
MEDISTIM
CORPORATE
ANNUAL
REPORT
2022
www.medistim.com

Contents

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 900,000 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 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.

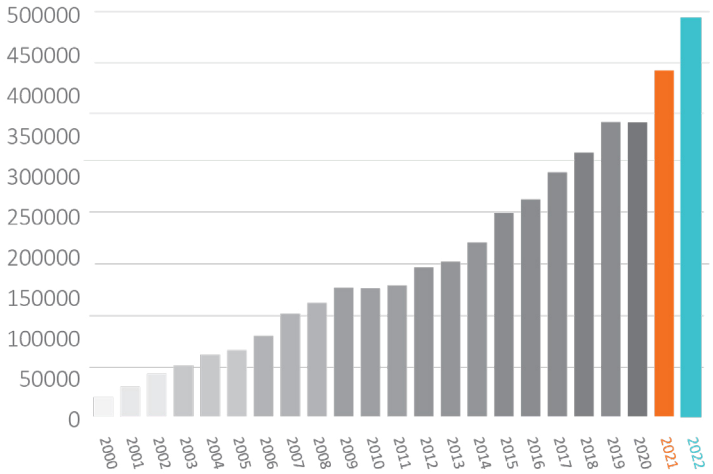
Medistim has wholly owned subsidiaries with marketing and sales organizations in the USA, Germany, the United Kingdom, Spain, Denmark and Norway, in addition to a global distributor network representing the company in more than 65 countries in Asia, Europe, America and Africa. Medistim ASA is listed 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.

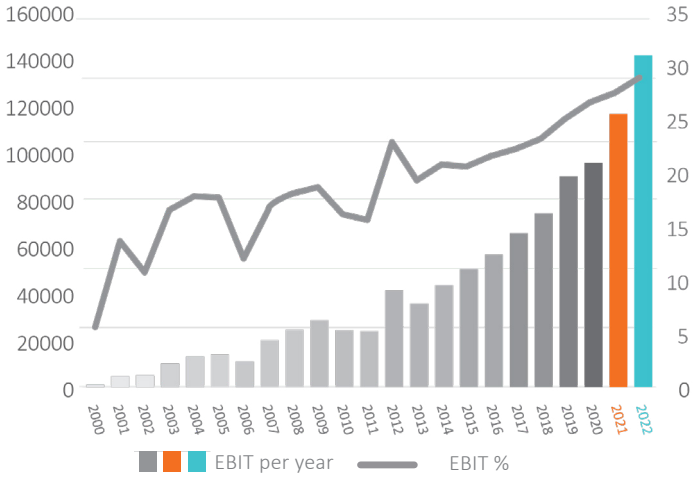
- Kari E. Krogstad - CEO

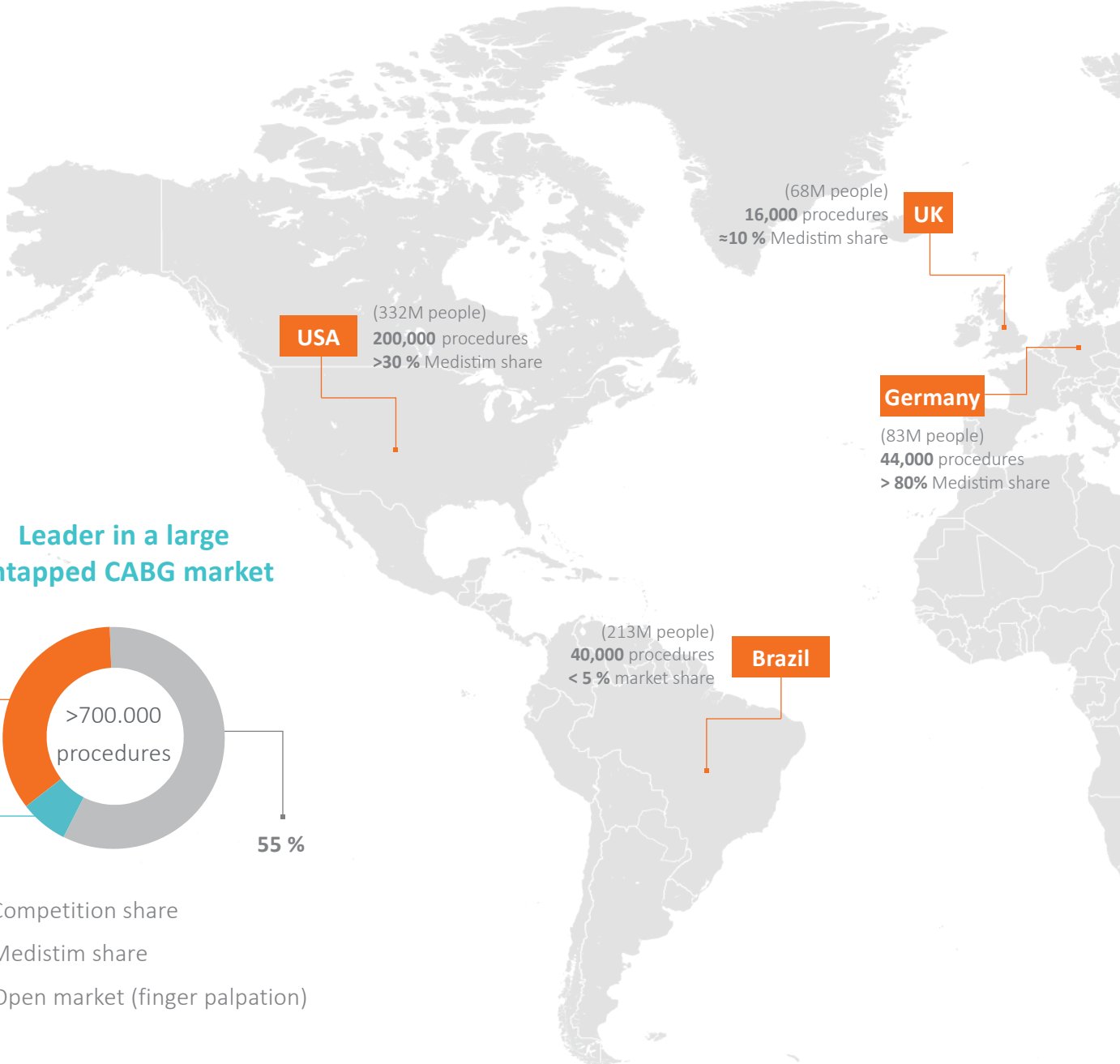
2. KEY FIGURES

Sales in TNOK



EBIT in TNOK and EBIT %

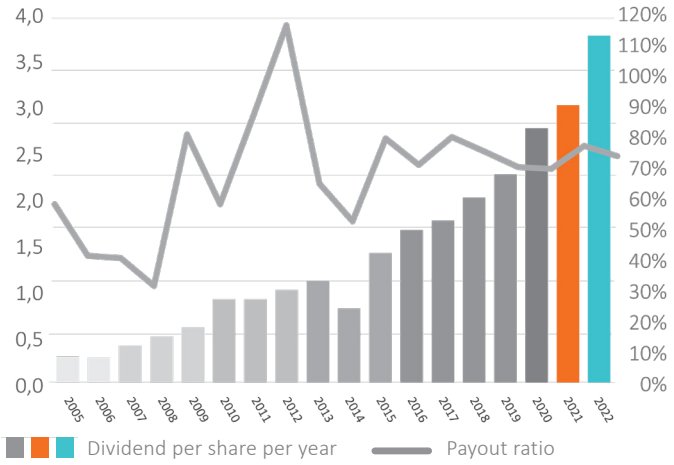




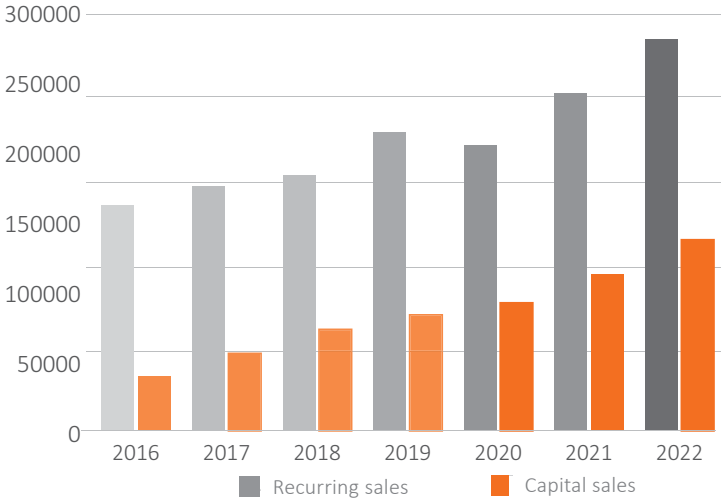
Leader in a large untapped CABG market

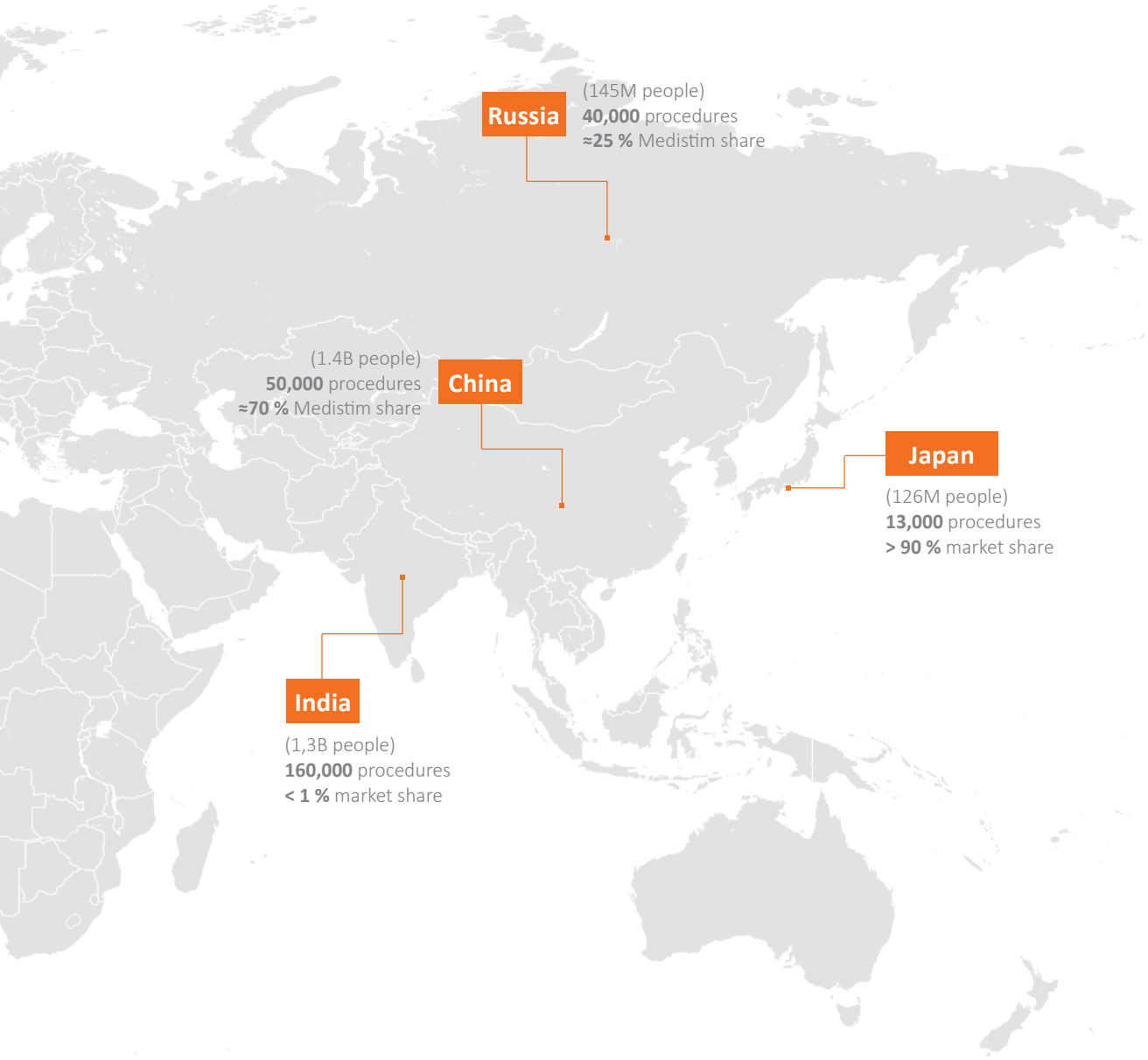
- Competition share
- Medistim share
- Open market (finger palpation)

Dividend in NOK per share and Pay-out ratio



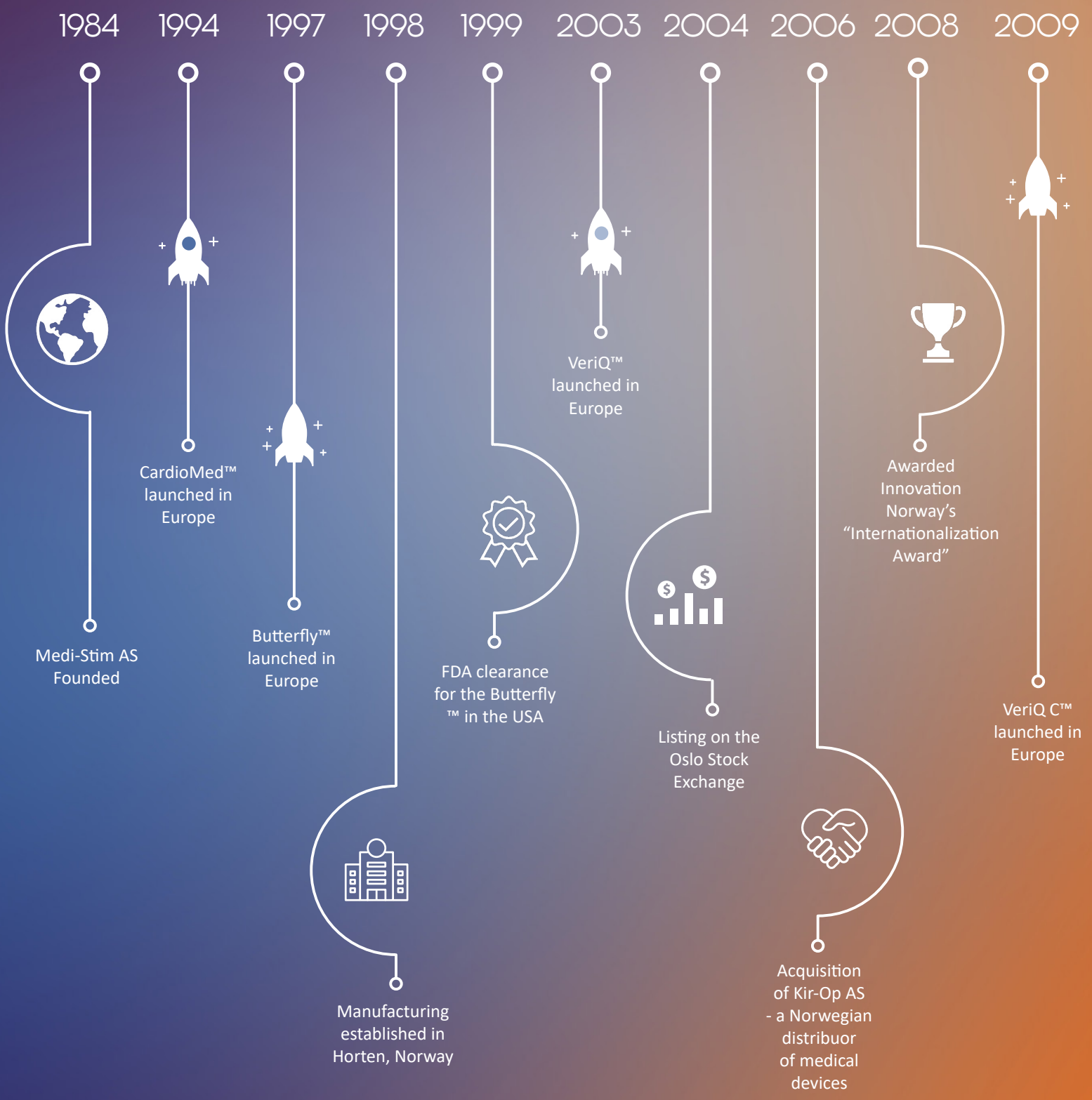
Capital sales and recurring sales of own products in TNOK



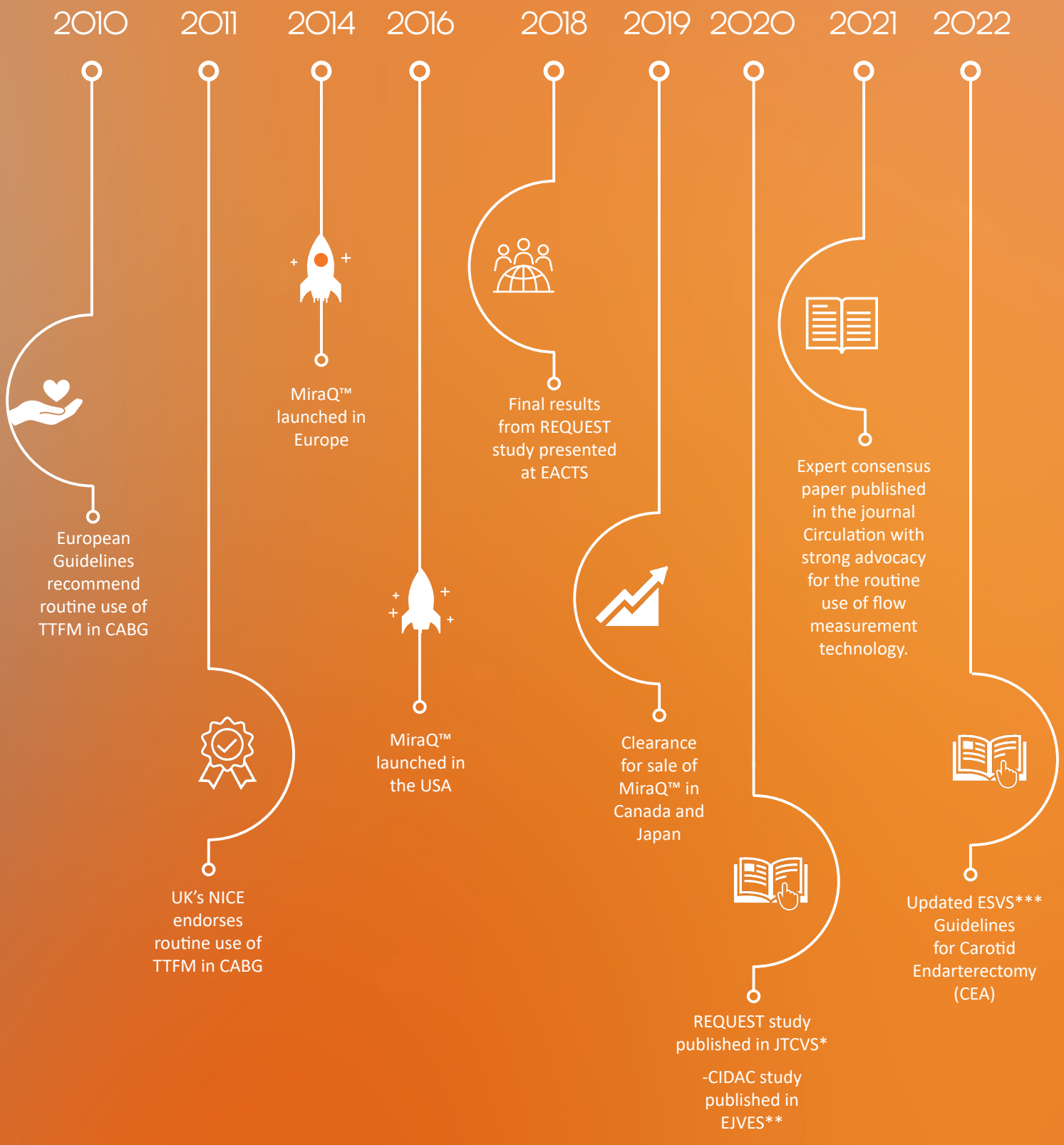


Headquartered in Oslo, with production facilities in Horten, Norway. Medistim sells its products through more than 60 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain and Norway.

3. HISTORY


1984
1994
1997
1998
1999
2003
2004
2006
2008
2009
Medi-Stim AS Founded
CardioMed™ launched in Europe
Butterfly™ launched in Europe
Manufacturing established in Horten, Norway
FDA clearance for the Butterfly ™ in the USA
VeriQ™ launched in Europe
Listing on the Oslo Stock Exchange
Acquisition of Kir-Op AS - a Norwegian distribuor of medical devices
Awarded Innovation Norway's "Internationalization Award"
VeriQ C™ launched in Europe

Medistim's Milestones



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

4. LETTER FROM THE CEO

Looking back at 2022, there are many achievements worth noting and celebrating.

First, we are delivering our best year yet,

setting a new all-time high for sales, reaching MNOK 491.9 in revenues for the year.

In addition to delivering on this ever so important goal of continued growth in both Cardiac bypass and Vascular surgery, we had

a tremendous year for Imaging product growth.

In Medistim, we strongly believe that combining the use of Flow measurement technology (TTFM) with near-field ultrasound imaging is the future - for patients, for surgeons and for the company. Our High Frequency Ultrasound (HFUS) innovation is offered in our latest platform, the MiraQ. The clinical value of the combined use was supported by the compelling clinical data from the REQUEST study, published in 2020.

To accelerate growth of our Imaging products, we decided to run a marketing campaign throughout 2022 in a range of digital media. We shared great clinical case examples showing the practical value from adding imaging to the CABG surgery procedure, under the

campaign slogan "TTFM is not enough".

Further supported by several high-quality symposia at the largest heart surgery conferences, we succeeded with achieving

44 % growth in the imaging product portfolio in 2022.

And while steadily penetrating the Cardiac bypass market, we build and strengthen our position in the Vascular segment as well. In 2022, we end up at MNOK 69.5 in

vascular product revenues, growing at 27.3 %.

Geographically, USA lead the way with 22.2 % growth for the full year, currency neutral. Based on the estimated 69,417 TTFM procedures sold, we can calculate our market penetration rising to >30 %. In other words, we are well under way towards achieving the same strong position with flow measurement adoption in the USA as we have in central and northern Europe and Japan.

On the operating profit side, we are happy to see that activity levels are back to normal in the operating rooms and in our marketing, sales, and product development departments. Through the year we have also strengthened our organization further, hence total operating expenses increase for the year. Still, we are setting a

record EBIT of MNOK 141.2 and corresponding EBIT margin of 28.7 %.

This is outstanding performance, and my appreciation and gratitude go to all Medistim colleagues and partners worldwide.

While the general global economic and geopolitical outlook for 2023 may be somewhat gloomy and uncertain, Medistim's pledge is to continue to develop, present and position our life-saving products to surgeon users and hospital administration, with all our best efforts and optimism. Follow us in 2023!

23rd March 2023

Kari E. Krogstad - *President & CEO*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SN 133908

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.

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.

Ole Arne Eiksund

Chief Business Development Officer, Medistim ASA

Ole Arne Eiksund joined Medistim as CBDO in April 2022. He has more than 25 years of experience from the biomedical industry, with commercial leadership roles within the pharma and biotech sectors. Former positions include Commercial Director at GSK Pharma, VP Global Sales at Hofseth BioCare and before joining Medisitim he was the CEO of Arctic Bioscience. Mr. Eiksund holds a M.Sc. degree in Computational Science from the University of Manchester (UMIST) and an Executive MBA from Hult International Business School, London.

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.

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).

Thomas Jakobsen

CFO, Medistim ASA

Thomas Jakobsen joined Medistim as VP Finance in 2001. He has broad experience from finance 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.

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.

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.

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.

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).

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 35 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.

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, United Kingdom.

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.

5.2 Board of Directors

Øyvin Brøymer

Chair

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

Anthea Arff-Pettersen

Board member

Anthea Arff-Pettersen is a Partner and Investment Director at Aeternum Capital. She holds a Master's in Investment Management from Cass Business School and a BSc in Business Administration from the University of Bath. Her previous experiences are from Schroders and M&G investments in London, private equity firm Credo Partners in Oslo, as well as Höegh Autoliners in New York.

Siri Fürst

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. 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, GC Rieber VivoMega AS, Røros Produkter AS and JM Hansen AS. She has broad experience from executive positions within 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). She is also member of the audit committee.

Torben Jørgensen

Board member

Torben Jørgensen holds a B.S.c. in Economics from Copenhagen Business School CBS and is an independent advisor, consultant and board member. He is currently the chair of the board of Biotage and Genovis AB. He is also board member of Boule Diagnostics and Advanced Instruments. Torben Jørgensen has previous experience as CEO of Biotage AB, Affibody AB, Karo Bio AB and DAKO AS. He is also member of the remuneration committee.

Lars Rønn

Board member

Lars Rønn has been board member in Medistim since 2010. He works as a consultant for Korn Ferry 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. He is also member of the audit committee.

Tove Raanes

Board member

Tove Raanes has been board member in Medistim since 2014. She works as an advisor in the investment companies Dyvi Invest AS and Nore-Invest AS and serves as board member in Bouvet ASA, Multiconsult ASA and Krefting AS. 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). She is also Chair of the audit committee.

6. BOARD OF DIRECTOR'S REPORT

Since the pandemic started to affect the Medistim business in second quarter of 2020, the effect has become gradually smaller, and in the second quarter of 2021, there was a strong rebound in procedures performed and hence in the sales revenues. This rebound has continued throughout 2022.

While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim's products has not changed, and the strong recovery seen through 2021 and the growth that continues in 2022, may indicate that cardiac bypass surgeries are back to normal. However, there are still some uncertainties related to new variants of the virus.

The global market is facing macro-economic turmoil, with energy crisis, inflation pressure, increasing interest rates and cost levels and uncertainty related to the Ukrainian war. The long-term consequences of the pandemic aftermath and growing geopolitical uncertainty are unclear but might lead to continuing challenges in the global flow of goods. Medistim is taking mitigating actions to ensure access to key components to secure production and maintain growth and profitability also for the future. Further, the company is financially solid to face future challenges, with no interest-bearing debt and an equity ratio of 76.6 %.

With these uncertainties, the need for Medistim's products has been confirmed through the last two years' growth development. Despite the pandemic, macroeconomic turmoil and the Ukrainian war, the company's solutions continue to have an increasing demand among cardiac and vascular surgeons.

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 60 distributors world-wide, including Medistim's own sales offices in USA, Denmark, Germany, Spain and Norway. At the end of 2022, Medistim's equipment was in use in more than 60 countries and 3,300 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 contributes to a more efficient health economy. Worldwide, over 700,000 CABG (Coronary artery bypass Graft procedures) and 900,000 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 all types of surgery.

6.1 Operational review

Medistim increased its coverage of cardiovascular surgery procedures in 2022. The medical facilities strict requirements for distance-keeping and comprehensive infection control regimes during the pandemic in 2020 and 2021 was less strict in 2022. This affected Medistim's customer relations activities positively in 2022. During the pandemic Medistim adopted digital solutions for conferences and meetings by applying digital communication platforms and remotely controlling ultrasound systems. This has created a new meeting place that Medistim actively continues to use to demonstrate products and perform end-user training efficiently. However, with less restrictions and infection control, physical meetings and exhibition participation has increased in 2022. Medistim experiences that this improves close customer contact, exchange of information, influence and business progress. Cost related to travel and physical meetings went up in 2022, but the improved customer contact contributed to a sales growth of 16.6% in NOK and an operating profit (EBIT) growth of 21.2% in NOK

Adjusted for currency effects, sales revenue was up 11.9%. Sale of own products was up 14.0% while sale of third-party products was up 2% from 2021. The strong growth is a combination of Medistim increasing its market penetration and closer customer and exhibition participation to collect leads as COVID restrictions were reduced in 2022.

During 2022, Medistim sold 250 new systems (230), where 100 were repacement of old systems and at year-end the total installed base of Medistim systems was 3300 units (3150). Probes and other consumables related to use of the medical systems represent a significant share of total sales for Medistim, depending on number of systems installed and utilization. Increased market penetration and surgical activity positively impacted Medistim's sales of consumables for the year.

Medistim continues to grow within both cardiac and vascular segments and the imaging module is the main driver for the growth. Sales revenue from the cardiac segment ended in 2022 at MNOK 346,5 (MNOK 293), an 18.3% growth. Sales revenue from the vascular segment ended at MNOK 69.5 (MNOK54.6), a 27.3% growth. Sales of imaging products increased with MNOK 44 which represents a 44% growth.

Medistim's strategic progress relies on strong clinical documentation by leading medical centers to create support from Key Opinion Leaders (KOLs) within cardiac surgery and vascular surgery. 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 October 2021, another clinical study was published in a top journal, Circulation. Circulation is the official journal of the American Heart Association – and one of the highest ranked journals in cardiology and cardiovascular medicine, published a consensus paper by 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG). The study describes a systematic review to identify best practice evidence for guideline development published the last 20 years. Over 2,200 articles identified, more than 1,550 of them screened, and 38 of them included in this review paper. The expert consensus process resulted in a new flowchart for decision making guidance to cardiac surgeons on how to utilize TTFM during surgery. The first of the 10 consensus statements and justifications states "TTFM should be used in every CABG case". The panelists agree "that quality assurance in CABG procedures should be established as a key component to improve patient outcomes".

This is a pivotal paper for Medistim that clearly graces all the initiatives to position MiraQ™ technology for routine use during CABG surgery. Having the technology in focus in one of the world's most renowned cardiovascular journals indicates that Medistim is moving in the right direction with its strategy. Medistim's REQUEST study published in 2020 was one of the key papers that was assessed to underpin the importance of routine use of quality assessment. This strong advocacy will not only exert peer influence within the community of cardiac surgeons, but it may pave the way for new and enhanced clinical guidelines worldwide.

In September 2022 the European Society of Vascular Surgery (ESVS) has revised their Clinical Practice Guidelines on the management of atherosclerotic carotid and vertebral artery disease by among others, adding a recommendation of the use of intra-operative completion control with ultrasound imaging, to reduce risk of peri-operative stroke for patients undergoing carotid endarterectomy (CEA).

The Guidelines are set to identify luminal thrombus after flow restoration, diagnose intimal flaps and diagnose residual stenoses during surgery. The new recommendation is based on a meta-analysis by Knappich et al. 2022 that shows that both ultrasound imaging and angiography are associated with a reduced risk of death and stroke after CEA.

For some time and in parallel with cardiac surgery, it is Medistim's goal to develop a strong position for the transit time flow measurement (TTFM) and high-frequency ultrasound (HFUS) imaging devices within the Vascular market. The recommendation of ultrasound imaging as an alternative to the current gold-standard angiography marks another milestone for Medistim in the efforts to establish HFUS technology for completion control in CEA. In the CIDAC study, which was part of the Knappich meta-analysis, Medistim's MiraQ Vascular device was used, and it demonstrated the benefits of using HFUS compared to angiography. In 2022 the vascular product portfolio revenues have grown more than 27%, and with the support of these revised Guidelines, Medistim is in a great position to continue this growth path.

Medistim's success is explained by the company's focus on customer, market, product development and people skills. This requires a strong and competent management. In 2022 the 18th annual

Arthur D. Little Nordic Life Science Award went to Kari E. Krogstad, CEO of Medistim ASA. The award was given to a person in the Nordic region that has demonstrated outstanding management and leadership in the Life Science industry.

A key to succeeding with winning in both Cardiac (CABG) and Vascular markets is continued innovation and product development. Customers expect to see improved performance from both the Flow and Imaging core technologies, as well as new features that will advance the clinical value and make the products even more user-friendly and attractive to build into their workflows.

In 2022, Medistim has expanded the Innovation and Product Development teams with additional headcount, as an important investment for the future. Not only does this increase the capacity to drive innovation initiatives, but it also brings in new competencies, experience, and ideas.

Also, to make flexible and ease of use solutions for the customers, Medistim implemented the Pay Per Procedure functionality on the MiraQ platform for US and UK customers.

6.2 Regional development

USA	2022	2021	% chg y-o-y
Flow procedures	**69,417**	59,397	17 %
Imaging procedures	**16,613**	12,635	31 %
Capital sales	**46**	38	21 %
Lease	**8**	19	-58 %

OUTSIDE USA	2022	2021	% chg y-o-y
Flow systems	**135**	125	8 %
Flow and imaging systems	**69**	67	3 %
Imaging probes	**112**	107	5 %
Flow probes	**8,606**	7,988	8 %

USA

USA is the largest market for the Medistim's products, representing 33% of global CABG procedures. Total U.S. sales amounted to NOK 198.1 million in 2022, up 28.5% from 2021. Adjusted for currency effects, sales were up 14.9%.

Total revenues for 2021 include an extraordinary recording of 5.3 MNOK as other revenues in the USA in 2021. This was related to the Paycheck Protection Program established by the U.S. federal government to help businesses keep employees employed during the COVID pandemic. Medistim kept all its USA employees throughout the pandemic and was therefore qualified for the program. Hence, U.S. product sales, when excluding this extraordinary income, increased with 33% compared to 2021. Adjusted for currency effects, product sales were up 26%.

Some 60% 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 30% of the total market of approximately 200,000 bypass surgery procedures performed annually. In comparable markets like Germany, Scandinavia, and Japan, Medistim has achieved TTFM 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 2022, procedural sales amounted to 71% of the total sales, ending at MNOK 139.1. This is up 23% from 2021 (+12% currency adjusted).

During the year, 86,030 procedures were sold, (72,032) of which 69,417 were flow procedures (59,397) and 16,613 were imaging (12,635). Capital sales were 46 units, compared with 38 units in 2021.

In 2022, 88% of sales was within the cardiac segment, hence the vascular segment is a large untapped opportunity for Medistim in USA.

Outside USA

Sales in markets outside USA, mainly Europe and Asia, ended at MNOK 218, up from MNOK 199 in 2021. Adjusted for currency effects, sales were up 16%.

In these markets, the systems are owned by the hospitals and revenues are more evenly split between capital sales and sale of consumables. In 2022, sales of flow and imaging measurement probes amounted to 62% of total sales, ending at NOK 134 million, compared with NOK 123 million in 2021. Currency neutral sales were up 15% year-over-year. The increased market penetration within both the cardiac segment and Vascular segment contributes to increase sale of consumables. In 2021, consumable sale amounted to 60% of total sales. Sale of consumables is expected to increase as sale of systems continues to increase from MNOK 72 in 2021 to MNOK 78 in 2022.

Europe

Medistim has developed a strong market position in Europe with about 1100 systems installed, representing a solid base for future recurring revenues. Total European sales of own products in 2022 ended at MNOK 124.8, up 7.8% from MNOK 115.8 in 2021. Currency neutral sales were up 8.4%.

During the year 4,714 probes were sold, (4,574) of which 4,659 were flow probes (4,524) and 55 were imaging (50). Capital sales were 84 units (81). The direct representation in Norway, Denmark, UK, Spain, and Germany ended sales at the same level as last year. Both Spain and Germany are mature markets within cardiac, but have large opportunities within the vascular segment. Norway and Denmark are well penetrated in both segments, while in the UK there is growth potential within both segments. Sales through distributors ended at NOK 49 million, up 16% compared to 2021. The installed base continued to increase, and solid probe demand resulted in a 15% growth in sales compared to 2021.

Asia

Sale to Asian markets were MNOK 77 for the year, up from MNOK 67 in 2021. The increase is driven by sales to China. Sales to China ended at NOK 37 million, up 16% compared to 2021. The number of CABG procedures increases with 5 to 10 % per year, and China is a strategic market for Medistim. Medistim covers more than 50 % of the 50,000 procedures performed in China and is well represented in the Chinese market. Sales to Japan ended at NOK 25,6 million, down 3% compared to 2021. The introduction of MiraQ to the Japanese market late 2019 continues to drive system sales in Japan.

During 2022, 103 MiraQ systems were sold in the Asian markets, compared with 93 systems in 2021. Sale of the combined ultrasound flow- and imaging system was at the same level as last year and the growth of system sales was the ultrasound flow system. Total number of probes sold in Asia increased 15% from 2021, reflecting increased CABG activity. The increase is explained by increased market penetration, but also inventory build-up at distributors. During 2022, Medistim sold 3,140 probes, (2,729) of which 3,101 were flow probes (2,683) and 39 were imaging (46).

Other markets

Sales in other markets amounted to MNOK 16.4 (MNOK 16.1).

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 2021, Medistim had 121 employees, compared to 131 in 2022. The working environment and culture in Medistim are considered strong, and there is continuous focus on initiatives for improvement. In 2022, absence due to sickness was 4.4% or 1510 days. This compares to 3.2% or 1109 days in 2021.

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 Organisation (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 2022 ended at MNOK 491.9 (MNOK 427.3). Currency neutral, sales increased 11.9%.

Sales in Asia increased 15.0%, while sales in the U.S. and Europe increased 28.5% and 5.5%, respectively. Regional sales in "Rest of the world" increased 1.6%. In Europe sales of own products rose 7.8% and third-party product sales through the subsidiaries in Norway and Denmark rose 2.0%.

Total revenues for 2021 include an extraordinary recording of 5.3 MNOK as other revenues in the USA. This was related to the Paycheck Protection Program established by the U.S. federal government to help businesses keep employees employed during the COVID pandemic. Medistim kept all its USA employees throughout the pandemic and was therefore qualified for the program. Hence, U.S. product sales, when excluding this extraordinary income, increased with 33.1% in 2022.

Total sales of own products in 2022, amounted to MNOK 416.1 (MNOK 347.6), while sales of third-party products were MNOK 75.8 (MNOK 74.3). Currency adjusted, sales of own products, excluding the PPP in 2021, increased 14.0% during the year, while sale of third-party products increased 2%. The growth was related to increased market share within both the cardiac segment and the vascular segment. Average NOK exchange rates towards USD and EUR in 2021 were 8.59 and 10.16 respectively, while equivalent rates in 2022 were 9.61 for USD and 10.10 for EUR.

Cost of goods sold (COGS) amounted to MNOK 106.5 (MNOK 97.1), representing 21.7% of sales (23%). The higher level of sales through direct operation and less growth in sale of third-party products, explain the decline in COGS in percent in 2022 compared to 2021.

Salary and social expenses were MNOK 146.4 (MNOK 134.1), while other operating expenses were MNOK 74.5 (MNOK 56.2). The main reason for higher salary and social expenses is related to increased number of employees. The organization has been strengthened primarily within Innovation and Product development (R&D), but also within business development, sales, service, and administration.

In addition, strong sales result increases sales commissions and bonuses.

Compared to the COVID-affected last year, the activity level in marketing and sales were higher this year, explaining the increased other operating expenses.

Medistim continuously invests in existing and new products to cover the surgical requirements for quality verification. The company invests between 4% and 10% of annual sales in research and development (R&D). In 2022, total R&D investments amounted to MNOK 23.8 (MNOK 18.6), corresponding to 5.7 % of sales of own products. Of this, MNOK 9.9 (MNOK 4.1) was activated in the balance sheet.

Operating result before depreciation and write-offs (EBITDA) ended at MNOK 164.5 (MNOK 139.7). Depreciation for the year amounted to MNOK 23.3 (MNOK 23.4).

The operating result (EBIT) was a record MNOK 141.3 (MNOK 116.3), corresponding to an EBIT-margin of 28.7 % (27.6 %)

The Group recorded net financials of MNOK 4.8 (MNOK -2.2), of which MNOK 11.7 of financial expenses (MNOK 10.4) and MNOK 16.5 of financial income (MNOK 8.1). Net finance was related to realized and unrealized gains or losses related to currency, cash in USD and EUR and customer receivables.

Profit before tax was MNOK 146.0 (MNOK 114.1). Tax amounted to MNOK 30.8 (MNOK 23.3) and the net profit for the year was MNOK 114.0 (MNOK 90.9), corresponding to earnings per share for the full year of NOK 6.25 (NOK 4.99).

Average number of shares outstanding during the year were 18.247.550 (18.215.938) by the end of December 2022.

Cash Flow Statement

Net cash flow from operating activities amounted to MNOK 113.5 (MNOK 127.4). Working capital increased MNOK 40.6 during the year, driven by a MNOK 16.9 increase in inventories and MNOK 33.0 increase in receivables.

Net cash flow from investing activities was negative NOK 20.1 million (NOK 11.5 million) where MNOK 10.2 as related to investments in assets and MNOK 9.9 was related to product development.

Net cash flow from financing activities was negative MNOK 70.2 (MNOK -58.8), of which MNOK 68.4 (NOK 54.6 million) was payment of dividends. Leases amounted to MNOK 7.4 (MNOK 6.9).

During the year cash and cash equivalents increased by MNOK 23.1 (MNOK 57.6). At 31 December 2022, total cash and cash equivalents amounted to MNOK 152.6 (MNOK 129.5).

Financial position

At 31 December 2022, Medistim's working capital totaled MNOK 187.8, compared with MNOK 145.7 the year before. During the year, inventory increased by MNOK 16.9. As a consequence of increased sales, account receivables increased MNOK 33.1 during the year. Account payables increased MNOK 7.8 compared to last year. By year end the group had MNOK 17.1 in interest bearing liability related to lease contracts. MNOK 10 of this was long term liability and MNOK 7.1 was short term liability. Total long term liability of MNOK 15.1 was related to MNOK 10 lease contracts and MNOK 5.1 was related to deferred revenue.

The total balance sheet amounted to MNOK 482.7 (MNOK 403.2). Total equity was MNOK 366.7 (MNOK 306.1), corresponding to an equity ratio of 76% (76%). Book value of properties, plants and equipment amounted to MNOK 51.3 (MNOK 58.8). Intangible assets were MNOK 36.1 (MNOK 30.1), of which product development and goodwill represented MNOK 22.0 and MNOK 14.1 respectively.

The group has a deferred tax asset of MNOK 3.6 (MNOK 3.2) related to temporary differences between carrying amount and tax values.

The year-end cash position was MNOK 152.6 (MNOK 129.5).

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 2022 the share capital of the Medistim ASA parent company was NOK 4 584 334 distributed 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 1000 shareholders and owned 85 046 treasury shares at year-end.

6.5 Parent company financial review

The parent company Medistim ASA had 2022 sales of MNOK 308.6 (MNOK 258.5). Operating profit was MNOK 101.7 (MNOK 77.3) and profit before tax amounted to MNOK 129.4 (MNOK 97.4). Medistim received a dividend from its subsidiary in Norway and Germany of MNOK 26.8 in 2022 (MNOK 24.0). No group contribution was received in 2021 or 2022. Profit after tax for the parent company was NOK 107.1 for the full year (MNOK 80.7).

At 31 December 2022, the parent company's total assets amounted to MNOK 382.2 compared to MNOK 310.4 as of 31 December 2021. Equity in the company was NOK 191.7 (MNOK 160.3), corresponding to an equity ratio of 50.2% (51.6%).

At year-end 2022, the parent company had MNOK 84.0 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 92.0 million for the parent company in 2022.

Allocation of profit

The Board of Directors suggests that MNOK 108.1 of the 2022 net profit is allocated to ordinary shareholder dividend, equal to NOK 4.50 per share (NOK 3.75 for 2021), which amounts to MNOK 82.1 corrected for the company's holding of own shares. The remaining MNOK 26.0 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 72.1% (75.2%). The dividend reflects the Board's positive expectations of future earnings. Over the past 10 years, the company has paid MNOK 407 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 October 2021. 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. Medistim today has about 82% 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 were no reportable events in 2022.

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.

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 market is facing macro-economic turmoil, with energy crisis, inflation pressure, increasing interest rates and cost levels. The long-term consequences of the pandemic aftermath and growing geopolitical uncertainty are unclear but might lead to continuing challenges in the global flow of goods. Medistim is taking mitigating actions to ensure access to key components to secure production and maintain growth and profitability also for the future. Further, the company is financially solid to face future challenges, with no interest-bearing debt and an equity ratio of 76 %.

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

Cardiac bypass surgery is to a large extent an elective procedure that can be scheduled with some time delay. When the outbreak of the COVID pandemic was a fact, several by-pass surgeries were postponed. Therefore, the number of bypass procedures was reduced compared to the normal level. While Medistim has over several years shown a currency neutral growth of 7% to 10 % per year, 2020 ended without growth compared to 2019, all due to the pandemic.

Since the pandemic started to affect the Medistim business in second quarter of 2020, the effect became gradually smaller, and in the second quarter of 2021, there was a strong rebound in procedures performed and hence in the sales revenues. This rebound continued through 2021.

While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim's products has not changed, and the strong recovery seen through 2021 and the growth that continues in 2022, may indicate that cardiac bypass surgeries are back to normal. However, there are still some uncertainties related to new variants of the virus.

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.

The company has director and officer's liability insurance. The insurance covers the board of directors' and management officers' legal personal liability for pure property damage related to the duties performed as directors and officers.

The new transparency act report from Medistim will no later than the 30th of June be published on the Medistim website www.medistim.com.

The Russian and Ukraine conflict

The Russian and Ukrainian conflict is expected to have minor impact on Medistim sales, since sales revenues from these countries were less than 2% of total sales in 2022.

6.8 Events after the balance sheet date

The Board of directors has no knowledge about events after 2022 that will affect the annual report and financial statement for 2022.

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 dominant market positions in most developed markets, continuously expanding its footprint represented by a current installed base of 3,300 systems in more than 65 countries.

However, market penetration varies from above 80% in selected European and Asian markets, to 30% 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.

Medistim has delivered record profit and cash flow despite the impact from COVID-19 and macro-economic turmoil in 2022. 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 already installed base of 3,300 systems, the company is well positioned to continue its journey of profitable growth.

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 2022, each with a nominal value of NOK 0.25, unchanged from end of 2021. During the year, the shares traded between NOK 196 and NOK 382 per share, and 2.03 million shares were traded in total.

Major shareholders and voting rights

Medistim had 1016 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2022, whereof the 20 largest shareholders owned 74.3%. The percentage of issued shares held by foreign shareholders was 57.2%. 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	
2021 Financial statements approved by the Board	23.03.22
Annual report 2021 disclosed	29.03.22
Annual General Meeting	27.04.22
Resolution to distribute dividend of NOK 3.75 per share	27.04.22
Ex dividend NOK 3.75	28.04.22

SHARE PRICE DEVELOPMENT OVER THE PAST 5 YEARS

Dividends and dividend policy

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.

Based on the 2022 results, the Board of Directors will propose to pay a dividend of 4.50 for 2022 corresponding to a pay-out ratio of 71%. For 2021, Medistim paid a dividend of NOK 3.75 per share corresponding to and a pay-out ratio of 75%. Over the last ten years, Medistim has paid NOK 407 million in accumulated dividend to shareholders.

Analyst coverage

DNB, Danske Bank and Sparebank 1 had active coverage of Medistim ASA in 2022. For contact details, please see the company website www.medistim.com.

General Meetings and Board authorisations

The 2022 AGM granted the Board of Directors the following authorizations:

2. Authorisation to increase the share capital by up to NOK 458,433.25.
3. 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.

Oslo, 23rd March 2023

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chair
Sign.

Anthea Arff-Pettersen
Board member
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
President & CEO
Sign.

7. COMPANY DESCRIPTION

7.1 Vision, mission, 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	INNOVATION	QUALITY	PEOPLE
To set challenging goals	Encourage creativity, discovery, and innovation	Outstanding quality in everything we do	Trustworthy, honest, and ethical
To be open and transparent	Value new ideas and test them out	Commitment to Medistim QMS	Generous and welcoming to customers and colleagues
To share knowledge and experience	Problem-solving and solution-oriented mindset	High competence and unique expertise	Value, trust and respect each other
To try without fearing to fail		World-class products and services	Promote physical and emotional health and quality of life
To challenge accepted beliefs		Amazing customer experience	

Addressing serious, common and increasing global medical problems

Cardiovascular diseases (CVDs) are the number one cause of death, representing approximately 1/3 of all deaths worldwide[1]. 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.

1 Journal of the American College of Cardiology Volume 76, Issue 25, 22 December 2020

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 solutions

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

Intraoperative surgical guidance and quality assessment with ultrasonic imaging and blood flow measurement reduces 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, some 700-800,000 CABG procedures are carried out on an annual basis. Although the use of solutions 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 main growth opportunity.

Medistim is already the leading provider of flow and imaging systems, with dominant 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 consumable 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 3,300 systems in more than 65 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 probes which are produced by third parties.

7.3 Strategy

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

Strong 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 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

Surgical Guidance

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 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 sensor technology is based on probes. 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 in 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 MiraQ Vascular system includes a specialized application menu with a customized user interface adapted to vascular surgeons' requirements, and probes tailored for 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 probes

Medistim's imaging probes are used to provide intraoperative 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 cover the surgical requirements for quality verification. The company invests between 4% and 10% of annual sales in research and development (R&D). In 2022 The company invested 5.7 % of annual sales of own products in research and development (R&D).

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-customer. 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. The Innovation team has developed a prototype of a new user interface that entered into formal development in 2022.

New production technology

A separate project is established to redesign the PS probes through machine learning and automation. The project is expected to go on for several years and will improve the probe production capacity vastly.

Clinical studies support routine use of Medistim's technology

Medistim's strategic progress relies on strong clinical documentation by leading medical centers to create support from Key Opinion Leaders (KOLs) within cardiac surgery and vascular surgery. 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.

The circulation publication in 2021 and the use of TTFM during CABG: In 2021 Medistim 's Transit Time Flow Measurement (TTFM) technology received strong support from leading experts, in a new publication in the top journal Circulation.

Circulation – the official journal of the American Heart Association – and one of the highest ranked journals in cardiology and cardiovascular medicine, published a consensus paper by 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG) on October 5th. The study describes a systematic review to identify best practice evidence for guideline development published the last 20 years. Over 2,200 articles identified, more than 1,550 of them screened, and 38 of them included in this review paper. The expert consensus process resulted in a new flowchart for decision making guidance to cardiac surgeons on how to utilize TTFM during surgery. The first of the 10 consensus statements and justifications states "TTFM should be used in every CABG case". The panelists agree "that quality assurance in CABG procedures should be established as a key component to improve patient outcomes".

This is a pivotal paper for Medistim that clearly graces all the initiatives to position MiraQ™ technology for routine use during CABG surgery. Having the technology in focus in one of the world's most renowned cardiovascular journals indicate that Medistim is moving in the right direction with its strategy. Medistim's REQUEST study published in 2020 was one of the key papers that was assessed to underpin the importance of routine use of quality assessment. This strong advocacy will not only exert peer influence within

the community of cardiac surgeons, but it may pave the way for new and enhanced clinical guidelines worldwide.

Guidelines recommend intraoperative ultrasound after Carotid Endarterectomy (CEA) in 2022: The European Society of Vascular Surgery (ESVS) revised their Clinical Practice Guidelines in 2022 on the management of atherosclerotic carotid and vertebral artery disease by among others, adding a recommendation of the use of intra-operative completion control with ultrasound imaging, to reduce risk of peri-operative stroke for patients undergoing carotid endarterectomy.

The Guidelines are set to identify luminal thrombus after flow restoration, diagnose intimal flaps and diagnose residual stenoses during surgery. The new recommendation is based on a meta-analysis by Knappich et al. 2021 that shows that both ultrasound imaging and angiography are associated with a reduced risk of death and stroke after CEA.

Professor Eckstein, University Hospital Rechts der Isar, Munich, Germany, states that "This new guideline recommendation clarifies that intraoperative morphological control is worthwhile. In my practice, ultrasound imaging for completion control after CEA has become the standard of care, especially when surgery is performed under locoregional anesthesia. Intraoperative angiography is only needed if a cerebral problem is suspected."

It is Medistim's goal to develop a strong position for its transit time flow measurement (TTFM) and high-frequency ultrasound (HFUS) imaging devices within the Vascular market, including the CEA segment. The recommendation of ultrasound imaging as an alternative to the current gold-standard angiography marks another milestone for Medistim in the efforts to establish the HFUS technology for completion control in CEA. In the CIDAC study, which was part of the Knappich meta-analysis, Medistim's MiraQ Vascular device was used, and it demonstrated the benefits of using HFUS compared to angiography.

7.6 Clinical application areas and target markets

Lifestyle diseases such as obesity and diabetes have increased significantly in recent decades, increasing the need for revascularization procedures. Cardiovascular diseases (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.

The adoption of TTFM and HFUS for surgical guidance and quality control is increasing. However, over 60% of surgeons still rely on physical palpation for graft patency assessment, even though "feeling" the pulse is an unreliable indicator of actual blood flow through the vessel.

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.

7.7 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, varying between 700-800,000 globally per annum.

A decrease in the number of procedures performed in Western countries in recent years has been compensated by an increase in the BRICS countries (Brazil, Russia, India, China and South Africa). 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 Transit Time Flow Measurement (TTFM) and High Frequency Ultrasound Imaging (HFUS). The US is the single largest market for Medistim's products, representing close to 30% of the world market, with a combined European market of a similar size.

Large untapped market

To date, Medistim has installed about 3,300 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 35% of all bypass surgeries performed worldwide. Competing providers using

the transit time measurement principle are estimated to be used in about 8% of the procedures performed.

This implies that no equipment is being used to verify blood flow in about 55% 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 at 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.

The MiraQ 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. This is supported by the study published in the Circulation where 19 of the world's highest renowned specialists in coronary artery bypass surgery (CABG) makes the statement: "TTFM should be used in every CABG case".

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 USA.

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 2021 and 2022 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 US, 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.

7.8 Market for Vascular Surgeries

Applications	# of procedures	Clinical needs
Peripheral bypass	> 450,000	Improve long-term graft patency | Improve quality of life
CEA	> 250,000	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, CEA and AV access. The addressable market includes about 900,000 procedures and a market potential of 1.5 billion NOK.

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."

The CIDAC study

Clinical support and studies are key enablers for Medistim to increase market penetration, also in vascular surgery. In 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. Based upon the results from the study The European Society of Vascular Surgery (ESVS) included the use of HFUS when treating CEA patients.

7.9 Geographical target markets

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

USA

Representing close to 30% of the global CABG market, USA is the most important market for Medistim, accounting for 48% of total revenue from own products in 2022. The US subsidiary has 25 employees and 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 650 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 centers. 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 35% of surgeries performed with support from medical systems ensuring proper blood flow. Medistim has a market share of approximately 30 % 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 centers in Norway, Sweden, Finland and Denmark, with directs sales in Norway and Denmark. Several vascular centers 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 customers. The vascular market represents an opportunity for growth in the future.

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 center in Oxford through the REQUEST study, further supporting marketing of Medistim medical solutions. Based on the US model, pay-per-procedure or enter leasing agreements were introduced to UK customers in late 2022.

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 80% of all coronary surgical procedures as the installed base is primarily in cardiac centers. 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

China

About 50,000 CABG procedures are performed annually and Medistim's share of this market is above 50 %. The number of CABG procedures increases by 5 to 10 % per year in this market, and China is therefore a strategic market for Medistim.

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.

India

Approximately 160,000 CABG procedures are performed annually. Medistim's market share is below 5%. 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 Stock Exchange, and bases its corporate governance structure on Norwegian legislation and recommended guidelines. The corporate governance policy is subject for an annual review by the Board of Directors.

The company observes the Norwegian Code of Practice ("Code" or "Code of Practice") for Corporate Governance, last revised 14 October 2021, issued by the Norwegian Corporate Governance Board.

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 deviations from the Code is explained under each item.

8.2 Business activity

Medistim's mission is to develop 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 healthcare 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 Chapter "9. Sustainability Report" of this Annual Report for 2022.

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 2022, the company's equity was NOK 369 million, which is equivalent to 76.6% 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 maximise 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 2023 of NOK 4.50 per share corresponding to

NOK 82.1 million based on the financial results for the year. For 2021, the company paid a dividend of NOK 3.75 per share, corresponding to NOK 68.4 million. Over the past ten years, Medistim has paid a total of NOK 407 million in dividend to shareholders, corresponding to an average payout ratio of 75 %.

At the annual general meeting on 27 April 2022, 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 of 31 December 2022, 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 of 31 December 2022, 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 2022.

Any transactions in own shares, i.e. a share buy-back program, will be carried out either through Oslo Stock Exchange 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 purchases of own shares during 2022. Previously purchased own shares has been used to fore fill option grants and share program to management.

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 2022.

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. The company's auditor and nomination committee will participate at the meeting.

In 2022, Medistim held its annual general meeting on 27 April with 51.95% of the shares represented. There were no extraordinary general meetings during the year.

Deviations from the Code: None.

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.

Name	Role	Considered independent of the main shareholder and management	Representing a specific shareholder	Served since	Term expires	Participation in nomination committee meetings in 2022
Bjørn Henrik Rasmussen	Chair	Yes	Follum Capital	2009	AGM 2023	100%
Jonathan Schönbäck	Member	Yes	Odin Forvaltning	2022	AGM 2023	100%
Vegard Søraune	Member	Yes	Aeternum Capital AS	2021	AGM 2024	100%

The guidelines for the nomination committee are 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.

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 Proposals are to be sent to the nomination committee chair on email to: Bjørn H. Rasmussen post@folluminvest.no

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

Deviations from the Code: None

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 2022, the board consisted of the following six directors:

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation board meetings 2022	Share ownership in Medistim (direct/ indirect)
Øyvin A. Brøymer	Chair	No	2000	AGM 2023	100%	7.01%
Torben Jørgensen	Director	No	2021	AGM 2024	100%	0%
Lars Rønn	Director	Yes	2012	AGM 2024	100%	0,01%
Anthea Arff-Pettersen	Director	No	2022	AGM 2024	100%	0%
Siri Fürst	Director	Yes	2013	AGM 2023	100%	0.01%
Tove Raanes	Director	Yes	2014	AGM 2024	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 six 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 board has appointed an audit committee and a renumeration committee.

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

Deviations from the Code: None

8.10 Risk management and internal control

The board carries the responsibility to ensure that 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. The board receives monthly reports from management on developments and results related to finance and risk management, 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 Stock Exchange, 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 and risk management 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 terms have remained the same over several years

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 achievement, 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 Stock Exchange' 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 Stock Exchange' news channel www.newsweb.no and on the company's website www.medistim.com.

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

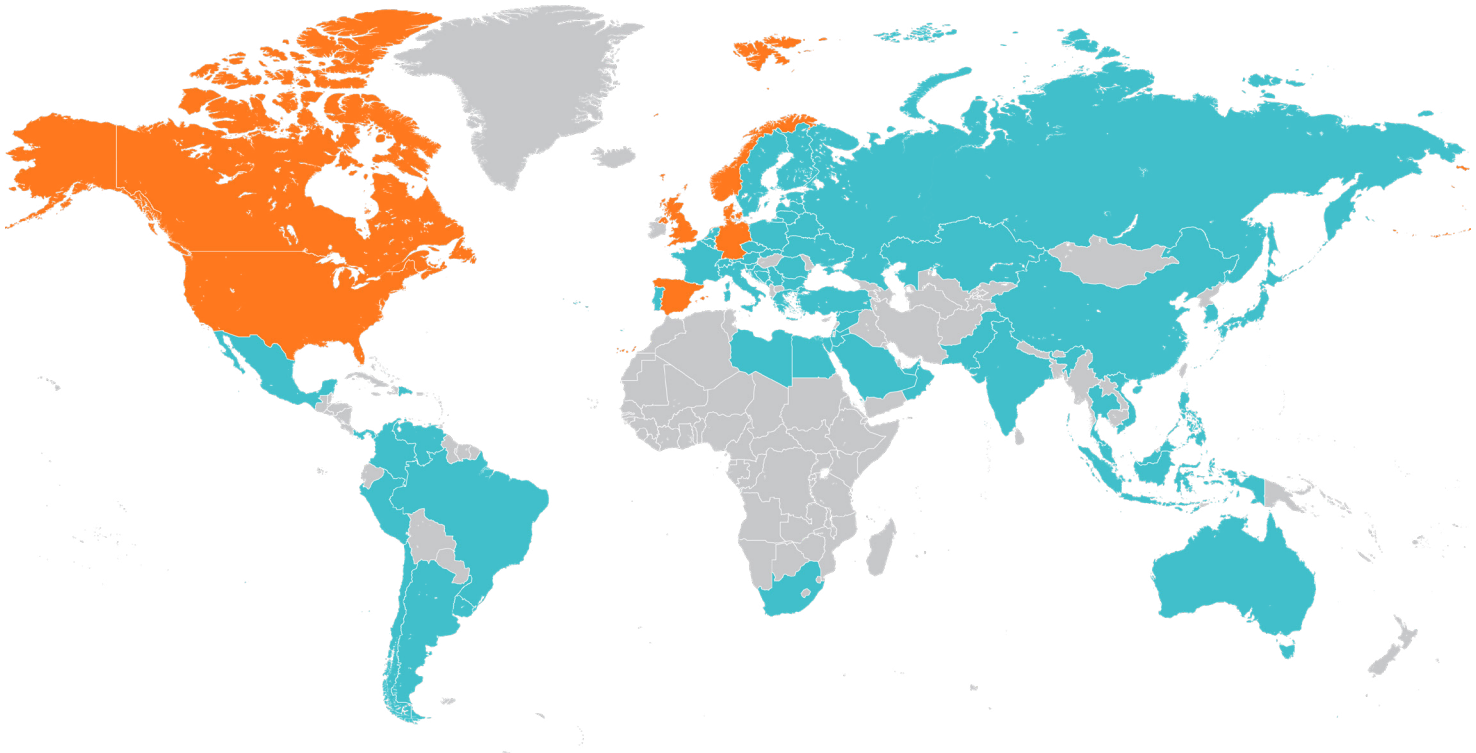
BDO AS has been the company's auditor since 2010. The auditor is considered independent of Medistim ASA. Medistim uses the same auditor for all companies within the group. The board receives an annual confirmation from the auditor that the requirements regarding independence and objectivity have been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

The auditor has attended four meetings with the audit committee during 2022.

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: None



Medistim subsidiaries

Medistim distributors

9. SUSTAINABILITY REPORT

9.1 Strengthening human health through improved surgery

Medistim develops and sells products contributing to improve 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 the stakeholder value creation. The culture is built on its four core values, described in Chapter ***7.1*** 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.

We believe that, over time, companies that place environmental, social and governance considerations at the top of their agendas will be able to capitalize on growth opportunities, increase returns on capital and reduce the cost of capital.

Contribution to UN Sustainable Development Goals (SDGs)

Medistim supports the UN SDGs.

The company considers its greatest impact is helping to strengthen human health through improved surgical outcome 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. Medistim can definitely contribute to that through the use of quantitative measuring modality and qualitative imaging modality. Several papers and journals have been written on the topic. The REQUEST study published in 2020 was one of the key papers that was assessed to underpin the importance of routine use of quality assessment. In 2021, Circulation (the official journal of the American Heart Association), stated that "TTFM should be used in every CAGB case".

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 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[1] 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 materiality matrix.

By summarizing the factors identified through the analysis, Medistim has defined the following

1 The Sustainability Accounting Standards Board (SASB)

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 third ESG report. Medistim has continued to work with the material topics identified and considered initiatives on how the company can improve performance for a more sustainable business conduct. This includes seeking to develop relevant ESG KPI's and GRI'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 cardiac and vascular 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) ensures 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.

During the last few years, Medistim has put efforts in the preparation for MDR, the new Medical Device Regulation (2017/745/EU). This is the new regulation from EU that will strengthen patient safety through stricter demands related to quality and safety. All medical device manufacturers must be compliant with the MDR regulation within 2027 and 2028, depending on Medical device risk class.

However, since Medistim is focusing on quality and safety in general, much preparations for the new regulation has already been done the last few years. 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 is subject to supplier qualification. This includes consulting services that can affect the quality management system and product quality. The QMS also includes 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 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 2022.

Product life cycle and environmental footprint

Medistim has implemented an environmental policy 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 of products as well as some traveling in connection with sales and training activities. Medical equipment is distributed by postal services with commercial logistics providers based in the Nordic region. Employees are encouraged to take environmentally friendly options into consideration, e.g.; minimize number of flights. Employees are further encouraged to reduce consumption and

People

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. The upgrade option with the MiraQ platform from a flow system to a flow and imaging system reduces electronic waste.

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. Hospitals and treatment centers are responsible for safe disposal of the equipment when it has reached end-of life.

All relevant materials used are subject to biocompatibility testing to ensure that they are not harmful for the patient or operator. All equipment which is in contact with human tissue is designed to withstand required sterilization processes. In addition, Medistim seeks to include in the supplier agreements the intent to use environmentally friendly materials and transport.

Medistim is assessing the opportunity to provide remote servicing of its devices, which may reduce travel activity and reduce shipping.

The goals for 2022 were:

- Remove plastic bags used for probes in IFU's (Instructions For Use). This could potentially save 26 kg of plastic per year.

This goal was achieved during 2022, and plastic bags are no longer used for probes

- Implement sustainability as assessment criteria in the product development process.

It has been implemented as a routine, that sustainability is assessed in product development discussions.

Focus areas going forward are to continue reducing plastics used in packaging of products and increase the use of recyclable cardboard for packaging and transportation of products. Further, the company aims to minimize waste of plastic material, electronics and molded silicone parts and glue in production. Also, when developing new and improved products, a sustainability evaluation will be part of the assessment for new product ideas.

Medistim is assessing the opportunity to provide remote servicing of its devices, which may reduce travel activity and reduce shipping.

Goals for 2023:

- Developing KPIs for Energy and Water consumption to Medistim reporting
- Introduce lead-free soldering of wires for all TTFM transducers

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.

In the making of upgrades, new products or next generation of product, the company strives to focus on "ease of use". Not only does it lower the threshold for surgeons to take the equipment in use to improve quality of the surgery, it also reduces the risk of making an error during the procedure.

9.3 Responsible business

Ethical business conduct and compliance with Norwegian Transparency Act

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 2019, are built on central UN and ILO (International Labour Organization) 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 whistle blowing.

Medistim is committed to a zero-tolerance policy of corruption, which means that the company strictly opposes 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 and board of 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.

There were no reported concerns during 2022.

In July 2022, the Norwegian Transparency act based on OECD guidelines was implemented. The new act obligates companies to conduct human rights and decent work due diligence and follow-ups throughout their supply chain and business relationships. Medistim has conducted such due diligences on suppliers and business relationships for many years and has a well-established routine for such due diligences. This work has been led by the QA/RA department and is based on a risk based approach. During 2022, further efforts have been put into structuring this work. A separate Transparency Act report will be prepared during the first half of 2023, in line with Transparency Act guidelines.

Whistle blowing

Medistim has established routines for reporting concerns related to illegal or unethical conduct, including a whistle blowing channel for discrete and confidential handling of any potential reports. There were no reported concerns during 2022.

The goal for 2022 was:

- Repeat training to employees on routines for whistle blowing.

| *The training has been completed.*

Responsible selling practices

Medistim is a global leader in developing products for quality control within of cardiac 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 product offerings and prices are adapted to individual markets. Each distributor sets the local end user-price in their markets.

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 may gather and store personal data as part of its research and development projects. 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 to ensure compliance. This involves regular 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 2022.

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.

When assessing compensation there is a distinction between educated and skilled employees. The skilled group is typically trained employees by Medistim where formal education is not required. In total, the gender balance is equal, but more women are in the group of skilled employees. This explains the difference in average salary. Comparing men and women in the same groups the terms are equal. The compensation includes both fixed salary and bonuses. There is only one part time employee and this is by own choice. All other employees are compensated with a 100 % position.

Goal for 2023:

- Complete employee engagement survey

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 131 people (116).

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 its immediate supervisor.

Sick leave for the year totaled 4,4 % or 1510 days (3.2% or 1109 days). 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 2022 (0).

In order to improve the working environment, actions are taken to reduce static load for the operators in production and reduce exposure towards dust, gases and chemicals. Long term, the goal is to add automation in the production process.

A separate project is established to redesign the PS probes through machine learning and automation. The project is expected to go on for several years and will improve the probe production capacity vastly.

Furthermore, during 2022 Medistim has established a company sports team, of which taking part in the Holmenkollen relay race was a highlight. Also, vegetarian lunch every Tuesday is implemented at the Head Quarter in Oslo.

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 2022 3,0 % of Medistim's female and 1,5 % of male employees took parental leave. On average, women took 8 weeks, while men took 1 week.

Medistim is a company in growth with an increasing number of employees, which increase diversity and complexity. Medistim acknowledges this and an HR function was established late 2021.

- The goal for 2022 was to update and revise the employee handbook.

| *This was done during 2022.*

INDICATORS	2022	2021
Working environment, health and safety		
Number of employees	**131**	116
Number/ share of part-time employees	**1**	1
Turnover- number of employees leaving	**12**	12
Employees' co-ownership in the company (% employees owning shares in Medistim)	**0.60 %**	0.64 %
Skickleave (%)	**4.4 %**	3.2 %
Number of work-related injuries	**0**	0
Gender balance, % women of group total	**51.1 %**	52 %
Gender balance, % women executive management	**38.5 %**	41 %
Gender balance, % women Board of Directors	**50 %**	40 %
Number of women hired during the year	**13**	2
Number of men hired during the year	**14**	6
Age distribution, employees < 30 years	**5**	4
Age distribution, employees 30-50 years	**67**	61
Age distribution, employees > 50 years	**59**	51
Average salary female employees in NOK	**698 789**	649 409
Average salary male employees in NOK	**1 134 203**	1 135 773
All employees incl. management level, womens share of salary per position	**911 510**	888 399
Executive management, womens share of salary per position (Hay Grade)	**21 %**	28 %
Number of weeks for maternity leave (women)	**16**	52
Number of weeks for paternity leave (men)	**1**	0
Responsible operations		
Employees conducted training in ethical guidelines/ Code of Conduct (%)	**All**	
Reported whistleblower incidents	**0%**	0%
Reported incidents of corruption	**0%**	0%
Breaches of labour practices in the supply chain	**0%**	0%
Governance		
Number of board members	**6**	5
Independent board members	**3**	3
Average age of board members	**57**	62
% meeting participation	**100%**	95%

10. GROUP CONSOLIDATED FINANCIAL STATEMENTS

10.1 Consolidated Income Statement of Profit or Loss and other Comprehensive Income Medistim ASA Group

INCOME STATEMENT MEDISTIM ASA GROUP		2022	2021
1 = NOK 1000			
	Note		
Operating income and expenses			
Revenue		**486 262**	417 817
Other income		**5 675**	9 459
Total revenue	1,2	**491 937**	**427 276**
Operating expenses			
Cost of goods sold	3	**106 485**	97 114
Salary and social expenses	4,5,21	**146 376**	134 507
Other operating expenses	8	**74 537**	55 950
Total operating expenses before depreciation and amortisation		**327 398**	**287 571**
Operating profit before depreciation and impairment		**164 539**	**139 705**
Depreciation and amortization on assets	6,7,12	**23 288**	23 427
Operating profit		**141 251**	**116 278**
Financial income and expenses			
Total financial income	9,20	**16 546**	8 173
Total financial expenses	9,20	**11 748**	10 380
Net finance		**4 799**	**-2 207**
Profit before tax		**146 049**	**114 071**
Tax expense	10	**32 077**	23 171
Profit for the year	**11**	**113 973**	**90 900**
Earnings pr. share		**2022**	2021
Basic	11	**6.25**	4.99
Diluted	11	**6.24**	4.98

STATEMENT OF OTHER COMPREHENSIVE INCOME	2022	2021
Net profit	**113 973**	90 900
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	**10 659**	5 357
TOTAL COMPREHENSIVE INCOME	**124 632**	**96 257**

10.2 Statement of Financial Position Medistim ASA Group

Consolidated balance sheet Medistim group ASA		12/31/2022	12/31/2021
1=NOK 1000	Note		
Assets			
Non-current assets			
Property, plant and equipment	6,7	**51 312**	58 862
Deferred tax asset	10	**3 591**	3 240
Intangible assets	12	**36 069**	30 170
Other long term receivable	21	**5 793**	4 475
Total non current assets		**96 764**	**96 747**
Current assets			
Inventory	14	**114 333**	97 413
Accounts receivable	15	**101 657**	68 634
Other receivables	15	**17 263**	10 960
Cash	16	**152 641**	129 490
Total current assets		**385 894**	**306 497**
Total Assets		**482 659**	**403 244**
Equity and liabilities			
Equity			
Share capital	17	**4 585**	4 585
Treasury shares		**-21**	-26
Share premium		**41 852**	41 852
Other paid in capital		**18 742**	13 344
Issued capital		**65 158**	**59 754**
Other reserves		**17 184**	6 138
Retained earnings		**285 350**	240 160
Retained earnings		**302 534**	**246 298**
Total equity		**367 691**	**306 052**
Non current liabilities			
Lease liabilities	7,24	**10 020**	17 079
Deferred revenue	24	**5 126**	2 510
Total non current liabilities		**15 146**	**19 589**
Current liabilities			
Accounts payable		**24 470**	13 205
Income tax payable	10	**25 873**	20 327
Other short term liabilities	19	**42 043**	36 609
Provisions	22	**350**	350
Lease liabilities	18,24	**7 086**	7 113
Total current liabilities	18	**99 822**	77 604
Total liabilities		**114 967**	97 192
Total equity and liabilities		**482 659**	**403 244**

10.3 Consolidated Cashflow Statement

CONSOLIDATED CASHFLOW STATEMENT		2022	2021
1 = NOK 1000	Note		
Cash flow from operations			
Profit/loss after tax		**113 973**	90 900
Minus income tax paid		**-19 167**	-13 336
Plus this years tax expense	10	**32 077**	23 171
Plus depreciations and amortisations	6,7,12	**23 288**	23 427
Change in inventory	14	**-16 920**	15 254
Change in accounts receivable	15	**-33 023**	-11 149
Change in accounts payable		**11 265**	-324
Change in other accruals		**1 999**	-568
Net cash from operating activities		**113 491**	**127 374**
Investing activities			
Purchase of property, plant and equipment	6,12	**-9 251**	-7 403
Product development investments		**-11 851**	-4 083
Net cash from investing activities		**-21 102**	**-11 486**
Financing activities			
Repayment of liability	18,24	**-**	-4 500
Dividend	11	**-68 396**	-54 640
Principle and interest paid on lease liabilities	7,24	**-7 312**	-7 502
Other financing activities		**5 404**	7 589
Net cash from financing activities		**-70 304**	**-59 053**
Foreign currency effect on cash		**1 066**	**764**
Net change in cash		**23 151**	57 599
Cash as of 01.01		**129 490**	71 891
Cash as of 31.12	**16**	**152 641**	**129 490**
Available cash and cash withholding			
Available cash as of 31.12	16	**144 164**	124 866
Cash withholding for taxes	16	**8 477**	4 624
Cash and cash equivalents as of 31.12		**152 641**	**129 490**

10.4 Consolidated Change in Equity for Medistim ASA

Comments to other reserves:

Other reserves in the equity reconciliation are differences related to translating equity from foreign subsidiaries to NOK.

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
Equity as of 31 Dec 2020		4 585	-33	41 852	5 762	**52 165**	781	203 899	**204 680**	**256 845**
Total comprehensive income for the period		-	-	-	-	**-**	5 357	90 900	**96 257**	**96 257**
Share-based payments	***17***	-	7	-	7 582	**7 589**	-	-	**-**	**7 589**
Dividend	***11***	-	-	-	-	**-**	-	-54 640	**-54 640**	**-54 640**
Equity as of 31 Dec 2021		4 585	-26	41 852	13 344	**59 754**	6 138	240 160	**246 298**	**306 052**
Total comprehensive income for the period		-	-	-	-	**-**	10 659	113 973	**124 632**	**124 632**
Share-based payments	***17***	-	6	-	5 398	**5 404**	-	-	**-**	**5 404**
Dividend	***11***	-	-	-	-	**-**	-	-68 396	**-68 396**	**-68 396**
Equity as of 31 Dec 2022		**4 585**	**-21**	**41 852**	**18 742**	**65 158**	**16 797**	**285 736**	**302 533**	**367 691**

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 Directors and the CEO authorized these financial statements for issue on March 23, 2023.

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 31.12.2022.

The annual accounts for the group 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 2022 are the same as for the principles used in 2021. New standards from 2022 have not had any significant effects compared to 2021 standards.

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. Classified as financial asset.

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 labor 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, labor costs and an allocation of production overheads. The cost allocated to the asset is based upon the time spent to build the asset.

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

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

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

Depreciation time and method is evaluated on a yearly basis.

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

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-cancelable 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.

The group has one type of lease agreement. 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 may use 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 are 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 technology or software is capitalized as an intangible asset when it is demonstrated that

-it is technically feasible to complete the asset,

-the company has the recourse to complete the project

-the product will generate future economic benefits, and

-expenditure can be reliably measured.

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

Own products

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

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 recognized 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 expense.

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 monthly average rate.

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 share program 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 recognize previously unrecognized deferred tax assets to the extent it has become probable that the company can utilize 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 utilize 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 .

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 judgments for the company:

- Research and development cost relating to internally developed technology and software
- 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 compared 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 was as expected temporary, and in 2021 activity level increased above normal to reduce the build up of patient queues.

While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim’s products has not changed, and the strong recovery seen through 2022 may indicate that cardiac bypass surgeries are at large back to normal. However, there are still some uncertainties related to new variants of the virus. 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, which was executed with effect from 01.01.02, and the acquisition of Kir-Op AS that was executed with effect from 06.07.06. Total recorded goodwill by year-end 2020 was 14.1 MNOK. Goodwill of MNOK 7.9 was allocated to the Medi-Stim Norge AS acquisition and MNOK 6.2 was allocated at the Kir-Op AS acquisition. Goodwill in both companies is related to employee know-how, experience in the distribution business and cost savings by gathering common functions. Both companies distribute third party products within surgery. During 2006, there was a fusion of the two companies and a total evaluation for both companies in relation to impairment was done for goodwill thereafter. 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 2021 was not impaired. See also note ***12*** for the assumptions used in the estimate.

Research and development

Development cost related to technology and software has been recognized as an intangible asset because Medistim can demonstrate technological feasibility for the asset to be available for sale for both existing products and new products. The revenue potential for the projects exceeds the investment. The balance sheet value as of 31.12.2021 was MNOK 16.0. 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. Activated development costs are depreciated over 3 to 8 years. 8 years is used if it is a new product on a new technological platform that creates the basis for a new generation of products. Based upon a platform or new generation of products there will be further developments and improvements. These enhancements of the products are depreciated over 3 years because of rapid technological development. Within 3 years, it is assumed that parts or all of existing technology is updated.

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). These are the products that are developed and produced by Medistim and 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 recognition varies with shipping and delivery terms that decide the timing of when the customer takes over 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 as 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 smart cards are purchased by the customer. The customer is dependent upon the smart card 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 income in the P&L includes service, spare parts, grants and other income 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 3rd party products. Sale of own products has two business models, the capital model and the lease model.

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.

Own Products category:

Medistim has a flexible business model in the USA 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 USA 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.

SPLIT OF REVENUE AND OPERATING PROFIT FOR OPERATING SEGMENTS

Segment	OWN PRODUCTS		THIRD PARTY PRODUCTS		GROUP	
1 = NOK 1000	**2 022**	2 021	**2 022**	2 021	**2 022**	2 021
Revenue						
Sales in USA						
Lease revenue from flow procedures	**61 096**	50 380	**-**	-	**61 096**	50 380
Lease revenue from imaging procedures	**32 693**	23 949	**-**	-	**32 693**	23 949
Flow probes	**37 066**	31 594	**-**	-	**37 066**	31 594
Flow systems	**13 248**	18 108	**-**	-	**13 248**	18 108
Ultrasound imaging systems	**44 984**	18 984	**-**	-	**44 984**	18 984
Ultrasound imaging probes	**9 000**	5 831	**-**	-	**9 000**	5 831
Other revenue	**-**	5 290	**-**		**-**	5 290
Total revenue USA	**198 087**	**154 135**	**-**	**-**	**198 087**	**154 135**
Sales outside USA						
Flow probes	**125 908**	115 704	**-**	-	**125 908**	115 704
Flow systems	**36 567**	32 898	**-**	-	**36 567**	32 898
Ultrasound imaging systems	**41 651**	38 912	**-**	-	**41 651**	38 912
Ultrasound imaging probes	**8 216**	7 118	**-**	-	**8 216**	7 118
Third party sales	**-**	-	**75 833**	74 340	**75 833**	74 340
Other revenue	**5 675**	4 169	**-**	-	**5 675**	4 169
Total revenue outside USA	**218 016**	**198 800**	**75 833**	**74 340**	**293 850**	**273 141**
Total revenue	**416 104**	352 936	**75 833**	74 340	**491 937**	427 276
Cost of goods sold	**66 195**	56 194	**40 291**	40 920	**106 485**	97 114
Salary and social expenses	**131 182**	120 893	**15 194**	13 614	**146 376**	134 507
Other operating expenses	**67 133**	50 031	**7 405**	5 920	**74 537**	55 950
Depreciation	**22 923**	23 078	**365**	349	**23 288**	23 427
Operating profit per segment	**128 671**	102 740	**12 579**	13 537	**141 250**	116 277

Additional sales information:

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

INFORMATION ABOUT GEOGRAPHICAL AREAS										
Geographic split of segments	**USA**		**Europe**		**Asia**		**Rest of the world**		**Group**	
1 = NOK 1000	**2 022**	**2 021**	**2 022**	**2 021**	**2 022**	**2 021**	**2 022**	**2 021**	**2 022**	**2 021**
Revenue own products	**198 087**	154 135	**124 811**	115 849	**76 793**	66 805	**16 412**	16 146	**416 104**	352 936
Revenue 3. party products	**-**	-	**75 833**	74 340	**-**	-	**-**	-	**75 833**	74 340
Revenue in units own products										
Procedures flow	**69 417**	59 397	**-**	-	**-**	-	**-**	-	**69 417**	59 397
Procedures imaging	**16 613**	12 635	**-**	-	**-**	-	**-**	-	**16 613**	12 635
Flow probes	**3 174**	3 080	**4 659**	4 524	**3 101**	2 683	**846**	781	**11 780**	11 068
Flow systems	**14**	22	**55**	54	**73**	59	**7**	12	**149**	147
Ultrasound imaging systems	**32**	16	**29**	27	**30**	34	**10**	6	**101**	83
Ultrasound imaging probes	**158**	133	**55**	50	**39**	46	**18**	11	**270**	240
Lease of flow systems	**4**	9	**-**	-	**-**	-	**-**	-	**4**	9
Lease of flow and imaging systems	**4**	10	**-**	-	**-**	-	**-**	-	**4**	10
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

Information about geographical areas

Split of revenue between coronary surgery and vascular surgery

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

SPLIT OF REVENUE BETWEEN CORONARY- AND VASCULAR SURGERY FOR OWN PRODUCTS AND 3 PARTY PRODUCTS	2 022	2021
1 = NOK 1000		
Split of own products		
Sales within coronary surgery	**346 550**	293 025
Sales within vascular surgery	**69 554**	54 619
Other revenue USA	**-**	5 292
Sales of 3. party products	**75 833**	74 340
Total sales	**491 937**	**427 276**

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 Medistim's installed base of about 3300 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 7.5 % and 6 % 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	2022	2021
1 = NOK 1000		
Third party products	**42 828**	40 215
Components	**52 746**	45 240
3.party services	**767**	1 169
Change in stock level	**6 059**	5 525
Packing material and other materials	**54**	620
Freight	**4 032**	4 345
Total cost of goods sold	**106 485**	**97 114**

Note 4 Salary and social expenses

SPLIT OF SALARY EXPENSES	2022	2021
1 = NOK 1000		
Salary	**108 056**	99 262
Employeers tax	**15 778**	13 405
Bonus	**14 878**	14 444
Cost for contribution pension plan	**5 590**	4 905
Compensation to the Board	**1 558**	1 350
Other social costs	**517**	1 141
Total salary and social cost	**146 376**	**134 507**
Full time equivalent employees		
USA	**25**	23
Germany	**3**	3
UK	**1**	1
Spain	**4**	2
Denmark	**1**	1
Norway	**98**	86
Total	**132**	**116**

AUDIT FEE FOR THE GROUP	2022	2021
1 = NOK 1000		
Statutory Audit	**1 842**	1 685
Other services	**110**	155
Total Audit fee	**1 952**	**1 840**

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 12. 1G is the base amount in the social security system. Employees in the US follows a pension plan, a 401k match that covers 4 % of salary. The total cost for the contribution plans was in 2022 TNOK 5.590, while it was TNOK 4.905 in 2021. 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

	2022				2021			
1 = NOK 1000	Equipment	Other assets	Right-of-use assets	Total assets	Equipment	Other assets	Right-of-use assets	Total assets
Historical cost								
Balance 1. January	**85 868**	**25 497**	**43 688**	**155 053**	79 234	24 517	40 276	144 028
Additions	**7 109**	**2 647**	**-**	**9 756**	6 633	1 150	3 412	11 195
Disposals	**-**	**-**	**-**	**-**	-	-170	-	-170
31.December	**92 977**	**28 144**	**43 688**	**164 809**	**85 868**	**25 497**	**43 688**	**155 052**
Accumulated depreciation and impairment								
Balance 1. January	**58 821**	**17 875**	**19 496**	**96 191**	52 065	14 952	12 328	79 345
Depreciation this year	**7 198**	**3 054**	**7 086**	**17 337**	6 724	2 946	7 156	16 826
Disposals					32	-	-	32
Exchange rate differences	**-4**	**36**	**-1**	**31**	0	23	-12	11
31. December	**66 023**	**20 892**	**26 583**	**113 497**	**58 821**	**17 875**	**19 496**	**96 191**
Book value	**26 954**	**7 253**	**17 105**	**51 312**	**27 047**	**7 623**	**24 192**	**58 862**
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 4.8 MNOK is fully depreciated as of 31.12.2022 but are still in use.

Security and right of use assets

Equipment and other assets is pledged as security as of 31.12.2022. The security is related to bank warranties and hedging credit facility. The group's bank had the same security as of 31.12.2021. See note ***7*** for right of use assets.

Note 7 Right of 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. The group also leases office equipment and cars. The longest remaining lease term for office equipment and cars is until November 2024 and August 2025 respectively. Expenses related to short-term leases amounted to 410 TNOK.

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. Medistim's leased assets with right to use and liabilities are shown below.

NOTE RIGHT-OF -USE ASSETS AND LEASE LIABILITIES				**2022**
1 =NOK 1000				
Right-of-use assets	**Buildings**	**Machinery and equipment**	**Vehicles**	
Recognition of right to use of asset 1 January	20 782	206	3 204	**24 192**
Addition of right-of-use assets, CPI adjustments and other reassessment	-	-	-	**-**
Amortisation	5717	80	1289	**7 086**
Carrying amount of right-of-use assets 31 December	**15 065**	**126**	**1 915**	**17 105**
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	5 773	80	1 315	**7 168**
1-2 years	5 340	74	742	**6 156**
3-4 years	2 962	-	167	**3 129**
4-5 years	2 212	-	-	**2 212**
More than 5 years	-	-	-	**-**
Total undiscounted lease liabilities at 31 December	**16 287**	**154**	**2 224**	**18 665**
Summary of the lease liabilities in the financial statements	**Statement of:**			
Lease liabilities as of January 1st				**24 192**
New lease liabilities recognised in the year				**-**
Cash payments for the principal portion of the lease liability	Cash flows			**7 086**
Interest expense on lease liabilities	Profit and loss			**226**
Total lease liabilities at 31. December				**17 105**
Current lease liabilities	Financial position			**7 086**
Non-current lease liabilities	Financial position			**10 020**
Total cash outflows for leases	Cash flows			**7 312**

Note 8 Other operating expenses

OTHER OPERATING EXPENSES	2022	2021
1 = NOK 1000		
Office expenses	**1 722**	152
Travel cost	**10 843**	4 955
Marketing	**5 910**	2 197
Consultants	**27 254**	25 194
Insurance	**2 465**	2 229
Freight	**2 596**	1 906
Communication	**1 313**	1 039
IT cost	**14 463**	12 253
Other	**7 971**	6 028
Total	**74 537**	**55 950**

Note 9 Financial revenue and expenses

As of 31.12.2022, the company had 17.1 MNOK in interest bearing liabilities. Additional cash in the group gave interest revenue of 920 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.

FINANCIAL REVENUE AND EXPENSES	2 022	2 021
1 = 1000 NOK		
Interest income	**920**	16
Other financial income	**1 199**	172
Gains on foreign exchange	**14 427**	7 985
Total financial income	**16 546**	**8 173**
Loss on foreign exchange	**11 363**	9 790
Interest cost on loans	**123**	178
Other financial expenses	**262**	412
Total financial expenses	**11 748**	**10 380**
Total financial income (+) expenses (-)	**4 799**	**-2 207**

Note 10 Income tax

INCOME TAX	2022	2021
1 = NOK 1000		
Current income tax charge	**32 879**	25 594
Correction from previous year	**-450**	-
Deferred tax expense	**-352**	-2 423
Income tax expense reported in income statement	**32 077**	**23 171**
Reconciling tax expense towards income before tax		
Tax expense for the year	**32 077**	23 171
22% of income before tax	**32 131**	25 095
Change in deferred tax, temporary differences	**-**	-2 423
Permanent differences and different tax rates	**54**	-499
Calculation of effective tax rate	**2022**	2021
Expected income tax at tax rate 22 % in Norway	**32 131**	25 095
Permanent and other differences	**-**	-2 423
Foreign tax rate differences	**-54**	499
Income tax expense	**32 077**	**23 171**
Effective income tax rate	**22,0 %**	**20,3 %**
Payable tax in the balance sheet		
Income tax expense	**32 879**	25 594
Prepaid tax	**-7 006**	-5 267
Total payable tax	**25 873**	**20 327**
Specification of deferred tax		
Difference in values		
Non current assets	**-1 769**	317
Current assets	**-14 905**	-15 479
Other obligations	**348**	435
Total differences	**-16 326**	**-14 726**
Deferred tax asset 22 %	**-3 592**	-3 240
Deferred tax asset recognized in the balance sheet	**-3 592**	-3 240

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 reduces average tax rate in 2022 to 21.9%.

TAX EXPENSE FOR THE GROUP IS GEOGRAPHICALLY SPLIT AS FOLLOWS:	2022	2021
1 = NOK 1000		
Norway	**26 231**	17 390
Germany	**2 354**	2 479
USA	**3 154**	2 779
Spain	**-**	265
Denmark	**338**	258
Total	**32 077**	**23 171**

Note 11 Earnings per share

EARNINGS PER SHARE	2022	2021
1 = NOK 1000		
Profit for the year	**113 973**	90 900
Weighted average numbers of shares outstanding		
Weighted average number of shares used in basic EPS	**18 248**	**18 216**
Effect of share options	**29**	33
Weighted average numbers of shares used in diluted EPS	**18 277**	18 249
Profit per share		
Ordinary	**6,25**	4,99
Diluted	**6,24**	4,98
Paid dividend	**54 640**	**54 640**
Dividend per share	**3,75**	3,00
Suggested dividend per share	**4,50**	**3,75**

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 are not included and average number of treasury shares are excluded from the calculation. In 2022, there were share options to CEO. The share option plan to CEO is described under 8.12 Remuneration of executive personnel and note 21. By year-end the company had 87 033 own shares.

Note 12 Intangible assets

Product technology and additions, goodwill and license agreement

In 2022, 11.85 MNOK of product technology additions, was recognized 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.

INTANGIBLE ASSETS 2022	Product under development	Technology and development cost	Goodwill	License agreement	Total intangible
1 = NOK 1000					
Historic cost					
Historic cost 31 Dec 22	**1 334**	**80 594**	**14 128**	**2 158**	**98 214**
Internal additions in use	**(1 334)**	**1 334**	**-**	**-**	**-**
External additions in use	**-**	**-**	**-**	**-**	**-**
Additions under development	**11 851**	**-**	**-**	**-**	**11 851**
Historic cost 31 Dec 22	**11 851**	**81 928**	**14 128**	**-**	**107 907**
Accumulated depreciation and write downs	**-**	**65 887**	**-**	**2 158**	**68 045**
Depreciations for the year	**-**	**5 952**	**-**	**-**	**5 952**
Total depreciation as of 31 Dec 22	**-**	**71 839**	**-**	**-**	**71 839**
Carrying amount 31 Dec 22	**11 851**	**10 089**	**14 128**	**-**	**36 068**

INTANGIBLE ASSETS 2021	Product under development	Technology and development cost	Goodwill	License agreement	Total intangible
1 = NOK 1000					
Historic cost					
Historic cost 31 Dec	-	77 844	14 128	2 158	94 131
Internal additions in use	-	1 952	-	-	1 952
External additions in use	-	797	-	-	797
Additions under development	1 334	-	-	-	1 334
Historic cost 31 Dec	**1 334**	**80 594**	**14 128**	**2 158**	**98 214**
Accumulated depreciation and write downs	-	59 824	-	1 618	61 442
Depreciations for the year	-	6 063	-	539	6 602
Total depreciation as of 31 Dec	-	65 887	-	2 158	68 044
Net value in balance sheet	**1 334**	**14 707**	**14 128**	**-**	**30 170**

Intangible assets are depreciated on a straight-line basis over the useful life. Useful life for capitalized product development is 3 to 8 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 900,000 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 31.12.2022 was 1.7 MNOK. Expected useful life for the PV probes are 8 years.

4th generation of systems; the MiraQ

Entering into 2022, Medistim had invested 39.2 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 8.3 MNOK. Expected lifetime for the product is 8 years.

Additions under development:

This is related to the development of new cardiac flow probes. The aim is to modernize design for the user to make it easier to use, but also develop a design that is more efficient to have in production. Medistim has several years of experience with in house production and input from customers on a better design on the probe for the user. With this extensive experience and knowledge it is likely that a new probe will be developed with success. In 2022 3.3 MNOK was invested in the project and book value by year end 2022 was 4.9 MNOK.

The next generation of software within both cardiac segment and vascular segment was under development during 2022. The new software has a new user interface and tools to aid the interpretation of the results. Medistim's Innovation team has together with Key Opinion Leaders tested several prototypes to identify the preferred solution. In 2022 5.1 MNOK was invested in the software project and book value by year end 2022 was 5.1 MNOK.

Medistim needs to be compliant with the new Medical Device Regulation (MDR) In 2022 1.9 MNOK was invested in making Medistim MDR compliant.

Summary product technology

In total 13.9 MNOK of the R & D expenses was recorded in the P & L in 2022. Similar expense was 14.5 MNOK in 2021. With 11.85 MNOK recognized as asset a total of 25.75 MNOK was used in R & D in 2022. Comparable number for 2021 was 18.6 MNOK. Medistim received TNOK 376 in Skattefunn funds in 2021 and TNOK 236 in 2022.

In the estimates used to test for impairment, the 3-year strategy plan is used with a discount rate of 14.6%. See comment under goodwill with regard to discount rate.

Goodwill

A yearly test of values is done for the cash flow generating units that has a goodwill value in the balance sheet.

GOODWILL	2022	2021
1 = NOK 1000		
Acquisition of Medi-Stim Norge AS	**7 960**	7 960
Acquisition of Kir-Op AS (merged with Medistim Norge AS in 2006)	**6 168**	6 168
Total goodwill	**14 128**	**14 128**

A test of values is performed by estimating the cash flow for Medistim Norge AS. This is estimated using the company's budget for 2023 and 3-year strategy plan for the years 2024 to 2026 with the assumption of 2 % growth in 2026 compared to 2025. 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 14.6 % discount rate. This includes an additional yield of 9.1 % 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 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.

Rated average capital cost (WACC):

The company uses a WACC 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 WACC 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 5.5%. Including risk free interest of 5.5 % the total discount rate in 2022 is set to 14.6%.

Future growth:

It is projected growth in sales with a variation from 3% 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 know-how 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 80,0 MNOK ("headroom"), and no impairment loss is recognized. Operating margin and growth is based upon historic achieved margin and sales growth. In the estimates the budget and the projections from the 3 year strategy update is used. The operating margin in the projections vary between 13.7 and 15.7 %. Sales growth vary between 3% and 2 %

If the operating margin is reduced from 15.0% to 3.5% everything else equal, carrying amount would require an evaluation of impairment loss. A change in the discount rate from 14.6 % to 55.0 % everything else equal, would cause an impairment loss. See overview below.

HEADROOM			
WACC	14,6 %	28,0 %	55,0 %
Headroom in MNOK	80,0	34,6	11,9
Operating margin	15,0 %	10,0 %	3,5 %
Headroom in MNOK	80,0	16,8	-5,3

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.

SHARES IN SUBSIDIARIES				
1 = NOK 1000				
Unit	**Country**	**Segment**	**Ownership**	**Value 31.12.22**
Medistim USA Inc.	USA	Lease and sale within bypass surgery and vascular surgery	100%	**135**
Medistim Deutschland GmbH	Germany	Capital sales within bypass surgery and vascular surgery	100%	**188**
Medistim Norge AS	Norway	Sale of 3 party products and capital sales within bypass surgery and vascular surgery	100%	**36 953**
Medistim UK LTD	UK	Capital sales within bypass surgery and vascular surgery	100%	**1**
Medistim Japan KK	Japan	Dormant company	100%	**86**
Medistim Spain S.L	Spain	Capital sales within bypass surgery and vascular surgery	100%	**28**
Medistim Danmark Aps	Denmark	Sale of 3 party products and capital sales within bypass surgery and vascular surgery	100%- Owned indirectly through Medistim Norge AS with book value of TNOK 1 103	

Note 14 Inventory

SPECIFICATION OF INVENTORY	2022	2021
1 = NOK 1000		
Raw material	**54 263**	51 861
Work in progress	**2 467**	2 139
Finished goods	**42 836**	30 711
Spare parts	**9 694**	7 146
Third party products	**12 001**	12 235
Inventory provision	**-6 928**	-6 678
Total	**114 333**	**97 413**

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 2022 is at a higher level than compared to 2021. 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	2022		2021	
1=NOK 1000	Gross value	Provision	Gross value	Provision
Demonstration products	4 763	2 687	6 105	3 074
Spare parts	7 327	4 041	4 170	3 404
Third party products	200	200	200	200
Total	**12 290**	**6 928**	**10 475**	**6 678**

Note 15 Accounts receivables and other receivables

ACCOUNTS RECEIVABLE	2022	2021
1 = NOK 1000	2022	2021
Accounts receivable	102 654	68 993
Provision for bad debt	-997	-359
Total	**101 657**	**68 634**

POVISION FOR BAD DEBT	2022	2021
1 = NOK 1000		
Inbound provision	359	359
Increased provision	638	-
Total	**997**	**359**

AGING ACCOUNTS RECEIVABLE						
1 = NOK 1000		Not due	0-30 days	31 - 60 days	61 - 90 days	Total
Year 2022	Expected loss in %	0,00 %	0,00 %	0,00 %	11,34 %	
	Book value of receivables	72 381	9 885	11 597	8 791	102 654
	Expected credit loss	-	-	-	997	997
	Total	**72 381**	**9 885**	**11 597**	**7 794**	**101 657**

1 = NOK 1000		Not due	0-30 days	31 - 60 days	61 - 90 days	Total
Year 2021	Expected loss in %	0,00%	0,00%	1,00%	7,75%	
	Book value of receivables	43 640	16 847	3 862	4 284	68 634
	Expected credit loss	-	-	27	331	358
	Total	**43 640**	**16 847**	**3 835**	**3 953**	**68 275**

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, see note ***18.*** Other receivables are shown in the following table:

OTHER RECEIVABLES	2022	2021
1 = NOK 1000		
Other pre-payments	**4 553**	6 076
Accrued income	**-**	4 571
Unrealized foreign currency	**3 880**	-
VAT receivable	**8 840**	-
Other	**(10)**	312
Total	**17 263**	**10 960**

Note 16 Cash

CASH	2022	2021
1 = NOK 1000		
Available cash in bank	**144 164**	124 866
Restricted cash in bank	**8 477**	4 624
Total cash in bank	**152 641**	**129 490**
Credit limit	**-**	22 500
Cash available	**144 164**	**147 366**

Restricted cash as of 31.12.2022 was 8 477 TNOK and was related to tax withheld from salaries. As of 31.12.2021 the restricted cash was 4 624 TNOK related to tax withheld on salaries. The holding company terminated the credit facility of 22.5 MNOK in 2022.

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 2022			
	Number of shares	**Par value per share**	**Share capital in NOK**
Share capital 01.01.2022	18 337 336	NOK 0.25	NOK 4 548 334.00
Changes	-	-	-
Share capital 31.12.2022	18 337 336	NOK 0.25	NOK 4 548 334.00

The Board of Directors received by the shareholders meeting the 27th of April 2022 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 2023 in the price range of NOK 0.25 to NOK 400 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 2023. See below for changes in the equity for the last year.

STATUS FOR THE PERMISSIONS AS OF 31.12.2022		
	Capital increase	Medistim shares
Permission given at the shareholders meeting in 2022	1 833 733	1 833 733
Permissions used	-	-
Number of shares 31.12.2022	1 833 733	1 833 733

The company owned 87 033 Medistim shares as of 31.12.2022. Number of Medistim shares by 01.01.2022 was 108 422.

The 20 largest shareholders in the company were as of 31 December 2022:

20 LARGEST SHAREHOLDERS			
Shareholder	**Number of shares**	**In % of total**	**Nationality**
AETERNUM CAPITAL AS	1 862 500	10,16 %	Norway
FLØTEMARKEN AS	1 285 000	7,01 %	Norway
State Street Bank and Trust Comp	1 238 298	6,75 %	United States
VERDIPAPIRFOND ODIN NORDEN	1 200 000	6,54 %	Norway
FOLLUM INVEST AS	970 000	5,29 %	Norway
State Street Bank and Trust Comp	925 561	5,05 %	United States
Skandinaviska Enskilda Banken AB	905 805	4,94 %	Sweden
State Street Bank and Trust Comp	667 953	3,64 %	United States
ODIN Small Cap	600 000	3,27 %	Sweden
Skandinaviska Enskilda Banken AB	526 693	2,87 %	Denmark
The Northern Trust Comp, London Br	433 545	2,36 %	United States
State Street Bank and Trust Comp	422 259	2,30 %	United States
Skandinaviska Enskilda Banken AB	414 011	2,26 %	Sweden
SKANDINAVISKA ENSKILDA BANKEN AB	396 843	2,16 %	Luxembourg
BUANES	381 876	2,08 %	Norway
RBC Investor services bank S.A.	330 708	1,80 %	Luxembourg
Skandinaviska Enskilda Banken AB	275 048	1,50 %	Sweden
The Bank of New York Mellon SA/NV	270 000	1,47 %	Denmark
BNP Paribas	265 000	1,45 %	France
BNP Paribas	243 491	1,33 %	France
Total 20 largest shareholders	13 614 591		
Total number of shares outstanding	18 337 336		
20 largest shareholders in %	74,25 %		

BOARD MEMBERS AND MANAGEMENT TEAM WITH SHARES IN THE COMPANY			
Shareholder	**Number of shares**	**In % of total**	**Position**
Tove Raanes via Trane AS	1 990	0,01 %	Board member
Roger Morberg	12 849	0,07 %	VP sales
Erik Swensen	10 994	0,06 %	VP development
Thomas Jakobsen	25 979	0,14 %	CFO
Kari Eian Krogstad	63 802	0.35 %	CEO
Siri Fürst	2 000	0.01 %	Board member
Øyvin A. Brøymer (Fløtemarken AS)	1 285 000	7.01 %	Chair
Anne Waaler	2 440	0,01 %	VP medical dep.
Håkon Grøthe (Grøten Invest AS)	4 411	0,02%	CIO
Mike Farbelow	1 990	0,01%	President MSUS
Ole Jørgen Robsrud	2 205	0,01%	Adm.dir MSN
Tone Veiteberg	1 990	0,01%	VP QA\Regulatory
Hæge Wetterhus	663	0,004%	VP Marketing
Lars Rønn	885	0.005 %	Board member
Ole Arne Eiksund	2 422	0,01%	Chief Bus.Dev. Officer

There were no share options outstanding as of 31.12.2022 except from the share program to CEO described under ***8.12 Remuneration of executive personnel*** and note ***21***.

Note 18 Long-term liabilities

LONG-TERM LIABILITIES			2022	2021
	Interest rate	**Last due date**	**Carrying amount**	**Carrying amount**
Secured loan				
Lease liabilities	3-4 %	30/09/27	**17 106**	24 192
Deferred revenue			**5 126**	2 510
Total liabilities			**22 231**	26 702
Lease liabilities due within one year			**-7 086**	-7 113
Total non current liabilities			**15 145**	**19 589**

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 31.12.2022 30.5 MNOK, 80.2 MNOK for accounts receivables and 84.7 MNOK for inventory. The company had no interest bearing debt. The lease agreements are described under note ***7***.

Note 19 Other short term liabilities:

OTHER LIABILITIES	2022	2021
1 = NOK 1000		
Accrual for public taxes	**7 168**	8 972
Accrual for holiday pay	**8 511**	7 140
Accrual for salaries, commission and board member fee	**17 070**	14 703
Accrual for customer and supplier obligations	**6 354**	966
Other	**2 938**	4 828
Total	**42 042**	**36 609**

Note 20 Financial Risk

The group's financial liabilities are leasing agreements, and accounts payable. 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 December 2022 no 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 group has revenue and expenses in EUR and USD where most revenue is in EUR and USD and expenses mostly in NOK. To neutralize net exposure derivative contracts are evaluated. The development in NOK towards USD and EUR is continuously monitored. By the end of 2022, the group had derivative contracts for USD as shown below. Hedging contracts are entered to reduce the exchange risk towards currencies. Unrealized gain or loss related to the contracts are recorded in the balance sheet and the change of value related to the contracts is recorded in the profit and loss. The management and Board of directors evaluate the handling of risks related to exchange rates fluctuations continuously together with its professional advisers.

HEDGING CONTRACTS						
Currency	Number of contracts from March 2023	Amount per month	Total value of contracts in currency	Average rate on contracts	Rate 31.12.2022	Unrealized gain/loss
USD	**6**	**200 000**	**1 200 000**	**10,50**	**9,86**	**775 800**

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 31.12.2022 30.5 MNOK for assets, 80.2 MNOK for accounts receivables and 84.7 MNOK for inventory

FINANCIAL ASSETS AND LIABILITIES

1 = NOK 1000	2022			2021		
	Original value	Gain\loss	Book value	Original value	Gain\loss	Book value
Financial assets						
Cash in USD	**1 373**	**1 236**	**2 609**	9 985	709	10 694
Cash in EUR	**9 511**	**-129**	**9 382**	13 026	82	13 108
Accounts receivable in EUR	**44 881**	**530**	**45 411**	28 364	-541	27 823
Forward curency contracts	**-**	**775**	**775**	-	-	-
Financial debt						
Accounts payable in EUR	**2 670**	**1**	**2 669**	2 855	17	2 838
Accounts payable in USD	**332**	**3**	**335**	207	-3	204

EFFECT ON PROFIT IF CURRENCY CHANGES WITH 5%

1 = NOK 1000	2022			2021		
	Original value	Gain\loss	Book value	Original value	Gain\loss	Book value
Total exposure towards EUR	**51 722**	**400**	**52 124**	38 535	-476	38 093
Total exposure towards USD	**1 041**	**2 008**	**3 049**	9 778	712	10 490
5 % increase EUR			**2 606**			1 905
5 % increase USD			**152**			525
5 % decrease EUR			**-2 482**			-1 814
5 % decrease USD			**-145**			-500

Credit and liquidity risk:

Other financial risk as credit risk and liquidity risk is viewed by the group as low based upon the group's financial position as of 31 December 2022.

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 group 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 group has been able to build up a cash reserve due to strong profits to handle the increased need for working capital as the group grows. The liquidity buffer also secures cash in situations where the incoming cash is delayed.

COVID 19 pandemic and macroeconomic turmoil

Since the pandemic started to affect the Medistim business in second quarter of 2020, the effect has become gradually smaller, and in the second quarter of 2021, there was a strong rebound in procedures performed and hence in the sales revenues. This rebound has continued throughout 2021. While Medistim has been affected by the COVID situation, the company have been able to deliver solid profit and cash flow. The need for Medistim's products has not changed, and the strong recovery seen through 2021 and the growth that continues in 2022, may indicate that cardiac bypass surgeries are back to normal. However, there are still some uncertainties related to new variants of the virus.

The global market is facing macro-economic turmoil, with energy crisis, inflation pressure, increasing interest rates and cost levels and uncertainty related to the Ukrainian war. The long-term consequences of the pandemic aftermath and growing geopolitical uncertainty are unclear but might lead to continuing challenges in the global flow of goods. Medistim is taking mitigating actions to ensure access to key components to secure production and maintain growth and profitability also for the future. Further, the company is financially solid to face future challenges, with no interest bearing debt and an equity ratio of 76.6 %.

With these uncertainties the need for Medistim's products has been confirmed through the last two years growth development. Despite the pandemic, macroeconomic turmoil and the Ukrainian war, the companies solutions continue to have an increasing demand among cardiac and vascular surgeons.

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

OVERVIEW OF DEBT

1 = NOK 1000

Year 2022	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Lease liabilities	**1 410**	**4 230**	**11 787**		**17 427**
Accounts payable	**24 470**	**-**	**-**	**-**	**24 470**
Deferred revenue	**338**	**1 015**	**3 773**		**5 126**
Income tax	**-**	**25 873**			**25 873**
Other debt *(see note **19** & **22**)*	**42 072**	**-**	**-**	**-**	**42 071**
Total	**68 290**	**31 118**	**15 560**	**-**	**114 967**

Year 2021	Within 3 months	Between 3-12 months	1 to 5 years	Over 5 years	Total
Interest bearing loans	-	-	-	-	-
Lease liabilities	1 778	5 335	11 738	5 341	24 192
Accounts payable	13 205	-	-	-	13 205
Deferred revenue			2 510		2 510
Income tax		20 327			20 327
Other debt *(see note **18,19,22**)*	33 815	3 143	-	-	36 958
Total	**48 799**	**28 804**	**14 248**	**5 341**	**97 192**

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 2021 or 2022.

Note 21 Related party transactions

Compensation to management

The management group consists of 13 people including CEO. The managing directors in the subsidiaries are included in the management group.

COMPENSATION AND BENEFITS TO THE MANAGEMENT GROUP IN 2022

Management	Position	Salary	Bonus	Pension	Share based compensation	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 529 890	198 839	97 464	-	7 909	1 834 102
Anne Waaler	VP Medical	1 525 816	178 571	80 424	-	10 723	1 795 534
Roger Reino Morberg	VP Sales	1 821 454	383 929	94 584	137 750	9 783	2 447 500
Erik Swensen	VP Development	1 526 290	162 500	90 864	-	4 524	1 784 178
Tone Ann Veiteberg	VP QA\Reg	1 323 097	196 429	72 708	-	4 524	1 596 758
Ole Jørgen Robsrud	CEO Medistim Norge AS	1 435 094	240 000	91 800	50 000	8 863	1 825 757
Helge Børslid	VP Operations	1 417 244	73 661	84 600	-	4 524	1 580 029
Ole Arne Eiksund	Chief Bus.Dev. Officer	902 297		58 208	137 750		1 101 183
Håkon Grøthe	VP Innovation	1 427 634	205 357	84 900	137 750	4 530	1 860 171
Mike Farbelow	President Medistim USA	2 233 316	800 311	89 333	-	108 583	3 231 543
Cindy Kaffai	CEO Medistim Germany	1 358 834	296 778	-	-		1 655 612
Kari Eian Krogstad	CEO Medistim group	3 144 358	1 205 357	101 592	4 410 000	4 527	8 865 834
Thomas Jakobsen	CFO Medistim Group	2 050 394	312 500	91 800	183 750	4 530	2 642 974
Total		**21 695 717**	**4 254 233**	**1 038 277**	**5 057 000**	**179 186**	**32 224 412**

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 111.477. 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. The table shows the bonus paid in 2022. Some members of the management group has loan from the company related to the share program offered to the Management team in 2022. The below table shows who in the management team purchased shares at a discount and has loan form the company.

SHARE PROGRAM FOR THE MANAGEMENT GROUP IN 2022						
Group Management	**Position**	**Shares purchased in NOK**	**Match 25% in NOK**	**Total purchase of shares in NOK**	**Number of shares**	**Financing by Medistim in NOK**
Ole Arne Eiksund	Chief Bus.Dev. Officer	551 000	137 750	688 750	2 422	551 000
Roger Reino Morberg	VP Sales	551 000	137 750	688 750	2 422	-
Ole Jørgen Robsrud	CEO Medistim Norge AS	200 000	50 000	250 000	879	200 000
Håkon Grøthe	VP Innovation	551 000	137 750	688 750	2 422	-
Thomas Jakobsen	CFO Medistim Group	735 000	183 750	918 750	3 231	735 000
Total		**2 588 000**	**647 000**	**3 235 000**	**11 376**	**1 486 000**

For every fourth share purchased one share was given for free with a vesting period of 3 years. The loans are at tax free rate and are due for payment when the vesting period is over. The agreements was entered the 25th of June 2022.

Compensation to the board was 1 450 TNOK in 2022 and 1 300 TNOK in 2021. The Chair received 450 TNOK as compensation in 2022 and 400 TNOK in 2021 The four board members received a total 250 TNOK each as compensation in 2022, a total of 1000 TNOK. In 2021 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.

Compensation to Audit committee and renumeration committee was 50 TNOK and 35 TNOK respectively.

CEO has an agreement with the Board that she can receive up to 28.500 Medistim shares as part of compensation if in position until 2025. The Shares is received by the CEO free of charge and last shares will be received in 2026. 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 2022, TNOK 2 475 including social security tax was expensed in the accounts related to the arrangement. See also overview below.

SHARE PROGRAM CEO			
Year	**2022**	**2023**	**2024**
Opening balance			
Exercised			
Shares granted	**12 000**	9 000	7 500
Ending balance	**12 000**	21 000	28 500
Share price at the time of grant in NOK	**167**	254	296
Total expense in NOK	**2 004 000**	2 286 000	2 220 000
Expense per grant per year in NOK	**668 000**	762 000	740 000
Annual expense in NOK for the grant in 2022	**2 170 000**		

Transactions with related parties

There were no other transactions towards related parties in 2021 or in 2022.

Note 22 Provisions

PROVISIONS	2022	2021
1 = NOK 1000		
Warranty provision	350	350
Sum	**350**	**350**

Note 23 Exchange rates foreign currency

EXCHANGE RATES FOREIGN CURRENCY			
Currency	**Rate 01.01.2022**	**Average rate**	**Rate 31.12.2022**
USD	8.8194	9.6245	9.8573
DKK	134.32	135.81	141.38
EUR	9.9888	10.1040	9.9888
GBP	11.8875	11.8176	10.5138

Note 24 Changes in liabilities arising from financial activities

CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES					
1 = NOK 1000	Interest bearing short term debt	Deferred revenue and interest bearing long term debt	Lease agreements short term	Lease agreements long term	Total 2022
At 1st of January 2022	-	2 510	7 114	17 078	**26 701**
Cash flows lease agreements	-	-	-7 312	-	**-7 312**
Debt becomming current in 2022	-	-	7 284	-7 058	**226**
Effects of foreign exchange	-	-	-	-	**-**
Deferred revenue	-	2 616	-	-	**2 616**
31.December 2022	**-**	**5 126**	**7 086**	**10 020**	**22 232**

1 = NOK 1000	Interest bearing short term debt	Deferred revenue and interest bearing long term debt	Lease agreements short term	Lease agreements long term	Total 2021
At 1st of January 2021	3 000	7 845	6 881	21 651	39 377
Debt forgiveness	-	-5 348	-	-	-5 348
New lease agreements	-	-	-	3 412	3 412
Interest bearing debt	-3 000	-1 500	-	-	-4 500
Cash flows lease agreements	-	-	-7 502	-	-7 155
Debt becoming current in 2021	-	0	7 754	-7 985	-578
Effects of foreign exchange	-	-	-19	-	-19
Deferred revenue	-	1 513	-	-	1 513
31.December 2021	**0**	**2 510**	**7 114**	**17 078**	**26 701**

Note 25 Events after 2022

The Board of directors has no knowledge about events after 2022 that will affect the annual report and financial statement for 2022.

11. PARENT COMPANY FINANCIAL STATEMENTS

11.1 Income Statement Medistim ASA

INCOME STATEMENT MEDISTIM ASA		2022	2021
1 = NOK 1000	Note		
Operating income and expenses			
Revenues			
Sales revenue	26	**293 169**	255 574
Other income	26	**15 476**	2 944
Total revenue		**308 645**	**258 518**
Operational expenses			
Cost of goods sold		**63 993**	54 582
Salary and social expenses	27	**80 239**	73 536
Depreciation on assets	28	**13 888**	13 715
Other operating expenses	27,29,39	**48 832**	39 405
Total operating expenses		**206 952**	181 238
Operating profit		**101 693**	**77 280**
Financial income and expenses			
Dividend from subsidiaries	31	**26 762**	24 000
Other financial income	37	**14 280**	7 529
Financial expenses	37	**13 286**	11 446
Net finance		**27 756**	**20 083**
Profit before tax		**129 449**	**97 363**
Tax expense	30	**21 342**	16 682
Profit for the year		**108 107**	**80 681**
Allocations			
Dividend	36	**82 135**	68 358
Other equity	36	**25 972**	12 324
Total Allocation		**108 107**	**80 681**
Earnings per share			
Ordinary		**5,93**	4,43
Diluted		**5,92**	4,42
Dividend per share		**4,50**	3,75

11.2 Balance Sheet Medistim ASA

BALANCE SHEET MEDISTIM ASA		31/12/22	31/12/21
1 = NOK 1000	Note		
Assets			
Non current assets			
Intangible assets			
Deferred tax	30	**2 275**	1 501
Marketing rights	29	**1**	1
R & D	28,29	**21 940**	16 041
Fixed assets			
Property, plant and equipment	28	**26 693**	26 297
Office equipment	28	**2 759**	2 316
Financial assets			
Shares in subsidiaries	31	**37 392**	37 392
Other long term receivables	31	**11 974**	10 992
Total non current assets		**103 035**	**94 540**
Current assets			
Inventory	33	**84 702**	73 704
Accounts receivables	32,41	**91 109**	48 908
Other receivables	32,41	**19 298**	18 145
Cash	34	**84 033**	75 149
Total current assets		**279 143**	**215 907**
Total assets		**382 178**	**310 447**
Equity			
Issued capital			
Share capital	30,36	**4 585**	4 585
Share premium	30,36	**41 852**	41 852
Other paid in equity	36	**18 721**	13 317
Other equity			
Retained earnings	36	**126 538**	100 595
Total equity		**191 696**	**160 349**
Liability			
Other long term debt			
Long term debt	40	**39 429**	35 278
Total other long term debt		**39 429**	35 278
Short term debt			
Interest bearing short term debt	40	**-**	-
Accounts payable		**18 024**	6 791
Payable tax	30	**22 116**	16 700
Employee withholding, social security taxes		**13 025**	11 025
Dividend	36	**82 126**	**68 358**
Other short term debt	38,41	**15 761**	11 946
Total short term debt		**151 061**	114 820
Total equity and liability		**382 178**	**310 447**

11.3 Cash Flow Statement

CASH FLOW STATEMENT		2022	2021
1 = NOK 1000	Note		
Cash flow from operations:			
Profit/loss before tax		**129 449**	97 363
Minus income tax paid		**-16 521**	-9 749
Plus this years tax expense			
Plus depreciations	28	**13 888**	13 715
Change in inventory	33	**-10 997**	13 850
Change in accounts receivable	32	**-42 201**	-11 383
Change in accounts payable		**11 233**	-1 852
Other changes		**7 150**	-8 910
Net cash from operating activities		**92 001**	**93 035**
Investing activities:			
Minus investment in assets	28	**-20 124**	-11 124
Net cash from investing activities		**-20 124**	**-11 124**
Financing activities:			
Minus down payment of long term debt	40	**-**	-4 500
Dividend	36	**-68 396**	-54 640
Issue of new equity		**5 404**	7 589
New loans		**-**	24 834
Net cash from financing activities		**-62 992**	**-26 717**
Net change in cash		**8 885**	55 194
Cash as of 01.01		**75 149**	19 955
Cash as of 31.12		**84 034**	75 149
Available cash and cash withholding			
Available cash as of 31.12	34	**77 019**	71 931
Cash withholding for taxes	34	**7 015**	3 218
Cash and cash equivalents as of 31.12		**84 034**	**75 149**

11.4 Accounting Principles

The financial statement and notes are 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 have a contribution pension plan.

Share based payments

The Group has a 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	2022	2021
1 = NOK 1000		
USA	**120 518**	89 062
Asia	**76 793**	66 804
Europe	**100 443**	91 151
Rest of the world	**10 891**	11 501
Total sales	**308 645**	**258 518**

Other revenue amounted to TNOK 15 476, where TNOK 3145 was income related to services towards subsidiaries and TNOK 12 331 was management fee. For 2021 other income amounted to 2 944 TNOK and was related to services towards subsidiaries.

Note 27 Salaries and other benefits

SALARIES AND OTHER BENEFITS	2022	2021
1 = NOK 1000		
Salary	**67 564**	61 047
Social taxes	**10 734**	8 815
Other salary and social expenses	**1 940**	3 674
Total salary expenses	**80 239**	73 536

The total number of employees was through the year 84. 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 111.477) in the social security system. The cost for the contribution plan was in 2021 TNOK 3 015, while it was TNOK 3 400 in 2022. 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 2022						
Management	Position	Salary	Bonus	Pension	Other	Total
Hæge Johanne Krogh Wetterhus	VP Marketing	1 529 890	198 839	97 464	7 909	1 834 102
Anne Waaler	VP Medical	1 525 816	178 571	80 424	10 723	1 795 534
Roger Reino Morberg	VP Sales	1 821 454	383 929	94 584	9 783	2 447 500
Erik Swensen	VP Development	1 526 290	162 500	90 864	4 524	1 784 178
Tone Ann Veiteberg	VP QA\Reg	1 323 097	196 429	72 708	4 524	1 596 758
Helge Børslid	VP Operations	1 417 244	73 661	84 600	4 524	1 580 029
Håkon Grøthe	VP Innovation	1 427 634	205 357	84 900	4 530	1 860 171
Ole Arne Eiksund	Chief Bus.Dev. Officer	902 297	-	58 208	2 928	963 433
Kari Eian Krogstad	CEO Medistim ASA	3 144 358	1 205 357	101 592	4 414 527	8 865 834
Thomas Jakobsen	CFO Medistim ASA	2 050 394	312 500	91 800	188 280	2 642 974
Total		**16 668 474**	**2 917 143**	**857 144**	**4 652 252**	**25 370 513**

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. There are no options to employees or members of the Board except for CEO. The CEO will receive up to 24 500 shares as part of compensation if in position in 2026. Bonus paid in 2022 was based upon 2021 results.

In relation to the share program for management except CEO, following members of management participated in the share program. See below schedule showing value of the shares, discount given and financing from the company to participate in the share program.

SHARE PROGRAM FOR THE MANAGEMENT GROUP IN 2022						
Group Management	Position	Shares purchased in NOK	Match 25% in NOK	Total purchase of shares in NOK	Number of shares	Financing by Medistim in NOK
Ole Arne Eiksrud	Busines developer	551 000	137 750	688 750	2 422	551 000
Roger Reino Morberg	VP Sales	551 000	137 750	688 750	2 422	-
Ole Jørgen Robsrud	CEO Medistim Norge AS	200 000	50 000	250 000	879	200 000
Håkon Grøthe	VP Innovation	551 000	137 750	688 750	2 422	-
Thomas Jakobsen	CFO Medistim Group	735 000	183 750	918 750	3 231	735 000
Total		**2 588 000**	**647 000**	**3 235 000**	**11 376**	**1 486 000**

Under other benefits 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 chapter ***"8.12 Remuneration of executive personnel" on page 39*** 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	
Chair Øyvin Brøymer	450
Board member Torben Jørgensen	250
Board member Siri Fürst	250
Board member Tove Raanes	250
Board member Lars Rønn	250
Total compensation to the Board of Directors	**1 450**

COMPENSATION TO AUDITOR	2022	2021
1 = NOK 1000		
Expenses for auditing	**1 605**	1 535
Compensation for other services	**85**	120
Total compensation to Auditor	**1 690**	**1 655**

Note 28 Assets and Depreciation

ASSETS AND DEPRECIATION	Plant & Machinery	Equipment	Total fixed assets	Activated Development	Trade name	Total
1= NOK 1000						
Historic cost as of 1/1	76 728	11 533	88 261	80 913	2 697	171 871
Additions	6 587	1 686	8 273	11 851	-	20 124
Historic cost as of 31/12	83 315	13 219	96 534	92 764	2 697	191 996
Accumulated depreciation as of 1/1	50 432	9 217	59 649	64 872	2 698	127 219
Ordinary depreciation	6 694	1 243	7 937	5 952	-	13 889
Disposals	504	-	504	-	1	503
Accumulated depreciation as of 31/12	56 622	10 461	67 082	70 824	2 697	140 603
Book value at 31/12	**26 692**	**2 758**	**29 452**	**21 940**	**0**	**51 393**

Plant and machinery are depreciated over 3 to 7 years on a straight-line basis dependent upon expected economic lifetime. Tools and equipment are 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

In total 13.9 MNOK of the R & D expenses was recorded in the P & L in 2022. Similar expense was 14.5 MNOK in 2021. With 11.85 MNOK recognized as asset a total of 25.75 MNOK was used in R & D in 2022. Comparable number for 2021 was 18.6 MNOK. Medistim received TNOK 376 in Skattefunn funds in 2021 and TNOK 236 in 2022. The activated expense in 2021 were related to the coronary and vascular products on the MiraQ platform.

Note 30 Income tax and temporary differences

INCOME TAX AND TEMPORARY DIFFERENCES	2022	2021
1 = NOK 1000		
Current income tax charge for the year before deferred tax asset is utilised	**23 089**	16 700
Correction from previous year	**-973**	0
Change in deferred tax	**-775**	-18
Income tax expense reported	**21 342**	**16 682**
Reconciling income tax expense against profit :		
Income tax expense for the year	**21 342**	16 682
22 % of profit before tax	**28 479**	21 420
Permanent differences	**-7 137**	-4 738
Specification of taxable income:		
Profit before tax	**129 449**	96 609
Permanent differences	**-28 019**	-25 264
Change in temporary differences	**3 521**	4 565
Correction from previous year	**-4 423**	0
Taxable profit	**100 528**	**75 909**
Payable tax in balance sheet:		
Tax expense for the year	**21 342**	16 700
Change in deffered tax	**-775**	0
Total payable tax	**22 116**	**16 700**
Specification of deferred tax asset		
Differences in accounting and tax values		
Fixed assets	**1 194**	-23
Current assets	**-11 534**	-6 883
Accrual for obligations	**-2**	85
Total differences	**-10 341**	-6 821
Deferred tax asset 22 %	**2 275**	**1 501**
Deferred tax asset in balance sheet	**2 275**	**1 501**

Deferred tax asset in the balance sheet increased from 1.5 MNOK in 2021 to 2.3 MNOK in 2022. Deferred tax asset consists of temporary differences in valuation of assets. All deferred tax asset is recorded in the balance sheet as of 31.12.2022, 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					
Unit	**Country**	**Segment**	**Ownership**	**Balance sheet value 31 Dec 21**	**Profit in 2022**
1 = NOK 1000					
Medistim USA Inc.	USA	Lease and sale within bypass surgery and vascular surgery	100%	135	10 631
Medistim Deutschland GmbH	Germany	Capital sales within bypass surgery and vascular surgery	100%	188	7 226
Medistim Norge AS	Norway	Sale of 3 pary products and capital sales within bypass surgery and vascular surgery	100%	36 953	10 692
Medistim UK LTD	United Kingdom	Capital sales within bypass surgery and vascular surgery	100%	1	-1 561
Medistim Japan KK	Japan	Dormant company	100%	86	-
Medistim Spain S.L		Capital sales within bypass surgery and vascular surgery	100%	28	-850
Medistim Danmark Aps	Denmark	Sale of 3rd party products and capital sales within bypass surgery and vascular surgery	100%- Owned indirectly through Medistim Norge AS with book value of TNOK 1 103		1 173
Total				**37 392**	**27 311**

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					
Unit	**Assets**	**Debt**	**Equity**	**Income**	**Profit**
1 = NOK 1000					
Medistim USA Inc.	141 211	36 914	104 297	203 608	10 631
Medistim Deutschland GmbH	11 841	6 320	5 520	47 137	7 226
Medistim Danmark Aps	6 196	4 827	1 369	9 142	1 173
Medistim Japan KK	86	-	86	-	-
Medistim Spain S.L	15 567	15 607	-40	16 093	-850
Medistim UK LTD	2 376	9 770	-7 395	2 771	-1 561
Medistim Norge AS	41 159	8 833	32 325	76 923	10 692
Total	**218 435**	**82 272**	**136 163**	**355 675**	**27 311**

Medistim Norge AS has offices in Oslo, Norway and production facilities in Horten, Norway. 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 31.12.2022 14 128 TNOK. Goodwill at the time of acquisition was 16 097 TNOK. None of the subsidiaries are listed at a stock exchange.

Of Medistim UK's debt of 9 770 TNOK, 7 587 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 Norwegian subsidiary a dividend of 26.8 MNOK in 2022. Medistim ASA has interest bearing debt towards Medistim US Inc of MNOK 39.4.

Note 32 Account receivables and other receivables

ACCOUNTS RECEIVABLE	2022	2021
1 = NOK 1000		
Accounts receivable	**92 008**	49 169
Provision for bad debt	**-899**	-261
Total salary expenses	**91 109**	**48 908**

All receivables are due within one year. Losses in 2021 were 0 TNOK and losses in 2022 were 6 TNOK. It is recorded an accrual of 899 TNOK to cover expected losses. Historically the company has small losses on receivables. Other receivables are shown below

OTHER RECIEVABLES	2022	2021
1= NOK 1000		
Pre payments	**2 338**	1 417
Prepaid taxes and VAT	**4 935**	157
Accrued revenue	**247**	4 571
Unrealized gain hedging	**779**	-
Dividend subsidiaries	**11 000**	12 000
Total other receivables	**19 299**	**18 145**

Note 33 Inventory

INVENTORY	2022	2021
1= NOK 1000		
Components	**66 185**	52 311
Finished goods	**25 245**	27 872
Inventory accrual	**-6 728**	-6 478
Total	**84 702**	**73 704**

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 is assessed and found lower than historic cost. See the following table:

SPECIFICATION OF ACCRUAL	2022	2021
1= NOK 1000		
Demonstration units	**2687**	3074
Service parts	**1643**	1117
Other	**2398**	2287
Total	**6 728**	**6 478**

Note 34 Cash in Bank

Restricted cash amounted to 7 016 TNOK as of 31.12.2022 and was related to tax withheld on salary paid to employees. The comparable amount as of 31.12.2021 was 3 218 TNOK.

Note 35 Shareholder affairs- See note *17* in group accounts

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.

Note 36 Change in Equity

CHANGE IN EQUITY	Share capital	Treasury shares	Share premium	Other paid in capital	Retained earnings	Total
1 = NOK 1000						
Equity 31.12.21	4 585	(27)	41 852	13 317	100 595	160 322
Change in equity:						
Change in treasury shares	-	6	-	5 426	(27)	5 405
Other corrections	-	-	-	-	-11	-11
Profit for 2022	-	-	-	-	108 107	108 107
Dividend to shareholders	-	-	-	-	-82 126	-82 126
Equity 31.12.22	**4 585**	**-21**	**41 852**	**18 721**	**126 537**	**191 696**

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. Hedging contracts are evaluated to reduce exposure. The development in NOK towards USD and EUR is continuously monitored.

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. By year end 2022 the company had 6 hedging contracts in USD totaling MUSD 1.2. By year end there was an unrealized gain related to the contracts of MNOK 0.8. 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	2022	2021
1= NOK 1000		
Foreign exchange gain	**13 335**	7 256
Foreign exchange loss	**12 525**	10 773
Total	**810**	**-3 517**

Note 38 Specification of short-term debt

SPECIFICATION OF SHORT-TERM DEBT	2022	2021
1= NOK 1000		
Bonus and commission	**8 479**	7 527
Board compensation	**1 835**	1 300
Debt towards subsidiary	**-**	1 778
Accrual for investment	**350**	350
Other	**5 097**	992
Total short term debt	**15 761**	**11 946**

Note 39 Other operating expenses

OTHER OPERATING EXPENSES	2022	2021
1 = NOK 1000		
Office rental	**8 824**	7 141
Travel expense	**3 268**	601
Marketing	**2 706**	846
Consultancy fee	**13 126**	13 517
Insurance	**978**	863
Freight	**1 270**	852
Communication	**14 056**	12 065
Other	**4 603**	3 519
Total other operating expenses	**48 832**	**39 405**

Note 40 Long-term debt and loan security

Medistim ASA had no long-term debt by the end of 2022.

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. As security for the facilities are assets, accounts receivable and inventory with 10 MNOK. Book value of secured items was as of 31.12.2022 29.4 MNOK for assets, 91.1 MNOK for accounts receivables and 84.7 MNOK for inventory.

Note 41 Receivables and debt towards subsidiaries

RECEIVABLES AND DEBT TOWARD SUBSIDIARIES	2022	2021
1 = NOK 1000		
Account receivable	**43 659**	26 795
Other receivable	**7 587**	7 587
Short-term debt	**4 056**	-
Long-term debt	**39 429**	**35 277**

Note 42 Events after 2022

The Board of directors has no knowledge about events after 2022 that will affect the annual report and financial statement for 2022.

12. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures, concepts and abbreviations

Alternative performance measures are used by investors, securities analysts 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 intangible assets could result in a one time expense if the impairment test fail, and is highlighted for this reason. The company's exposure to foreign currency, the regulatory regime that forces the company to secure end of life parts and international customers with longer credit time, makes it useful to have measures for currency neutral development and changes in working capital. Below is the list of alternative performance measures, concepts and abbreviations Medistim uses in its reporting.

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

CONCEPTS AND ABBREVIATIONS	
VeriQ:	Medistim’s 3. Generation system platform
MiraQ:	Medistim’s 4. generation system platform
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 Cardiac 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 Clinical 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

RECONSILIATION OF CURRENCY NEUTRAL REVENUE:	RATES 2022	RATES 2021
USD average rate for the year	**9,61**	8,59
EUR average rate for the year	**10,10**	10,16
GBP average rate for the year	**11,87**	11,82
DKK average rate for the year	**1,36**	1,37

SPLIT OF REVENUE IN USD, EUR AND NOK	2022	REVENUE 2022 WITH 2021 RATES
1 = NOK 1000		
Sales in USD		
Procedural revenue Imaging and flow	**139 855**	125 011
Capital sales MiraQ flowmeasurement instruments	**13 248**	11 842
Capital sales MiraQ imaging and flowmeasurement instrument	**44 984**	40 210
Capital sales in Canada\LA	**5 520**	5 553
Sales in EUR		
MiraQ flowmeasurement instrument	**35 236**	35 445
MiraQ imaging and flowmeasurement instrument	**41 651**	41 898
Imaging probes	**8 143**	8 191
Flowmeasurement probes	**121 792**	122 515
Other	**5 675**	5 709
Revenue in USD and EUR	**416 104**	396 374
Revenue in NOK	**75 833**	75 833
Total revenue	**491 937**	**472 207**
Reconciliation of working capital:		
Accounts receivable in balance sheet at year end	**101 657**	68 634
Inventory in the balancesheet at year end	**114 333**	97 413
Accounts payable in balance sheet at year end	**(30 258)**	(20 318)
Working capital	**185 733**	**145 730**
Reconsiliation of profit before R & D and depreciation:		
EBITDA	**164 539**	139 705
Expensed R & D	**13 607**	14 476
Profit before R & D and depreciation:	**178 146**	**154 181**

Oslo, 23rd March 2023

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chair
Sign.

Anthea Arff-Pettersen
Board member
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
President & 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 2022 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, 23rd March 2023

Board of Directors and CEO of Medistim ASA

Øyvin A. Brøymer
Chair
Sign.

Anthea Arff-Pettersen
Board member
Sign.

Siri Fürst
Board member
Sign.

Torben Jørgensen
Board member
Sign.

Tove Raanes
Board member
Sign.

Lars Rønn
Board member
Sign.

Kari Eian Krogstad
President & CEO
Sign.

BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the Annual Shareholders meeting of Medistim ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medistim ASA.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2022, income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2022, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements comply with applicable statutory requirements,
- The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Medistim ASA for 13 years from the election by the general meeting of the shareholders in May 2009 for the accounting year 2009.

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 the current period. 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 applied 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 group's 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 consolidated financial statements.	We have assessed the appropriateness of management's revenue recognition policies and the application of these policies. Our work included 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 performed 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

The Board of Directors and the Managing Director (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.

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 consolidated 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.

Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility.

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

Management is responsible for the preparation of financial statements that give a true and fair view, for in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the 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 compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Medistim ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 5967007LIEEXZXJOX483-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

BDO AS

Erik Lie
State Authorised Public Accountant
(This document is signed electronically)

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Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Erik Helge Lie
Partner
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