



 **2014 1H Financial Results**

 **Business Update**

**\*Appendix - Financial Statements**

## Interventional Cardiology

- ❑ Firehawk approved by CFDA in January
- ❑ Acquisition of DES assets from Cordis
- ❑ Firehawk China commercial launch at CIT

## Orthopedics

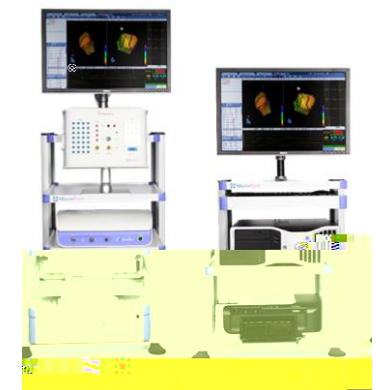
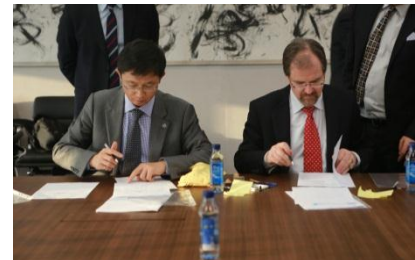
- ❑ OrthoRecon Business
- ❑ MPO receives economic grant from State of Tennessee Economic Development Council to fund Medical Education/Training facility

## CRM

- ❑ Government Authorities Approve Joint Venture for Cardiac Rhythm Management Business In China

## Electrophysiology

- ❑ First overseas sales of 3-D mapping systems



## Highlights

- Revenue: 183.8m, Y/Y
- Gross Margin, 70%
- EBITDA: 19.2m, Y/Y 12%
- Net Loss: (9.9m)
- Other operating expenses: (15.2m)

## Key Financial Summary

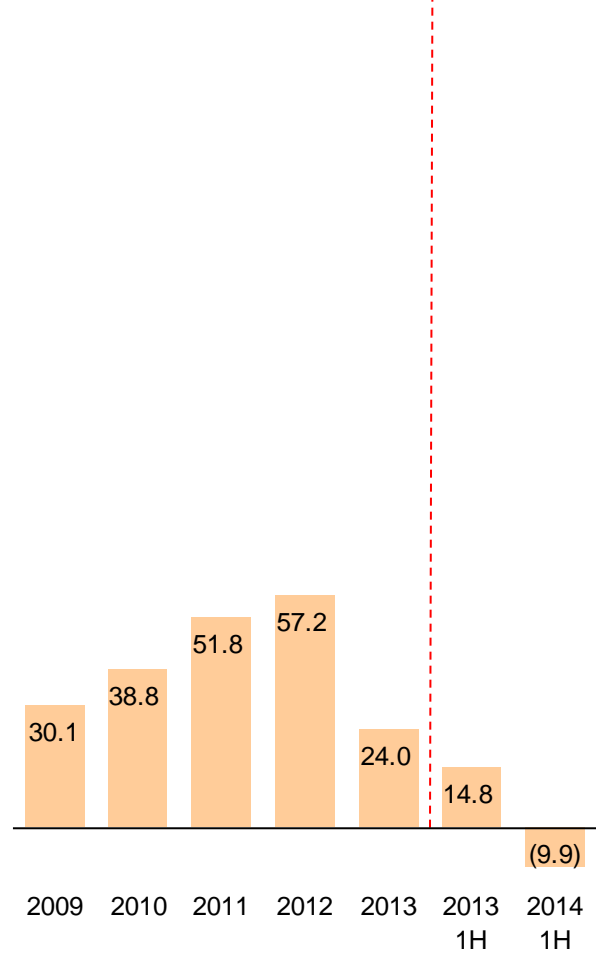
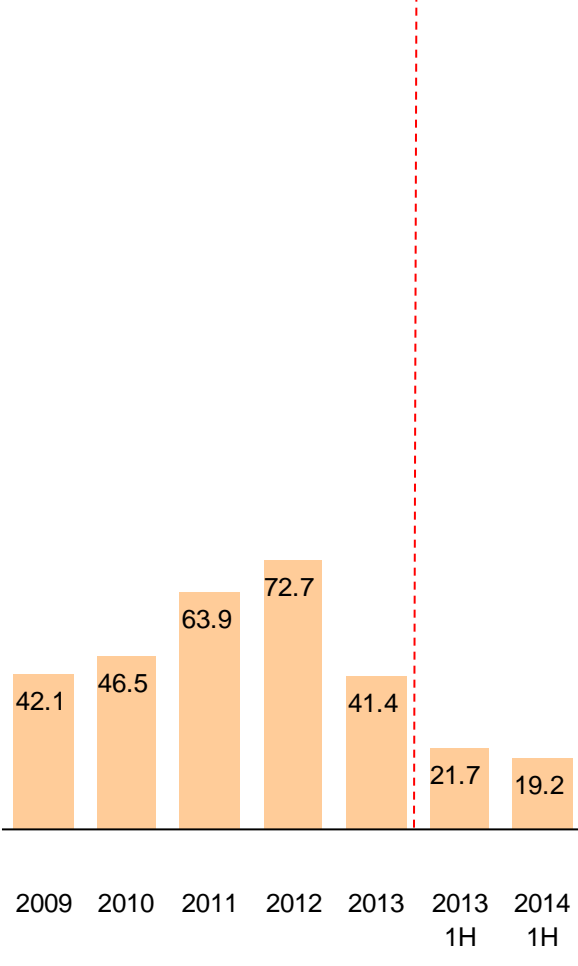
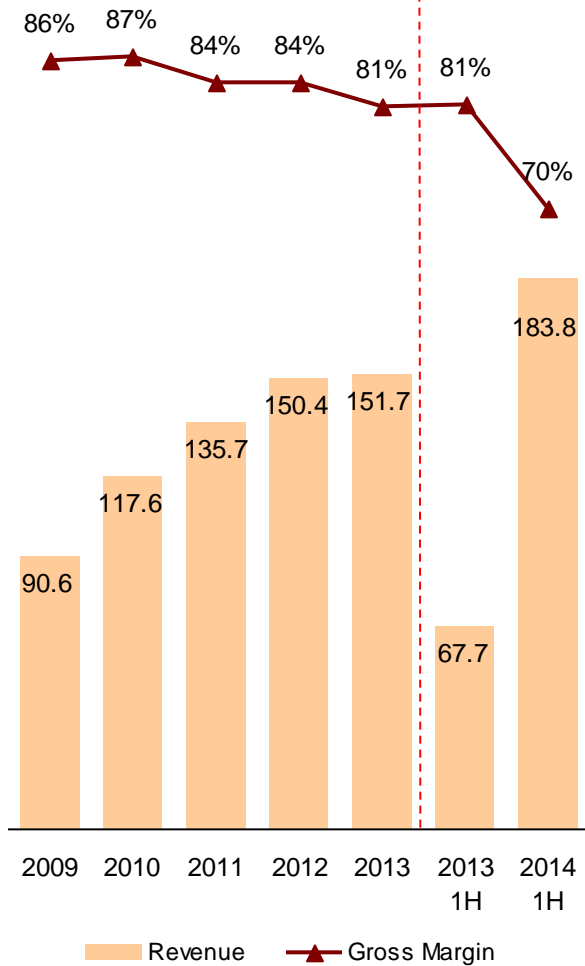
USD: million	2014 1H	2013 1H	Flux
Revenue	183.8	67.7	172%
Cost	(55.2)	(12.8)	333%
<b>Gross Profit</b>	<b>128.6</b>	<b>54.9</b>	<b>134%</b>
<i>Gross Margin</i>	<i>70%</i>	<i>81%</i>	
Operating Expenses	(119.1)	(32.2)	270%
<b>Recurring operating pro</b>	<b>9.5</b>	<b>22.7</b>	<b>-58%</b>
Other Operating Expense	(15.2)	(7.0)	
Net Gain	6.4	3.0	
Finance Costs	(5.1)	(0.2)	
<b>Operating (Loss)/Profit</b>	<b>(4.4)</b>	<b>18.5</b>	
<b>Net (Loss)/Profit</b>	<b>(9.9)</b>	<b>14.8</b>	
<b>EBITDA</b>	<b>19.2</b>	<b>21.7</b>	<b>-12%</b>

### Revenue & Gross Margin

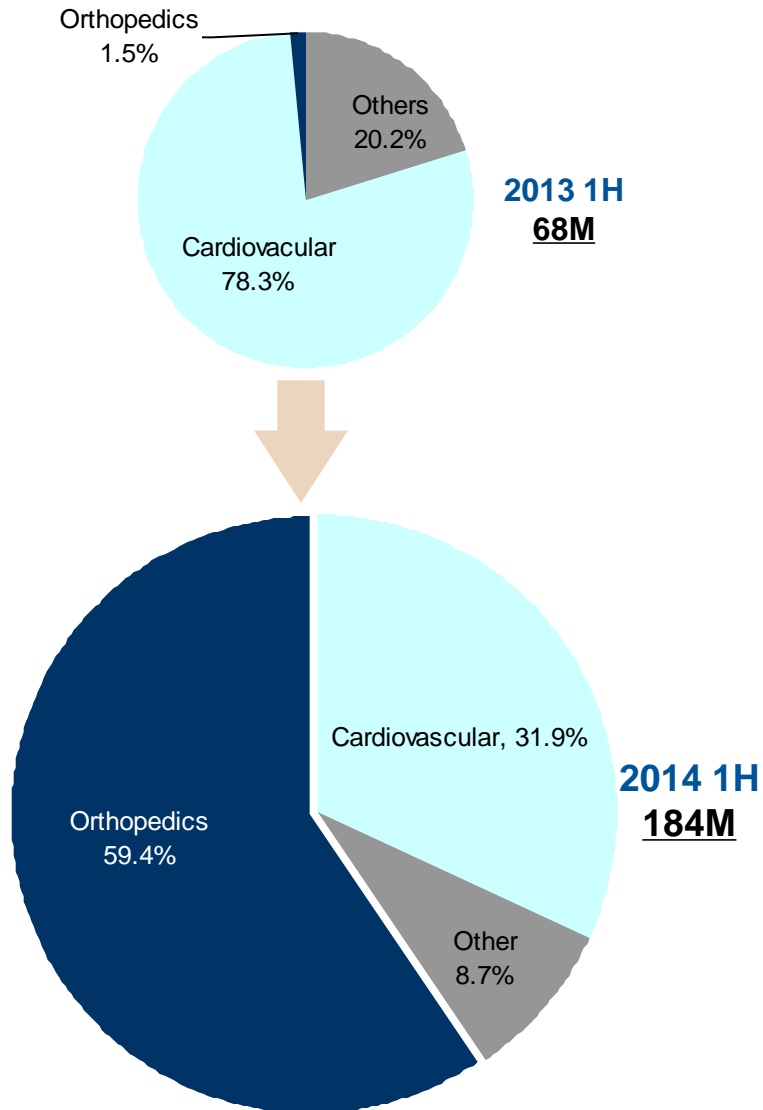
### EBITDA

### Net Profit/(Loss)

(USD million)

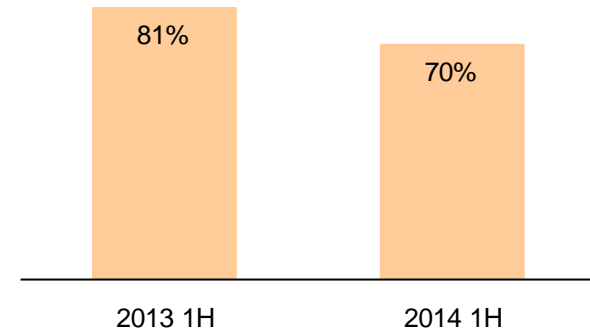


## Diversification

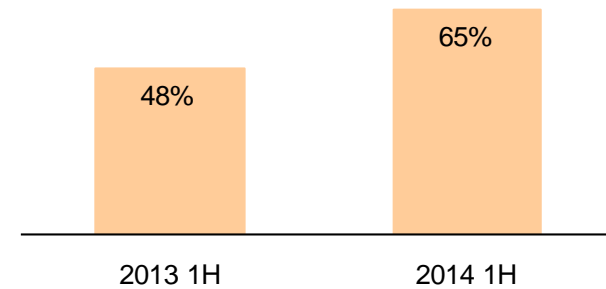


## Profitability

### Gross Margin

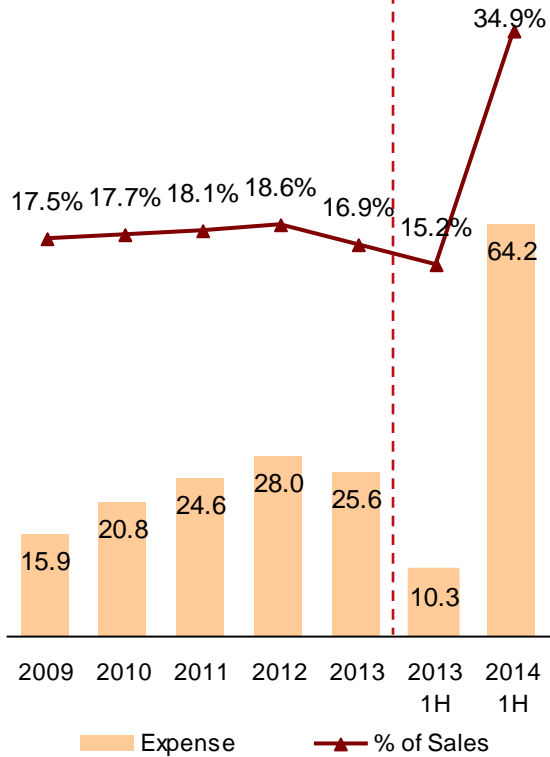


### Operating Expenses % of Revenue



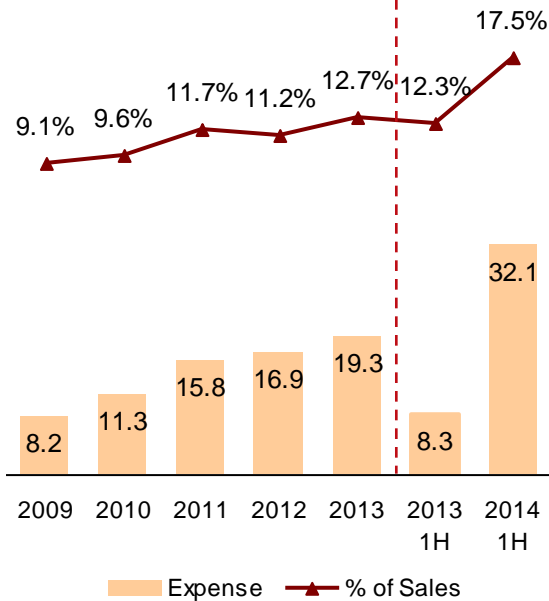
### Distribution Costs

(USD million)



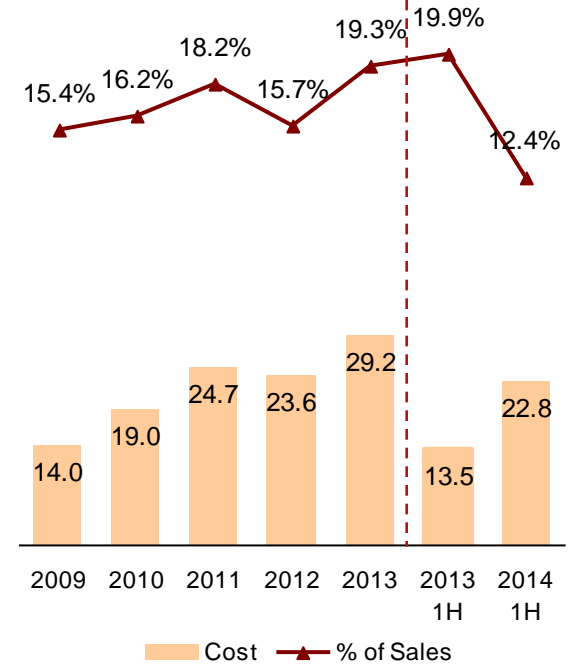
### Administrative Expenses

(USD million)



### Research and Development Costs

(USD million)



1

**Orthopedics Business**

2

**Vascular Business**

3

**Electrophysiology Business**

## Full Range of Products Pipeline

### OrthoRecon



Knees



SuperPath  
Recovery Technique



Hips

### Spine



Spine-Plates



Spine-Screws

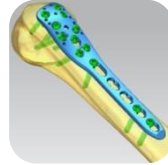


Spine-Cages



Spine-Instruments

### Trauma



Trauma-Plates



Trauma-Nails



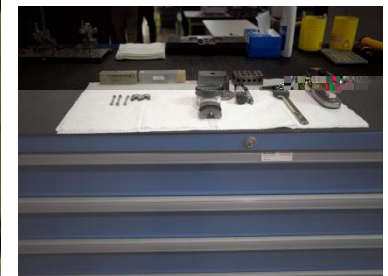
Cannulated Screws



External FX

## Key Factors

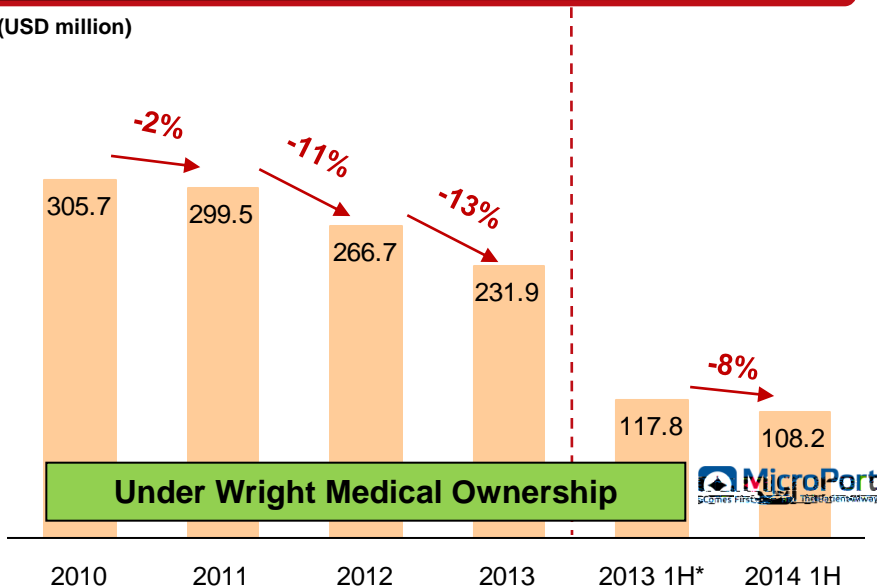
- ✦ MicroPort Orthopedics the fifth largest multinational OrthoRecon business.
- ✦ The only company can offer a full product line covering hip and knee, spine, and trauma in China.
- ✦ Broaden product portfolio beyond China DES immediately.
- ✦ Expand business geographic coverage outside China greatly.
- ✦ Increase critical mass.





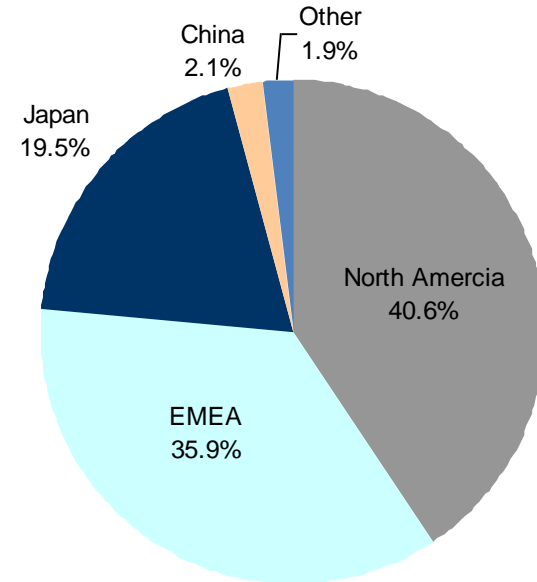
## OrthoRecon Revenue Trend

(USD million)



\* Jan. revenue is prorated for partial month to exclude Jan 1<sup>st</sup> to 9<sup>th</sup>.

## 2014 1H OrthoRecon Revenue Mix

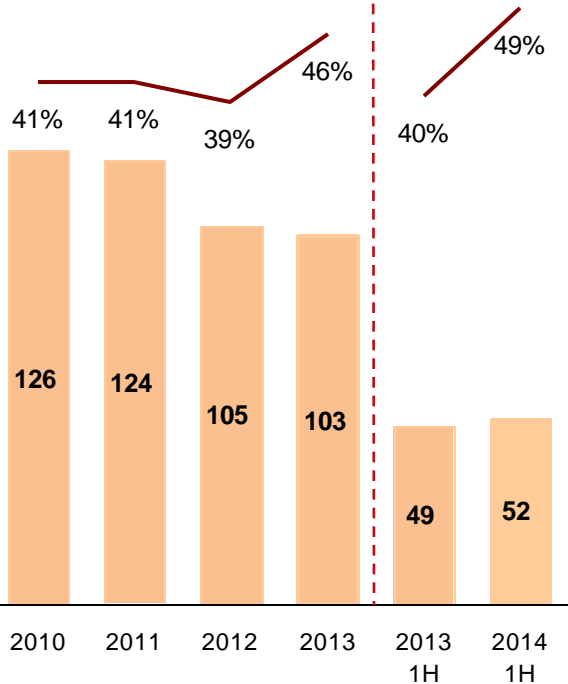


### Revenue Trends Improving

- Rate of revenue decrease has been significantly reduced from double digit decrease in 2012 and 2013 to 8% decrease in 2014 1H, all while in the midst of business transition and integration process.
  - **US:** Stabilized business, focused strategy attracting new hires and new KOLs
    - Already achieving positive, stable revenue growth
  - **China:** New distributors and KOLs embracing and welcoming MPO China platform
    - Initiated large-scale surgical training programs
    - Established Asia supply chain center

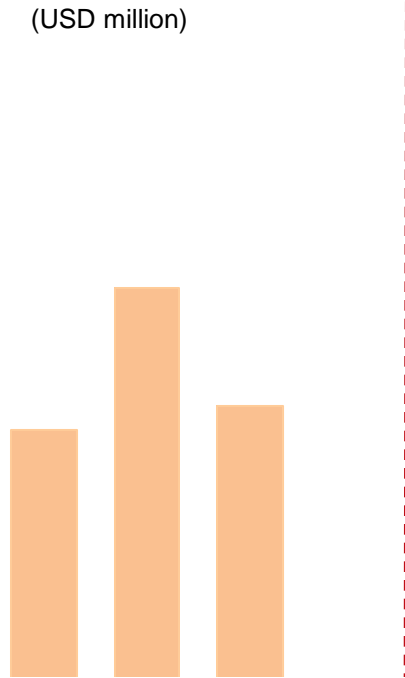
### Sales and Marketing Cost

(USD million)



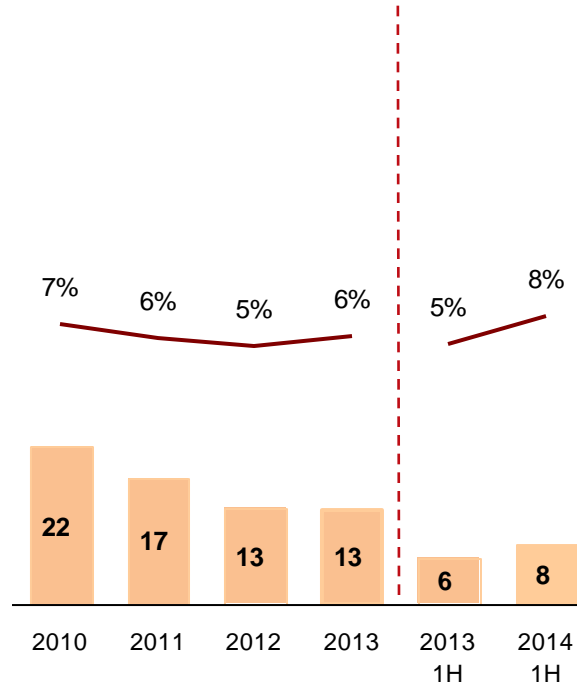
### Administrative Expense

(USD million)



### Research and Development Cost

(USD million)



**Expense increased**

- S&M: Increased investment in Medical Education and marketing activities to establish and expand new corporate branding.
- Admin: Increase of administrative costs due to integration of MPO infrastructure; complete, experienced management
- support the development of new products.

## AAOS Annual Meeting in New Orleans

include an announcement of our new brand, a new booth and look, as well as an inaugural



## The 15th Annual Meeting of Asia-Pacific Arthroplasty Society

The 15th annual meeting of Asia-Pacific Arthroplasty Society was held from June 18 to June 21 in Chengdu (Sichuan Province, China). MicroPort Orthopedics took part in the meeting as a sponsor and hosted a symposium.



## Exhibitor at Current Concepts in Joint Replacement 2014 Spring Course

Close to 1,000 people gathered in Las Vegas, Nevada during the week of May 18, 2014 to support the 15th Annual Current Concepts in Joint Replacement (CCJR) Spring Course. MicroPort Orthopedics was one of almost 30 exhibitors supporting the meeting.



## Annual Meeting of Japanese Orthopedic Association

The 87th JOA, the Annual Meeting of Japanese Orthopedic Association, was held in Kobe, Japan from May 22 to May 25. Over 10,000 surgeons and 130 orthopedic companies attended the biggest annual meeting of orthopedic society in Japan.



## EFORT Congress

From June 4 to June 6, the EFORT Congress took place in London, United Kingdom.

## 📌 **US: State of the Art Solutions Meeting - June 26-28 in Chicago**

39 Health Care Practitioners attendees + Faculty

310 people from 25 countries viewed the live surgery on line, resulting in 85 requests for information on SuperPATH®

87.5% of attendee respondents were very satisfied with the quality of the course

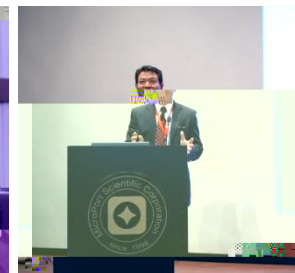
## 📌 **China: State of the Art in Hip & Knee Arthroplasty - Aug 23 in Shanghai**

160 Chinese Orthopedic Surgeons in attendance

First ever didactic event hosted at MicroPort new corporate headquarters

## 📌 **Europe: Lifestyles Solution Meeting - Sept 28-29 in Brussels**

European annual didactic event



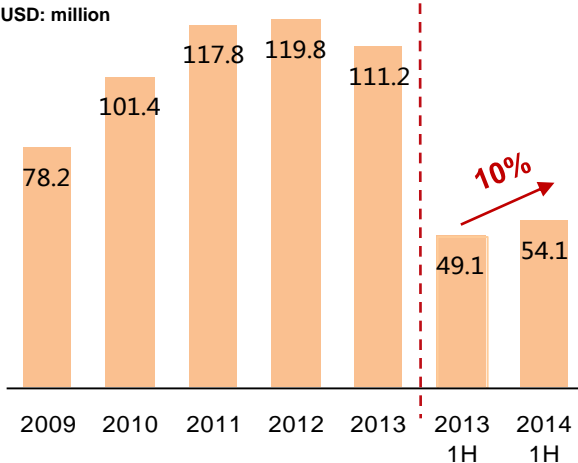
## Firebird2



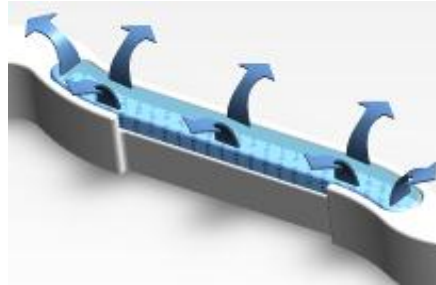
- ❑ Commercially launched in **January 2009**
- ❑ Constructed of **cobalt-chromium** coated with sirolimus
- ❑ 0.034 inch thick

## DES/TES Revenue (2009-2014 1H)

USD: million



## Firehawk Update



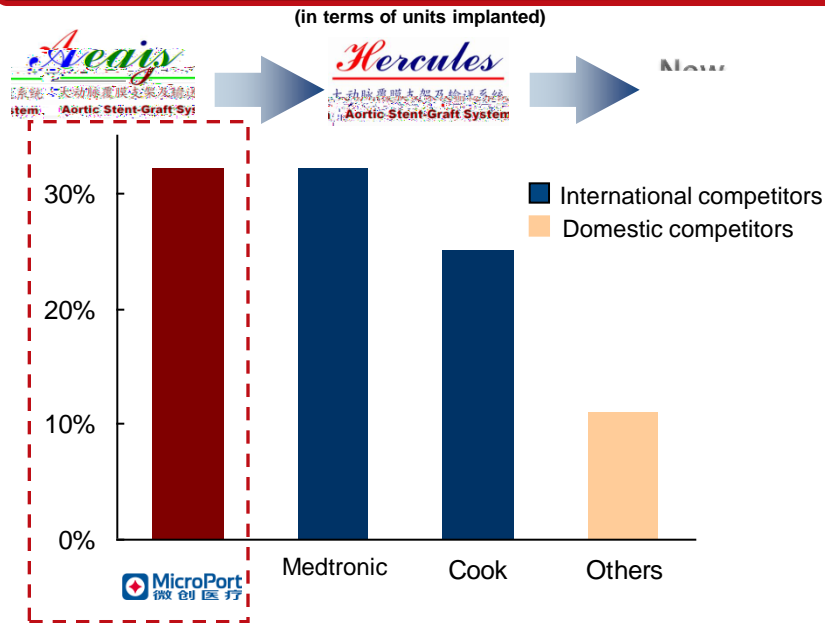
- ❑ **CFDA approved in Jan, 2014**
- ❑ **CE submitted in Dec 2013**
- Third generation DES
- The World's First and Only **target-eluting stent**
- The largest pre-market clinical study in China ensures high credibility of safety and efficacy (1,261 patients in 29 clinical centers)
- The lowest dosage of drug amongst all DES's maintains excellent efficacy
- Solid evidence-based medical data paves the way for world-wide introduction

- ❑ **Assets purchase agreement on Jan 2014, acquired:**
- DES manufacturing related equipment and machinery;
- DES-related patents & IP

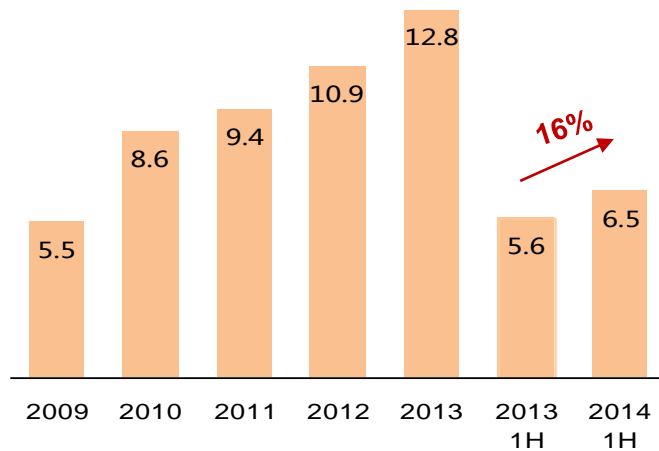


**Secure the position of global leader for target-eluting stent technology and take another step forward to strengthen the competitive and intellectual property position for DES franchise.**

## TAA/AAA 2013 Market Share

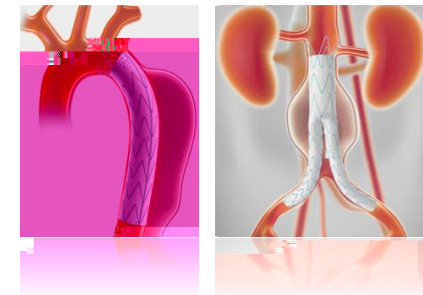


## Solid Growth of Endovascular in Revenue



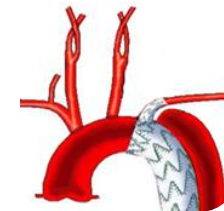
## Products Profile

### Hercules T / Hercules B



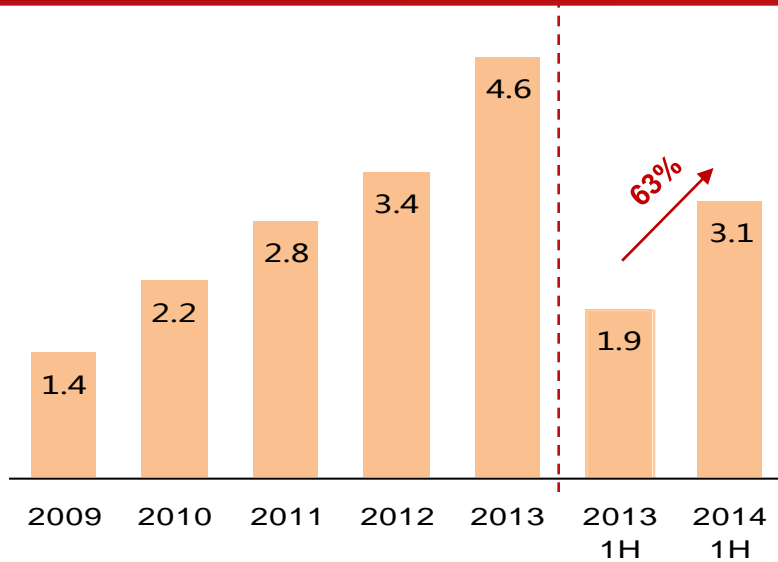
- Hercules Balloon Dilation Catheter received CFDA approval in 2013

### Castor

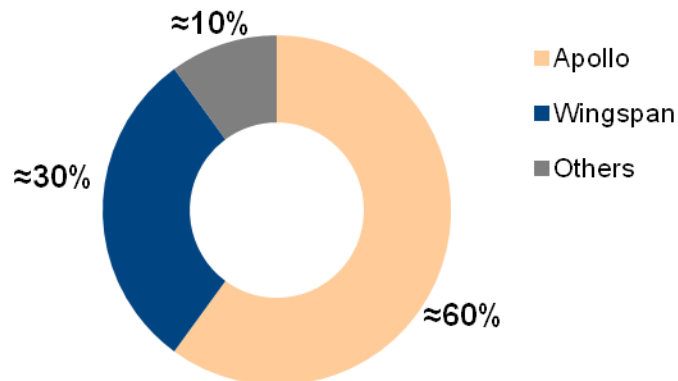


- Branched Aortic Stent-Graft and Delivery System
- First-in-man Finished in early 2013
- Clinical Trial ongoing

## Dramatic Growth of Neurovascular in Revenue



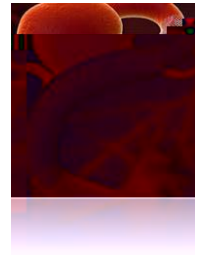
## Leading Position in Neurovascular stents



## Products Already Received SFDA Approval

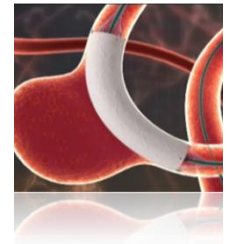
### APOLLO - Ischemic

- Vascular Reconstruction Device
- Clinical Trial ongoing

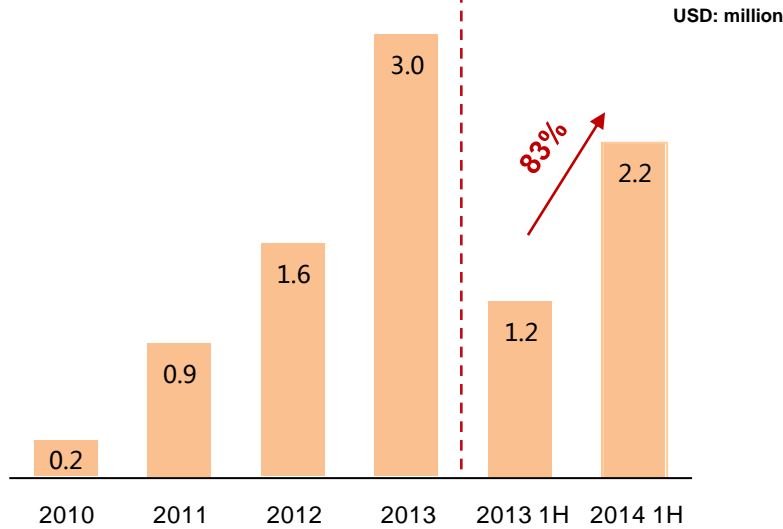


### WILLIS - hemorrhagic

- Intracranial Stent Graft System
- Received CFDA approval in 2013
- Launched the business in 2014




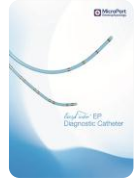

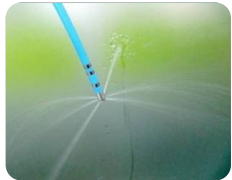


### Dramatic Growth of Electrophysiology in Revenue



### Products on the China Market



### Products with CE Certifications

<h4>FireMagic</h4>  <ul style="list-style-type: none"> <li>■ Radiofrequency Ablation Catheter</li> </ul>	<h4>EasyFinder</h4>  <ul style="list-style-type: none"> <li>■ Fixed or adjustable Curved Mapping Catheter</li> </ul>	<h4>EasyLoop</h4>  <ul style="list-style-type: none"> <li>■ Circumferential Pulmonary Vein Mapping Catheter</li> </ul>
<h4>FireMagic 3D</h4>  <ul style="list-style-type: none"> <li>■ Saline Infusion Radiofrequency Ablation Catheter</li> </ul>	<h4>Columbus</h4>  <ul style="list-style-type: none"> <li>■ 3D EP Navigation System</li> </ul>	<h4>Anchor</h4>  <ul style="list-style-type: none"> <li>■ External Reference Patch</li> </ul>

📍 Started operating in Dominican Republic and Turkey in 2014

(USD '000)	2014 1H	2013 1H
<b>Revenue</b>	<b>183,795</b>	<b>67,678</b>
Cost of sales	(55,198)	(12,753)
<b>Gross profit</b>	<b>128,597</b>	<b>54,925</b>
Other revenue & net income	6,366	3,035
Research and development costs	(22,819)	(13,516)
Distribution costs	(64,151)	(10,344)
Administrative expenses	(32,087)	(8,338)
Other operating costs	(15,225)	(7,020)
<b>Operating Profit</b>	<b>681</b>	<b>18,742</b>
Finance costs	(5,071)	(248)
Share of losses of a joint venture	(1)	
<b>(Loss)/profit before taxation</b>	<b>(4,391)</b>	<b>18,494</b>
Income tax	(5,552)	(3,720)
<b>Net (loss)/profit</b>	<b>(9,943)</b>	<b>14,774</b>

USD'000	30 June 2014	31 Dec 2013
Fixed Assets & CIP & Prepay for FA	285,743	155,989
Intangible assets	60,331	34,280
Goodwill	73,531	25,577
Interest in joint venture	2,022	-
Deferred tax assets	3,911	3,197
Other non-current receivables	7,352	
<b>Total non-current assets</b>	<b>432,890</b>	<b>219,043</b>
Inventories	101,161	20,314
Trade & Other receivables	143,548	63,264
Deposits with banks	168,968	56,322
Cash and cash equivalents	86,335	159,903
<b>Total current assets</b>	<b>500,012</b>	<b>299,803</b>
<b>Total assets</b>	<b>932,902</b>	<b>518,846</b>
Trade & Other payables	(105,339)	(45,506)
Interest-bearing borrowings	(215,245)	(29,629)
Income tax payable	(3,528)	(2,848)
Deferred income	(11)	(14)
Derivative financial liabilities	(3,793)	
<b>Total current liabilities</b>	<b>(327,916)</b>	<b>(77,997)</b>
Interest-bearing borrowings	(89,143)	(21,964)
Convertible bond	(90,002)	
Deferred income	(24,239)	(16,982)
Other non-current liabilities	(10,826)	(7,053)
Deferred tax liabilities	(4,237)	(4,417)
<b>Total liabilities</b>	<b>(546,363)</b>	<b>(128,413)</b>
Share capital	(14)	(14)
Capital reserve	(386,525)	(390,419)
<b>Total stockholders' equity</b>	<b>(386,539)</b>	<b>(390,433)</b>
<b>Total liabilities and equity</b>	<b>(932,902)</b>	<b>(518,846)</b>

(USD '000)	2014 1H	2013 1H
Cash generate from operations	6,252	31,830
Income tax paid	(4,313)	(2,950)
<b>Net cash generated from operating activities</b>	<b>1,939</b>	<b>28,880</b>
<b>Net cash (used in)/from investing activities*</b>	<b>(314,085)</b>	<b>(13,889)</b>
<b>Net cash used in financing activities</b>	<b>351,383</b>	<b>(8,074)</b>
<b>Net decrease in cash and cash equivalent</b>	<b>39,237</b>	<b>6,917</b>
<b>Cash and cash equivalents at 1 January</b>	<b>216,225</b>	<b>171,731</b>
Effect of foreign exchange rate changes	(159)	2,720
<b>Cash and cash equivalents at 30 June</b>	<b>255,303</b>	<b>181,368</b>

\* Adjusted net uplift 114 million of time deposits with bank over 3 month (2013 1H: 32 million net placement ) in to cash and cash equivalents.

*This document is for information purposes only and does not constitute or form part of any offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for any securities of MicroPort Scientific Corporation, and no part of it shall form the basis of, or be relied upon in connection with, any agreement, arrangement, contract, commitment or investment decision in relation thereto whatsoever.*

#### **FORWARD-LOOKING STATEMENTS**

*Some information contained on this website contains forward-looking statements. These forward-looking statements include, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of MicroPort's management and are subject to significant risks and uncertainties. MicroPort Scientific Corporation undertakes no obligation to update any of the statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors that could cause actual future results to differ materially from current expectations include, but are not limited to, general industry and economic conditions, PRC governmental policies and regulations relating to the medical device manufacturing industry, competition in the medical device manufacturing industry, our ability to develop new products and stay abreast of market trends and technological advances, our goals and strategies, our ability to execute strategic acquisitions of, investments in or alliances with other companies and businesses, fluctuations in general economic and business conditions in China.*

#### **CONFIDENTIALITY**

*This presentation is confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.*



# Thank You

---

The Patient Always Comes First

