

# 2013 Financial Results & Business Update

Stock Code: 00853(HK)

March 2014



# Content

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 **2013 Financial Results**

 **Business Update**

**\*Appendix - Financial Statements**

# Financial Summary 2013

## Highlights

- + **Revenue: 939m, Y/Y ↑1%**
- + **Recurring operating profit: 302m, Y/Y ↓15%**
  - R&D Exp, Y/Y ↑24% (35M)
  - DES price deduct net off other segment Rev ↑
- + **Net profit: 149m, Y/Y ↓58%**
  - Transactional Cost 109m & impairment 24m
- + **Strategic developments in international market:**
  - Orthopedics: Acquire OrthoRecon from Wright
  - CRM: Establish JV with Sorin
  - Cardio: Acquired certain assets from Cordis
  - EP: CE mark of FireMagic, EasyFinder, EasyLoop, FireMagic 3D, Columbus and Anchor
- + **Key Clinical Trial:**
  - Firehawk CFDA certificate in Jan 2014.
  - Firehawk CE registration submitted in Dec 2013.

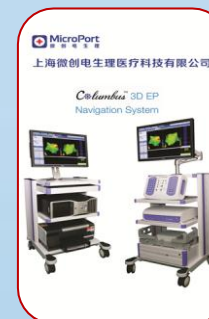
## Key Financial Summary

| RMB: million               | 2013         | 2012         | Flux        |
|----------------------------|--------------|--------------|-------------|
| Revenue                    | 938.7        | 931.0        | 1%          |
| Cost                       | (178.1)      | (153.1)      | 16%         |
| <b>Gross Profit</b>        | <b>760.6</b> | <b>777.8</b> | <b>-2%</b>  |
| Operating Expenses         | (458.5)      | (423.4)      | 8%          |
| Recurring operating profit | 302.0        | 354.4        | -15%        |
| Other operating Expense    | (135.5)      | (5.3)        |             |
| Net Gain/Loss              | 45.3         | 67.9         | -33%        |
| <b>Operating Profit</b>    | <b>211.8</b> | <b>417.0</b> | <b>-49%</b> |
| <b>Net Profit</b>          | <b>148.5</b> | <b>354.0</b> | <b>-58%</b> |

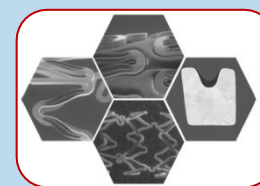
**Knees -  
Advance**



**EP 3D system -  
Columbus**



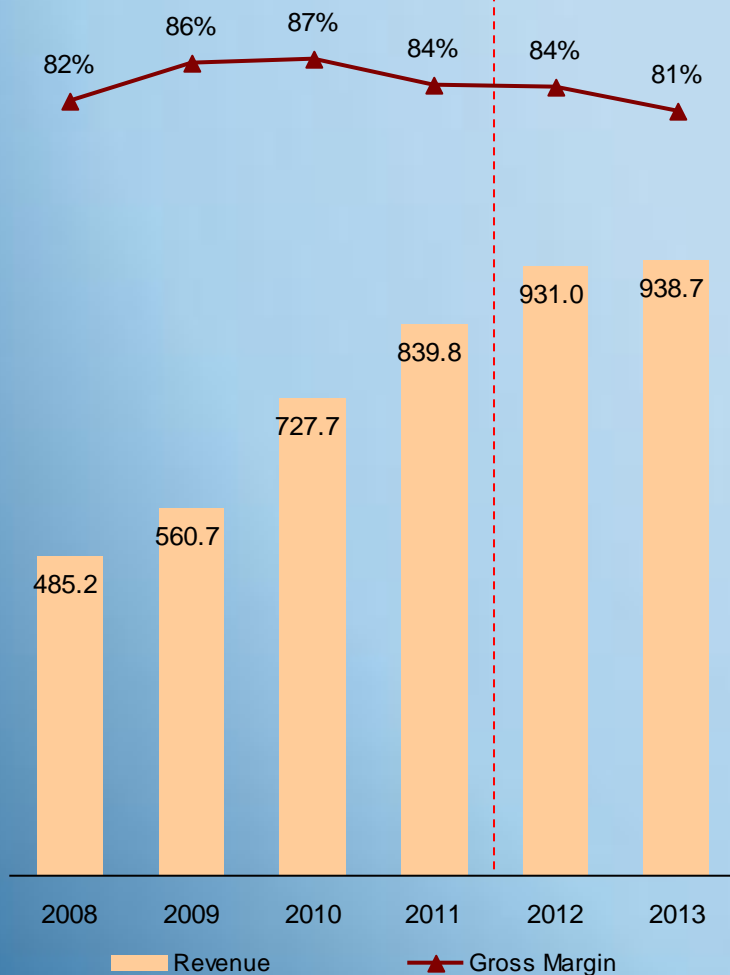
**DES –  
Firehawk**



# Financial Performance

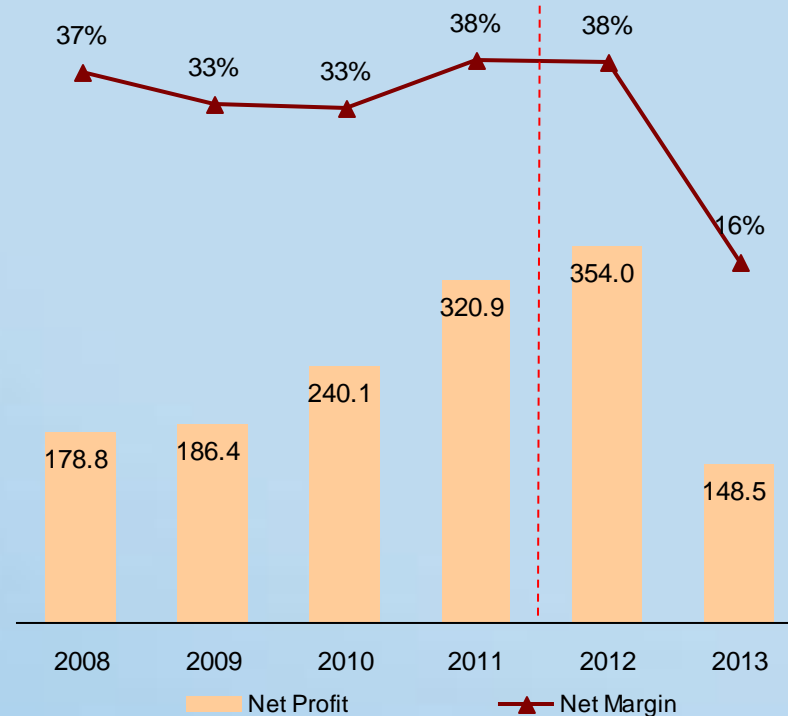
## Revenue & Gross Margin

(RMB million)



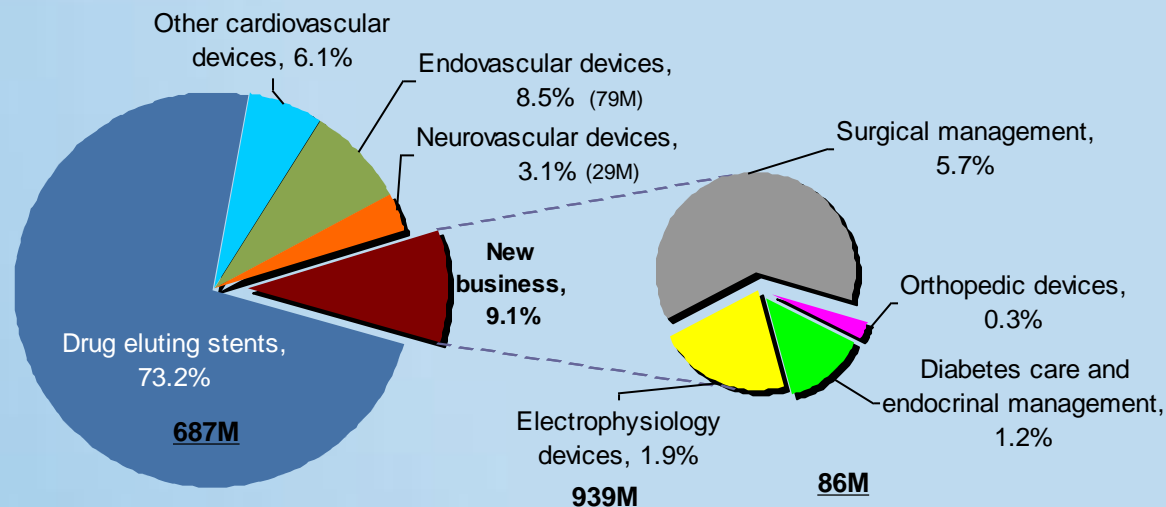
## Net Profit & Net Margin

(RMB million)

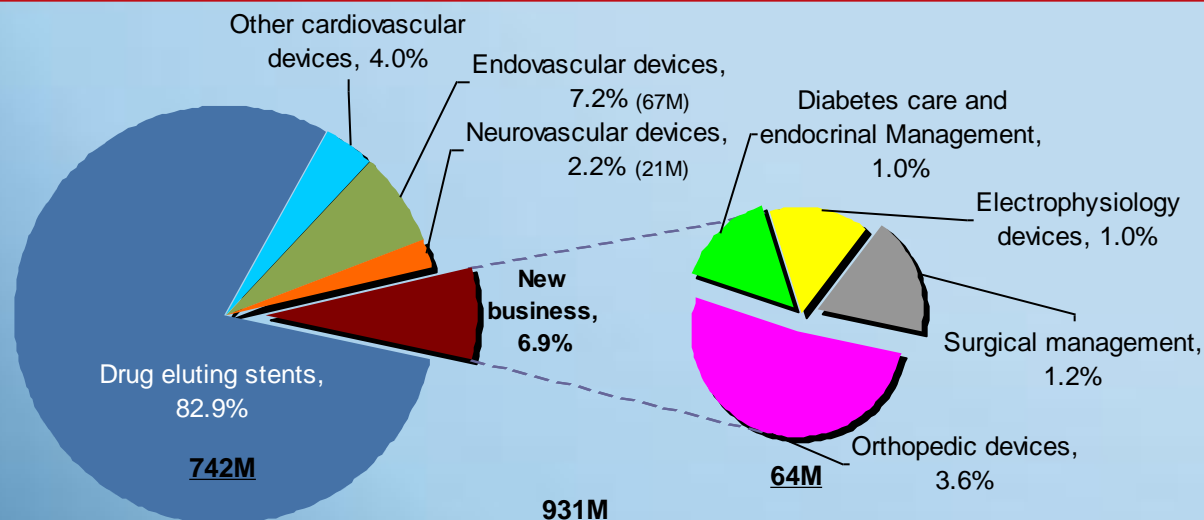


# Business Diversification - Revenue Mix for Reference

## Revenue by Products (2013)



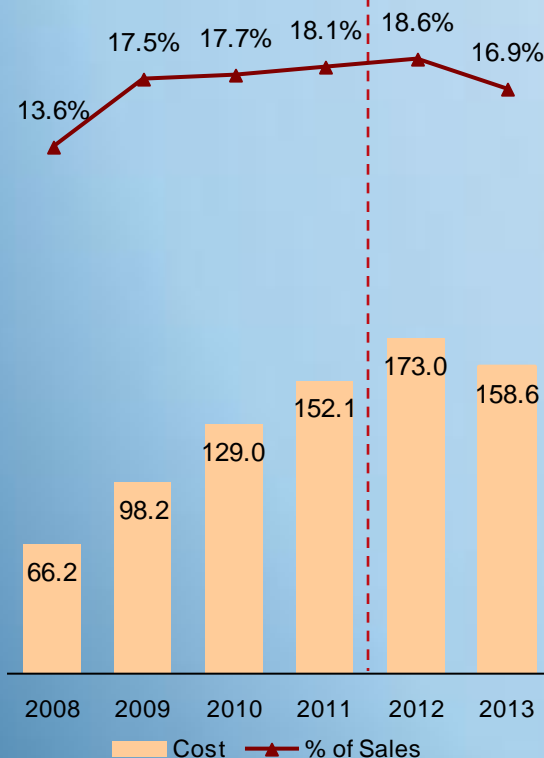
## Revenue by Products (2012)



# Operating Expenses

## Sales and Marketing Cost

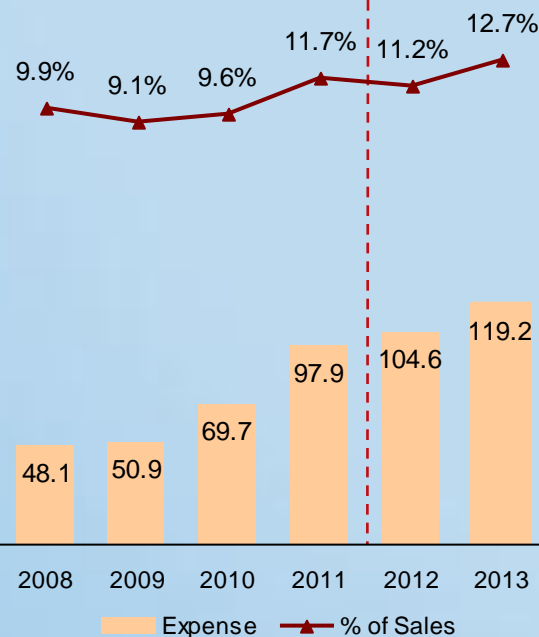
(RMB million)



■ Y/Y: ↓8.3%

## Administrative Expense

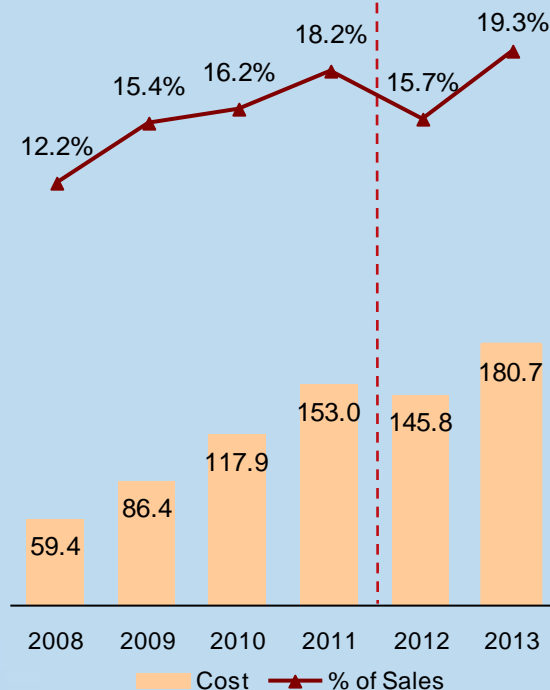
(RMB million)



■ Y/Y: ↑14.0%

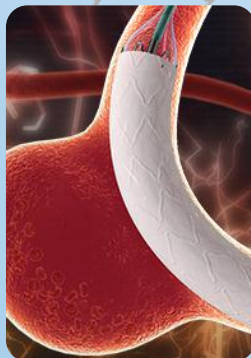
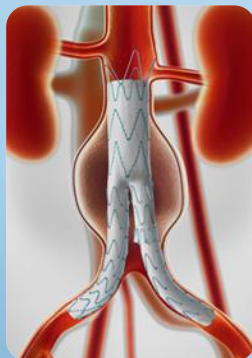
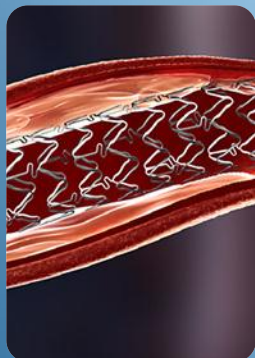
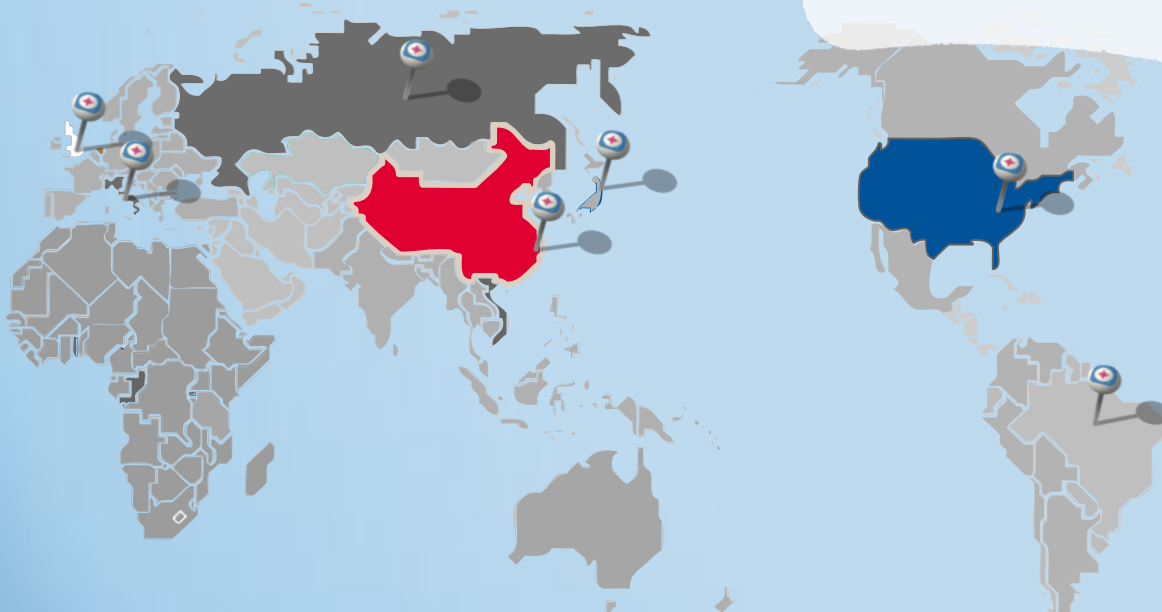
## Research and Development Cost

(RMB million)

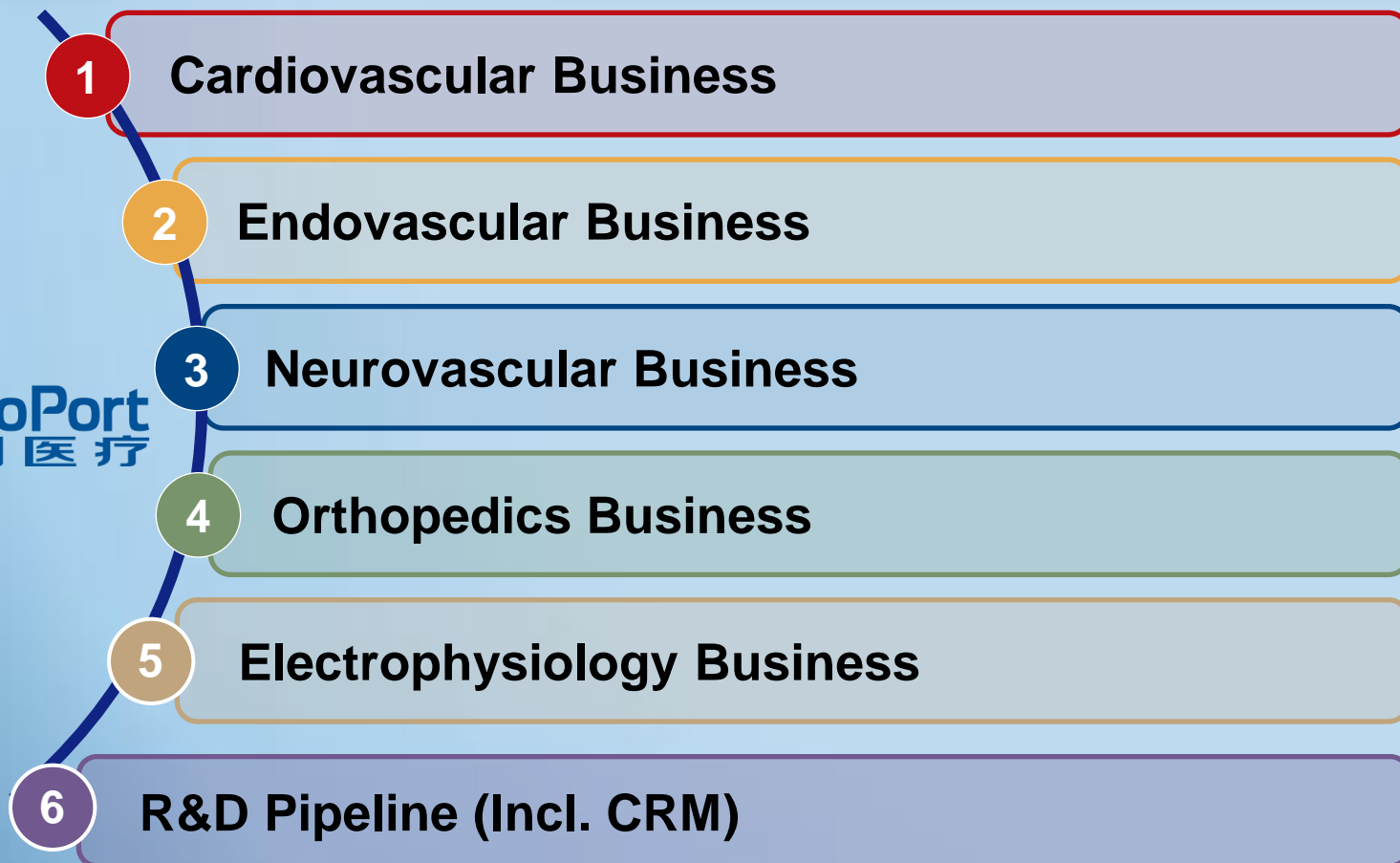


■ Y/Y: ↑23.9%

# Business Update



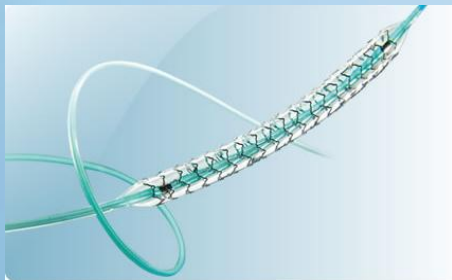
# Business Update





# 1 Cardiovascular Business

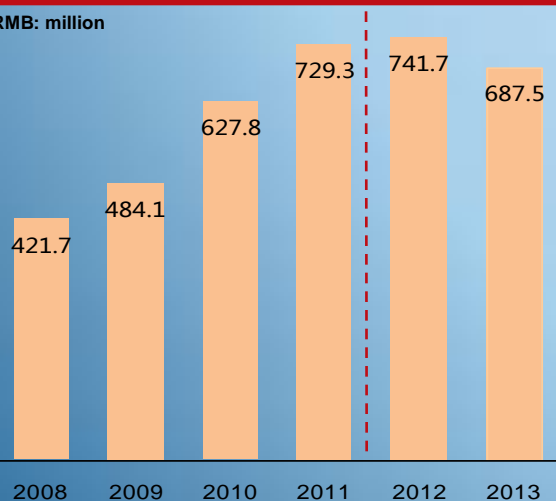
## Firebird2



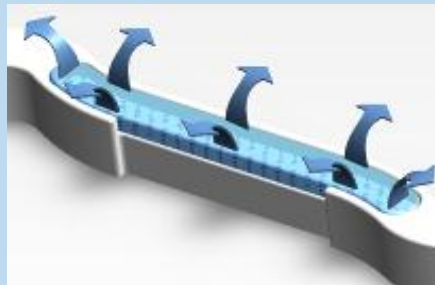
- Commercially launched in **January 2009**
- Constructed of **cobalt-chromium** coated with sirolimus
- 0.034 inch thick

## DES Revenue (2008-2013)

RMB: 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 trails 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

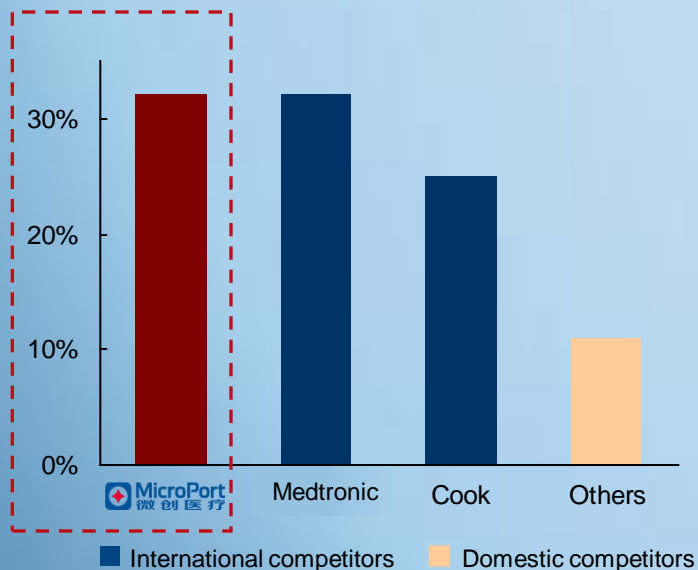
## APA from Cordis

- Asset purchase agreement on Jan 2014, acquired:**
  - Certain DES manufacturing related equipment and machinery;
  - Certain 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 Market Leadership

(in terms of units implanted)

New  
Generation

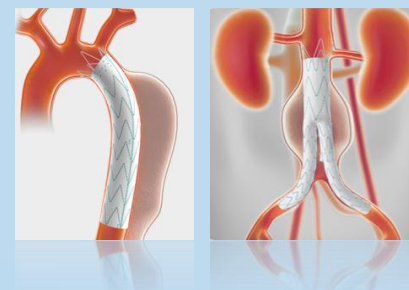
## Products Profile

## Castor



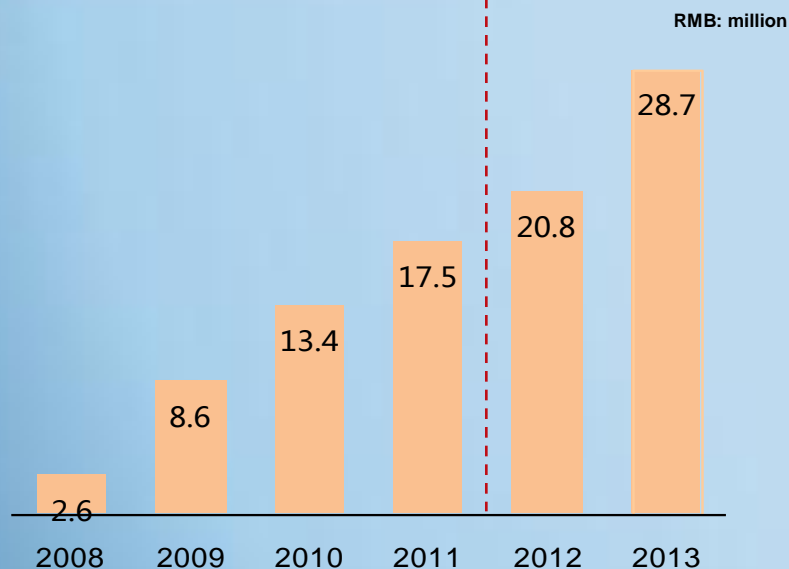
- Branched Aortic Stent-Graft and Delivery System
- First-in-man Finished in early 2013
- Clinical Trial started in 2013

## Hercules T / Hercules B



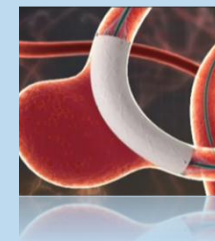
- Hercules Balloon Dilation Catheter received CFDA approval in 2013.

## Solid Growth of Neurovascular in Revenue



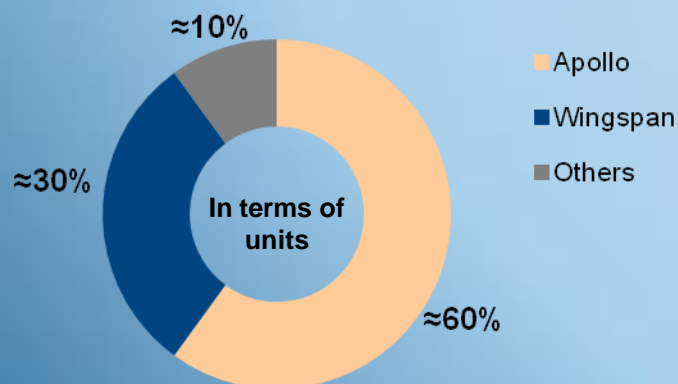
## Products Already Received SFDA Approval

### Willis



- Intracranial Stent Graft System
- Received CFDA approval on March, 2013

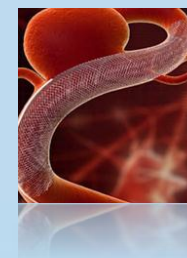
## Leading Position in Neurovascular stents



## R&D Pipeline

### Tubridge

- Vascular Reconstruction Device
- First-in-man Finished in 2011
- Clinical Trial started in 2012



## Milestones

- ◆ 2009
  - Established Shanghai MicroPort Orthopedics
- ◆ 2010
  - Obtained CE Certificates for over 5 products since 2010
- ◆ 2011
  - Acquired Suzhou BEST Orthopedics Corporation
- ◆ 2012
  - Revenues generated from domestic & international sales
- ◆ 2013 ~ 10 Jan 2014
  - Completed acquisition of OrthoRecon business from Wright Medical

## Full Range of Products Pipeline

### OrthoRecon



Knees



SLED Uni Knee



Hips



Recovery Technique

### Spine



Spine-Plates



Spine-Screws

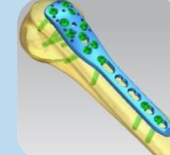


Spine-Cages



Spine-Instruments

### Trauma



Trauma-Plates



Trauma-Nails

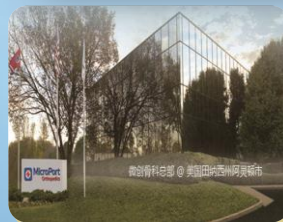


Cannulated Screws



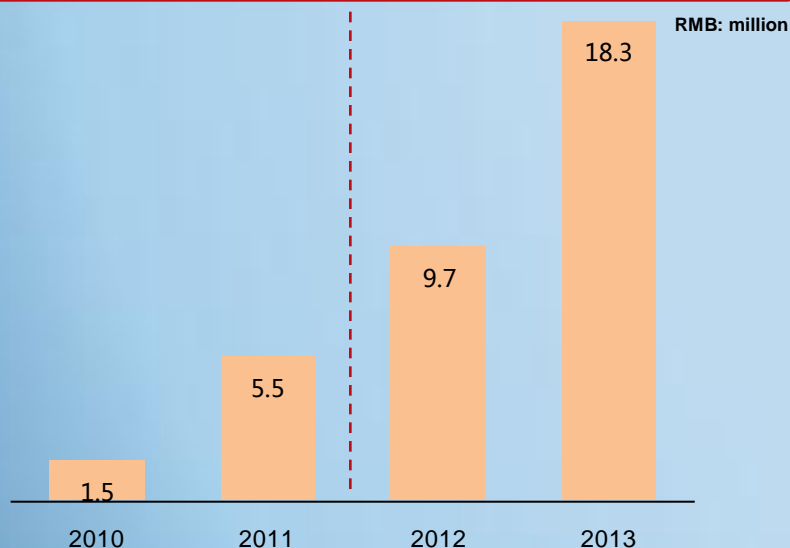
External FX

## Key Factors



- MicroPort Orthopedics – the sixth largest multinational OrthoRecon business.
- The only company could 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 body mass.

## Solid Growth of Electrophysiology in Revenue



## Products on the China Market



■ In Clinical Trial: **Columbus & FireMagic 3D & Anchor**

## CE Certification Received in 2013

**FireMagic**

- Radiofrequency Ablation Catheter

**EasyFinder**

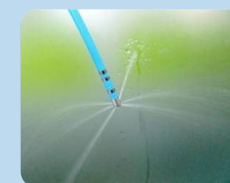
- Fixed or adjustable Curved Mapping Catheter

**EasyLoop**

- Circumferential Pulmonary Vein Mapping Catheter

**FireMagic 3D**

- Saline Infusion Radiofrequency Ablation Catheter

**Columbus**

- 3D EP Navigation System

**Anchor**

- External Reference Patch





## 6 R&D Pipeline

### CRM

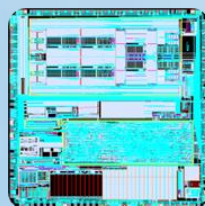
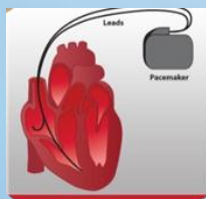
#### JV – with Sorin

- Agreement in early 2014
- MicroPort 51%, Sorin 49%
- 62m investment in JV
- Sales and service of Sorin's CRM product in greater China
- Accelerate development of local CRM products



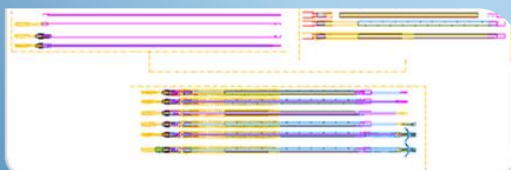
#### IPG – Implantable Pulse Generator

- Under R&D stage



#### Pacing Leads – active & passive

- Under R&D stage



### Others

#### Transcatheter Aortic Valve Implantation system

- Under R&D stage



#### Renal Artery RF Ablation System

- First-in-man Finished in 2013

# Appendix I - Consolidated Income Statement

| (RMB '000)                     | 2013 Actual    | 2012 Actual    |
|--------------------------------|----------------|----------------|
| <b>Revenue</b>                 | <b>938,682</b> | <b>930,962</b> |
| Cost of sales                  | (178,118)      | (153,129)      |
| <b>Gross profit</b>            | <b>760,564</b> | <b>777,833</b> |
| Other revenue & net income     | 45,306         | 67,898         |
| Research and development costs | (180,703)      | (145,849)      |
| Distribution costs             | (158,638)      | (172,999)      |
| Administrative expenses        | (119,208)      | (104,600)      |
| Other operating costs          | (135,535)      | (5,250)        |
| <b>Operating Profit</b>        | <b>211,786</b> | <b>417,033</b> |
| Finance costs                  | (6,529)        | (1,675)        |
| <b>Profit before taxation</b>  | <b>205,257</b> | <b>415,358</b> |
| Income tax                     | (56,726)       | (61,378)       |
| <b>Net profit</b>              | <b>148,531</b> | <b>353,980</b> |

# Appendix II - Consolidated Balance Sheet

| RMB'000                             | 31 Dec 2013        | 31 Dec 2012        |
|-------------------------------------|--------------------|--------------------|
| Cash and cash equivalents           | 968,757            | 413,149            |
| Deposits with banks                 | 341,219            | 666,275            |
| Trade & Other receivables           | 383,277            | 433,890            |
| Inventories                         | 123,070            | 92,654             |
| <b>Total current assets</b>         | <b>1,816,323</b>   | <b>1,605,968</b>   |
| Fixed Assets & CIP & Prepay for FA  | 945,055            | 720,497            |
| Intangible assets                   | 207,683            | 149,974            |
| Goodwill                            | 154,955            | 175,492            |
| Deferred tax assets                 | 19,366             | 15,949             |
| <b>Total non-current assets</b>     | <b>1,327,059</b>   | <b>1,061,912</b>   |
| <b>Total assets</b>                 | <b>3,143,382</b>   | <b>2,667,880</b>   |
| Interest-bearing borrowings         | (179,507)          | (20,491)           |
| Trade & Other payables              | (275,693)          | (174,812)          |
| Income tax payable                  | (17,257)           | (9,011)            |
| Deferred income                     | (83)               | (257)              |
| <b>Total current liabilities</b>    | <b>(472,540)</b>   | <b>(204,571)</b>   |
| Interest-bearing borrowings         | (133,069)          | (2,703)            |
| Deferred income                     | (102,886)          | (71,125)           |
| Deferred tax liabilities            | (26,759)           | (28,923)           |
| Other non-current liabilities       | (42,729)           | (40,679)           |
| <b>Total liabilities</b>            | <b>(777,983)</b>   | <b>(348,001)</b>   |
| Share capital                       | (108)              | (108)              |
| Capital reserve                     | (2,365,291)        | (2,319,771)        |
| <b>Total stockholders' equity</b>   | <b>(2,365,399)</b> | <b>(2,319,879)</b> |
| <b>Total liabilities and equity</b> | <b>(3,143,382)</b> | <b>(2,667,880)</b> |
| <b>Net Current Assets</b>           | <b>1,343,783</b>   | <b>1,401,397</b>   |



## Appendix III – Condensed Consolidated Cash Flow Statement - Adjusted

| (RMB '000)   | 2013 Actual      | 2012 Actual      |
|--|------------------|------------------|
| Cash generate from operations                        | 411,624          | 352,250          |
| Income tax paid                                      | (54,060)         | (66,664)         |
| <b>Net cash generated from operating activities</b>  | <b>357,564</b>   | <b>285,586</b>   |
| <b>Net cash (used in)/from investing activities*</b> | <b>(287,271)</b> | <b>(460,867)</b> |
| <b>Net cash used in financing activities</b>         | <b>172,423</b>   | <b>(160,406)</b> |
| <b>Net decrease in cash and cash equivalent</b>      | <b>242,716</b>   | <b>(335,687)</b> |
| <b>Cash and cash equivalents at 1 January</b>        | <b>1,079,424</b> | <b>1,414,488</b> |
| Effect of foreign exchange rate changes              | (12,164)         | 623              |
| <b>Cash and cash equivalents at 30 June</b>          | <b>1,309,976</b> | <b>1,079,424</b> |

\* Adjusted 325 million net uplift of time deposits with bank over 3 month ( 2012: net placement 347 million) in to cash and cash equivalents.

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