 233.1 million as of 31 December 2019. Equity in the company was NOK 140,5 million (NOK 133.3 million), corresponding to an equity ratio of 57.4 (57.2%).

At year-end 2020, the parent company had NOK 20.0 million in cash. The company's financial position and ability to finance future activities and investments was considered satisfactory. Cash flow from operating activities was NOK 48.3 million for the parent company in 2020.

Allocation of profit

The Board of Directors suggests that NOK 55.0 million of the 2020 net profit is allocated to ordinary shareholder dividend, equal to NOK 3.00 per share (NOK 2.75 for 2019), which amounts to NOK 54.6 million corrected for the company's holding of own shares. The remaining NOK 5.6 million is allocated to other equity.

The Board of Directors will propose the dividend to the general meeting general. The proposed dividend equals a pay ratio of 78.7% (71%). The dividend reflects the Board's positive expectations of future earnings. Over the past 10 years, the company has paid NOK 326 million in accumulated dividends to shareholders.

6.6 Corporate governance

Medistim depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and maintain trust and confidence in the company and ensure long-term value creation in the best interest of the company's shareholders. The company's corporate governance structure is based on Norwegian legislation and the Norwegian Code of Practice for Corporate Governance, last revised 17 October 2018. Medistim complies with the Code of Practice, with certain deviations, as outlined and explained in the Corporate Governance Report in this annual report.

6.7 Main risk factors

Market/Operational risk

Competition: Medistim has one single direct competitor for TTFM technology; Transonic Inc. Transonic has offered their flowmeters to the market for as long as Medistim has been in the market. Medistim today has about 80% of the penetrated market. Medistim is not aware of new competitors or technologies that could change the competitive landscape significantly.

Risks related to device malfunction: Medistim has established comprehensive procedures as part of its Quality Management System in compliance with ISO 13485:2016 to ensure the safety of its products. There was no reportable events in 2020.

Financial risk

Foreign exchange risk: Medistim is exposed to changes in exchange rates with most of the company's revenues generated in USD and EUR. The company has entered hedging contracts to reduce exposure to changes to foreign exchange rates and the potential impact on financial performance.

Liquidity risk: Medistim prioritizes managing liquidity risk to ensure the company meets its obligations in time and maintains its financial flexibility. Cash generated from operations is Medistim's main source of liquidity. The group has over the past five years utilized strong revenue and profit development to build a cash reserve to meet increased working capital requirements as company grows. Additionally, Medistim has a credit facility with a limit of 22.5 MNOK as a source of additional liquidity.

Interest rate risk: The company is exposed to changes in interest rate levels via long-term debt with a floating interest rate.

Macroeconomic risk: 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 associated financial risks.

Credit risk: Medistim considers the risk that customers are unable to fulfill economic obligations as low, which is confirmed by the level of historic losses on receivables. The customers are mainly public hospitals with secure financing.

Other risk factors

Regulatory risk: Medistim depends 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 a loss-off-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 imperative for Medistim that the company's solutions have clinical acceptance in order for health care systems and institutions to invest in Medistim's products.

COVID 19: The outbreak of the Corona virus and ensuing COVID-19 pandemic affects Medistim's operations and markets. In 2020, health authorities and hospitals delayed surgeries, prioritizing acute treatment of Corona virus patients.

Some hospitals have denied unnecessary access to external personnel which may affect sales of new equipment. Virtual meetings and online demonstrations have been implemented to offset these potential effects. Medistim is well positioned in regard its components situation with up to 12 months inventory levels and many company functions are handled through home office.

Medistim's production activities depend on employees physically being present at the production facilities. A large or local outbreak may result in several employees being infected by the virus or quarantined to avoid the spread of the virus, potentially affecting productivity and output.

The situation is being continuously monitored, contingency plans are in place and the level of measures are being adjusted as appropriate.

6.8 Events after the balance sheet date

The Board of directors has no knowledge about other events after 2020 that will affect the annual report and financial statement for 2020. See Board of director's report under other risk related to the Corona virus situation.

6.9 Outlook

Medistim's ambition is making blood flow measurements and intraoperative ultrasound imaging standard-of-care in clinical practice for CABG procedures and vascular surgery, and making its technology available for all patients and surgeons regardless of economy or geography.

Medistim is already the global leading provider of flow and imaging systems, with strong market positions in most developed markets, continuously expanding its footprint represented by a current installed base of approximately 3,000 systems in more than 65 countries.

However, market penetration varies from above 80% in selected European and Asian markets, to below 25% in USA, the world's largest market for CABG procedures. This represents a significant market opportunity for Medistim. Through continued strengthening of its sales organization, introduction of alternative business models and convincing clinical documentation and support from KOLs, Medistim aims to develop this large under-penetrated market. The company has also extensive growth ambitions in developing economies, confirmed with the recent Distributor Agreement with LivaNova for the Indian market.

Medistim has delivered solid profit and cash flow despite the impact from COVID-19 in 2020. The need for Medistim's products has not changed, hence the expectation is that it is only a matter of time before cardiac bypass surgery activity recover normal levels.

Medistim will also continue its technology and product development to improve its offering and combined with recurring revenues from its large installed base, the company is well positioned to continue its journey of profitable growth as markets gradually recover to pre-COVID 19 conditions.

6.10 Shareholder information

Share price development

Medistim ASA has one class of shares. There were 18,337,336 shares issued at the end of 2020, each with a nominal value of NOK 0.25, unchanged from end of 2019. During the year, the shares traded between NOK 124 and NOK 255 per share, and 34.2 million shares were traded in total.

Major shareholders and voting rights

Medistim had 1047 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2020, whereof the 20 largest shareholders owned 73.7%. The percentage of issued shares held by foreign shareholders was 51%. All the shares registered by name carry equal voting rights. The shares are freely negotiable. 20 largest shareholders is shown in note 20. An overview of the 20 largest shareholders is available on Medistim's website, updated every week.

Corporate actions

CORPORATE ACTION	
2019 Financial statements approved by the Board	19.03.20
Annual report 2019 disclosed	27.03.20
Change of dividend proposal for 2019	23.04.20
Annual General Meeting 2019	28.04.20
Resolution to distribute dividend of NOK 2.75 per share	21.10.20
Ex dividend NOK 2.75	22.10.20

Dividends and dividend policy

Medistim's shareholder policy is to maximize shareholder value. This will be achieved through business development and growth strategy. Medistim will seek to provide annual dividends, depending upon the company's financial capacity and financing needs to ensure future growth. The company will at all times ensure that it has the financial capacity and equity to achieve future plans for growth.

Based on the 2020 results, the Board of Directors will propose to pay a dividend of 3.00 for 2020 corresponding to a pay-out ratio of 79%. For 2019, Medistim paid a dividend of NOK 2.75 per share corresponding to and a pay-out ratio of 71%. Over the last ten years, Medistim has paid NOK 326 million in accumulated dividend to shareholders.

Analyst coverage

DNB, Danske Bank and Sparebank 1 Norwegian and Nordic investment banks had active coverage of Medistim ASA in 2020 For contact details, please see the company website www.medistim.com.

General Meetings and Board authorisations

The 2020 AGM granted the Board of Directors the following authorizations:

1. Authorisation to increase the share capital by up to NOK 458,433.25.
2. Authorisation to acquire treasury shares in Medistim ASA for up to a maximum nominal value of NOK 458,433.25.

Further information can be found in the minutes from the Annual General Meeting, available from the company's website www.medistim.com and www.newsweb.no.

FINANCIAL CALENDAR 2021

Event	Date
4th quarter 2020 results	26.02.2021
Annual General Meeting	27.04.2021
1st quarter 2021 results	28.04.2021
Half-yearly 2021 results	13.08.2021
3rd quarter 2021 results	22.10.2021

Oslo 18.3.2021

Board of Director's in Medistim ASA

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.

7. COMPANY DESCRIPTION

7.1 Mission, vision and values

Medistim's technologies and solutions increase the probability of a positive outcome of surgery for the patient and enable greater efficiency and lower costs for health care providers by reducing additional and unnecessary surgical re-interventions. The company's long-term vision is stated as:

Medistim is standard-of-care in the operating room. This implies, making Medistim's solutions the standard-of-care in clinical practice for Coronary Artery Bypass Graft (CABG) surgery procedures and vascular surgery, ensuring that blood flow measurements and intraoperative ultrasound imaging are performed on all patients.

Values

All conduct is based on the four elements of the company's core values – Courage, Innovation, Quality and People.

Courage
- To set challenging goals
- To be open and transparent
- To share knowledge and experience
- To try without fearing to fail
- To challenge accepted beliefs

Innovation
- Encourage creativity, discovery, and innovation
- Value new ideas and test them out
- Problem-solving and solution-oriented mindset

Quality
- Outstanding quality in everything that we do
- Commitment to Medistim QMS
- High competence and unique expertise
- World-class products and services
- Amazing customer experience

People
- Trustworthy, honest, and ethical
- Generous and welcoming to customers and colleagues
- Value, trust and respect each other
- Promote physical and emotional health and quality of life

Addressing serious, common and increasing global medical problems

Cardiovascular diseases (CVDs) is the number one cause of death, representing approximately 1/3 of all deaths worldwide. CVD is a general term for conditions affecting the heart or blood vessels. It is usually associated with a build-up of fatty deposits inside the arteries (atherosclerosis) and an increased risk of blood clots. It can also be associated with damage to arteries in organs such as the brain, heart, kidneys and eyes.

The main risk factors for CVD are high blood pressure, dietary risks leading to obesity, diabetes, smoking, in addition to higher age. Both obesity and diabetes are increasing world-wide, reflecting economic growth and a growing middle class in developing economies. In parallel, the number of people above 60 years of age is also growing globally.

Treatment alternatives include the use of pharmaceuticals, endovascular procedures and open surgery.

Endovascular procedures, including Percutaneous Coronary Intervention (PCI), are considered less invasive by accessing blood vessels through a surgical small incision and using a catheter to insert and to place a stent inside the arteries to obtain revascularization.

A coronary artery bypass graft (CABG) is an open chest surgery and involves taking a blood vessel, also known as a graft from another part of the body (usually the chest, leg or arm) and attaching it to the coronary artery above and below the narrowed area or blockage.

7.2 Medistim's product solutions

Medistim's devices are increasingly used to support CABG and other vascular surgical procedures. The solutions enable cardiac imaging, blood flow measurement and provide surgeons with immediate feedback on procedure outcome.

Intraoperative surgical guidance and quality assessment with ultrasonic imaging and blood flow measurement reduce risk of stroke for the patient. It also provides the surgeon with a tool to verify graft functionality, indicate when revisions are needed and to optimize graft strategy during surgery.

Globally, more than 700,000 CABG procedures are carried out on an annual basis. Although the use of medical technology for real-time blood flow measurement and ultrasound imaging during procedures is increasing, the vast majority are executed by surgeons merely relying on experience and physical finger palpation for graft patency assessment.

Currently only some 40% of the global CABG market is utilizing support systems. Development of the overall market, by increasing acceptance and use of supporting technology such as Transit Time Flow Measurement (TTFM) and High-Frequency Ultrasound Imaging (HFUS) represents Medistim's biggest growth opportunity.

Medistim is already the leading provider of flow and imaging systems, with strong market positions in most developed markets. The offering is two-fold; 1) medical systems for monitoring and analysis, and 2) consumables, including re-usable cardiac and vascular probes and ultrasound imaging probes. Sales of consumables correlates to the number of procedures executed and is highly dependent on size of installed base of systems. The company is continuously expanding its footprint represented by a current installed base of approximately 3,000 systems in more than 60 countries.

Medistim develops this large under-penetrated market through convincing clinical documentation and support from Key Opinion Leaders (KOLs), to make HFUS and TTFM standard of care for CABG surgery.

Medistim will continue its technology and product development to maintain its strong position and strengthen its sales and marketing organization improving capacity and outreach. Medistim's ambition is that its products and solutions shall benefit all patients and surgeons all over the world.

Medistim assembles and manufactures its devices and probes in Horten Norway, except for the imaging probe and SonoQ system, which are produced by third parties.

7.3 Strategy

Medistim's growth strategy relies on strong clinical documentation, technology and product innovation and development, and the ability to effectively commercialize its product portfolio worldwide.

Clinical studies by leading medical centers create support from Key Opinion Leaders (KOLs), and it is a strategic priority to support this by sharpening the focus on blood flow measurements, ultrasound imaging, surgical guidance, and quality assurance in relevant forums and channels.

Continuous technology and product development are required to maintain and develop Medistim's leading position within cardiac as well as vascular surgery, and the company plans to launch new products tailored to the specialties within these fields.

The company is continuously strengthening all parts of its organization. This includes the sales, service, marketing and medical teams which interact directly with customers, and the innovation, R&D, QA & Regulatory, and manufacturing departments.

Medistim's strategic priorities

1. Convert the Flow-only market to a Flow-and-Imaging market by establishing surgical guidance and quality assessment as the new standard of care through
   a. Early adopter and KOL support
   b. REQUEST study
   c. Ease conversion from Flow to Imaging with MiraQ
2. Achieve routine use of both Flow and Imaging by fighting ignorance, indifference and ease-of-use objections through:
   a. Clinical marketing, guidelines and educational programs
   b. Product innovation for ease of use
   c. Increased sales force capacity
3. Offer an entry-level solution to reach emerging, price-sensitive, high-growth markets
4. Build and strengthen position in vascular surgery through:
   a. Dedicated system (MiraQ Vascular) & probes
   b. Building position with societies and KOLs
5. Expand direct market coverage

7.4 Technology and Products

Medistim's medical devices are used to improve quality of cardiovascular surgery and are subject to high requirements and product certifications with regards to quality and safety, and require high competence and excellent quality systems.

Technology

Medistim's blood flow measurement (TTFM) and high-frequency ultrasound imaging (HFUS) systems measure, monitor and image blood flow through veins or arteries with precise accuracy during surgery.

The solution comprises two different modalities: a quantitative measuring modality (TTFM) and a qualitative imaging modality (HFUS).

The probes constitute the sensor technology that get connected with the patient's blood vessels. The flow probes are placed on a blood vessel, with the volumetric flow measured and analyzed by the system unit and displayed on-screen as blood flow curves, values, and images. The imaging functionality provides surgeons with real-time guidance during surgery and enables them to uncover possible causes of poor blood flow, correct technical problems, and achieve optimal clinical outcomes.

Transit Time Flow Measurement-TTFM

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

The MiraQ offers the fastest and most accurate flow measurements, verifying graft patency while the patient is still on the operating table.

High-Frequency Ultrasound Imaging – HFUS

Ultrasound Imaging can generate images of target areas by transmitting ultrasound pulses and receiving different echoes depending on density. To help locate and understand technical imperfections during blood vessel surgery, the high frequency ultrasound imaging probe can image areas of concern on a real-time basis and reveal morphological (structural) 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 (connections).

Imaging of the major carotids blood vessels in the neck after carotid endarterectomies (CEA) can reveal technical imperfections that may lead to thrombus formation and stroke if left unrepaired. Medistim also provides equipment for Doppler measurements of blood flows. However, this technology is increasingly being replaced by HFUS.

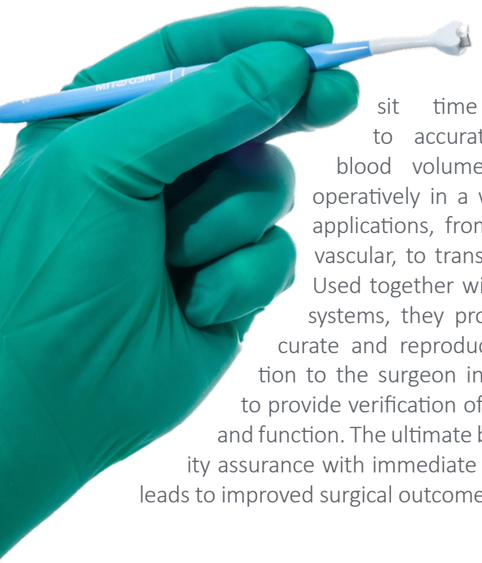
Products

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

Solutions for cardiac and vascular surgery

The MiraQ™ is Medistim's most advanced product line with configurations for both cardiac and vascular surgery. The MiraQ platform offers specialized configurations for cardiac and vascular applications in the products MiraQ Cardiac and MiraQ Vascular, respectively. The application specific MiraQ product families provide a specialized application menu with a customized user interface adapted to the cardiac and vascular surgeons' requirements, as well as probes tailored for cardiac and vascular applications. The MiraQ is also available with both configurations, as the MiraQ Ultimate.

TTFM probes (cardiac and vascular family)



Flow probes utilize the reliable transit time technology to accurately measure blood volume flow intraoperatively in a wide range of applications, from cardiac and vascular, to transplant surgery. Used together with Medistim's systems, they provide fast, accurate and reproducible information to the surgeon instantaneously to provide verification of graft patency and function. The ultimate benefit is quality assurance with immediate feedback that leads to improved surgical outcomes.

Imaging probe

Medistim's imaging probes are used to provide interoperative surgical guidance. 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. Medistim's flow probes can be used 50 times and the imaging probe can be used 100 times and even more if treated properly. All the electrical components in use comply with environmental standards for electronic waste.

7.5 Research and Development

Medistim continuously invests in existing and new products to keep it's innovation leadership position and meet the surgeons' increasing requirements for sophisticated tools for quality verification. In 2020 The company invested 5.6 % of annual sales of own products in research and development (R&D).

Upgrade of the MiraQ platform

In June 2020, the company released an upgrade of the MiraQ platform, providing improved general performance, an upgraded ultrasound scanner with compound imaging, as well as some new features.

Product development for increased "ease of use"

In order to grow technology adoption it is pivotal to make the products as easy to learn and use as possible. Medistim is therefore focusing on innovation to develop new features and ensure "ease of use" for the end-customers. The company's Innovation team collaborates closely with a network of surgeons and hospitals to test prototypes and new ideas. The goal is to capture the end-customers' needs and expectations before initiation of costly development projects which are subject to strict regulatory regimes. The ambition is to accelerate product innovation and reduce development time by clarifying product design and functionality before a formal development process is initiated. In 2020, the Innovation team has developed a prototype of a new user interface that will enter into formal development in 2021.

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», is funded by the Norwegian Research Council's BIA Health program with NOK 14.4 million over 3 years. The project which is executed in collaboration with the University College of Southeast Norway and the research institutions SINTEF and NORNER, will be finalized in the first half of 2021.

Medistim considers the project as a unique opportunity to develop and test technology which may improve efficiency and quality of ultrasound probe production in the future.

REQUEST

REQUEST was the first multicenter study documenting the surgical changes from the combined use of Transit Time Flow Measurement (TTFM) and High Frequency Ultrasound Imaging (HFUS).

The primary objective of the REQUEST study was to document how often the combination of HFUS and TTFM performed with Medistim's system 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 1,000 CABG patients were included in the study between April 2015 and December 2017, with participation from seven leading cardiac surgery centers from Europe, USA and Canada led by Coordinating Investigator, Professor David Taggart from the University of Oxford.

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/TIA rate of 1 %.

Professor David Taggart at Oxford university hospital, said when presenting the results of the study: "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."

Professor Taggart continues: "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 main interest in the study was to investigate and document the clinical value of the combined use of TTFM and HFUS, and the company believes the final results provided new insights that may positively impact clinical outcomes and change clinical practice going forward.

The data will support initiatives for further guideline recommendations. Medistim is encouraged by the results and look forward to further analysis and results to become available from the vast patient material in the future.

Surgical Guidance

HFUS of aorta, conduits & coronary targets: Changes in 25% of patients

Quality Assessment

TTFM & HFUS of anastomosis: Revision rate 3%

In-hospital Outcome

MACCE 1.9%
- Mortality 0.6%
- Stroke 0.9%
- Repeat revascularization 0.1%

7.6 Clinical application areas and target markets

Lifestyle diseases such as obesity and diabetes have increased significantly in recent decades, leading to higher prevalence of cardiovascular diseases (CVD) and need for revascularization procedures. CVDs are the most common cause of death in the western world and on the rise in Asian and Latin American countries adopting western lifestyles.

Hospitals and payers for surgery, such as insurance companies, are increasingly requiring documentation of performance and quality control during any procedure, which is expected to support the adoption of Medistim's solution over time.

7.6.1 Market for cardiac procedures

Percutaneous Coronary Intervention (PCI), i.e. the use of stents, covers approximately 80% of the revascularization procedures, with CABG covering the remaining 20%. Clinical trials document superior results achieved with CABG compared to PCI for patients with multi-vessel disease.

The number of coronary artery bypass surgeries performed has been stable over the past several years, at more than 700,000 globally per annum.

A decrease in the number of procedures performed in Western countries in recent years has been compensated by an increase in emerging markets such as China, India and Russia. Globally, Medistim expects a stable to growing trend in coming years.

Approximately 80% of CABG procedures are on-pump procedures while 20% are off-pump. Both are equally relevant for Medistim's technology for TTFM and HFUS. The U.S. is the single largest market for Medistim's products, representing about 30% of the world market, with a combined European market of a similar size.

Large untapped market

To date, Medistim has installed about 3,000 systems in more than 65 countries, and Medistim's flow meters have been used on more than two million patients worldwide. Medistim is the clear market leader in its niche, and its systems are currently being used in more than 33% of all bypass surgeries performed worldwide. Competing providers using the transit time measurement principle are estimated to be used in about 7% of the procedures performed.

This implies that no equipment is being used to verify blood flow in about 60% of the bypass surgeries. This untapped market represents Medistim's largest opportunity.

Medistim expects market penetration and market share to increase gradually, as surgical quality assurance gains more attention and the superiority of the Company's solutions gain wider acceptance.

Total value of the global TTFM market for CABG is estimated to NOK 1 billion per year.

A unique product offering

Adding intraoperative ultrasound imaging more than doubles Medistim's market potential, due to an expanded number of applications and higher pricing compared to traditional flow measurement technology. The total market size within cardiac bypass surgery is therefore estimated at around NOK 2 billion annually.

MiraQ's imaging functionality makes the system relevant also for other types of cardiac surgery, such as heart valve surgery. Medistim estimates this added market potential to be approximately NOK 1 billion on an annual basis. This market represents an add-on opportunity to widen the use of the device beyond CABG only and is not considered an independent commercial strategy.

The combination of Medistim's ultrasound imaging technology and the MiraQ platform represents a unique and differentiated product offering in this market segment, which provides Medistim with a competitive advantage.

Medistim recognizes the value of clinical documentation and has initiated clinical studies to support verification of the impact from its solutions on CAGB surgery. The published results from the REQUEST study in 2020 proved the clinical value of adding HFUS to TTFM and the advantages of combining the two modalities are increasingly being recognized by the medical societies and cardiac surgeons.

Guideline endorsements

Inclusion in the leading health organizations' guidelines for clinical surgery is vital to achieve «Standard of Care» status for TTFM and HFUS in coronary bypass surgery. Medistim engages in continuous dialogue with a broad range of organizations to increase awareness of and knowledge on the company's solutions.

Currently, TTFM during CABG procedures are endorsed by the guidelines from the European Society of Cardiology (ECS), the European Association for Cardio-Thoracic surgery (EACTS), and The British National Institute for Health and Clinical Excellence (NICE). All are highly respected organizations and their recommendations are expected to influence clinical practice also in countries outsides their jurisdictions, including in the U.S.A.

The health care providers and surgeons performing CABG procedures are conservative and it is hard to measure the direct effect from recommendations and studies. However, it is Medistim's experience that the recommendations have influenced demand positively during 2019 and 2020 and expects increasing recognition to continue to support demand in the years to come.

Penalties for readmissions

Several countries are going through reforms to make quality healthcare available to a growing population in a financially sustainable way.

This includes demands for higher quality procedures with less errors and re-interventions. In the U.S., the Centers for Medicare and Medicaid Services have, for example, cut reimbursement for 30-days re-admission after CABG as a penalty if hospitals have not been able to deliver and document high quality surgical results. Implementing technology that provides intraoperative surgical guidance and quality assessment is one way of achieving and document improved quality and outcomes.

Installed base conversion

Medistim expects several hospitals to upgrade current systems to the more advanced MiraQ system. It offers a wider range of uses and the system's imaging functionality provides valuable additional information to current TTFM, increasing the economic value for the users.

7.6.2 Market for Vascular Surgeries

Applications	# of procedures	Clinical needs
Peripheral bypass	> 200,000	Improve long-term graft patency | Improve quality of life
CEA	> 200,000	Reduce risk of death and stroke | Improve cost effectiveness
AV Access	> 200,000	Secure maturation of shunt/fistula |Reduce risk of cardiac failure and hand ischemia

Medistim has a strong position in the vascular market in the Nordic countries and in Germany and is working to build similar positions in other markets as well. Medistim's focus areas within vascular surgery include peripheral bypass, carotid endarterectomy (CEA) and arteriovenous (AV) access surgery.

Peripheral bypass surgery is primarily performed on the major arteries in the legs, whereas CEA is a procedure where blockages in the neck arteries are surgically removed to reduce risk of stroke. AV access surgery is performed to create a successful shunt or fistula that are used to connect a patient in need of dialysis to a dialysis machine. The MiraQ Vascular solution supports all three types of interventions with ultrasound imaging and blood flow measurements guiding the surgeon during the procedure to assure the quality of the clinical outcome. The MiraQ Vascular is a "versatile tool for a variety of applications."

Medistim's integrated and customized solution for vascular surgery represents a substantial revenue potential and increasing the market share is a part of Medistim's growth strategy. The global vascular market is estimated at approximately 600,000 procedures annually, based on the selected application areas, and represents a substantial growth opportunity for Medistim. The company estimates that the vascular market has an annual revenue potential of NOK 1 billion.

The CIDAC study

Clinical support and studies are key enablers for Medistim to increase market penetration, also in vascular surgery.

In May 2020, the CIDAC (Comparison of Intra-operative Duplex Ultrasound and Angiography after Carotid Endarterectomy) study was published in the European Journal of Vascular and Endovascular Surgery (EJVES). The results demonstrated that HFUS detected significantly more high-grade defects that needed revision compared to angiography, and with significantly higher interobserver reliability. The authors conclude that given the lesser invasiveness, HFUS could be considered as an alternative to angiography for intra-operative completion control in CEA, further strengthening the support of using Medistim's ultrasound imaging device and probe for reducing the risk of stroke after CEA.

7.7 Geographical target markets

Medistim is the undisputed market leader in the global CABG market with a strong position in core geographical markets.

USA

Representing about 30% of the global CABG market, USA is the most important market for Medistim, accounting for 43% of total revenue from own products in 2020.

The US subsidiary has 25 employees with sales representatives covering all states, all of which have extensive healthcare experience. The company has had direct sales operations in the US since 2007. Medistim has over 600 systems installed in the US.

In addition to regular sales activities, the commercial strategy includes cooperation with influential surgeons and key opinion leaders at leading cardiac centres. Company representatives are in close dialogue with medical associations like The American Association for Thoracic Surgery (AATS) and The Society of Thoracic Surgeons (STS), to motivate these organizations to include Medistim's equipment in guidelines for standard of care for CABG.

The US CABG-market is underdeveloped, with less than 30% of surgeries performed with support from medical systems ensuring proper blood flow. Medistim has a market share of approximately 23 % of a total market of approximately 200,000 annual bypass surgery procedures and sees a substantial market potential due to the still low penetration of CABG surgery support systems.

To strengthen its offering, Medistim has introduced a flexible business model for the US market. In addition to traditional capital investments and purchase of consumables, hospitals can choose to either pay per procedure or enter leasing agreements. Under these agreements the systems are placed at the hospitals free of charge, with the customer purchasing a "per surgery" smartcard or paying a monthly lease.

Europe

Europe represents Medistim's second largest market. The main European markets are served through direct in-country operations, while remaining markets are covered by distributor agreements.

Nordic countries

Medistim has a strong position with all cardiac centres in Norway, Sweden, Finland and Denmark, with directs sales in Denmark since 2011. Several vascular centres also have Medistim systems that are being used on a regular basis. The market share of CABG procedures is above 70%. Both markets are mature, with revenues mainly generated from sale of consumables and irregular replacement of old systems. In Norway and Denmark, Medistim also operates as distributor for other surgical products.

Germany

Germany is the largest market in Europe, with about 44,000 CABG procedures performed per year and Medistim has had direct representation there since 2002. Medistim has a high penetration within coronary surgery in Germany with a market share of more than 80% but still have opportunities for growth by converting customers to become both flow and imaging users. The vascular market represents an opportunity for continued growth.

United Kingdom

In the UK, Medistim has had direct representation since 2012. Some 16,000 CABG procedures are performed in the UK every year, and Medistim's equipment is currently used in about 10% of these.

Market penetration in the UK has taken longer than anticipated, and sales are still modest compared to the perceived potential. Medistim expects increased adoption of TTFM and HFUS following the 2018 update to the NICE recommendation for use of Medistim's solutions. The company has also established a solid reference centre in Oxford through the REQUEST study, further supporting marketing of Medistim medical solutions.

Spain

Medistim established direct representation in Spain in 2017. Around 7.000 coronary artery bypass surgery (CABG) procedures and 8,000 vascular procedures are performed per year.

Medistim has an installed base of 80 systems, most of them on the VeriQ platform and older versions. These versions only include TTFM and do not support imaging modality.

Medistim sees great potential in upgrading of 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 about 80% of all coronary surgical procedures as the installed base is primarily in cardiac centres. This indicates an untapped potential in the vascular market, which represent only a small number of Medistim's installed base.

European distributor markets

Elsewhere in Europe, Medistim is represented through distributors. This includes countries such as Russia, Poland, Italy and France which are considered as promising long-term growth markets.

Asia

Japan

With over 90% of all CABG procedures using Medistim technology for blood flow measurement systems and ultrasound imaging, Japan is one of the most developed markets for Medistim's solutions. The Japanese market counts some 13,000 procedures annually.

China

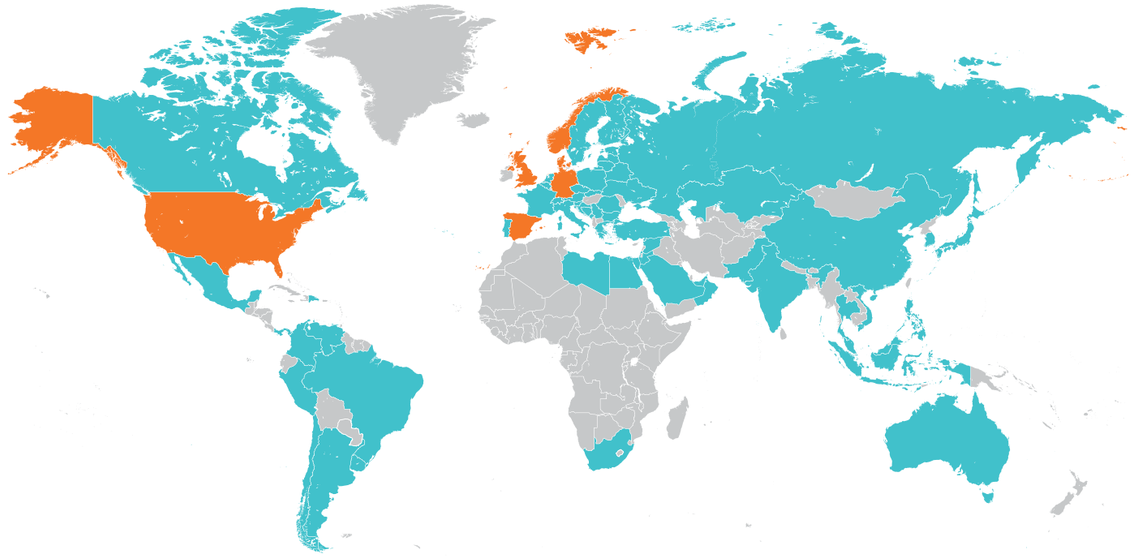
About 50,000 CABG procedures are performed annually and Medistim's share of this market is about 45%.

India

Approximately 100,000 CABG procedures are performed annually. Medistim's market share is below 1%. This is an interesting target market for Medistim and with the new distributor partnership with LivaNova, it is expected that the Indian market will become a future driver for growth.

Other markets

Medistim has established distributor partnerships with Medtronic in Canada and LivaNova in Australia and is experiencing positive development in these markets. The company has a high market share in the Middle East, while Latin America to date represents a very small part of business activities.



8. CORPORATE GOVERNANCE REPORT

Medistim depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and maintain trust and confidence in the company and ensure long-term value creation in the best interest of the company's shareholders.

8.1 Implementation and reporting on corporate governance

Medistim is a Norwegian public limited company listed on Oslo Børs, and bases its corporate governance structure on Norwegian legislation and recommended guidelines.

The company therefore seeks to align with the Norwegian Code of Practice ("Code" or "Code of Practice") for Corporate Governance, last revised 17 October 2018, issued by the Norwegian Corporate Governance Board (NUES).

This report discusses Medistim's main corporate governance policies and practices and how Medistim has complied with the Code of Practice in the preceding year. Application of the Code is based on the "comply or explain" principle, and any deviations from the Code is explained under each item.

The company's corporate governance policy and practices is subject to annual review by the Board. In 2021, Medistim will focus on updating its governance documents and practices and aligning with the recommendations by the Code of Practice where relevant.

8.2 Business activity

Medistim's mission is to deliver pioneering and cost-effective solutions to health-care providers, patients and payers in the global surgical market. Its Ultrasonic Surgical Guidance & Quality Assessment systems are built for intuitive imaging of vascular morphology and instant assessment of blood flow. With its tools, Medistim help surgeons improve surgical quality to reduce adverse events and re-interventions, and ultimately improve the patients' quality of life.

The company's business scope is clearly described in section 3 in the articles of association: "to conduct research, development, production, distribution and sale of medical equipment through its own business or through participation in other companies, as well related activities".

Medistim was founded in 1984 and develops innovative technology and devices which increase the probability of a positive outcome of surgery for patients and enable greater efficiency and lower costs for health care providers by reducing additional and unnecessary surgical re-interventions. The company's long-term objective is to make its solutions "standard-of-care" in the operating room.

The board has developed a clear strategy to effectively commercialize its existing product portfolio worldwide. Risk management and internal control systems are in place to manage operational and financial risks. A description of the key risk factors and risk management can be found in the board of director's report in the annual report.

The company has prepared a code of conduct including principles for ethical behavior, trade and anti-corruption that applies for all employees. A separate report on how these guidelines and procedures are integrated with the company's activities and how they relate to value creation for the company's stakeholders can be found in a separate "sustainability" chapter in the annual report for 2020.

The company's objectives, strategies and risk profile are subject to annual review by the Board.

Deviations from the Code of Practice: None

8.3 Equity and dividend

At 31 December 2020, the company's equity was NOK 257 million, which is equivalent to 74% of total assets. The board continuously evaluates the company's capital requirements to ensure that the company has a suitable capital structure considering its objectives, strategy and risk profile.

Medistim's shareholder policy is to maximize shareholder value. This will be achieved through sound business development and an aggressive growth strategy. Medistim will seek to provide annual dividends, depending upon the company's financial capacity and financing needs to ensure future growth. The company will at all times ensure that it has the financial capacity and equity to achieve future plans for growth.

The Board of Directors proposes to pay a dividend for 2020 of NOK 3 per share (NOK 54.6 million) based on the financial results for the year. For 2019, the company paid a dividend of NOK 2.75 per share, corresponding to NOK 50 million and a dividend payout ratio of 71%. Over the past ten years, Medistim has paid a total of NOK 326 million in dividend to shareholders, corresponding to an average payout ratio of 76 %.

At the annual general meeting on 28 April 2020, the board was granted two authorizations:

1. Authorisation to increase the share capital up to NOK 458,433,25 by issuing 1,833,733 new shares at par value of NOK 0.25. The authorisation covers both cash and non-cash considerations, including mergers. As at 31 December 2020, the authorisation had not been used.
2. Authorisation to purchase own shares for up to NOK 458,433,25, equal to 1,833,733 new shares at par value NOK 0.25. The authorisation can be used for financing purposes, acquisitions or other commitments related to strategic or industrial partners. As at 31 December 2020, the authorisation had not been used.

Both authorizations are valid until the next annual general meeting. There was a separate vote on each of the two authorizations. For supplementary information, see the minutes of the annual general meeting available from www.medistim.com.

Deviations from the Code: None

8.4 Equal treatment of shareholders and transactions with closely related parties

Medistim has one class of shares. Each share carries equal voting rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

In the event of a capital increase based on an authorization from the annual general meeting, where the pre-emptive rights of shareholders are set aside, the company shall provide reasons for the action in the stock exchange release in which the capital increase is announced. There were no such events during 2020.

Any transactions in own shares, i.e. a share buy-back program, will be carried out either through Oslo Børs or at otherwise at stock exchange prevailing prices. If there is limited liquidity in the company's shares, the company will consider other ways to ensure equal treatment of all shareholders. There were no transactions in own shares during 2020.

When there are major transactions between the company, its shareholders, subsidiaries, members of the board, leading employees or other close related parties, an evaluation will be performed by an independent third party. The general meeting will treat the matter according to law and jurisdiction for Norwegian public companies. There were no such transactions in 2020.

Deviations from the Code: None

8.5 Shares and negotiability

The shares of Medistim are freely negotiable. There are no restrictions on owning, trading or voting for shares in the company's articles of association.

Deviations from the Code: None

8.6 The general meeting

The general meeting is the company's highest decision-making body. The general meeting is open to all shareholders, and Medistim encourages shareholders to participate and exercise their rights at the company's general meetings. The board, or shareholders representing at least five percent of the shares, may call for an extraordinary general meeting when deemed necessary.

Notice will be sent to shareholders minimum 21 days before the meeting as required by law. The agenda, related documents and information about the issues to be considered will be included in the notice.

To participate, shareholders will have to register at the latest one day before the meeting. Shareholders unable to attend, may vote by proxy. Guidelines for proxy voting is given in the notice documents, with the opportunity for separate voting instructions.

The board of directors is represented at the meeting. The chairperson of the board normally chairs the general meeting, but if deemed necessary it will be arranged with an independent chair for the meeting. The company's auditor and nomination committee will participate at the meeting.

In 2020, Medistim held its annual general meeting on 28 April with 85.88% of the shares represented.

There were no extraordinary general meetings during the year.

Deviations from the Code: The Code recommends that shareholders shall be able to vote on each individual candidate nominated for election to the board and nomination committee, including in the proxy form. The company has historically practiced combined voting for all nominated candidates but will consider changing this practice from 2021.

8.7 Nomination committee

Medistim has established a nomination committee, as regulated in the articles of association section 7. The committee consists of three members elected by the general meeting for a term of two years.

The guidelines for the nomination committee is governed by the company's articles of association, which stipulate that members of the nomination committee shall be shareholders in the company or shareholder representatives when elected as committee members.

Name	Role	Considered independent of the main shareholder and management	Representing a specific shareholder	Served since	Term expires	Participation in nomination committee meetings in 2020
Bjørn Henrik Rasmussen	Chair	Yes	Follum Capital	2009	AGM 2021	100%
Asbjørn Buanes	Member	Yes	Asbjørn Buanes	2005	AGM 2021	100%
Kristin Eriksen	Member	Yes	Salvesen & Thams	2018	AGM 2022	100%

The nomination committee is responsible for suggesting candidates to the board of directors and yearly compensation to the board and board committees. Proposals for candidates to the board must be sent to the nomination committee at latest 14 days before the notice of the general assembly is distributed.

Remuneration of the members of the nomination committee is determined by the general meeting.

Deviations from the Code: The Code recommends that the committee's recommendations should provide a justification of how its proposed candidates take into account the interests of shareholders in general and the company's requirements. Medistim has historically not provided such justification, but the company will consider changing its practice from 2021.

8.8 Board of directors, composition and independence

The board of directors shall constitute of three to six directors as regulated in the articles of association section 5. The board and the chairperson are elected by the general meeting for a period of two years and may be re-elected. The nomination committee ensures that not all board members are up for election at the same time. At 31 December 2020, the board consisted of the following five directors:

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation board meetings 2020	Share ownership in Medistim (direct/ indirect)
Øyvin A. Brøymer	Chair	No	2000	AGM 2021	100%	10.91%
Bjørn M. Wiggen	Deputy Chair	No	2014	AGM 2022	100%	10.16%
Lars Rønn	Director	Yes	2010	AGM 2022	100%	0.01%
Siri Fürst	Director	Yes	2013	AGM 2021	100%	0.01%
Tove Raanes	Director	Yes	2014	AGM 2021	100%	0.01%

The composition of the board is based on representation of the company's shareholders, as well as the company's need for competence, experience, capacity and ability to form balanced decisions. Information on each director's expertise, background and capabilities can be found on the company's website www.medistim.com.

The nomination committee has evaluated all the directors to be independent of the company's executive management and material business contacts. Three out of five members are regarded as independent of the company's main shareholders. The independence of board members is also evaluated by the board

Deviations from the Code: None

8.9 The work of the Board of directors

The board has the ultimate responsibility for the management of the company and for supervising management, while the CEO is responsible for the day-to-day management.

The board has adopted instructions for the board and the CEO, which are focused on determining allocation of internal responsibilities and duties. The board normally meets six to seven times a year, while the CEO and Chair has continuous dialogue on the company's development.

The board has implemented procedures to ensure that members of the board and executive personnel make the board aware of any material (direct or indirect) interests that they may have in items the company is about to enter. The board will also be chaired by some other member of the board if the board is to consider matters of a material character in which the chair of the board is, or has been, personally involved.

The entire board functions as the audit committee. The board has, considering the size of the company, deemed it unnecessary to appoint other steering committees based upon the issues considered by the board in 2020.

The board conducts a self-assessment of its work once per year.

Deviations from the Code: The entire board functions as the audit committee. All board members are independent from the company's management, and has collectively the competence required, including accounting and auditing experience.

8.10 Risk management and internal control

The board carries the responsibility to ensure that the company has sound and appropriate internal control systems and risk management systems reflecting the extent and nature of the company's activities. Sound risk management is an important tool to create trust, ensure good environment, health and safety standards and enhance value creation. Internal control should ensure effective operations and prudent management of significant risks that could prevent the company from attaining its targets. The board holds at least one meeting a year with the auditor, to review the company's internal control routines, including identified weaknesses and areas subject to improvements.

Medistim complies with all laws and regulations that apply to the group's business activities. The group's ethical guidelines, anti-corruption policy and code of conduct for ethical trade describes the main principles for ethical behavior which applies to all employees and suppliers. A quality manual has been prepared based on internationally recognized quality standards, to ensure that the company delivers high quality products and services in accordance with product specifications, relevant acts and regulations. The guidelines and quality manual are subject to annual review by the board in connection with the evaluation of the company's internal control and risk management. Medistim is also subject to strict medical rules and regulations, requiring close monitoring and frequent audits of medical equipment and the company's practices concerning health, safety and environment (HSE).

Medistim prepares its accounts in accordance with the International Financial Reporting Standards (IFRS), which are intended to give a true and fair overview of the company's assets, financial obligations, financial position and operating profit. Before each board meeting, the board receives reports from management on operational developments and financial results, which is compared against budget, strategy approved by the board and last year's performance. In addition, quarterly reports are prepared in accordance with the recommendations from Oslo Børs, which are reviewed and approved by the board prior to disclosure.

The board has an annual meeting to review the company's strategy for the next three years, risk exposure and such internal control arrangements. A summary of the main risks is presented in the director's report in the annual report.

Deviations from the Code: None

8.11 Remuneration of the board of directors

The board of directors receives a fixed yearly compensation decided by the general assembly, based on the nomination committee's recommendation. The remuneration reflects the board's responsibilities, competence, time involved and the complexity of the business.

The remuneration of the board members is not performance based and the company does not grant share options to any board members. No loans are provided to board members.

The board members, or companies with which they are associated, have not been engaged in specific assignments for the company in addition to their appointments as members of the board.

More information on remuneration to the board can be found in note ***21*** to the annual accounts.

Deviations from the Code: None

8.12 Remuneration of executive personnel

The main principle of Medistim's executive remuneration policy is that the compensation shall be competitive and provide the motivation to attract and retain individuals with the required competence.

The board determines remuneration for the CEO, while the CEO determines remuneration for the management team and leading employees. Compensation of the management is based on market terms and evaluated on a yearly basis. The principles have remained the same over several years. These principles are also the basis for future evaluations. Remuneration of the CEO includes a share-based incentive plan.

The executive remuneration consists of a fixed salary and a variable part linked to the company's targets, and pension schemes. No executives will receive additional compensation when leaving the company.

Details on executive remuneration can be found on note ***21*** of the annual accounts.

Deviations from the Code: The Code recommends that the company's guidelines are included as a separate appendix to the notice calling for the general meeting. The guidelines should inform which aspects that are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines. Further, the Code recommends that the guidelines contain information on criteria related to performance related remuneration, which should be subject to an absolute limit. Medistim includes a general description of the company's guidelines for remuneration in the annual report, alongside information on remuneration to each director. Executive remuneration is treated as one item by the general meeting.

8.13 Information and communications

The board has adopted a shareholder and information policy which sets the basic principles for the company's communication and dialogue with capital markets participants. The company is committed to provide its shareholders timely, relevant and accurate information on the company's developments and plans. Communication with stakeholders shall be based on the principles of equal treatment and transparency in order to build trust and stakeholder confidence. The responsibility for the company's investor relations activities lies with the CEO and the CFO.

Medistim's IR activities shall help capital markets participants to make an informed view on Medistim as an investment case, including its financial situation and prospects, which will contribute to optimize the cost of capital and support a fair valuation of the company's shares. The company does not give any guiding on future sales and results.

Medistim provides interim reports in line with Oslo Børs' recommendations. Presentations are given in connection with the disclosure of the interim results to provide an overview of operational and financial developments. The presentations are open to the public and made available through a webcast.

All information is provided in English, and is distributed to the company's shareholders through Oslo Børs' news channel www.newsweb.no and on the company's website www.medistim.no.

Deviation from the Code: The company has not prepared any policy or guidelines specifying who is entitled to speak on behalf of the company or regulating communication with shareholders outside general meetings, as recommended by the Code. As a general principle, the board has decided that the company's spokespersons are the CEO and CFO on investor matters, while the CEO handles media and other inquiries.

8.14 Takeovers

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 meeting and the board of directors will give their recommendation related to a potential offer for the company's shares.

Deviations from the Code: The board has not established separate guidelines in the event of a take-over bid as recommended by the Code. Take-over bids are usually specific, one-off, events which makes preparation of guidelines challenging. In the event of a take-over process, the Board will ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The board will further seek to comply with the relevant recommendations from the Code.

8.15 Auditor

BDO AS has been the company's auditor since 2010. The auditor is considered independent of Medistim ASA. The board receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been satisfied.

The auditor participates in the board meeting dealing with the annual accounts. In this meeting, the auditor gives their views on accounting matters and principles, risk areas and internal control. The auditor participates in other board meetings on the request from the board when the board wants to get the auditors view in a specific matter.

Remuneration paid to the auditor is set by the general meeting and described in the notes to the annual accounts. The auditor attends the annual general meeting.

Deviations from the Code: The board has not established separate guidelines on the use of auditor for other purposes than auditing, as recommended by the Code. Only the CEO or the CFO hires services from the auditor. If deemed necessary, the auditor is consulted for mechanical tax issues. For other matters, other advisors will be consulted.

Dating its governance documents and practices and aligning with the recommendations by the Code of Practice where relevant.

9. SUSTAINABILITY REPORT

9.1 Strengthening human health through improved surgery

Medistim develops and sells products improving patients' quality of life and supporting effective health care systems by enhancing quality during surgical procedures. The quality assurance improves surgical outcomes and increases the likelihood that the procedure is performed in a correct manner the first time.

This benefits patients, the health care system and reduces negative impacts and cost for society at large.

Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis, and thereby help improve the quality and outcome of cardiac and vascular surgery.

Medistim's organization and culture are key drivers for stakeholder value creation. The culture is built on its four core values, which guides the daily activities.

The Board of Directors has the overall responsibility for aligning Medistim's strategy and sustainability considerations, while the day-to-day responsibility lies with the CEO, supported by the Group management.

Medistim operates in a highly regulated market with regards to product quality, safety and compliance with requirements. The company has a history of technical innovation and financial growth. It recognizes sustainability as an important part of product and service development and operations, and that it is a key contributing factor to the long-term growth and value creation for all stakeholders.

Contribution to UN Sustainable Development Goals (SDGs)

Medistim supports the UN SDGs.

The company considers its greatest impact is to strengthen human health through improved surgery by providing high quality medical devices meeting strict safety requirements.

SDG 3.4 specifies a targeted reduction of premature mortality by 2030 from non-communicable diseases through prevention and treatment of amongst other cardiovascular disease.

The company also supports SDG target 12.6 by adopting sustainable business practices and integrating sustainability information into its reporting cycle.

Stakeholder engagement and materiality

In early 2021, Medistim conducted a materiality analysis following a stakeholder identification process. Investors, distributors, suppliers and employees were identified as key company stakeholders and invited to participate in the materiality analysis via a digital survey, followed up with selected in-depth interviews. The stakeholders were asked to grade the importance of ESG related factors, based on the SASB materiality map and selected additional factors, by importance for Medistim. A total of 46 stakeholders participated in the survey. Their answers combined with interviews and a weighting of the stakeholder groups provided the external stakeholder ranking of the ESG factors. This was contrasted with the responses of an internal Medistim working group and summarized in the above materiality matrix.

By summarizing the factors identified through the analysis, Medistim has defined the following themes as material to the company.

The themes form the foundation for this report:

- *Product stewardship*
- *Responsible business*
- *People*

Priorities going forward

This is the company's first ESG report. Medistim will continue to work with the material topics identified and consider initiatives on how the company can improve performance for a more sustainable business conduct. This will include seeking to develop relevant ESG KPI's related to Medistim's activity.

9.2 Product stewardship

Patient safety is Medistim's absolute priority as a producer of medical devices. This means focusing on quality and compliance with applicable international and national laws and regulations. Increasingly, in line with stakeholders' priorities, the company is working to reduce the environmental impact of Medistim's products, manufacturing process and distribution.

Product quality and safety

Medistim develops and produces medical devices used to improve quality of cardiovascular surgery. The products are subject to high quality and safety requirements and product certifications and require high competence and excellent quality systems.

Medistim's quality management system (QMS) consists of a quality manual, policies and procedures

that shall ensure that its products and services are delivered in accordance with relevant acts, regulations and requirements. The company's QMS is based on the ISO 9000:2015 and ISO 13485:2016 standards, and complies with national and international standards, rules and regulations for manufacturers and suppliers of medical devices. The QMS consists of a set of policies, standard operation procedures, forms and work instructions to ensure that the products meet required quality and safety standards.

Medistim relies on third-party suppliers to achieve desired quality results for products and services. All vendors of products, raw materials and services used in the design, development, production and servicing of Medistim medical devices are subject to supplier qualification. This includes consulting services that can affect the quality management system and product quality. The QMS also include procedures for selecting, assessing and approving third-party suppliers such as supplier audit programs and necessary documentation to verify quality and ensure traceability.

The QMS is subject to regular reviews by the management team. Employees are trained on the company's quality policies and standard operating procedures which are continuously evaluated and refined. All reports of adverse events and / or product complaints are promptly investigated and addressed. Adverse events are reported to applicable health authorities according to procedures.

Medistim had no quality incidents affecting patient safety that led to any market actions or need for reporting to health authorities e.g. product recall or field corrective action in 2020.

Product lifecycle and environmental footprint

Medistim has prepared an environmental policy, last updated in 2020, to increase environmental focus, ensure sustainable operations and reduce its environmental footprint.

The company's direct environmental impact relates primarily to the production facilities in Horten, the distribution to European countries and the US as well as some traveling in connection with sales activities. Medical equipment is distributed by postal services with commercial logistics providers based in the Nordic region. When traveling, employees are encouraged to take environmentally friendly options into considerations, by coordinating activities and meetings in order to minimize the number of flights. Employees are further encouraged to reduce consumption and waste generated from their daily business activities. Medistim has established routines for management of chemicals and waste.

The lifetime of Medistim's products is defined either by the number of use or expected time of performance after distribution to the market. Average lifetime of the MiraQ machines is seven years. Flow probes can be used 50 times and the imaging probe can be used 100 times and even more if treated properly. All the electrical components in use comply with environmental standards for electronic waste. Hospitals and treatment centers are responsible for safe disposal of the equipment when it has reached end-of life.

All vendors of products, raw materials and services used in the design, development, production and servicing of Medistim medical devices are subject to supplier qualification. All relevant materials used are subject to biocompatibility testing to ensure is not harmful for the patient or operator. All equipment which is in contact with human tissue is designed to withstand required sterilization processes.

Product risk management

Risk management of Medistim's products' life cycle is based on current standards, regulations and national legislation related to medical devices, clinical experience and documentation with these and similar devices as well as state-of-the-art technology. The company's product risk management procedures are governed by the QMS.

9.3 Responsible business

Ethical business conduct

Compliance with national, regional and international laws and regulations is mandatory in all of Medistim's activities, but good business ethics goes beyond mere compliance. In order to live up to the company's mission and values and achieve its strategic goals, everyone is responsible for acting in a manner that safeguards the interests of Medistim and its stakeholders. This way, Medistim will continue to build trust and credibility as a foundation for sustainable operations over time.

Medistim's framework for good business conduct includes ethical guidelines and an anti-corruption handbook that together shall ensure compliance and sustainable operations across the company and its supply chain.

The ethical guidelines, which were last updated in 2020, are built on central UN and ILO conventions and principles for human and labor rights and reflects Medistim's values and ethical view on good business conduct. The guidelines clarify Medistim's expectations to employees' behavior and cover areas such as discrimination and harassment, substance abuse, confidentiality and protection of information, privacy protection, conflicts of interest, communication, inside information and whistleblowing.

Medistim is committed to a zero-tolerance policy of corruption, which means that the company strictly oppose all forms of corruption. The anti-corruption handbook describes and explain the company's anti-corruption policy and how employees shall act to avoid any illegal or unethical situations in relation to existing and potential business partners.

The ethical guidelines and anti-corruption manual are applicable to all Medistim's employees, including subsidiaries, consultants, and directors, as well as business partners for sales and distribution. All employees and partners must approve in writing that the guidelines are read and understood. This is also followed up after revisions and updates to the guidelines. Violation of the guidelines may have consequences for the employment or partner relationship.

Whistleblowing

Medistim has established routines for reporting concerns related to illegal or unethical conduct, including a whistleblowing channel for discrete and confidential handling of any potential reports. There were no reported concerns during 2020.

Responsible selling practices

Medistim is a global leader 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. A standardized sales process has been established to ensure truthful and responsible selling practices as well as clearly defined requirements related to implementation of the solutions. All customer communication is done by trained and authorized personnel.

Medistim has a flexible business model in which prices are adapted to cost level of each relevant individual market. Each distributor has their own pricing list and a model for how the end-price to the customer is split between Medistim and the distributor. The devices are customizable, enabling delivery of basic models with a lower price point.

The company engages in continuous dialogue with a broad range of organizations to increase awareness and knowledge of its solutions. Inclusion in leading health organizations' guidelines for clinical surgery is vital to achieve "Standard of Care" status.

Data security and customer privacy

As a healthcare company, Medistim gathers and stores personal data as part of its research and development practices and business operations. At the same time, personal data is increasingly at risk of being misplaced, stolen or shared without consent.

Medistim recognizes its responsibility of managing the data collected in a responsible manner and keeping the data safe.

The company is subject to laws and regulations that stipulate how personal data can be collected and managed, such as General Data Protection Regulation (GDPR). Strict guidelines and procedures have been implemented with to ensure compliance. This involves regularly reviews and development of the company's internal control systems and risk management processes to continuously improve and address existing and emerging data security and privacy threats. No service is conducted on equipment before patient data have been deleted.

To ensure a modern, secure and well-functioning IT platform, the company has outsourced its IT management to a professional service provider. Any breaches to data security and consumer privacy will be reported and followed up immediately. Medistim registered no data and GDPR breaches and no wrongful sharing of personal customer data incidents in 2020.

9.4 People

Medistim is committed to being a responsible employer and promotes an open and strong corporate culture. The company supports internationally recognized human rights and labor standards, as defined by the International Labour Organization's (ILO) fundamental conventions and the UN Declaration of Human Rights.

Employee skills and job engagement

The ability to attract and retain a skilled workforce is imperative for Medistim to succeed over time. At year-end, Medistim employed 120 people (112), of which 3 were part-time employees.

The company has developed a competence matrix which clarifies required competence and resources needed to ensure the right quality of the products and services provided and to meet customers' needs. Individual training programs are set up for each employee, either when onboarding new workers or after individual evaluations. The training is tailored to each role, tasks and duties and includes tutoring and participation at internal and external courses, seminars and other relevant arrangements.

Working environment

Medistim strives to ensure a good working environment. All employees are entitled to an annual performance review with their immediate supervisor.

Sick leave for the year totaled 3.8% (3.2%). In 2020, Medistim moved its production facility to new and more functional premises, with recreational areas and easy access to massage and chiropractor services. No work-related incidents or accidents were registered in 2020 (0).

Diversity and equal opportunities

Medistim promotes a productive and inclusive working environment, free from harassment, discrimination, and disrespectful behavior. All employees are offered equal opportunities with regards to hiring, compensation, training and promotion regardless of gender, age, ethnic and national origin, religion, sexual orientation, social background or other distinguishing characteristics.

Competence is the main priority when recruiting for new positions. Medistim has fairly equal gender distribution, as the Group traditionally has recruited from environments where women and men are equally represented. The company practices equal pay within the same salary range, but on average Group level men are paid more due to the share of higher-level positions.

Medistim offers full pay during parental leave for both men and women, and in 2020 3.3% of Medistim's female and 1.7% of male employees took parental leave. On average, women took 35 weeks, while men took 9 weeks.

SUMMARY ESG KPIS TABLE

INDICATORS	2020	2019
Working environment, health and safety		
Number of employees	**120**	112
Number/ share of part-time employees	**3**	2
Turnover- number of employees leaving	**6**	3
Employees' co-ownership in the company (% employees owning shares in Medistim)	**4,20%**	4,40%
Sickleave (%)	**3,80%**	3,20%
Number of work-related injuries	**0**	0
Gender balance, % women of group total	**50,00%**	47,30%
Gender balance, % women executive management	**41%**	41%
Gender balance, % women Board of Directors	**40%**	40%
Number of women hired during the year	**2**	7
Number of men hired during the year	**4**	7
Age distribution, employees < 30 years	**4**	5
Age distribution, employees 30-50 years	**63**	56
Age distribution, employees > 50 years	**53**	51
Average salary female employees in NOK	**626 796**	616 318
Average salary male employees in NOK	**795 686**	782 385
All employees incl. management level, womens share of salary per position (Hay Grade)	**711 241**	699 352
Executive management, womens share of salary per position (Hay Grade)	**22%**	18%
Number of weeks for maternity leave (women)	**35**	13
Number of weeks for paternity leave (men)	**9**	0
Responsible operations		
Employees conducted training in ethical guidelines/ Code of Conduct (%)		
Reported whistleblower incidents	**0%**	0%
Reported incidents of corruption	**0%**	0%
Breaches of labor practices in the supply chain	**0%**	0%
Governance		
Number of board members	**5**	5
Independent board members	**3**	3
Average age of board members	**60**	59
% meeting participation	**100%**	100%

10. GROUP CONSOLIDATED FINANCIAL STATEMENTS

10.1 Consolidated Income Statement Medistim ASA Group

INCOME STATEMENT MEDISTIM ASA GROUP			
1 = NOK 1000	***Note***	**2020**	2019
Operating income and expenses			
Revenue		**356 208**	356 914
Other income		**6 927**	6 809
Total revenue	***1,2***	**363 134**	**363 723**
Operating expenses			
Cost of goods sold	***3***	**76 577**	80 138
Salary and social expenses	***4,5,16***	**119 066**	122 016
Other operating expenses	***8***	**48 865**	53 790
Operating profit before depreciation and impairment		**118 626**	**107 778**
Depreciation and amortization on assets	***6,7,12***	**23 141**	18 010
Operating profit		**95 485**	**89 768**
Financial income and expenses			
Total financial income	***9,20***	**14 137**	6 649
Total financial expenses	***9,20***	**18 015**	5 373
Net finance		**-3 878**	**1 276**
Profit before tax		**91 607**	**91 044**
Tax expense	***10***	**22 219**	20 738
Profit for the year	***11***	**69 388**	**70 306**
Earnings pr. share			
Basic	***11***	**3,81**	3,87
Diluted	***11***	**3,80**	3,86
Statement of other comprehensive income			
Net profit		**69 388**	70 306
Items that may be reclassified to profit and loss			
Exchange differences arising on translation of foreign operations		**-965**	-87
TOTAL COMPREHENSIVE INCOME		**68 423**	**70 219**

10.2 Consolidated Balance Sheet Medistim ASA Group

CONSOLIDATED BALANCE SHEET MEDISTIM GROUP ASA			
1=NOK 1000	***Note***	**12/31/2020**	12/31/2019
Assets			
Non-current assets			
Property, plant and equipment	***6***	**64 684**	64 892
Deferred tax asset	***10***	**775**	2 605
Intangible assets	***12***	**32 688**	38 168
Other long term receivable	***19***	**1 885**	1 943
Total non current assets		**100 033**	**107 608**
Current assets			
Inventory	***14***	**112 667**	90 070
Accounts receivable	***15***	**57 485**	62 188
Other receivables	***15***	**3 744**	9 497
Financial instruments	***19***		
Cash	***16***	**71 891**	66 745
Total current assets		**245 787**	**228 501**
Total assets		**345 820**	**336 109**
Equity and liabilities			
Equity			
Share capital	***17***	**4 585**	4 585
Treasury shares	***17***	**-33**	-36
Share premium	***17***	**41 852**	41 852
Other paid in capital	***17***	**5 762**	4 330
Other reserves	***17***	**781**	1 746
Retained earnings	***17***	**203 900**	184 384
Total equity		**256 846**	**236 861**
Non current liabilities			
Long-term debt	***20,19***	**7 580**	4 500
Lease obligations	***7***	**21 652**	22 683
Deferred revenue		**265**	618
Total non current liabilities	**20**	**29 497**	**27 801**
Current liabilities			
Accounts payable		**13 530**	14 828
Income tax payable	***10***	**12 307**	13 646
Other short term liabilities	***17***	**23 610**	33 617
Provisions	***17***	**150**	150
Short-term debt	***20,19***	**9 880**	9 206
Total current liabilities		**59 477**	**71 447**
Total liabilities		**88 973**	**99 248**
Total equity and liabilities		**345 820**	**336 109**

10.3 Consolidated Cashflow Statement

CONSOLIDATED CASHFLOW STATEMENT			
1 = NOK 1000	*Note*	**2020**	2019
Cash flow from operations:			
Profit/loss after tax		**69 388**	70 306
Minus income tax paid	***10***	**-19 045**	-18 961
Plus this years tax expense	***10***	**22 219**	20 738
Plus depreciations	***6,7,12***	**23 141**	18 010
Change in inventory	***14***	**-22 597**	-26 227
Change in accounts receivable	***15***	**4 704**	8 619
Change in accounts payable		**-1 298**	2 891
Change in other accruals		**-2 378**	5 005
Net cash from operating activities		**74 134**	**80 380**
Investing activities:			
Purchase of property, plant and equipment	***6,12***	**-10 639**	**-13 682**
Net cash from investing activities		**-10 639**	**-13 682**
Financing activities:			
Repayment of interest bearing debt	***18,24***	**-3 000**	-3 000
Dividend	***11***	**-50 052**	-40 925
Lease agreements	***7***	**-6 680**	-5 770
Other financing activities	***23***	**1 385**	2 800
Net cash from financing activities		**-58 347**	**-46 895**
Foreign currency effect on cash			**-549**
Net change in cash		**5 147**	19 254
Cash as of 01.01		**66 745**	47 490
Cash as of 31.12	***16***	**71 892**	**66 745**
Available cash and cash withholding			
Available cash as of 31.12	***16***	**65 762**	62 403
Cash withholding for taxes	***16***	**6 130**	4 342
Cash and cash equivalents as of 31.12		**71 892**	**66 745**

10.4 Consolidated Change in Equity for Medistim ASA

CONSOLIDATED CHANGE IN EQUITY FOR MEDISTIM ASA										
1 = NOK 1000	*Note*	**Share capital**	**Treasury shares**	**Share premium fund**	**Other paid in capital**	**Total paid in capital**	**Other reserves**	**Retained earnings**	**Other equity**	**Total Equity**
Net result recognized against equity		**4 585**	**-46**	**41 852**	**2 219**	**48 610**	**143**	**117 951**	**118 094**	**166 704**
Equity as of 31.12.18		**4 585**	**-39**	**41 852**	**3 628**	**50 026**	**1 833**	**154 853**	**156 686**	**206 712**
Total comprehensive 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**
Total comprehensive income for the period		-	-	-	-	-	-965	69 388	68 423	**68 423**
Sharebased payments	***17***	-	3	-	1 432	1 435	-	180	180	**1 615**
Other corrections		-	-	-	-	-	-	-	-	**-**
Dividend	***11***	-	-	-	-	-	-	-50 052	-50 052	**-50 052**
Equity as of 31.12.20		**4 585**	**-33**	**41 852**	**5 762**	**52 165**	**781**	**203 900**	**204 681**	**256 846**

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 2019 this difference was 1746 TNOK and the change for the year was-87 TNOK. By year-end 2020, the equivalent was 782 TNOK a change of-965 TNOK from the year before.

10.5 Accounting Principles

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, 2021.

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 31.12.2020.

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 2020 are same as for the principles used in 2019.

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.

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.

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.

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.

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.

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 method and useful life 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.

Leasing

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.

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. These are operational leases.

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

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.

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.

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.

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-expenditure
- can be reliably 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.

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

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.

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.

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.

Cost related to equity transactions

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

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.

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***.

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 translation differences regarding exchange rate differences.

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.

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.

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.

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.

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.

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.

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.

Of events that has affected future estimates is the COVID 19 pandemic. By-pass surgery is to a large extent elective surgery. When the outbreak of COVID 19 was a fact, several by-pass surgeries where postponed. As a consequence, the activity level within by-pass surgery was reduced compare to normal level. Medistim has over several years had a growth of 7% to 10 % per year, but because of COVID 19 sales in 2020 without growth compared to 2019. The reduced activity level is expected to

be temporarily and to increase above normal for a period to reduce the build up of patient ques.

However, even with a vaccines in place, it is expected that 2021 will have reduced activity level until the vaccine is effective. This means that Medistim anticipate that the situation is back to normal in 2022. The expected COVID 19 effects are included in the estimates and none of the balance sheet values was impaired. See also note ***12***.

Goodwill

The group's goodwill in the balance sheet is yearly tested for impairment. Goodwill occurred with the acquisition of Medi-Stim Norge AS, and the acquisition of Kir-Op AS that was executed with effect from 06.07.06. Total recorded goodwill by year-end 2020 was 14.1 MNOK. 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. 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 2020 was not impaired. See also note ***11*** for the assumptions used in the estimate.

Research and development

Development expenses have been recognized as an intangible asset when 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 carrying amount as of 31.12.2020 was MNOK 18.0. 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. Capitilized 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.

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.

10.6 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 (MiraQ) and consumable (probes)
2. Revenue from lease of equipment (MiraQ and probes)
3. Distribution and sales of third-party products

Category 1 and 2 covers the same equipment (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. Revenue 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:
   a. Payment per procedures
   b. 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. See note ***1*** 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.

Own Products category:

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 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 OPERATING PROFIT PER OPERATING SEGMENT

Segment	Own products		Third party products		Group	
1 = NOK 1000	**2020**	2019	**2020**	2019	**2020**	2019
Sales in USA						
Lease revenue from flow procedures	**52 848**	58 765	**-**	-	**52 848**	58 765
Lease revenue from imaging procedures	**20 686**	19 188	**-**	-	**20 686**	19 188
Probes	**22 636**	24 420	**-**	-	**22 636**	24 420
Systems	**12 022**	10 537	**-**	-	**12 022**	10 537
Ultrasound imaging	**15 011**	18 832	**-**	-	**15 011**	18 832
Ultrasound imaging probes	**3 205**	4 352	**-**	-	**3 205**	4 352
Sales outside USA			**-**	**-**		
Probes	**92 626**	94 985	**-**	-	**92 626**	94 985
Systems	**35 225**	23 047	**-**	-	**35 225**	23 047
Ultrasound imaging	**29 179**	29 725	**-**	-	**29 179**	29 725
Ultrasound imaging probes	**5 219**	5 000	**-**	-	**5 219**	5 000
Third party sales	**-**	-	**67 549**	68 063	**67 549**	68 063
Other revenue	**6 927**	6 809	**-**	-	**6 927**	6 809
Total revenue	**295 585**	**295 660**	**67 549**	**68 063**	**363 134**	**363 723**
Cost of goods sold	**41 494**	42 227	**35 083**	37 911	**76 577**	80 138
Salary and social expenses	**104 522**	107 884	**14 543**	14 132	**119 066**	122 016
Other operating expenses	**42 863**	50 361	**6 002**	3 430	**48 865**	53 790
Depreciation	**20 372**	15 304	**2 769**	2 706	**23 141**	18 010
Operating profit per segment	**86 334**	**79 883**	**9 151**	**9 885**	**95 485**	**89 768**

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

GEOGRAPHICAL SALES SPLIT

Geographic split of segments	USA		Europe		Asia		Rest of the world		Group	
1 = NOK 1000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue own products	**126 408**	136 094	**105 713**	95 801	**46 811**	41 790	**16 651**	21 975	**295 584**	295 660
Revenue 3. party products	**-**	-	**67 549**	68 063	**-**	-	**-**	-	**67 549**	68 063
Revenue in units										
Procedures flow	**47 256**	52 206	**-**	-	**-**	-	**-**	-	**47 256**	52 206
Procedures imaging	**8 803**	10 233	**-**	-	**-**	-	**-**	-	**8 803**	10 233
Probes	**2 606**	2 547	**3 943**	4 269	**1 693**	1 909	**582**	1 012	**8 824**	9 737
Systems	**14**	14	**52**	54	**63**	40	**9**	8	**138**	116
Ultrasound imaging	**12**	19	**19**	20	**19**	25	**9**	15	**59**	79
Ultrasound imaging probes	**95**	117	**36**	25	**26**	28	**13**	25	**170**	195
Lease of flow systems	**10**	6	**-**	-	**-**	-	**-**	-	**10**	6
Lease of flow and imaging systems	**3**	13	**-**	-	**-**	-	**-**	-	**3**	13
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 heart 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

1 = NOK 1000	**2020**	2019
Sales within coronary surgery	**250 482**	252 371
Sales within vascular surgery	**45 102**	43 289
Sales of 3. party products	**67 549**	68 063
Total sales	**363 133**	**363 723**

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 3000 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

SPLIT OF COST OF GOODS SOLD		
1 = NOK 1000	**2020**	2019
Third party products	**37 307**	36 398
Components	**33 023**	37 015
3.party services	**1 983**	2 730
Packing material and other materials	**1 106**	941
Freight	**3 158**	3 055
Total cost of goods sold	**76 577**	**80 138**

Note 4 Salary and social expenses

SALARY AND SOCIAL EXPENSES		
1 = NOK 1000	**2020**	2019
Salary	**94 965**	90 947
Employeers tax	**12 475**	12 299
Bonus	**3 903**	10 458
Cost for contribution pension plan	**4 661**	4 396
Compensation to the Board	**1 350**	1 435
Other social costs	**1 713**	2 482
Total salary and social cost	**119 066**	**122 016**
Average number of employees:		
USA	**23**	22
Germany	**4**	4
UK	**1**	1
Spain	**2**	2
Denmark	**1**	1
Norway	**87**	82
Total	**118**	**112**

AUDIT FEE FOR THE GROUP		
1 = NOK 1000	**2020**	2020
Statutory Audit	**1 053**	1 128
Other services	**154**	344
Total Audit fee	**1 207**	**1 472**

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 salary between 7,1 and 12G. 1G is the base amount in the social security system. Employees in the US follow a pension plan, a 401k match that covers 4 % of salary. The total cost for the contribution plans was in 2020 TNOK 4.661, while it was TNOK 4.396 in 2019. It is compulsory by law for the company to have a pension plan for its employees in Norway. The pension plans in the company fulfill the obligation in the Norwegian law. Employees outside Norway and US do not have a pension plan.

Note 6 Property, plant and equipment

PROPERTY PLANT AND EQUIPMENT								
	Equipment	**Other assets**	**Right to use assets**	**Total assets**	**Equipment**	**Other assets**	**Right to use assets**	**Total assets**
1 = NOK 1000		**2020**				2019		
Historical cost								
Balance 1. January	**76 949**	**17 406**	**34 319**	**128 674**	68 800	15 409	7 487	91 696
Additions	**7 123**	**7 111**	**5 985**	**20 219**	8 328	1 997	25 239	35 564
Adjustments for reassessment and lease modifications	**0**	**0**		**0**	-	-	1 593	1 593
Disposals	**-4 838**	**0**	**-28**	**-4 866**	-178	-	-	-178
31.December	**79 234**	**24 517**	**40 276**	**144 027**	**76 949**	**17 406**	**34 319**	**128 674**
Accumulated depreciation and impairment								
Balance 1. January	**45 447**	**12 688**	**5 648**	**63 782**	40 658	11 352	-	52 010
Depreciation this year	**6 220**	**2 813**	**6 680**	**15 714**	4 803	1 363	5 648	11 814
Impairments this year	**-**	**-**	**-**	**-**	-	-	-	-
Disposals	**-**	**-**	**-**	**-**	-	-	-	-
Exchange rate differences	**59**	**93**	**-**	**153**	15	28	-	42
31. December	**51 607**	**15 408**	**12 328**	**79 343**	**45 447**	**12 688**	**5 648**	**63 782**
Book value	**27 627**	**9 110**	**27 948**	**64 684**	**31 503**	**4 719**	**28 671**	**64 892**
Depreciation in %	14-33 %	20-33 %	12,5-50 %		14-33 %	20-33 %	12,5-50 %	
Useful life	3-7 years	3-5 years	2-8 years		3-7 years	3-5 years	2-8 years	
Depreciation method	Linear	Linear	Linear		Linear	Linear	Linear	

Fully depreciated assets

Some assets with total historic cost value of 15.5 MNOK is fully depreciated as of 31.12.2020 but are still in use.

Security

Equipment and other assets is pledged as security as of 31.12.2020. The security is related to long-term loan and hedging credit facility. The group's bank had the same security as of 31.12.2019.

Note 7 Right to use assets and lease liabilities

The company is renting offices in Økernveien 94 in Oslo, 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.

NOTE RIGHT-OF-USE ASSETS AND LEASE LIABILITIES 2020

Right-of-use assets	**Buildings**	**Machinery & equipment**	**Vehicles**	**2 020**
Recognition of right to use of asset	32 076	404	1 839	**34 319**
Addition of right-of-use assets, CPI adjustments and other reassessment	2 389	-	3 596	**5 985**
Disposals	-	-28	0	**-28**
Acquisition cost 31 december	**34 465**	**376**	**5 435**	**40 276**
Accumulated amortisation 1 January	**4 404**	**20**	**1 224**	**5 648**
Amortisation	5299	80	1301	**6 680**
Accumulated amortisation 31 December	**9 703**	**100**	**2 525**	**12 328**
Carrying amount of right-of-use assets 31 December	**24 762**	**276**	**2 910**	**27 948**
Lower of remaining lease term or economic life	4-8 years	2-5 years	1-5 years	
Depreciation method	Linear	Linear	Linear	
Lease liabilities				
Undiscounted lease liabilities and maturity of cash outflows				
Less than 1 year	5 748	80	1184	**7 012**
1-2 years	5 761	80	857	**6 698**
3-4 years	5 774	80	857	**6 711**
4-5 years	5 340	75	246	**5 661**
More than 5 years	5 173	-	-	**5 173**
Total undiscounted lease liabilities at 31 December	**27 796**	**315**	**3 144**	**31 255**
Summary of the lease liabilities in the financial statements	**Statement of:**			
Initial recognition of right to use of asset as of January 1st				**28 671**
New lease liabilities recognised in the year				**5 985**
Cash payments for the principal portion of the lease liability	Cash flows			**6 680**
Other	Profit and loss			**201**
Total lease liabilities at 31. December				**28 177**
Current lease liabilities	Financial position			**6 715**
Non-current lease liabilities	Financial position			**21 652**
Total cash outflows for leases	Cash flows			**6 881**

In Økernvein 94 Medistim has entered an agreement to increase the facilities with 500 square meters. The group also leases office equipment and cars. The longest remaining lease term for office equipment and cars is until November 2024 and September 2024 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 - EFFECTS OF IFRS 16 CHANGES

Right-of-use assets	**Buildings**	**Machinery & equipment**	**Vehicles**	**2 019**
Acquisition cost 1 January 2019	5 829	-	1 839	7 668
Addition of right-of-use assets	26 247	404	-	26 651
Disposals	-	0	0	0
Acquisition cost 31 december 2019	**32 076**	**404**	**1 839**	**34 319**
Accumulated amortisation 1 January	**-**		**-**	**-**
Amortisation	4404	20	1224	5 648
Accumulated amortisation 31 December	**4 404**	**20**	**1 224**	**5 648**
Carrying amount of right-of-use assets 31 December	**27 672**	**384**	**615**	**28 671**
Lower 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				
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	**28 623**	**396**	**1 184**	**30 203**
Summary of the lease liabilities in the financial statements	**Statement of:**			
At initial application 01.01.2019				7 668
New lease liabilities recognised in the year				26 651
Cash payments for the principal portion of the lease liability	Cash flows			5 988
Interest expense on lease liabilities	Profit and loss			218
Depreciation on lease liabilities	Profit and loss			5 648
Total lease liabilities at 31. December 2019				**28 671**
Current lease liabilities	Financial position			5 988
Non-current lease liabilities	Financial position			22 683
Total cash outflows for leases	Cash flows			5 988

Note 8 Other operating expenses

OTHER OPERATING EXPENSES		
1 = NOK 1000	**2020**	2019
Office expenses	**2 429**	1 654
Travel cost	**3 788**	10 543
Marketing	**1 803**	6 366
Consultants	**20 744**	17 601
Insurance	**2 087**	1 723
Freight	**1 302**	1 552
Communication	**1 090**	1 168
IT cost	**9 258**	8 762
Other	**6 365**	4 422
Total	**48 865**	**53 790**

Note 9 Financial revenue and expenses

As of 31.12.2020, the company had 4.5 MNOK in interest bearing debt. Additional cash in the group gave interest revenue of 234 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 ***20*** for comment about financial risks and exposure. During 2020 Medistim qualified for a Payroll Protection Program (PPP) loan of MNOK 6.1 in the US. This is part of US government support program during COVID 19 to keep employees employed. The loan may be forgiven if the employees are still employed after year end. There is some uncertainty in regards to the criteria relating to debt forgiveness. By year end the loan was recorded as interest free debt.

FINANCIAL REVENUE AND EXPENSES		
1 = 1000 NOK	**2 020**	2 019
Interest income	**5**	184
Other financial income	**12**	67
Gains on foreign exchange	**14 120**	6 397
Total financial income	**14 137**	**6 649**
Loss on foreign exchange	**-17 599**	-4 687
Interest cost on loans	**-146**	-435
Other financial expenses	**-270**	-251
Total financial expenses	**-18 015**	**-5 373**
Net financial expenses	**-3 878**	**1 276**

Note 10 Income tax

INCOME TAX		
1 = NOK 1000	**2020**	2019
Current income tax charge	**24 046**	21 211
Deferred tax expense	**-1 827**	-473
Income tax expense reported in income statement	**22 219**	**20 738**
Reconciling tax expense towards income before tax		
Tax expense for the year	**22 219**	20 738
22% of income before tax	**20 154**	20 030
Permanent differences and different tax rates	**-2 065**	**-708**
Specification of taxable income		
Expected income tax at tax rate 22 % in Norway	**20 153**	20 030
Permanent and other differences	**823**	227
Foreign tax rate differences	**1 242**	482
Income tax expense	**22 219**	**20 738**
Effective income tax rate	**24,3 %**	22,8 %
Payable tax in the balance sheet		
Income tax expense	**24 047**	20 738
Prepaid tax	**-11 740**	-6 207
Utilizing deferred tax asset	**-**	-886
Total payable tax	**12 307**	**13 645**
Specification of deferred tax		
Temporary differences:		
Non current assets	**-1 178**	-1 307
Current assets	**-2 889**	-11 214
Other obligations	**544**	680
Total differences	**-3 523**	**-11 841**
Deferred tax asset 22 %	**-775**	-2 605
Deferred tax asset recognized in the balance sheet	**-775**	-2 605

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 2020 to 23.9%.

TAX EXPENSE FOR THE GROUP IS GEOGRAPHICALLY SPLIT AS FOLLOWS:		
1 = NOK 1000	**2020**	2019
Norway	**13 393**	12 616
Germany	**2 442**	2 540
USA	**6 255**	5 025
Spain	**-**	528
Denmark	**130**	28
Total	**22 219**	**20 738**

Note 11 Earnings per share

EARNINGS PER SHARE		
1 = NOK 1000	**2020**	2019
Profit for the year	**69 387**	70 306
Average numbers of shares outstanding		
Average number of shares used in basic EPS	**18 200**	18 188
Effect of share options	**37**	25
Average numbers of shares used in diluted EPS	**18 237**	**18 213**
1 = NOK 1		
Profit per share		
Ordinary	**3,81**	3,87
Diluted	**3,80**	3,86
Paid dividend	**50 052**	**40 925**
Dividend per share	**2,75**	**2,25**

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 2020, there were share options to CEO. The share option plan to CEO is described under chapter 3 compensation to management and note ***21***. By year-end the company had 126 500 own shares. Dividend per share in 2020 was based upon profits earned in 2019. Dividend per share in 2019 was based upon profits in 2018.

Note 12 Intangible assets

COVID 19 effect on estimates and impairment testing of intangible assets.

Medistim has in 2020 been affected by the COVID 19 pandemic. Instead of an annual growth in sales of around 10 %, sales in 2020 ended at the same level as 2019. As an international company the experience in 2020 was that the timing during the year was different from region to region dependent upon how the pandemic developed. During the first outbreak all elective surgery was on hold, but as the health care system gained experience dealing with COVID 19, it was opened for elective surgery. However the activity level was not as high as normal and only the most critical patient received treatment. For 2021 the company is optimistic in regard to increased activity level since the patient group Medistim is addressing are critical conditions that at some point will demand treatment. With less activity the number of patient in need of treatment will increase. This will require additional efforts than normal activity in order to reduce healthcare needs. With vaccines available it is the managements evaluation that the situation will be under control at some point. However, 2021 will still be affected by the pandemic before the vaccines are effective. In the estimates used to test for impairment, it is assumed 2021 sales at the same level as 2020. It is management view that the situation normalizes in 2022. The pandemic will not change the need for the company's products and services as other branches might experience.

Product technology and additions, goodwill and license agreement

In 2020, 1.9 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.

INTANGIBLE ASSETS	Product technology	Goodwill	License agreement	Total intangible
1 = NOK 1000	**2020**	**2020**	**2020**	**2020**
Historic cost				
Historic cost 31.12.	**75 897**	**14 128**	**2 158**	**92 183**
Internal additions	**1 865**		**-**	**1 865**
External additions	**82**		**-**	**82**
Additions under development	**1 242**			**1 242**
Historic cost 31.12.	**77 844**	**14 128**	**2 158**	**94 130**
Accumulated depreciation and write downs	**52 936**	**-**	**1 079**	**54 015**
Depreciations for the year	**6 888**	**-**	**539**	**7 427**
Total depreciation as of 31.12	**59 824**	**-**	**1 618**	**61 442**
Net value in balance sheet	**18 020**	**14 128**	**540**	**32 688**

	Product technology	Goodwill	License agreement	Total intangible
1 = NOK 1000	**2019**	**2019**	**2019**	**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
Additions under development	3 514			3 514
Historic cost 31.12	**75 897**	**14 128**	**2 158**	**92 183**
Accumulated depreciation and write downs	47 282	-	539	47 822
Depreciations for the year	5 653	-	539	6 193
Total depreciation as of 31.12	**52 936**	**-**	**1 079**	**54 015**
Net value in balance sheet	**22 961**	**14 128**	**1 079**	**38 168**

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 31.12.2020 was 2.2 MNOK. Expected useful life for the PV probes are 8 years.

4th generation of systems; the MiraQ

Entering into 2021, Medistim had invested 35.6 MNOK in the system platform that represent Medistim's 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 15.8 MNOK. Expected lifetime for the product is 8 years.

Summary product technology

In total 14.6 MNOK of the R & D costs was expensed in the P & L in 2020. Similar expense was 7.8 MNOK in 2019. With 1.9 MNOK recognized as asset a total of 16.5 MNOK was used in R & D in 2020. Comparable number for 2019 was 12.4 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 2020 was 0.5 MNOK. Sales of the SonoQ products is shown in note ***2*** as other revenue.

Goodwill

Goodwill is tested for impairment annually. Goodwill arises from the acquisition of Medi-Stim Norge AS and Kir-Op AS.

GOODWILL		
1 = NOK 1000	**2020**	2019
Acquisition of Medi-Stim Norge AS	**7 960**	7 960
Acquisition of Kir-Op AS	**6 168**	6 168
Total goodwill	**14 128**	**14 128**

Goodwill is allocated to the cash flow generating unit Medistim Norge AS which represents the third party product segment. The impairment test estimates the value in use of Medistim Norge AS. This is estimated using the company's budget for 2021 and 3-year strategy plan for the years 2022 to 2024 with the assumption of 2 % growth in 2025 compared to 2024. 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 12.1 % discount rate. This includes an additional yield of 11.4 % 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 9.1 %. 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 3.0 % the total discount rate in 2020 is set to 12.1%.

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 know-how:

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:

With the assumption used in the impairment test, the recoverable amount exceeds the carrying amount with 49,6 MNOK ("headroom"), and no impairment loss is recognized. Operating margin and growth is based upon historic achieved margins and sales growth.

If the operating margin is reduced from 11.7% to 5.0% everything else equal, carrying amount would require an evaluation of impairment loss. A change in the discount rate from 12.1 % to 34.0 % everything else equal, would cause an impairment loss. See overview below.

HEADROOM			
Discount rate	12,1%	27,0 %	34,0 %
Headroom in MNOK	49.6	2.6	-3.8
Operating margin	11,7%	5,0 %%	1,5 %%
Headroom in MNOK	49.6	1.1	-25.9

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.

Note 14 Inventory

SPECIFICATION OF INVENTORY		
1=NOK 1000	**2020**	2019
Raw material	**54 115**	29 301
Work in progress	**6 909**	16 722
Finished goods	**36 434**	26 613
Spare parts	**3 504**	2 302
Third party products	**14 047**	16 849
Inventory provision	**-2 343**	-1 717
Total	**112 667**	**90 070**

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 2020 is at a higher level than compared to 2019. 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 electronic 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 18.

SPECIFICATION OF INVENTORY PROVISION				
1=NOK 1000	**2020**		2019	
	Carrying amount	**Provision**	Carrying amount	Provision
Demonstration products	**1 562**	**1 172**	1 465	1 099
Spare parts	**1 942**	**970**	837	418
Third party products	**200**	**200**	200	200
Total	**3 704**	**2 342**	**2 502**	**1 717**

Note 15 Accounts receivables and other receivables

ACCOUNTS RECEIVABLE		
1 = NOK 1000	**2020**	2019
Accounts receivable	**57 844**	62 400
Provision for bad debt	**-359**	-212
Total	**57 485**	**62 188**

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						
	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**	**3 222**	**6 692**	**2 248**	**61 974**
Year 2020	**Expected loss**						
	Book value of receivables	**40 020**	**5 249**	**2 157**	**9 102**	**1 310**	**57 838**
	Expected credit loss	**-**	**-**	**-**	**91**	**262**	**353**
	Total	**40 232**	**5 249**	**2 157**	**9 011**	**1 048**	**57 485**

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 ***18***

Other receivables are shown below:

OTHER RECEIVABLES		
1 = NOK 1000	**2020**	2019
Other pre-payments	**761**	2 312
Accrued income	**-**	3 057
VAT receivable	**1 949**	3 638
Other	**1 035**	490
Total	**3 744**	**9 497**

Note 16 Cash and cash equivalents

CASH AND CASH EQUIVALENTS		
1 = NOK 1000	**2020**	2019
Available cash in bank	**65 761**	62 403
Restricted cash in bank	**6 130**	4 342
Cash and cash equivalents	**71 891**	66 745
Credit limit	**22 500**	22 500
Cash available	**88 261**	84 903

Restricted cash as of 31.12.2020 was 6 130 TNOK and was related to tax withheld from salaries. As of 31.12.2019 the restricted cash was 4 342 TNOK related to tax withheld on salaries. The holding company had a credit facility of 22.5 MNOK in 2020 and 22.5 MNOK in 2019. The credit facility was not in use as of 31.12.2020 or 31.12.2019.

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.

CHANGE IN ISSUED SHARE CAPITAL IN 2020			
	Number of shares	**Par value per share**	**Share capital in NOK**
Share capital 01.01.2020	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-	-	-
Share capital 31.12.2020	18 337 336	NOK 0.25	NOK 4 548 334.00

The Board of Directors received by the shareholders meeting the 28th of April 2020 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 2021 in the price range of NOK 0.25 to NOK 300 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 2021. See below for changes in the equity for the last year.

STATUS FOR THE PERMISSIONS AS OF 31.12.2020		
	Capital increase	Medistim shares
Permission given at the shareholders meeting in 2020	1 833 733	1 833 733
Permissions used	-	-
Share capital 31.12.2020	1 833 733	1 833 733

The company owned 126 500 Medistim shares as of 31.12.2020. Number of Medistim shares by 01.01.2020 was 148 500.

20 LARGEST SHAREHOLDERS IN THE COMPANY AS OF 31.12.2020			
Shareholder	**Number of shares**	**Shares in %**	**Nationality**
INTERTRADE SHIPPING AS	2 000 000	10,91%	Norway
SALVESEN & THAMS INVEST AS	1 862 500	10,16%	Norway
VERDIPAPIRFOND ODIN NORDEN	1 800 000	9,82%	Norway
State Street Bank and Trust Comp	1 235 419	6,74%	United States
Skandinaviska Enskilda Banken AB	1 034 107	5,64%	Sweden
FOLLUM CAPITAL AS	970 000	5,29%	Norway
Skandinaviska Enskilda Banken AB	517 028	2,82%	Denmark
BUANES	479 936	2,62%	Norway
State Street Bank and Trust Comp	415 227	2,26%	United States
Skandinaviska Enskilda Banken AB	409 723	2,23%	Sweden
FD INVT TR: FD SRS INTL SML CP FD	382 845	2,09%	United Kingdom
SKANDINAVISKA ENSKILDA BANKEN AB	378 446	2,06%	Luxembourg
State Street Bank and Trust Comp	345 220	1,88%	United States
Danske Bank A/S	258 310	1,41%	Denmark
State Street Bank and Trust Comp	254 115	1,39%	United States
The Bank of New York Mellon SA/NV	250 000	1,36%	Belgium
BNP Paribas Securities Services	239 188	1,30%	France
Skandinaviska Enskilda Banken AB	238 314	1,30%	Sweden
Danske Invest Norge Vekst	228 000	1,24%	Norway
The Bank of New York Mellon SA/NV	216 500	1,18%	Belgium
Total 20 largest shareholders	13 514 878		
Total number of shares outstanding	18 337 336		
20 largest shareholders in %	73,70%		

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	8 438	0,046 %	VP Sales International
Bjørn Wiggen (holds 24 % of the shares in Salvesen & Thams Invest AS)	1 862 500	10,16 %	Deputy Chairman
Erik Swensen	10 000	0,54 %	VP R&D
Thomas Jakobsen	40 096	0,22 %	CFO
Kari Eian Krogstad	91 802	0,50 %	CEO
Siri Fûrst	2 000	0,01 %	Board Member
Øyvin A. Brøymer (Intertrade Shipping)	2 000 000	10,91 %	Chairman
Anne Waaler	451	0,002 %	VP Medical
Lars Rønn	885	0,004 %	Board member

There were no share options outstanding as of 31.12.2020 except from the share program to CEO described under Chapter 3 Corporate Governance under compensation to management and note ***21***.

Note 18 interest bearing debt

LONG-TERM DEBT				
1 = NOK 1000			Carrying amount	
	Interest rate	**Last due date**	**2020**	**2019**
Secured loan				
PPP loan from USA	n.a	n.a	**6 080**	-
Lease agreements	2-4 %	30/09/27	**28 368**	28 889
Deferred revenue			**265**	618
Loan from DNB	NIBOR + 1,90 %	18/10/22	**4 500**	7 500
Total long-term debt			**39 213**	**37 007**
Total debt			**39 213**	37 007
Debt due within one year			**-3 000**	-3 000
Lease agreements due within one year			**-6 715**	-6 206
Total debt with due date more than one year			**29 497**	**27 801**

Medistim borrowed 15.0 MNOK in 2017 and the remaining balance of the loan was 4.5 MNOK by 31.12.2020. 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, accounts receivables and inventory is not limited. Book value of pledged property, plant and equipment was as of 31.12.2020 31.4 MNOK, 59.6 MNOK for accounts receivables and 103.9 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 ***7***.

Note 19 Other short term debt:

OTHER SHORT-TERM DEBT		
1 = NOK 1000	**2020**	2019
Accrual for public taxes	**9 613**	9 387
Accrual for holiday pay	**7 386**	6 907
Accrual for salaries, commission and board member fee	**4 628**	11 948
Accrual for customer and supplier obligations	**631**	1 057
Other	**1 353**	4 319
Total	**23 610**	**33 618**

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.

Interest rate risk:

The group had as of 31.12.2020 4.5 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 2020, the company had no derivative contracts for EUR or USD. In 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. 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. Security related to the facility is related to assets, accounts receivable and inventory with no limit. Book value of secured items was as of 31.12.2020 31.4 MNOK for assets, 56.6 MNOK for accounts receivables and 103.9 MNOK for inventory.

The financial assets and liabilities in the balance sheet by year end 2020 and 2019 is shown below:

FINANCIAL ASSETS AND LIABILITIES		
1 = NOK 1000	**2020**	2019
Financial assets	**Carrying amount**	**Carrying amount**
Cash in USD	**6 079**	8 090
Cash in EUR	**14 458**	13 008
Accounts receivable in EUR	**39 038**	19 687
Accounts receivable in USD	**188**	181
Financial debt		
Accounts payable in EUR	**2 028**	1 706
Accounts payable in USD	**351**	301
Interest bearing loan		
Bank loans in NOK	**4 500**	7 500

For 2020 a 5 % weakening in NOK towards EUR would represent an increase in profit of 2573 TNOK. A similar strengthening of NOK towards EUR would represent a reduction in profit of 2451 TNOK. For 2020 a 5 % weakening in NOK towards USD would represent an increase in profit of 296 TNOK. A similar strengthening of NOK towards USD would represent a reduction in profit of 282 TNOK. 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.

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 31.12.2020.

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 ***15*** 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.

COVID 19:

Even though the pandemic is affecting the company it has proven through 2020 that the financials are solid. Revenue in 2020 ended at the same level as 2019. Expenses were reduced due to less travel and participation at exhibitions. As a result Medistim deliver its strongest profit in the company history and cash flow from operations is strong with MNOK 74.3. Going into 2021 there will still be effects related to the pandemic, but Medistim addresses a patient group that must be treated for their condition. It is the company's experience in 2020 that the healthcare system provides treatment to patient with a critical condition in parallel with treating COVID 19 patients. This is also expected to be the case in 2021. Now that there are vaccines available it is assumed that conditions are back to normal in 2022. The pandemic will not change the need for the company's product and services as other industries might experience.

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

OVERVIEW OF DEBT

1 = NOK 1000

Year 2020	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	3 000	23 142	5 826	31 968
Accounts payable	13 530	-	-	-	13 530
Other debt	24 225	18 987	-	-	43 212
Total	37 755	21 987	23 142	5 826	88 710

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	14 828	-	-	-	14 828
Other debt	31 258	16 993	-	-	48 250
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 2020 or 2019.

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 2020

Management	Position	Salary	Bonus	Pension	Share based compensation	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 285 201	178 571	89 880	-	4 392	1 558 044
Anne Waaler	VP Medical	1 255 021	178 571	79 248	-	4 392	1 517 232
Roger Reino Morberg	VP Sales	1 530 834	267 857	84 216	-	4 392	1 887 299
Erik Swensen	VP Development	1 243 287	178 571	80 064	-	4 392	1 506 314
Tone Ann Veiteberg	VP QA\Reg	1 088 812	178 571	79 932	-	4 392	1 351 707
Ole Jørgen Robsrud	CEO Medistim Norge AS	1 208 291	71 429	88 000	-	4 392	1 372 112
Helge Børslid	VP Operations	1 146 478	178 571	81 000	-	4 392	1 410 441
Håkon Grøthe	VP Innovation	1 156 984	-	78 408	-	4 392	1 239 784
Mike Farbelow	President Medistim USA	2 082 876	674 640	85 810	-	105 872	2 949 198
Cindy Kaffi	CEO Medistim Germany	1 244 528	300 440	-	-	-	1 544 968
Kari Eian Krogstad	CEO Medistim group	2 689 226	1 116 071	88 908	1 930 000	4 392	5 828 597
Thomas Jakobsen	CFO Medistim Group	1 764 945	267 857	81 696	334 000	4 392	2 452 890
Sum		**17 696 483**	**3 591 149**	**917 162**	**2 264 000**	**149 792**	**24 618 586**

COMPENSATION AND BENEFITS TO THE MANAGEMENT GROUP 2019

Management	Position	Salary	Bonus	Pension	Share based compensation	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 Swensen	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**

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 101.351. 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 2020 and 2019.

Compensation to the board was 1 300 TNOK in 2020 and 1 300 TNOK in 2019. The chairman received 400 TNOK as compensation in 2020 and 400 TNOK in 2019. The four board members received a total 225 TNOK each as compensation in 2020, a total of 900 TNOK. In 2019 they received 225 TNOK each, a total of 900 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 36.000 Medistim shares as part of compensation if in position until 2023. The Shares is received by the CEO free of charge and last shares will be received in 2024. 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 2020, TNOK 1 708 including social security tax was expensed in the accounts related to the arrangement. See also overview below.

OUTSTANDING SHARES				
Outstanding 1.1	46 500			
Granted	12 000			
Exercised	12 500			
Outstanding 31.12	46 000			
Vested as of 31.12	12 500			
Weight average exercise price	-			
Current year expense for share based payment	1 708 000			
Year	**2020**	**2021**	**2022**	**2023**
Vesting of share options	**12 500**	12 000	12 000	12 000
Share price time of grant	**79,0**	77,0	167,0	250,0

Note 22 Provisions

PROVISIONS		
1 = NOK 1000	**2020**	2019
Warranty provision	**150**	150
Sum	**150**	**150**

Note 23 Exchange rates foreign currency

EXCHANGE RATES FOREIGN CURRENCY			
Currency	**Rate 01.01.2020**	**Average rate**	**Rate 31.12.2020**
USD	8.7803	9.4004	8.5326
DKK	132.02	143.82	140.71
EUR	9.8638	10.7207	10.4703
GBP	11.5936	12.0514	11.6462

Note 24 Changes in liabilities arising from financial activities

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 2020**
At 1st of January 2020	9 206	27 183	-	**36 389**
Lease agreements			-	**0**
New lease agreements	-	5 957	-	**5 957**
Interest bearing debt	-3 000			**-3 000**
Cash flows lease agreements	-6 206	-		**-6 206**
Debt becomming current in 2020	9 880	-6 680	-	**3 200**
Effects of foreign exchange	-	-		**-**
Other	-	3 037	-	**3 037**
31.December 2020	**9 880**	**29 497**	**0**	**39 377**

Note 25 Events after 2020

The Board of directors has no knowledge about events after 2020 that will affect the annual report and financial statement for 2021. See Board of director's report under other risk related to the Corona virus situation.

11. PARENT COMPANY FINANCIAL STATEMENTS

11.1 Income Statement Medistim ASA

INCOME STATEMENT MEDISTIM ASA			
1 = NOK 1000	Note	**2020**	2019
Operating income and expenses			
Revenues			
Sales revenue	***26***	**192 259**	197 600
Other income	***26***	**3 185**	2 903
Total revenue		**195 444**	**200 503**
Operational expenses			
Cost of goods sold		**37 663**	41 432
Salary and social expenses	***27***	**62 858**	63 520
Depreciation on assets	***28***	**13 961**	10 963
Other operating expenses	***27,29,39***	**35 553**	33 053
Total operating expenses		**150 036**	148 968
Operating profit		**45 408**	**51 535**
Financial income and expenses			
Financial income			
Dividend from subsidiaries	***31***	**25 230**	17 268
Other financial income	***37***	**15 920**	6 332
Financial expenses	***37***	**16 519**	4 949
Net finance		**24 631**	**18 651**
Profit before tax		**70 039**	**70 186**
Tax expense	***30***	**9 864**	11 858
Profit for the year		**60 175**	**58 328**
Allocations			
Dividend	***36***	**54 597**	50 047
Other equity	***36***	**5 578**	8 281
Total allocation		**60 175**	**58 328**
Earnings per share			
Ordinary		**3,31**	3,21
Diluted		**3,31**	3,21
Dividend per share		**3,00**	**2,75**

11.2 Balance Sheet Medistim ASA

BALANCE SHEET MEDISTIM ASA			
1 = NOK 1000	***Note***	**31/12/20**	31/12/19
ASSETS			
Non current assets			
Intangible assets			
Deferred tax	***30***	**1 483**	444
Marketing rights	***29***	**540**	1 079
R & D	***28,29***	**18 020**	22 961
Fixed assets			
Property, plant and equipment	***28***	**28 269**	30 523
Office equipment	***28***	**2 049**	1 307
Financial assets			
Shares in subsidiaries	***31***	**37 392**	37 306
Other long term receivables	***31***	**8 559**	9 419
Total non current assets		**96 313**	**103 039**
Current assets			
Inventory	***33***	**87 555**	63 440
Accounts receivables	***32,41***	**37 525**	35 693
Other receivables	***32,41***	**3 359**	7 608
Cash	***34***	**19 955**	23 351
Total current assets		**148 393**	130 092
Total assets		**244 706**	**233 131**
Equity and liability			
Equity			
Issued capital			
Share capital	***35,36***	**4 584**	4 584
Share premium	***35,36***	**40 253**	40 253
Other paid in equity	***36***	**5 769**	4 334
Other equity			
Retained earnings	***36***	**89 862**	84 107
Total equity		**140 468**	**133 278**
Liabilities			
Accruals for obligations			
Deferred income	***29***	**2 132**	-
Total accruals		**2 132**	**-**
Other long term debt			
Long term debt from bank	***40***	**10 030**	4 500
Total other long term debt		**10 030**	**4 500**
Short term debt			
Interest bearing short term debt	***40***	**3 000**	3 000
Accounts payable		**8 643**	11 245
Payable tax	***30***	**10 903**	11 263
Employee withholding, social security taxes		**10 272**	10 145
Dividend	***36***	**54 596**	50 047
Other short term debt	***38,41***	**4 661**	9 653
Total short term debt		**92 076**	**95 353**
Total equity and liability		**244 706**	**233 131**

11.3 Cash Flow Statement

CASH FLOW STATEMENT MEDISTIM ASA			
1 = NOK 1000	***Note***	**2020**	2019
Cash flow from operations:			
Profit/loss before tax		**70 039**	70 186
Minus income tax paid		**-8 485**	-8 871
Plus this years tax expense			
Plus depreciations	***28***	**13 961**	10 963
Change in inventory	***33***	**-24 114**	-24 513
Change in accounts receivable	***32***	**-1 832**	15 040
Change in accounts payable		**-2 602**	4 185
Other changes		**1 361**	-1 469
Net cash from operating activities		**48 328**	**65 520**
Investing activities:			
Minus investment in assets	***28***	**-9 672**	-11 177
Net cash from investing activities		**-9 672**	**-11 177**
Financing activities:			
Minus down payment of long term debt	***40***	**-3 000**	-3 000
Dividend	***36***	**-50 052**	-40 925
New loans	***41***	**11 000**	-
Net cash from financing activities		**-42 052**	**-43 925**
Net change in cash		**-3 396**	10 418
Cash as of 01.01		**23 351**	12 933
Cash as of 31.12		**19 955**	**23 351**

11.4 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.

11.5 Notes to the accounts

Note 26 Geographic split of sales

GEOGRAPHIC SPLIT OF SALES		
1 = NOK 1000	**2020**	2019
USA	**64 476**	68 455
Asia	**45 342**	41 790
Europe	**74 640**	72 539
Rest of the world	**10 986**	17 719
Total sales	**195 444**	200 503

Other income amounted to TNOK 3 185, where TNOK 2 392 and was income related to services towards subsidiaries and TNOK 793 a grant from Innovasjon Norge. For 2019 other income amounted to 2 903 TNOK and was also related to services towards subsidiaries.

Note 27 Salaries and other benefits

SALARIES AND OTHER BENEFITS		
1 = NOK 1000	**2020**	2019
Salary	**52 433**	52 759
Social taxes	**7 974**	7 887
Other salary and social expenses	**2 451**	2 874
Total salary expenses	**62 858**	63 520

The total number of employees was through the year 73.

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 salary for G between 7.1 and 12. 1G is the base amount (NOK 101.351) in the social security system. The cost for the contribution plan was in 2020 TNOK 2 752, while it was TNOK 2 531 in 2019.

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 AND BENEFITS TO THE MANAGEMENT GROUP IN 2020						
Management	Position	Salary	Bonus	Pension	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 285 201	178 571	89 880	4 392	1 558 044
Anne Waaler	VP Medical	1 255 021	178 571	79 248	4 392	1 517 232
Roger Reino Morberg	VP Sales	1 530 834	267 857	84 216	4 392	1 887 299
Erik Swensen	VP Development	1 243 287	178 571	80 064	4 392	1 506 314
Tone Ann Veiteberg	VP QA\Reg	1 088 812	178 571	79 932	4 392	1 351 707
Helge Børslid	VP Operations	1 146 478	178 571	81 000	4 392	1 410 441
Håkon Grøthe	VP Innovation	1 156 984	-	78 408	4 392	1 239 784
Kari Eian Krogstad	CEO Medistim Group	2 689 226	1 116 071	88 908	1 934 392	5 828 597
Thomas Jakobsen	CFO Medistim Group	1 764 945	267 857	81 696	338 392	2 452 890
Sum		**13 160 788**	**2 544 640**	**743 352**	**2 303 528**	**18 752 308**

Of other compensation to CEO and CFO, was related to shares received through 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 36 000 shares as part of compensation if in position in 2024. Bonus paid in 2020 was based upon 2019 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 ***21*** in the group accounts.

COMPENSATION TO THE BOARD OF DIRECTORS	
1 = NOK 1000	
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	**2020**	2019
Expenses for auditing	**1 053**	849
Compensation for other services	**154**	317
Total compensation to Auditor	**1 206**	**1 166**

Note 28 Assets and Depreciation

ASSETS AND DEPRECIATION					
1 = NOK 1000	**Equipment**	**Total fixed assets**	**Activated Development**	**Trade name**	**Total**
Historic cost as of 1/1	8 829	77 829	74 883	2 697	155 408
Additions	1 549	7 725	1 947	-	9 672
Disposals	-	-2 705	-	-	-2 705
Historic cost as of 31/12	10 378	82 848	76 830	2 697	162 375
Accumulated depreciation as of 1/1	7 522	45 996	51 921	1 618	99 535
Ordinary depreciation	806	6 534	6 888	539	13 961
Reversed depreciation	-	-	-	-	-
Accumulated depreciation as of31/12	8 329	52 530	58 809	2 158	113 497
Book value at 31/12	**2 049**	**30 318**	**18 020**	**539**	**48 878**

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.

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 29 Research and development

The R & D expense for 2020 was in total 16.5 MNOK compared to 12.4 MNOK in 2019. In 2020 1.9 MNOK of the R & D expense was activated in the balance sheet while 4.6 MNOK was activated in the balance sheet in 2019. The activated expense in 2020 were related to the coronary and vascular products on the MiraQ platform. The company did not receive any new FOU or Skattefunn funds in 2020 or 2019.

In total 14.6 MNOK of the R & D expenses was recorded in the P & L in 2020. Similar expense was 7.8 MNOK in 2019. 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 31.12.2020 was 0.5 MNOK.

Note 30 Income tax and temporary differences

INCOME TAX AND TEMPORARY DIFFERENCES

1 = NOK 1000	2020	2019
Current income tax charge for the year before deferred tax asset is utilised	**10 599**	11 263
Change in deferred tax	**-1 039**	595
Income tax expense reported	**9 560**	**11 858**
Reconciling income tax expense against profit :		
Income tax expense for the year	**9 560**	11 858
22 % of profit before tax	**14 865**	15 441
permanent differences	**-5 305**	-3 583
Specification of taxable income:		
Profit before tax	**67 569**	70 186
Permanent differences	**-24 115**	-16 286
Change in temporary differences	**4 723**	-2 702
Taxable profit	**48 177**	**51 197**
Payable tax in balance sheet:		
Tax on profit for the year	**10 599**	11 263
Total payable tax	**10 599**	**11 263**
Specification of deferred tax asset		
Differences in accounting and tax values		
Fixed assets	**-2 962**	-1 023
Current assets	**-1 593**	-1 524
Accrual for obligations	**-2 185**	530
Total differences	**-6 741**	-2 018
Deferred tax asset 22 %	**1 483**	**444**
Deferred tax asset in balance sheet	**1 483**	**444**

Deferred tax asset in the balance sheet was increased from the year before with 0.5 MNOK and was recorded at 0.9 MNOK. Deferred tax asset consist of temporary differences in valuation of assets. All deferred tax asset is recorded in the balance sheet as of 31.12.2020, since it is likely that the company will have future taxable income that will exceed temporary differences.

Note 31 Shares in Subsidiaries

MEDISTIM ASA HAS INVESTMENTS IN THE FOLLOWING SUBSIDIARIES

1 = NOK 1000

Unit	Country	Segment	Ownership	Balance sheet value	Profit in 2020
Medistim USA Inc.	USA	Lease and sale within bypass surgery and vascular surgery	100%	135	17 714
Medistim Deutschland GmbH	Germany	Capital sales within bypass surgery and vascular surgery	100%	188	7 470
Medistim Norge AS	Norway	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100%	36 953	8 973
Medistim UK LTD	UK	Capital sales within bypass surgery and vascular surgery	100%	1	-262
Medistim Japan KK	Japan	Dornmat company	100%	86	0
Medistim Spain S.L	Spain	Capital sales within bypass surgery and vascular surgery	100%	28	-233
Medistim Danmark Aps	Denmark	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100% - Owned indirectly through Medistim Norge AS with book value of TNOK 1 103		455
Total				**37 392**	**34 117**

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 % OWNED

1 = NOK 1000

Unit	Assets	Debt	Equity	Income	Profit
Medistim USA Inc.	80 086	15 622	64 464	133 539	17 714
Medistim Deutschland GmbH	9 681	3 305	6 377	43 176	7 470
Medistim Danmark Aps	2 769	2 183	585	5 758	455
Medistim Japan KK	86	0	86	0	0
Medistim Spain S.L	11 711	11 761	-50	12 196	-233
Medistim UK LTD	3 329	10 509	-7 180	4 170	-262
Medistim Norge AS	42 700	8 357	34 344	69 113	8 973
Total	**150 363**	**51 737**	**98 626**	**267 951**	**34 117**

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, Medistim Japan KK has offices in Tokyo, Japan 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 31.12.2020 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 10 509 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. Interest has been charged on this debt. Medistim ASA received from its German and Norwegian subsidiary a dividend of 15.2 MNOK and 10.0 MNOK respectively in 2020. Medistim ASA has interest bearing debt towards Medistim US Inc of MNOK 11.0.

Note 32 Account receivables and other receivables

ACCOUNTS RECEIVABLE		
1 = NOK 1000	**2020**	2019
Accounts receivable	**37 786**	35 808
Provision for bad debt	**-261**	-115
Total salary expenses	**37 525**	**35 693**

All receivables are due within one year. Losses in 2020 were 0 TNOK and losses in 2019 were 0 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	**2020**	2019
Pre payments	**796**	829
Prepaid taxes and VAT	**1 949**	3 638
Accrued revenue	**1 044**	3 565
Other	**-429**	-424
Total other receivables	**3 359**	**7 608**

Note 33 Inventory

INVENTORY		
1= NOK 1000	**2020**	2019
Components	**62 966**	46 860
Finished goods	**26 731**	18 097
Inventory accrual	**-2 143**	-1 517
Total	**87 554**	**63 440**

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	**2020**	2019
Demonstration units	**1 172**	1 099
Service parts	**971**	418
Total	**2143**	**1517**

Note 34 Cash in Bank

Restricted cash amounted to 4 297 TNOK as of 31.12.2020 and was related to tax withheld on salary paid to employees. The comparable amount as of 31.12.2019 was 2 424 TNOK.

Note 35 Shareholder affairs- See note *17*

Note 36 Change in Equity

CHANGE IN EQUITY						
1 = NOK 1000	**Share capital**	**Treasury shares**	**Share premium**	**Other paid in capital**	**Retained earnings**	**Total**
Equity 31.12.19	**4 584**	**(37)**	**40 253**	**4 334**	**84 144**	**133 278**
Change in equity:						
Emisjon	-	-	-		-	-
Change in treasury shares	-	3	-	1 432	180	1 615
Other corrections	-	-	-	-	-4	-4
Profit for 2020	-	-	-	-	60 175	60 175
Dividend to shareholders	-	-	-	-	-54 597	-54 597
Egenkapital 31.12.20	**4 584**	**-34**	**40 253**	**5 766**	**89 899**	**140 468**

Note 37 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. By year end 2020 the company had no hedging contracts.

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	**2020**	2019
Foreign exchange gain	**15 755**	6 200
Foreign exchange loss	**16 206**	4 507
Total	**-451**	**1 692**

Note 38 Specification of short-term debt

SPECIFICATION OF SHORT TERM DEBT		
1= NOK 1000	**2020**	2019
Bonus and commission	**2 000**	4 775
Goods received not invoiced		
Board compensation	**1 300**	1 300
Debt towards subsidiary	**1 079**	650
Accrual for incestment		2 505
Other	**282**	424
Total short term debt	**4 661**	**9 653**

Note 39 Other operating expenses

OTHER OPERATING EXPENSES		
1 = NOK 1000	**2020**	2019
Office rental	**7 071**	5 520
Travel expense	**945**	3 222
Marketing	**811**	2 282
Consultancy fee	**12 323**	9 226
Insurance	**949**	782
Freight	**571**	694
Communication	**8 410**	7 298
Other	**4 473**	4 029
Total other operating expenses	**35 553**	**33 053**

Note 40 Long-term debt and loan security

Medistim ASA had 4.5 MNOK in long-term debt by the end of 2020. 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, accounts receivable and inventory with 10 MNOK. Book value of secured items was as of 31.12.2020 30.3 MNOK for assets, 37.5 MNOK for accounts receivables and 87.5 MNOK for inventory. See also note ***12*** for status related to hedging contracts.

Note 41 Receivables and debt towards subsidiaries

RECEIVABLES AND DEBT TOWARD SUBSIDIARIES		
1 = NOK 1000	**2020**	2019
Account receivable	**21 667**	18 179
Other receivable	**7 743**	7 743
Short-term debt	**1 079**	-
Long-term debt	**11 000**	-

Note 42 Events after 2020

The Board of directors has no knowledge about events after 2020 that will affect the annual report and financial statement for 2021. See Board of director's report under other risk related to the Corona virus situation.

12. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures, concepts and abbreviations

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 otheroperating 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 result.
Currency neutral growth:	Compares this years sales with preavious 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 ABBREVIATIONS	
VeriQ:	Medistim's 3. Generation system platform
MiraQ:	Medistim's 4. generation system platform
SonoQ:	Medistim's basis solution for alternative markets
TTFM:	Transit time flow measurement
Vascular Surgery:	Surgery involving veins and arteries in the body except on the heart
CABG:	Coronary Artery Bypass Surgery
REQUEST:	Registry for Quality Assessment with Ultrasound imaging and TTFM in Cadiac Bypass surgery. A study initiated by Medistim ASA to collect data regarding the combined use of ultrasound imaging and TTFM.
HFUS:	High-frequency Ultrasound
CIDAC:	Comparison of intraoperative duplex ultrasound and angiography after Carotid Endarterectomy
NICE:	British National Institute for Health and CLlinical Excellence; an organization that recommends standard of care within healthcare.
AATS:	The American Association for Thoracic Surgery
ESC:	European Society of Cardiology
STS:	Society for Thoracic Surgery- an American organization focusing on thoracic surgery
EACTS:	European Association for Cardio-Thoracic Surgery- a European organization focusing on Thoracic surgery
ASCVS:	Asian Society for Cardiovascular and Thoracic Surgery- an Asian organization focusing on cardiovascular surgery
ICC:	International Coronary Congress - an organization that focuses on CABG surgery

RECONCILIATION OF CURRENCY NEUTRAL REVENUE:		
Year	**Rates 2020**	**Rates 2019**
USD	**9,37**	8,81
EUR	**10,73**	9,85
GBP	**12,06**	11,24
DKK	**1,44**	1,32

Split of revenue in USD, EUR and NOK		**Revenue 2020 with 2019 rates**
All numbers in NOK 1000	**2020**	
Sales in USD		
Procedural revenue Imaging and flow	**99 376**	93 437
Capital sales MiraQ flow measurement instruments	**12 022**	11 303
Capital sales MiraQ imaging and flow measurement instrument	**15 011**	14 114
Capital sales in Canada\LA	**5 608**	5 148
Sales in EUR		
MiraQ flow measurement instrument	**35 225**	32 336
MiraQ imaging and flow measurement instrument	**29 179**	26 786
Imaging probes	**5 219**	4 791
Flow measurement probes	**87 018**	79 882
Other	**6 927**	6 358
Revenue in USD and EUR	**295 585**	**274 155**
Revenue in NOK	**67 549**	67 549
Total revenue	**363 134**	**341 704**

Reconciliation of working capital:	
All numbers in NOK 1000	
Accounts receivable in balance sheet at year end	**57 485**
Inventory in the balance sheet at year end	**112 667**
Accounts payable in balance sheet at year end	**(20 210)**
Working capital	**149 942**

Reconciliation of profit before R & D, depreciation and impairment test:	
All numbers in NOK 1000	
EBITDA	**118 626**
Expensed R & D	**14 622**
Profit before R & D, depreciation and impairment test:	**133 248**

MEDISTIM

Oslo 18.3.2021

Board of Director's in Medistim ASA

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.

13. RESPONSIBILITY STATEMENT

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 2020 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 18.3.2021

Board of Director's in Medistim ASA

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.

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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:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, income statement, 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, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2020, 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.	• 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 2020, 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. • The accompanying financial statements give a true and fair view of the financial position of the group Medistim ASA as at 31 December 2020, 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 2020. 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 sales 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 they are an integrated part of the total delivery, making the consideration for the consumables variable. The difference between the sales models, and the complexity this causes 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 1 and 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.

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 for the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, 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 of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 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 Andersen
State Authorised Public Accountant
(This document is signed electronically)

Medistim's mission over the past three decades has been to serve patients, surgeons and health care providers with innovative and cost effective medical devices that measure blood flow and visualize atherosclerosis, and thereby help improve the quality and outcome of cardiac and vascular surgery

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