



**MicroPort<sup>®</sup>**  
The Patient Always Comes First



# MicroPort 2017 1H Earnings Release

# Disclaimer



•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.

## 1. Interim Results Highlights

## 2. Financial Review

## 3. Business Review

## 4. Appendix

- Financial Statements

## Financial Results

### Revenue

**\$217M**  
**+13%**

### Net Profit

**\$20.6 M**  
**+272%**

## Business Segment Revenue



### cardiovascular

**\$83.5M**  
**+25%**



### Orthopedics

**\$109 M**  
**+2.9%**



### Endovascular

**\$12 M**  
**+22%**



### Neurovascular

**\$5.8 M**  
**+41%**



### Electrophysiology

**\$3.5 M**  
**+38%**

## Business Highlights

- **Revenue: \$ 217M, 13% YOY↑**
  - Fastest organic growth in 5 years
- **Net profit: \$ 20.6M, 272% YOY↑**
  - Tripling 1H 2016 net profit
  - Exceeding 2016 FY net profit
- **Underpinned by robust revenue of key segments and core products**
  - Cardio: 25% YOY↑, among which Firehawk™ realized 130% YOY↑ in both domestic and overseas markets
  - Ortho: 2.9% YOY↑
  - Endo: 22% YOY↑; Neuro: 41% YOY↑; EP: 38% YOY↑
- **Substantial progress in R&D and pipeline development**
  - **6** products obtained CFDA Approval: Firefighter™, Castor™, Reewarm™, FireMagic™ 3D, OptimAblate™ and PathBuilder™.
  - **2** products granted Green-Path for CFDA approval: Minos™ and Flashpoint™
  - Outstanding results of Target AC clinical trial with **99.9%** strut coverage rate; excellent results of Target I clinical trial with **zero** Def/Prob stent thrombosis at 5 years
- EP quoted on the NEEQ will provide a good platform for its financing and further development
- **Endo engaged well-known strategic partners on March 10 with valuation of RMB 1.85 billion**
- **CardioFlow engaged well-known strategic partners on August 22 with valuation of RMB 2.1 billion. The 1<sup>st</sup> project at clinical trial stage well recognized by capital market**



## 1. Interim Results Highlights

## 2. Financial Review

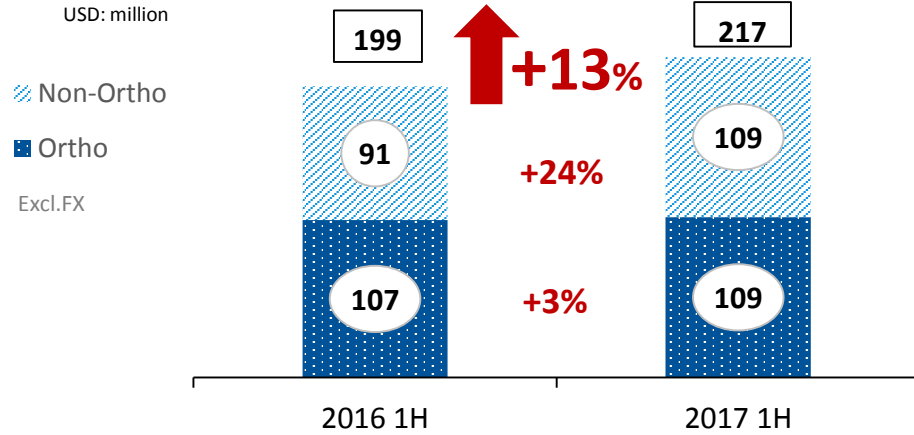
## 3. Business Review

## 4. Appendix

- Financial Statements

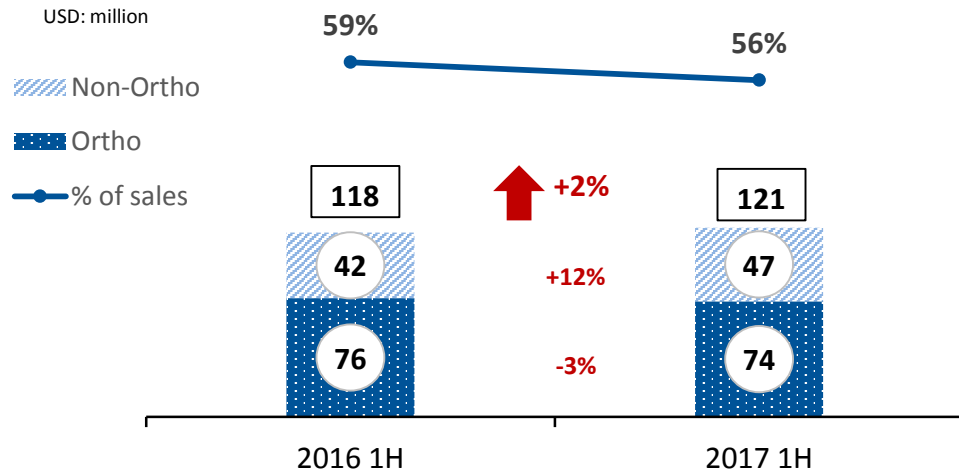
# Consolidated Financial Performance

## Revenue



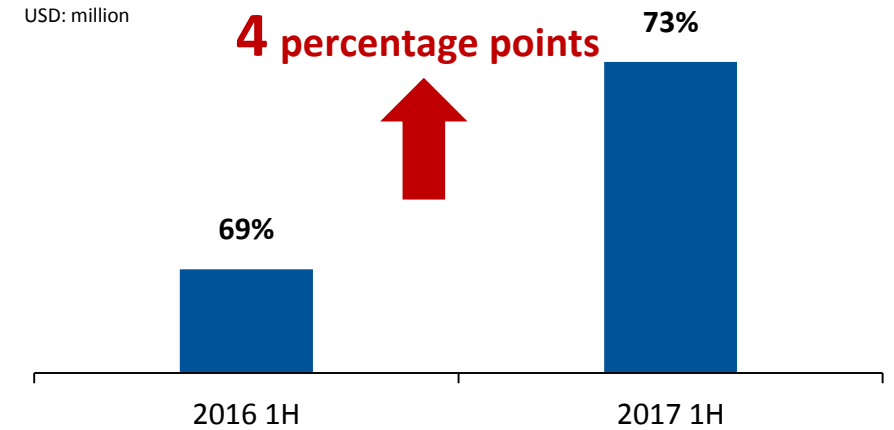
Group revenue up 13% excl. FX, 10% as reported

## Operating Expense



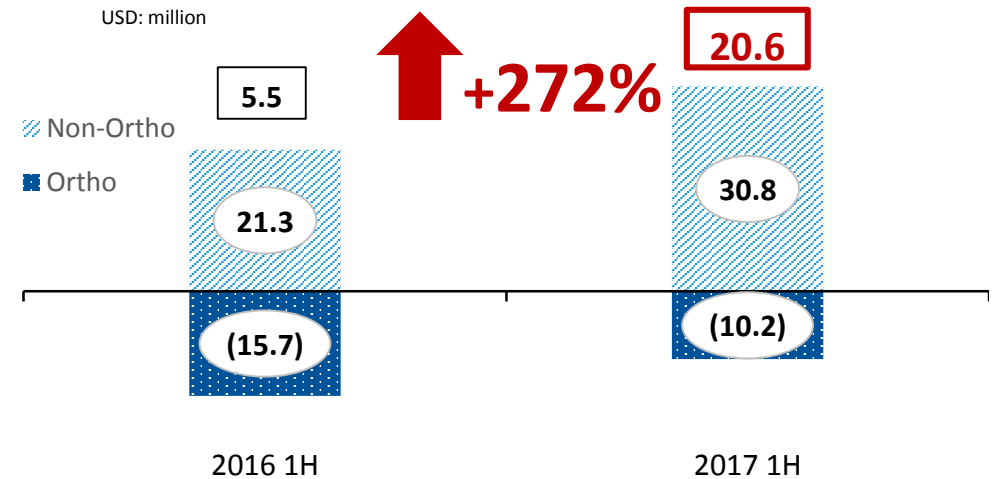
Percentage of sales improved by 3 percentage points

## Gross Profit Margin



Gross Margin improved by 4 percentage points

## Net Profit/(Loss)

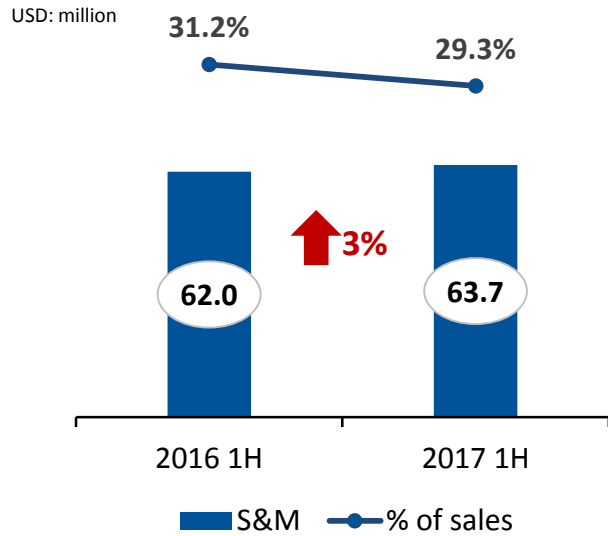


Net profit up by 272%



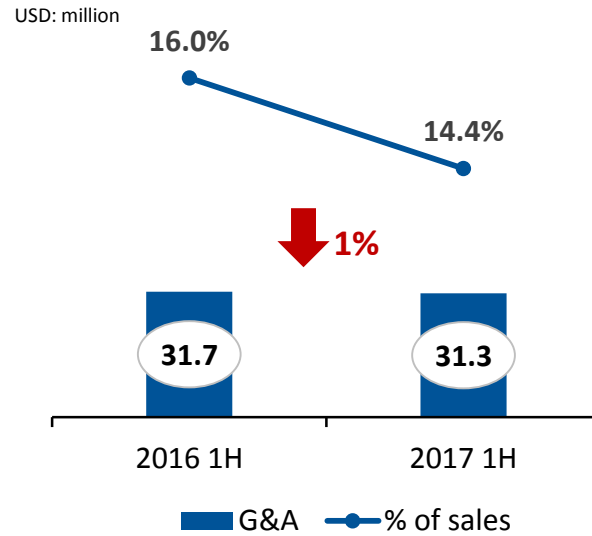
# Operating Expenses

## Sales and Marketing Expenses



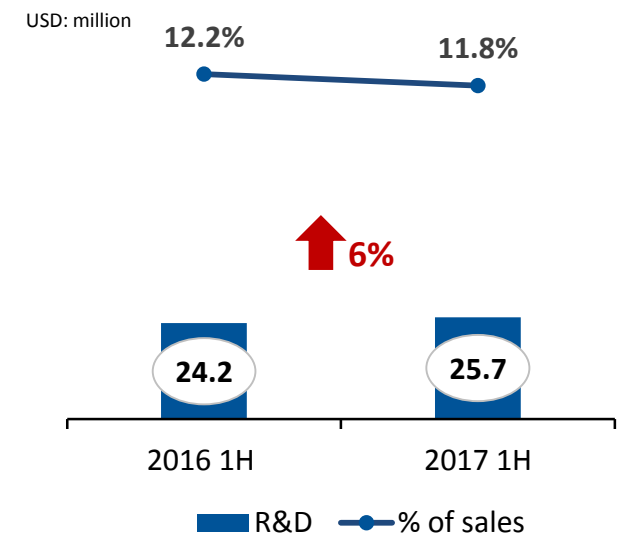
- Percentage of sales ↓ 1.9 percentage points
- Increased by 1.7M
  - Increase in sales bonus;
  - Increase in admission fees and other expenses for broader participation of industry conferences and events.

## Administrative Expenses



- Percentage of sales ↓ 1.6 percentage points
- Decreased by 0.4M

## Research and Develop. Expenses



- Percentage of sales ↓ 0.4 percentage points
- increased by 1.5M
  - Increased investment in the on-going R&D projects and the newly kicked off R&D projects



# Cashflow Summary

## Net Cashflow from Operating Activities

USD: million



- Net operating cash inflow increased by \$7m

## Net Cashflow used in Investing Activities

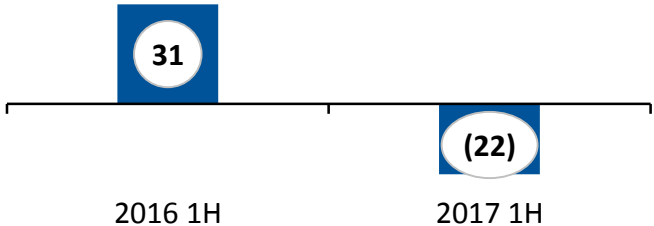
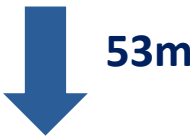
USD: million



- Net investing cash outflow increased by \$1m

## Net Cashflow

USD: million



- Net cashflow turned negative to (\$22)m in 1H 2017 due to the repayments of the Otsuka loans and partial bank loans





## 1. Interim Results Highlights

## 2. Financial Review

## 3. Business Review

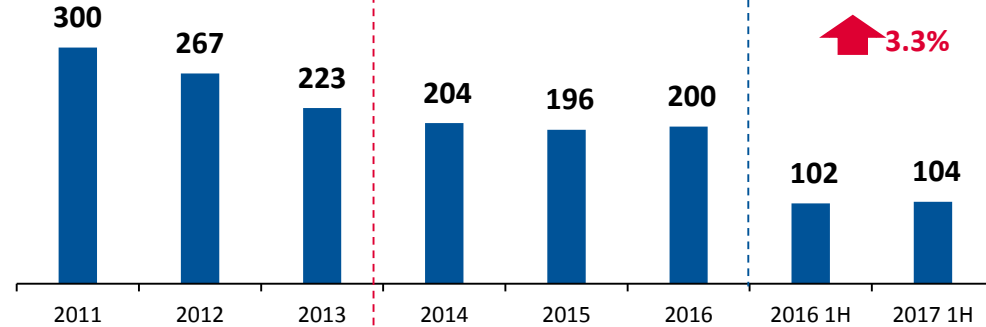
## 4. Appendix

- Financial Statements

# 1. Orthopedics Business

## Revenue (Non-China Ortho)

USD: million



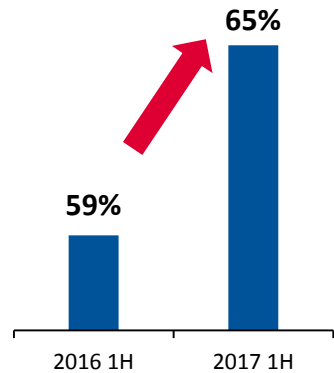
Under Wright

Under MicroPort

## Gross Profit Margin (Non-China Ortho)

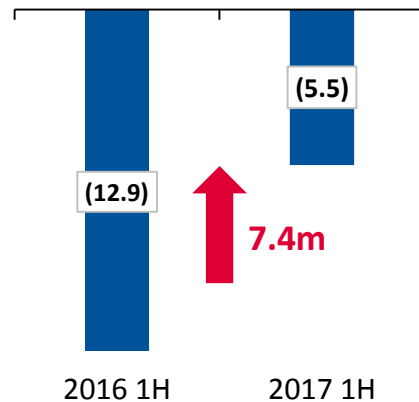
USD: million

6 percentage points



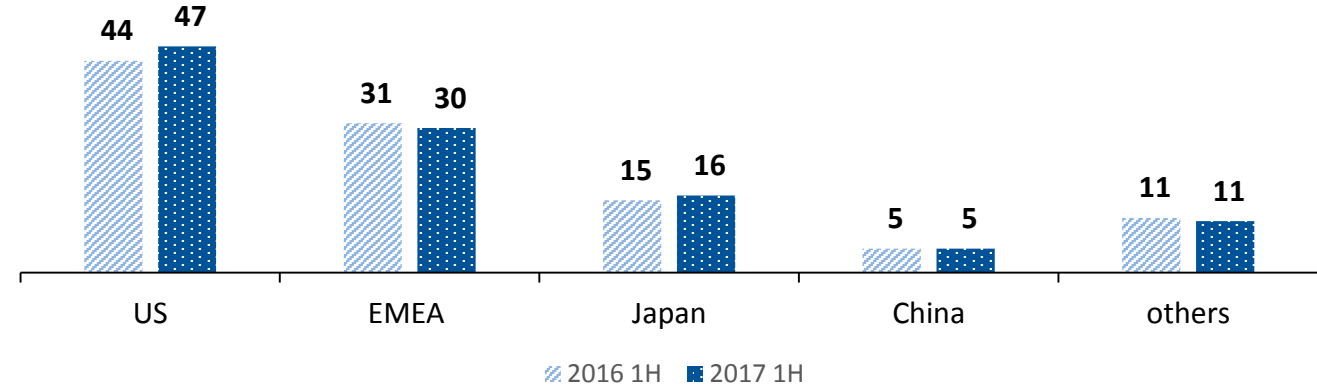
## Net Loss (Non-China Ortho)

USD: million



## Ortho Revenue by Geographic Areas

USD: million



## Highlights

### ■ Non-China Ortho

- **Revenue: 104m, 3.3% YOY ↑, driven by**
  - Expanded sales coverage
  - Increased focus on training and medical education
  - Launch of targeted products across international markets
- **GP%: improved from 59% to 65% , mainly due to**
  - Reduced unit product cost by more focus on manufacturing efficiencies, reduction of waste, improved sourcing
  - Profitability-gearred sales strategy: more profit-driven product mix and geographic mix

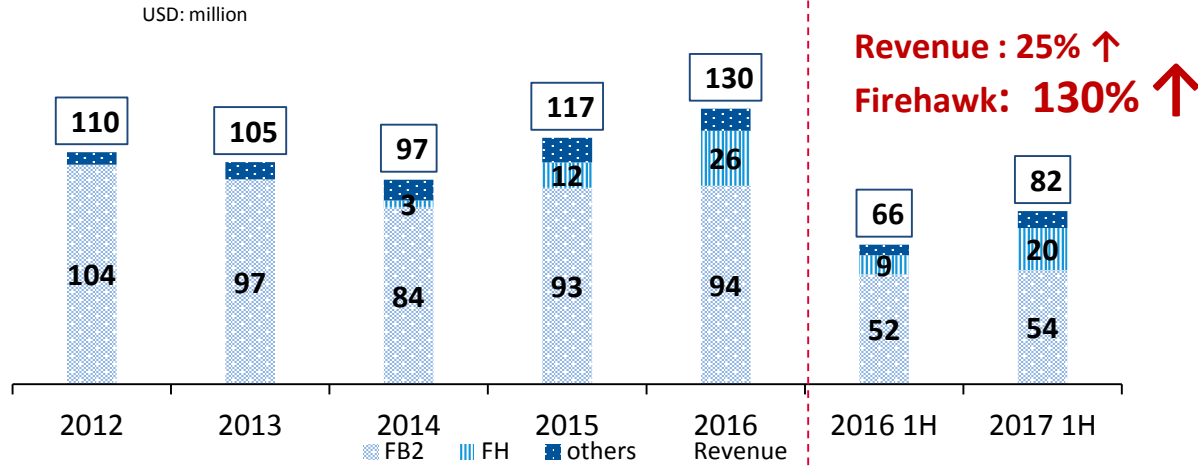
### ■ China Business

- **China Ortho Recon:**
  - Joint products been promoted to almost 500 hospitals in China with 32 hospitals newly developed.
- **Global Supply Center ("GSC"):**
  - Achieved significant savings by transferring projects to Asia
- **Spine and Trauma:**
  - Business upturn with positive growth



## 2. Cardiovascular Business

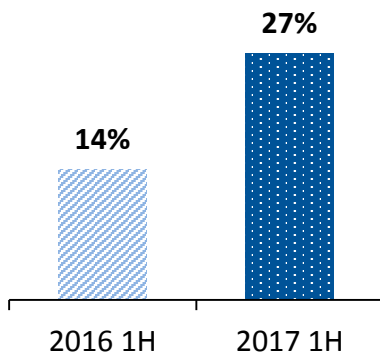
### Revenue & Domestic DES Sales Growth by Products



### Performance of DES in Domestic Market

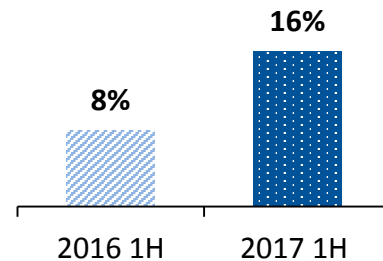
Revenue% of FH in FB2+FH

13 percentage point



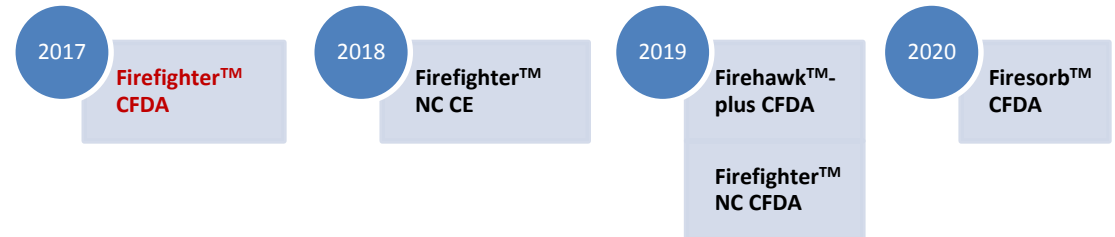
Sales units% of FH in FB2+FH

8 percentage point



### Highlights

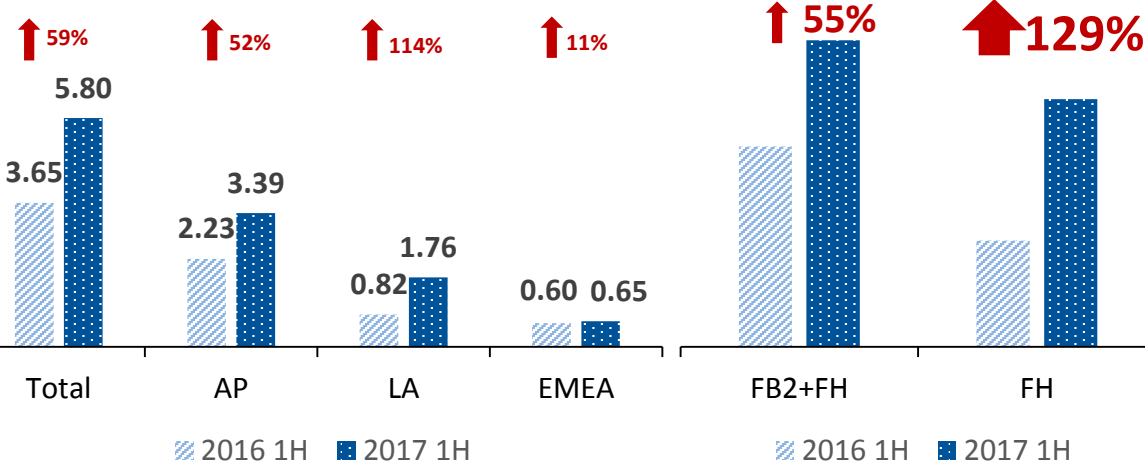
- **Revenue: 25% YOY ↑**
- **Domestic Stent sales: 22% YOY ↑**, way above market average growth rate
  - Firehawk™ : 130% YOY↑
  - Firebird2™ : 4% YOY↑
- **Hospital Coverage:**
  - Firehawk™ covered 427 hospitals, 70% YOY↑
  - Firebird2™ covered 1307 hospitals, 9% YOY↑
- **Sales mix:**
  - Revenue% of Firehawk™ in DES is 27%, up 13 percentage point YOY
  - Sales units% of Firehawk™ in DES is 16%, up 8 percentage point YOY
- **“Fei Yan” Project: penetrated 64 hospitals in 21 provinces**
- **Clinical:**
  - Firefighter™ PTCA Dilatation Balloon Catheter obtained CFDA approval
  - 5 years result of Target I clinical trial shows the five-year thrombosis rate of Firehawk™ is zero
- **Pipeline:**



## 2. Cardiovascular Business – International Business

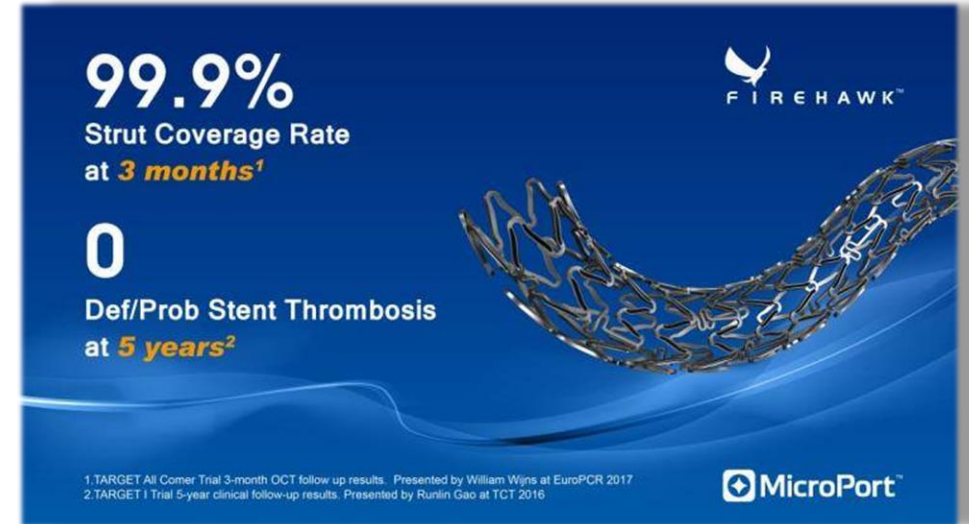
### Overseas Revenue by Region

USD: million

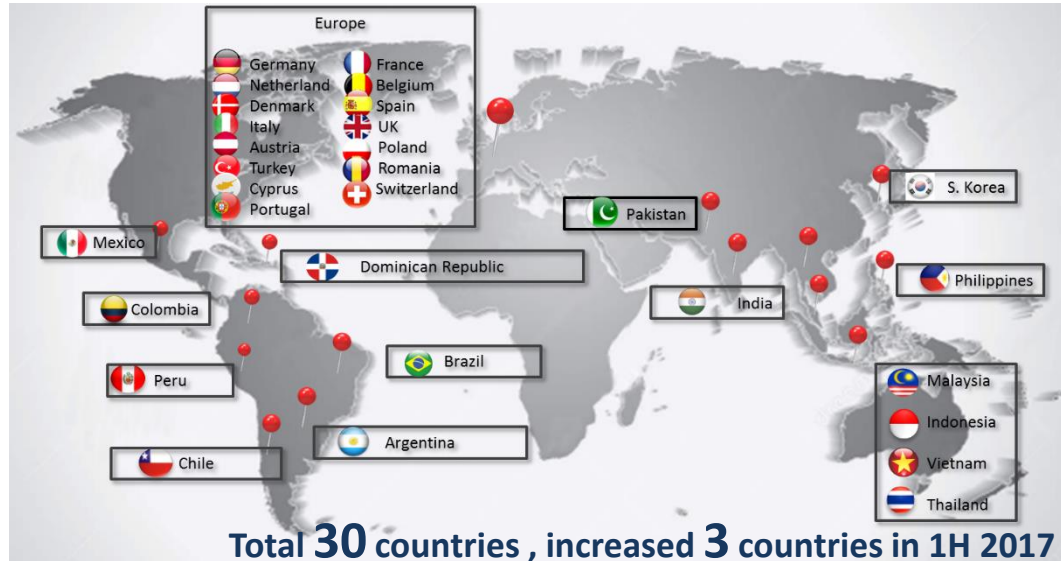


### Overseas DES Revenue

### Promising Results of Target AC Clinical Trial



### New Countries & Distributors Development



### Highlights

- Overseas DES revenue: **55% YOY↑**, of which Firehawk™ **129% YOY↑**
- Firehawk™ currently sold in **30** countries, and obtained regulatory approvals in Mexico, South Korea and Aruba in 1H 2017
- 3-month OCT follow up data of **Target AC clinical trial**:
  - The mean neointimal thickness was 75.5μm
  - Percentage of malapposed and uncovered struts is 0.0%
- **Indian branch** which was set up in mid 2016, the 1<sup>st</sup> overseas branch with comprehensive product portfolio and marked a further solid step for our globalization



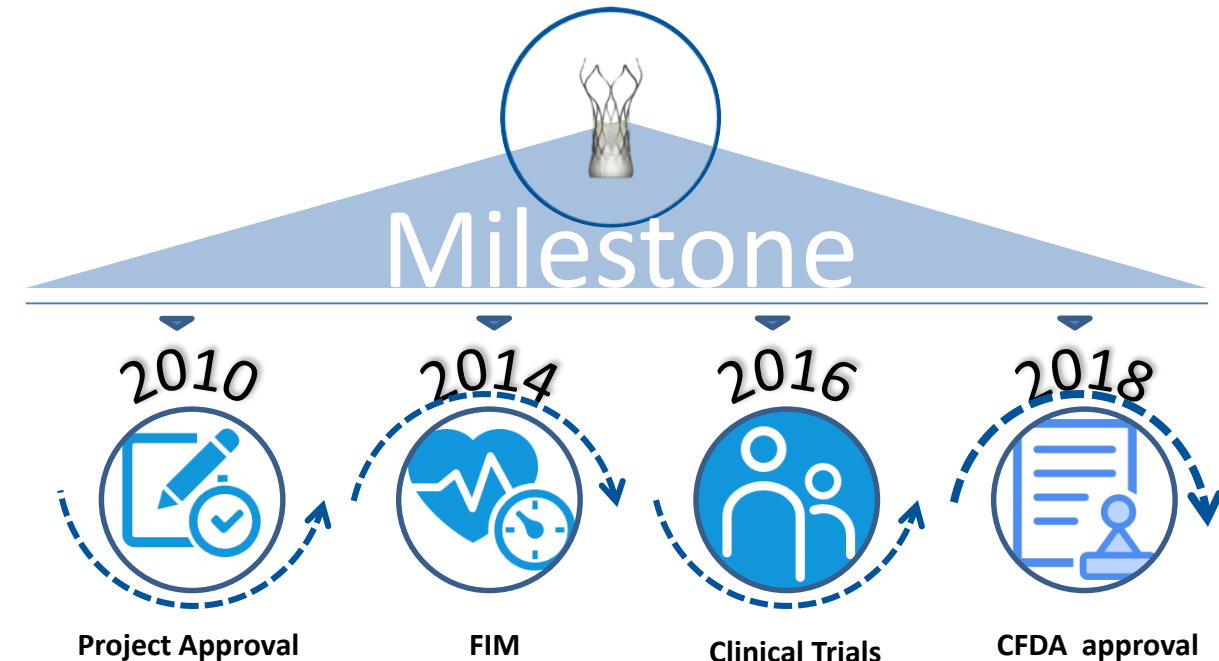
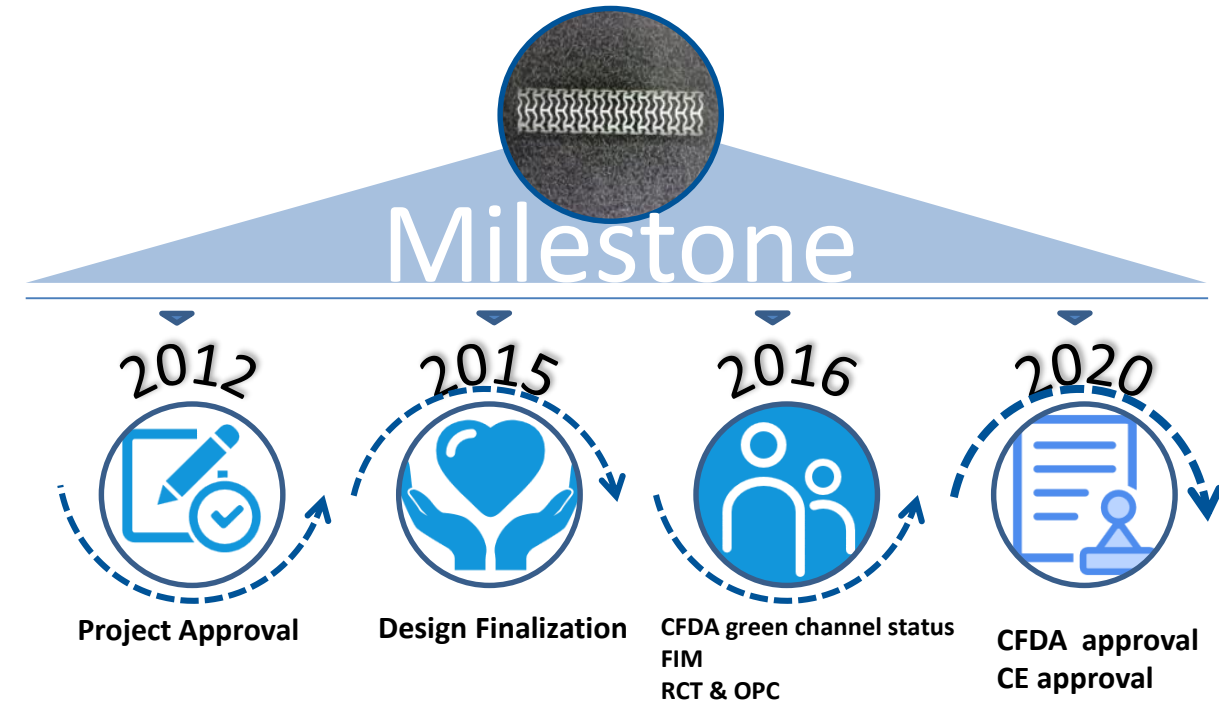
## 2. Cardiovascular Business

### Firesorb™-Bioresorbable Rapamycin Target Eluting Coronary Stent System

- Firesorb™ is expected to obtain **CFDA approval in 2020**
- 1 year clinical results of **Future I** demonstrated its feasibility, safety and efficacy
- **Future II** was launched in March 2017, and completed its first implantation in July 31 2017
- **Future III** Clinical Trial is expected to be launched in 4Q 2017

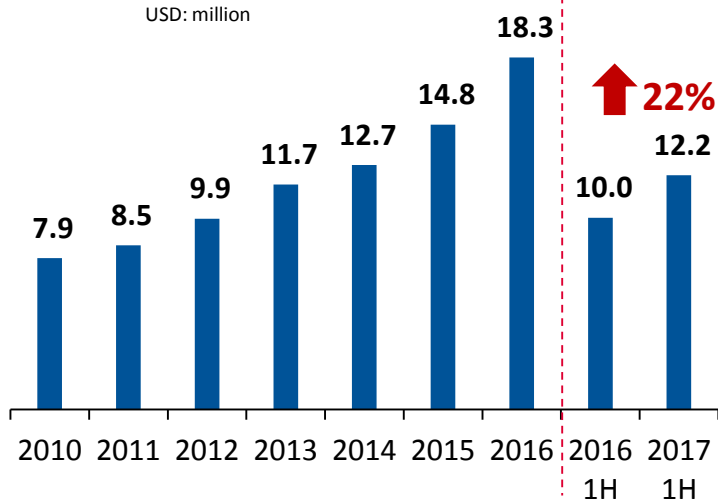
### Transcatheter Aortic Valve (TAVI) --VitaFlow™

- VitaFlow™ TAVI and Delivery System is expected to obtain **CFDA approval in 2018**
- TAVI is now at the Stage of Pre-marketing Clinical Trials, and is expected to finish clinical follow up in Q3 2017
- Preliminary clinical data demonstrates its safety and efficacy
- Engaged well-known strategic partners (China Renaissance, CICC & Huatai) on August 22 with valuation of RMB 2.1 billion. Our first project to win high recognition around noted investors while still at clinical trial stage, and will energize the prosper growth of TAVI pipeline with capital strength

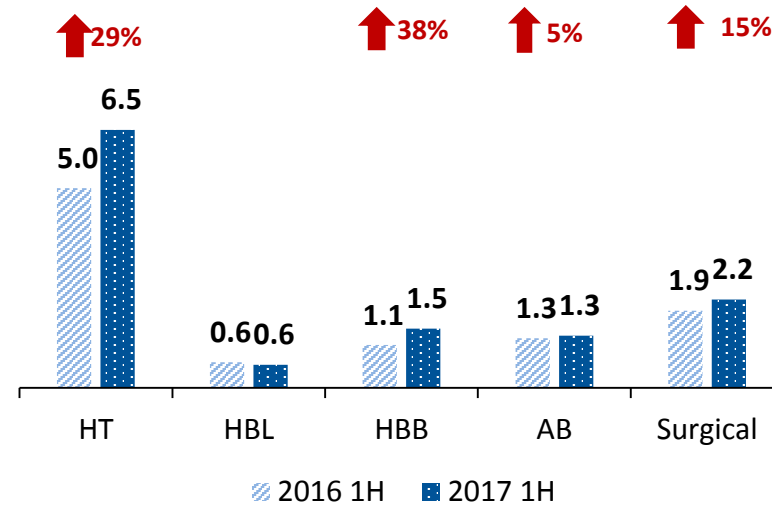


# 3. Endovascular Business

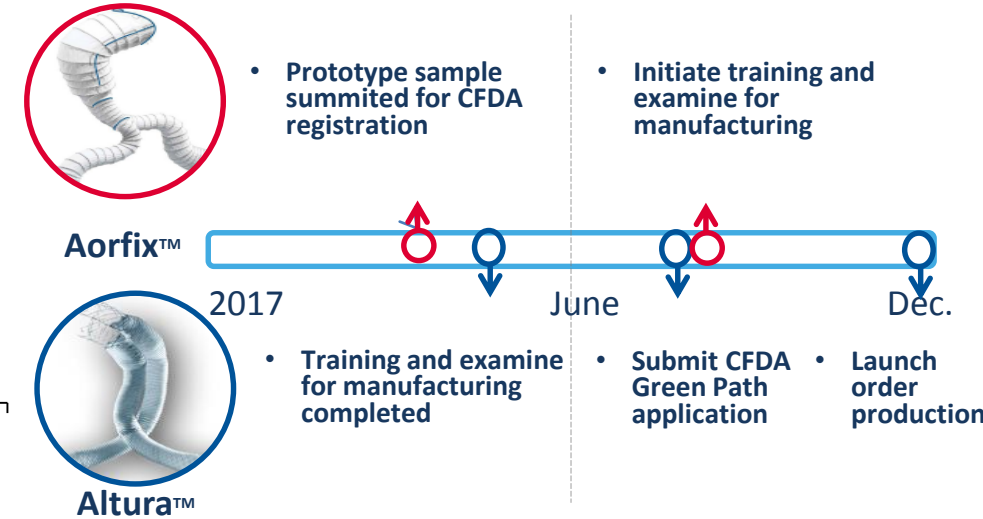
## Revenue



## Sales Growth by Products



## Lombard Strategic Investment Milestone



## Extensive product pipeline

### Product Name

2017

Q3 2018

Q2 2019

2020

Castor™ Branched Aortic Stent Graft System



Reewarm™ Peripheral Balloon Dilation Catheter



Minos™ Ultra Low Profile AAA Stent-Graft



Reewarm™ PTX Drug Coated Balloon



Fontus™ Branched Surgical Stent Graft System



Talos™ New-generation Thoracic Stent-Graft System



CFDA Approved



On track for CFDA Approval

## Highlights

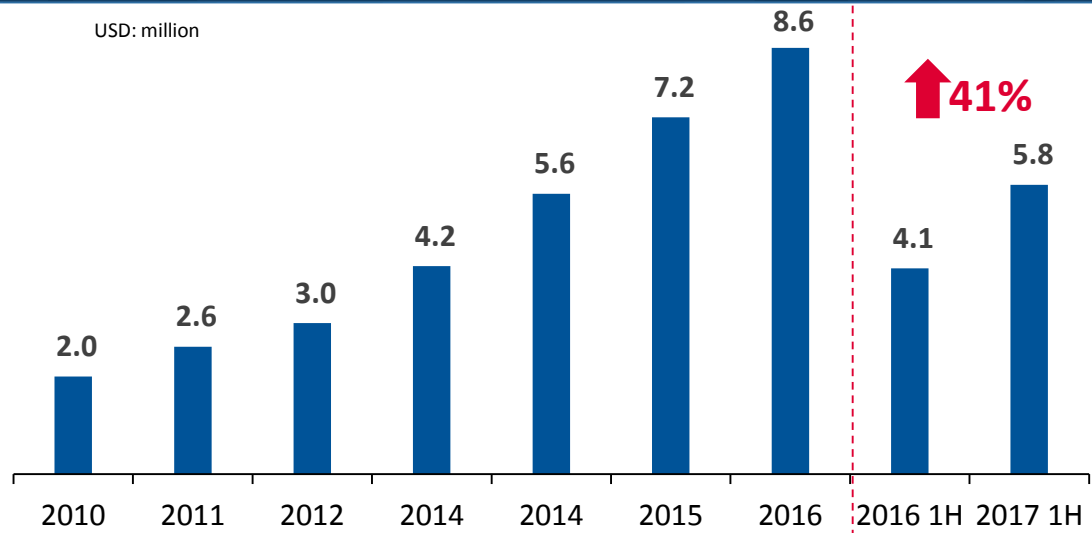
- Revenue: **22% YOY↑**, exceeding market average level
- Penetrated **67** hospitals, among which +50% are county-level or 2nd tier hospitals
- Castor™ which is the first endovascular device used to preserve the branch artery while repair the thoracic aorta, obtained CFDA approval, and is sure to be the catalyst for future earnings growth
- Brought in strategic partners (China Renaissance & CICC) with valuation of RMB1.85 billion in the latest financing activity
- Lombard strategic investment milestones:
  - Expected to manufacture Altura™ & Aorfix™ device components in 2H 17 & 1Q 18 respectively in China to significant reduce unit cost
  - Initiated CFDA Green-Path application for Altura™ & CFDA registration for Aorfix™



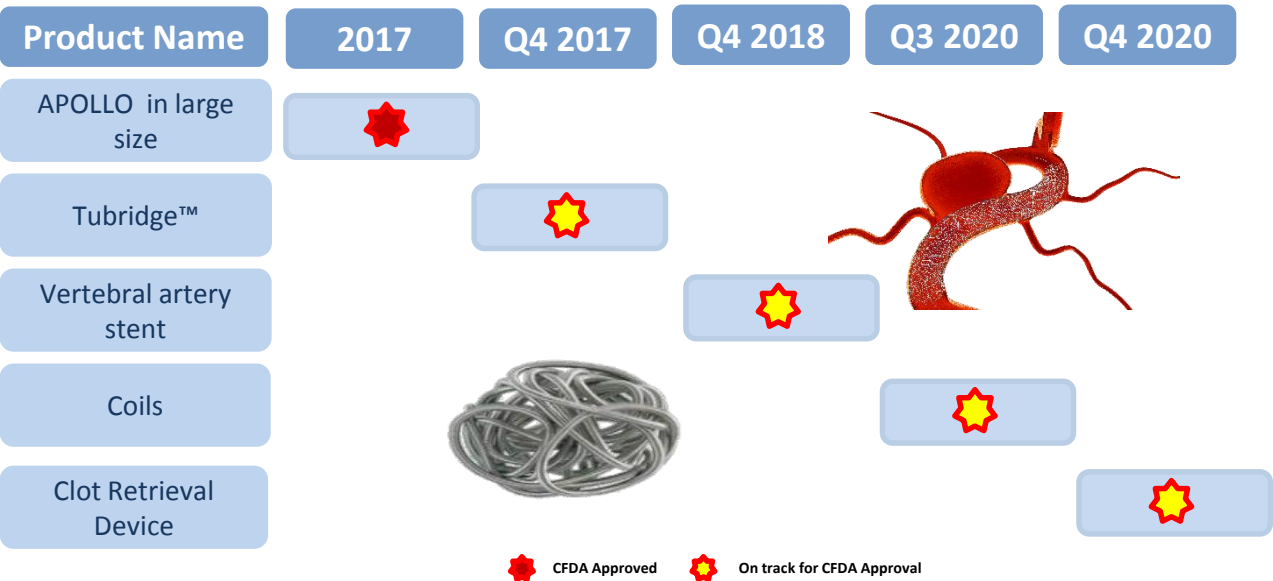


# 4. Neurovascular Business

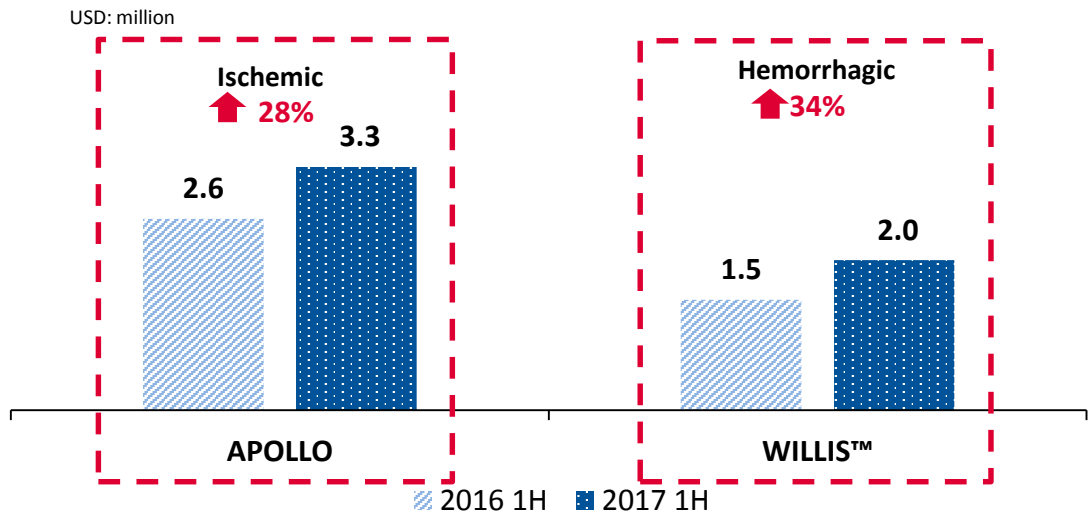
Revenue



Pipeline -- Full range of solutions



Sales Growth by Products



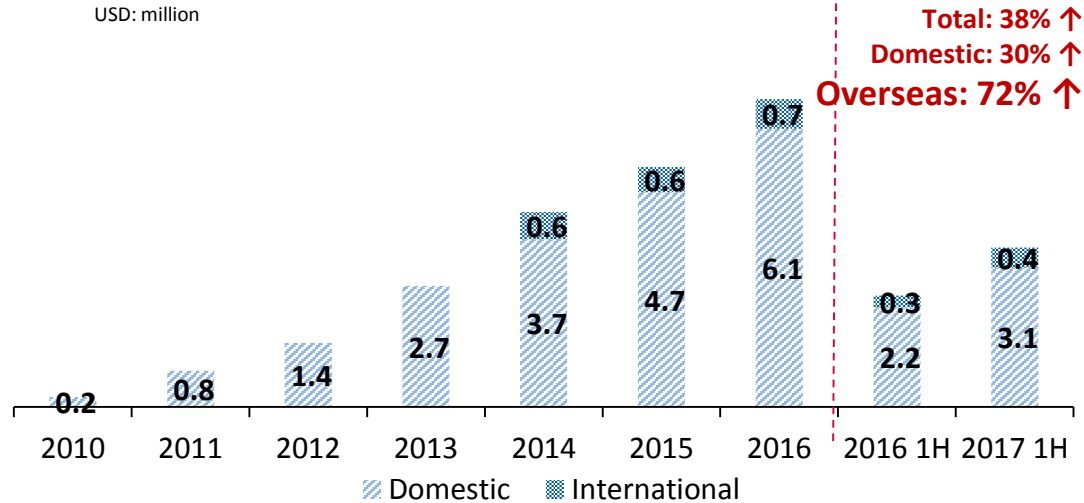
Highlights

- **Revenue:** 41% YOY↑, of which
  - APOLLO revenue 28% YOY ↑
  - WILLIS™ revenue 34% YOY↑
- **Hospital coverage:**
  - APOLLO covered 732 hospitals, 37% YOY ↑
  - WILLIS™ covered 305 hospitals, 89% YOY↑
- APOLLO in large size obtained CFDA approval which will further extend our leadership position in domestic neuro-intervention market

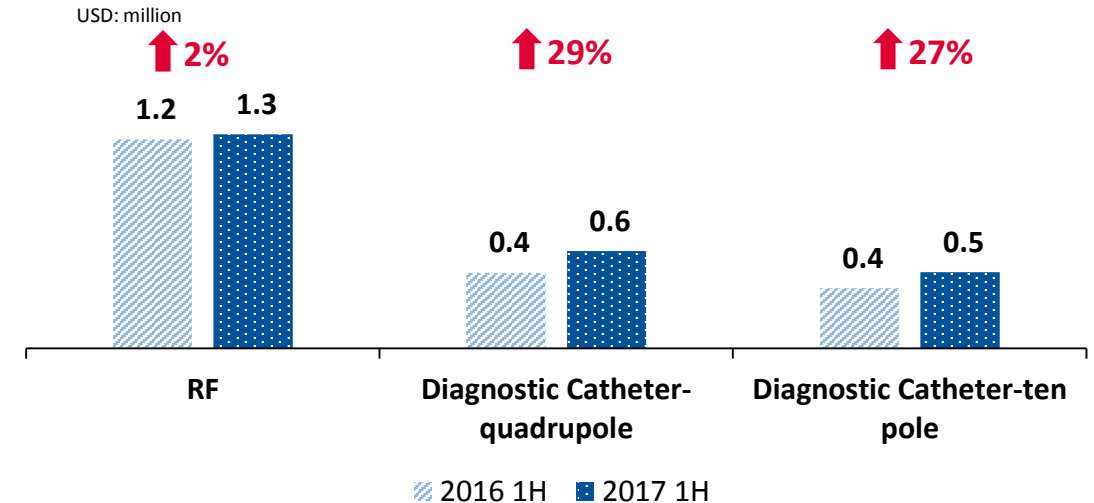


# 5. Electrophysiology Business

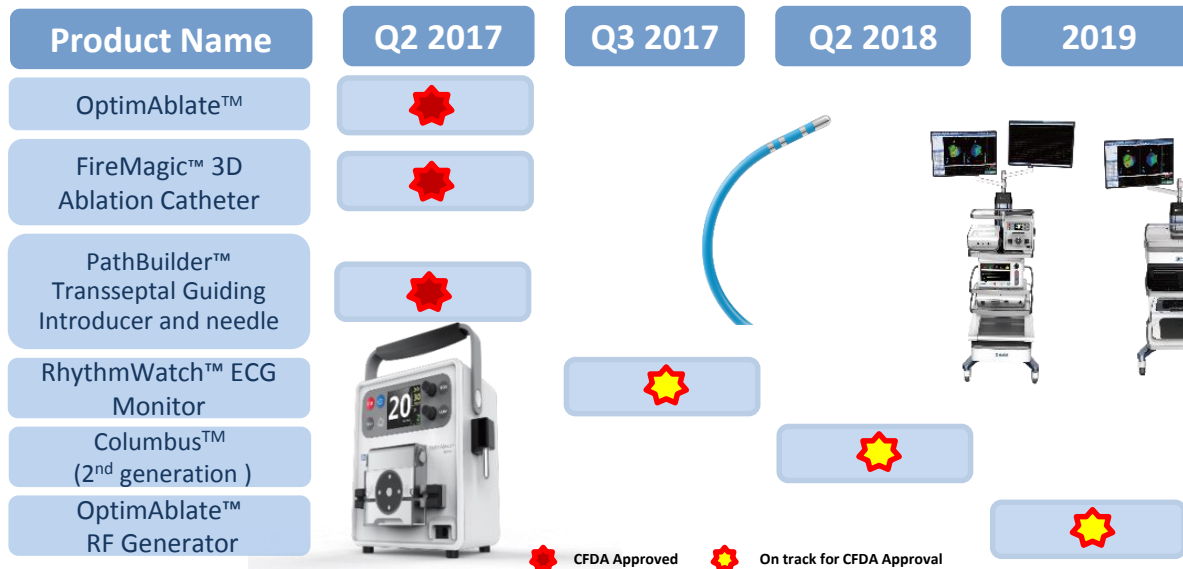
## Revenue



## Sales Growth by Products



## EP Pipeline



## Highlights

- **Revenue: 38% YOY↑**, driven by rapid market development
  - Domestic revenue: **30% YOY ↑**
  - Overseas revenue: **72% YOY ↑**
- FireMagic™ 3D Ablation Catheter, OptimAblate™ Irrigation Pump and PathBuilder™ Transseptal Guiding Introducer & Needle obtained CFDA approval
- Flashpoint™ Renal Artery RF Ablation Catheter granted CFDA Green-Path
- EP developed **43** hospitals in mainland China, and claimed its first order in South Korea in 1H2017
- EP quoted on the NEEQ will provide a good platform for financing and further development.





## 6. others



- **Sorin pacemakers**
- Implant units: 148% YOY ↑
- Revenue: 20% YOY ↑



Serving China



- **Domestically made pacemaker is expected to gain CFDA approval by 2017**
- Smallest pacemaker worldwide: 8cc
- Long battery life: 14 years

Made in China



- BonaFire™ pacing leads completed clinical follow up
- CompassAnalyzer™ PSA initiated pre-market clinical trial

Innovated in China



Surgical Robot

- R&D progress keeps on track
- Product performance further improved



## 1. Interim Results Highlights

## 2. Financial Review

## 3. Business Review

## 4. Appendix

- Financial Statements

## Appendix I - Consolidated Income Statement

(USD '000)	2017 1H	2016 1H	Flux %
Revenue	217,339	198,556	10%
Cost of sales	(58,995)	(61,595)	-4%
<b>Gross profit</b>	<b>158,344</b>	<b>136,961</b>	<b>16%</b>
Other revenue & net gain	(2,522)	5,084	-150%
Research and development costs	(25,708)	(24,161)	6%
Distribution costs	(63,707)	(62,038)	3%
Administrative expenses	(31,264)	(31,681)	-1%
Other operating costs	(1,098)	(1,728)	-36%
<b>Operating Profit</b>	<b>34,045</b>	<b>22,437</b>	<b>52%</b>
Finance costs	(7,004)	(8,264)	15%
Gain on disposal of subsidiaries	6,531		
Share of losses of JV and associates	(5,811)	(1,768)	
<b>Profit/(loss) before taxation</b>	<b>27,761</b>	<b>12,405</b>	<b>124%</b>
Income tax	(7,147)	(6,870)	4%
<b>Net profit/(loss)</b>	<b>20,614</b>	<b>5,535</b>	<b>272%</b>

## Appendix II - Consolidated Balance Sheet

USD'000	30 Jun 2017	31 Dec 2016
Fixed assets	276,143	270,243
Intangible assets	74,044	68,152
Prepayments for fixed assets	2,098	2,010
Goodwill	54,458	54,458
Interest in associate	21,494	11,432
Interest in joint venture	-	676
Available-for-sale financial assets	2,000	2,000
Deferred tax assets	5,272	4,739
Other non-current assets	2,679	3,364
<b>Total Non-current Assets</b>	<b>438,188</b>	<b>417,074</b>
Inventories	110,606	100,863
Trade and other receivables	144,052	128,752
Deposits with banks and investments	803	668
Cash and cash equivalents	103,325	123,694
Derivative financial assets	3,237	3,499
<b>Total Current Assets</b>	<b>362,023</b>	<b>357,476</b>
<b>Total Assets</b>	<b>800,211</b>	<b>774,550</b>
Trade and other payables	(102,852)	(96,858)
Interest-bearing borrowings	(53,776)	(108,456)
Income tax payable	(6,661)	(4,621)
Derivative financial liability	-	(23)
Obligation under finance leases	(48)	(81)
Other current liabilities	-	-
<b>Total Current Liabilities</b>	<b>(163,337)</b>	<b>(210,039)</b>
Interest-bearing borrowings	(42,666)	(40,085)
Convertible bonds	(150,683)	(147,769)
Deferred income	(25,515)	(24,231)
Other payables	(3,708)	(2,664)
Deferred tax liabilities	(3,507)	(3,283)
<b>Total Liabilities</b>	<b>(389,416)</b>	<b>(428,071)</b>
Share capital	(14)	(14)
Reserves	(394,607)	(332,895)
Non controlling interests	(16,174)	(13,570)
<b>Total Equity</b>	<b>(410,795)</b>	<b>(346,479)</b>
<b>Total Liabilities and Equity</b>	<b>(800,211)</b>	<b>(774,550)</b>
<b>Net Assets</b>	<b>410,795</b>	<b>346,479</b>

## Appendix III- Condensed Consolidated Cash Flow Statement

(USD '000)	2017 1H	2016 1H	Flux %
Cash generate from operations	45,060	38,104	18%
Net income tax paid	(2,727)	(2,381)	15%
<b>Net cash from operating activities</b>	<b>42,333</b>	<b>35,723</b>	<b>19%</b>
<b>Net cash from investing activities</b>	<b>(35,764)</b>	<b>(35,263)</b>	<b>1%</b>
<b>Net cash from financing activities</b>	<b>(28,615)</b>	<b>30,435</b>	<b>-194%</b>
<b>Net movement in cash and cash equivalent</b>	<b>(22,046)</b>	<b>30,895</b>	<b>-171%</b>
<b>Cash and cash equivalents at 1 January</b>	<b>123,694</b>	<b>99,467</b>	<b>24%</b>
Effect of foreign exchange rate changes	1,677	(1,260)	-233%
<b>Cash and cash equivalents at 30 June</b>	<b>103,325</b>	<b>129,102</b>	<b>-20%</b>

# Thank You



---

The Patient Always Comes First