

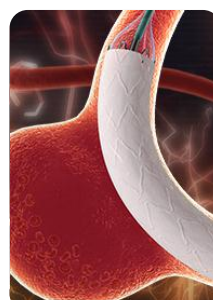
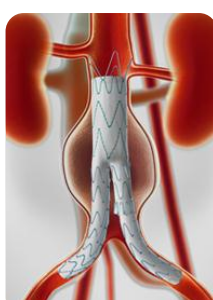
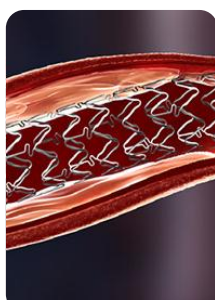
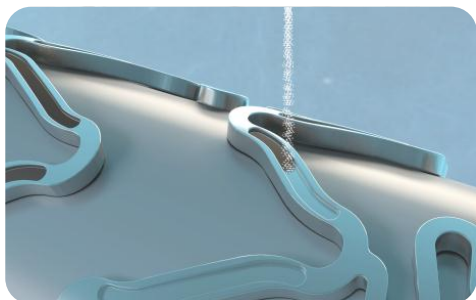
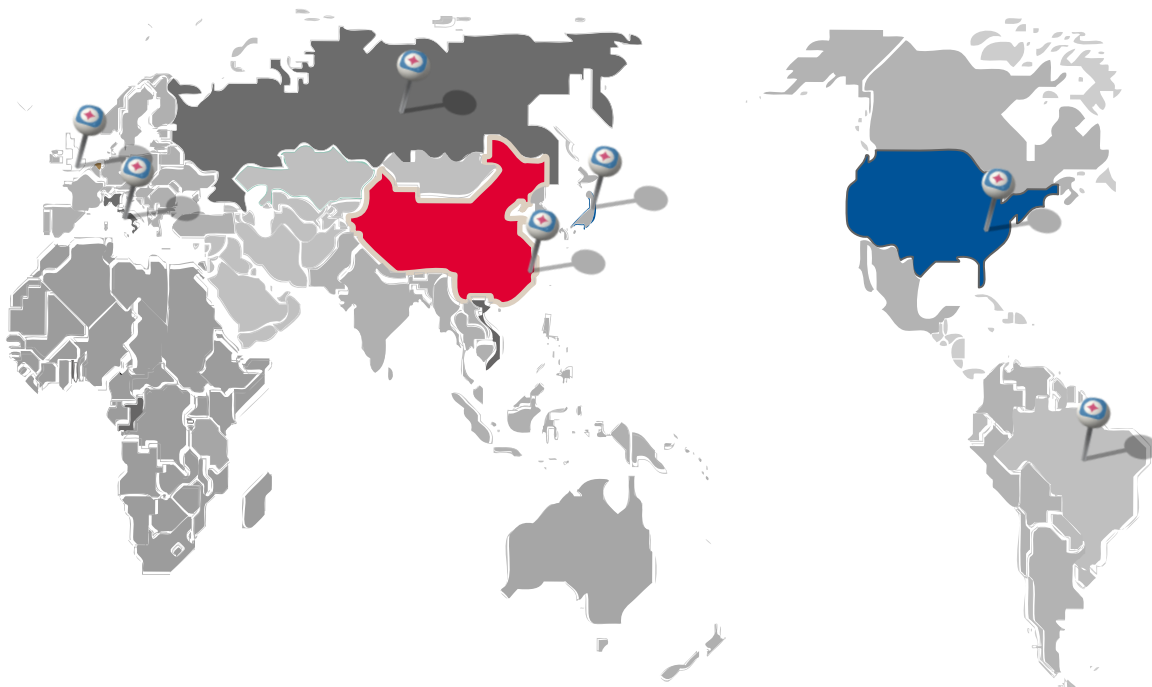
MicroPort 2014 1H Earning Release

Stock Code: 00853(HK)

Aug 2014



MicroPort
The Patient Always Comes First





2014 1H Financial Results



Business Update

***Appendix - Financial Statements**

1H 2014 Company Highlights

Interventional Cardiology

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



Orthopedics

- ✦ Closing of the Acquisition of Wright Medical's OrthoRecon Business
- ✦ MPO receives economic grant from State of Tennessee Economic Development Council to fund Medical Education/Training facility



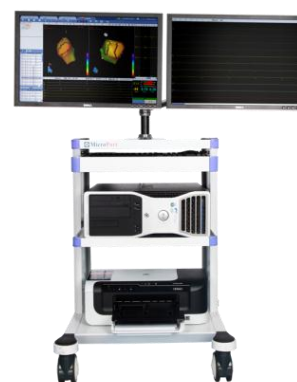
CRM

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



Electrophysiology

- ✦ First overseas sales of 3-D mapping systems



Financial Summary 2014 1H

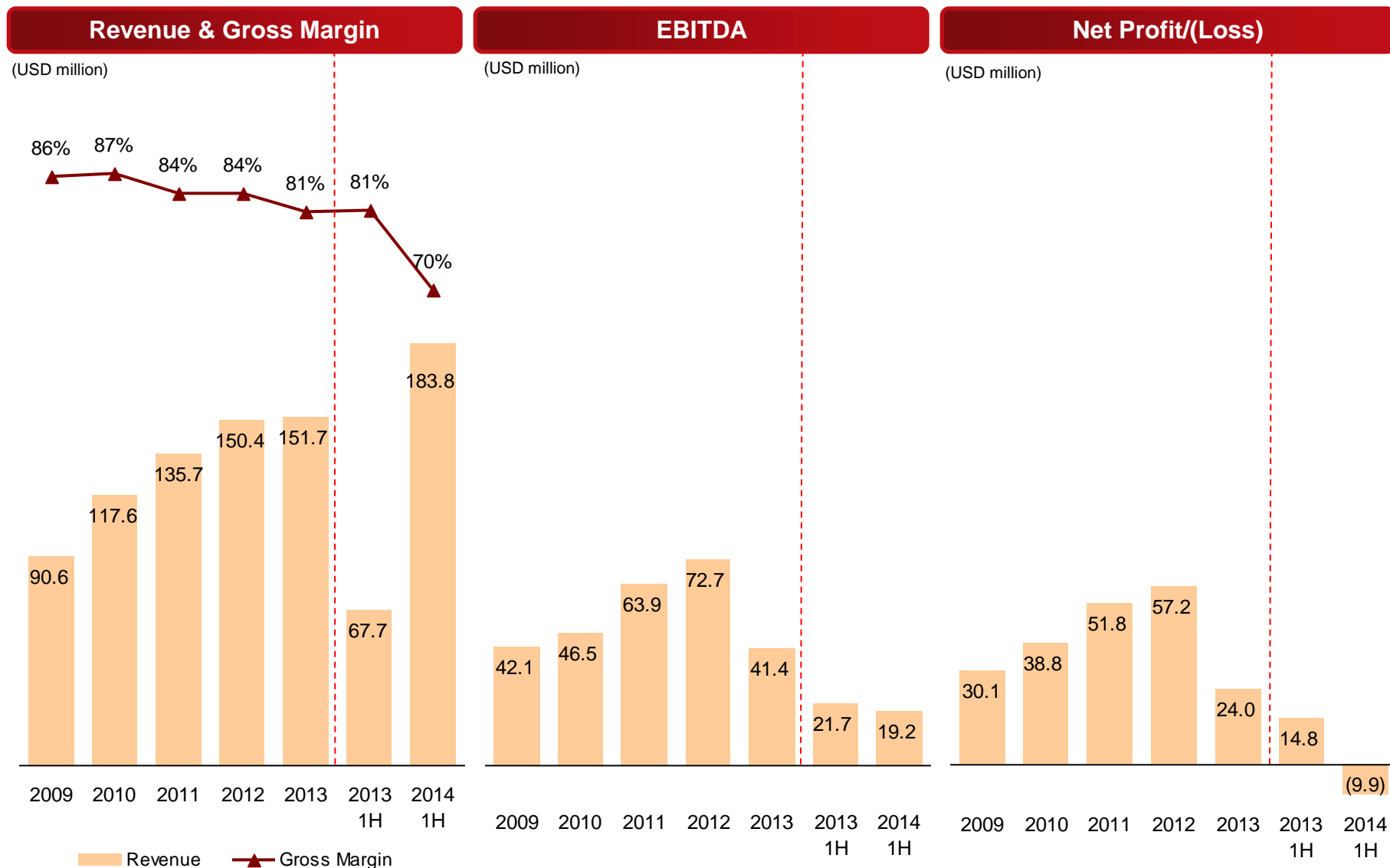
Highlights

- + **Revenue: 183.8m, Y/Y ↑172%**
 - Non-Ortho business Y/Y ↑12%
 - Newly acquired OrthoRecon business contribute 108.2m
- + **Gross Margin, 70%**
 - Non-Ortho business keep stable
 - Offset newly acquired OrthoRecon business, lower than Non-Ortho business
- + **EBITDA: 19.2m, Y/Y ↓12%**
 - Non-Ortho business Y/Y ↑29%
 - Offset newly acquired OrthoRecon business (8.8m)
- + **Net Loss: (9.9m)**
 - Non-Ortho business net profit Y/Y ↑12%
 - Offset newly acquired OrthoRecon business (26.5m)
- + **Other operating expenses: (15.2m)**
 - Non recurring transition expenses and transaction costs 10.0m
 - Goodwill impairment 5.1m

Key Financial Summary

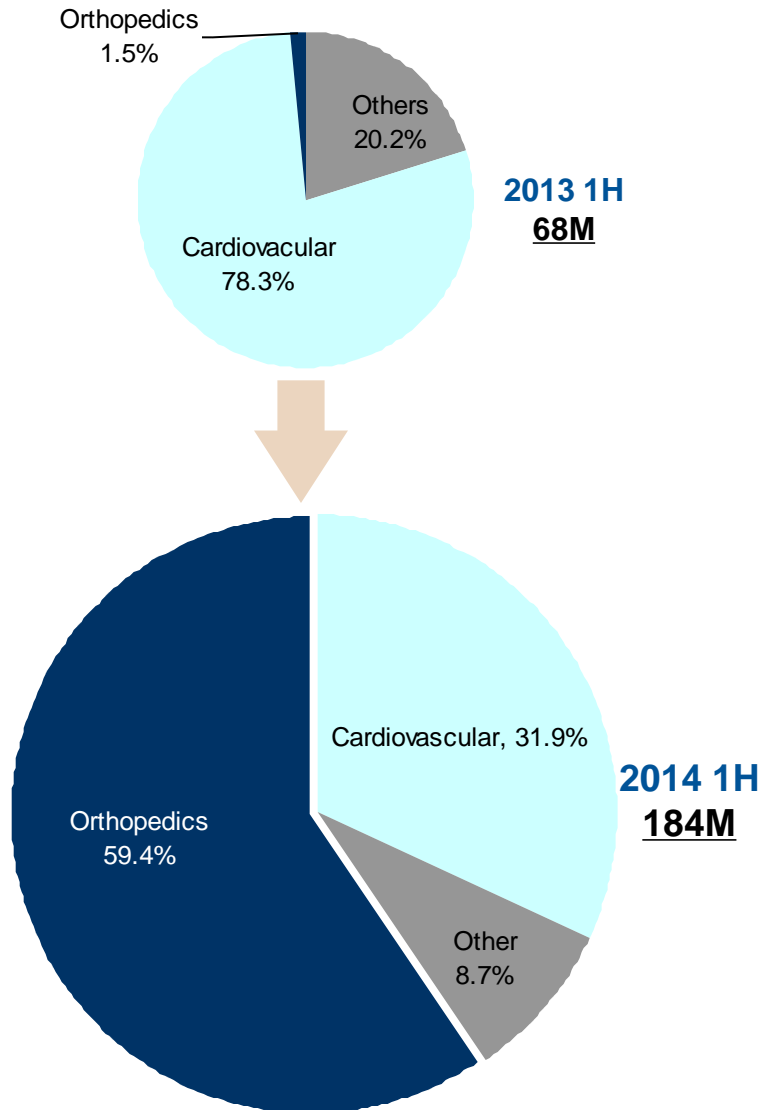
USD: million	2014 1H	2013 1H	Flux
Revenue	183.8	67.7	172%
Cost	(55.2)	(12.8)	333%
Gross Profit	128.6	54.9	134%
<i>Gross Margin</i>	<i>70%</i>	<i>81%</i>	
Operating Expenses	(119.1)	(32.2)	270%
Recurring operating pro	9.5	22.7	-58%
Other Operating Expense	(15.2)	(7.0)	
Net Gain	6.4	3.0	
Finance Costs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

Financial Performance



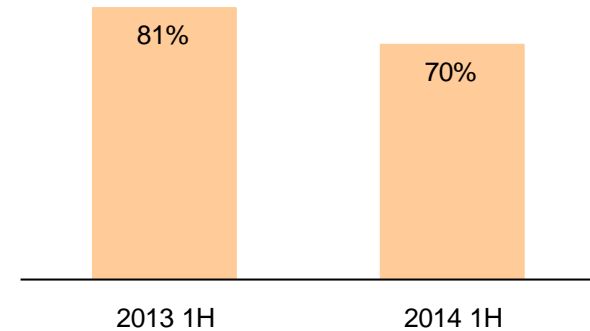
Diversification & Profitability

Diversification

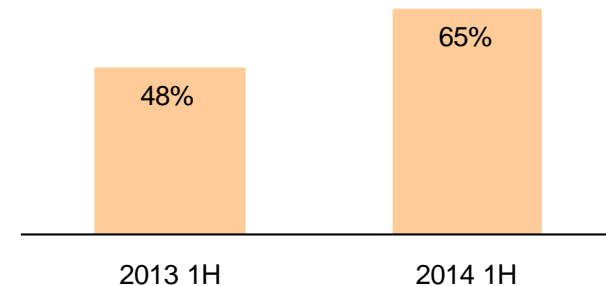


Profitability

Gross Margin



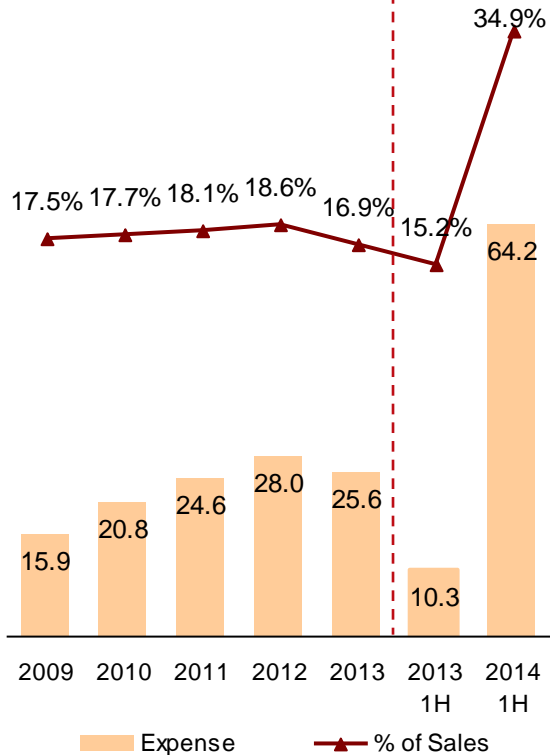
Operating Expenses % of Revenue



Operating Expenses

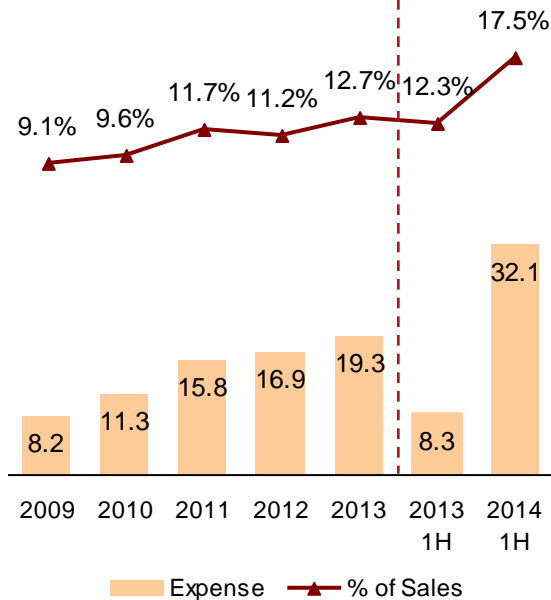
Distribution Costs

(USD million)



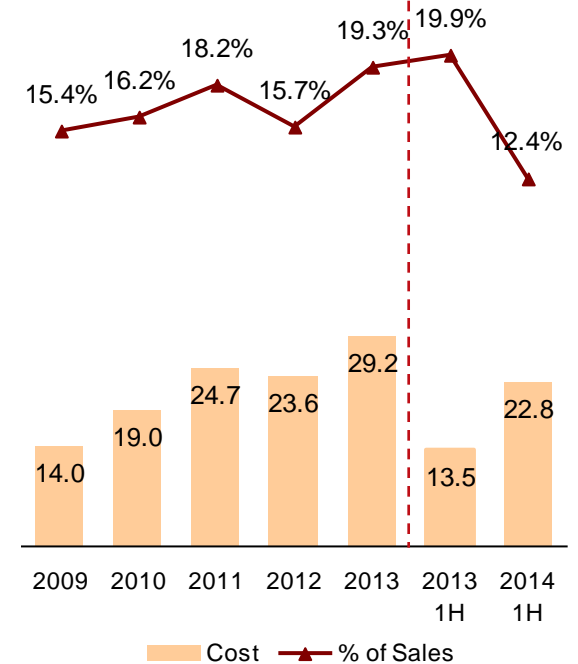
Administrative Expenses

(USD million)

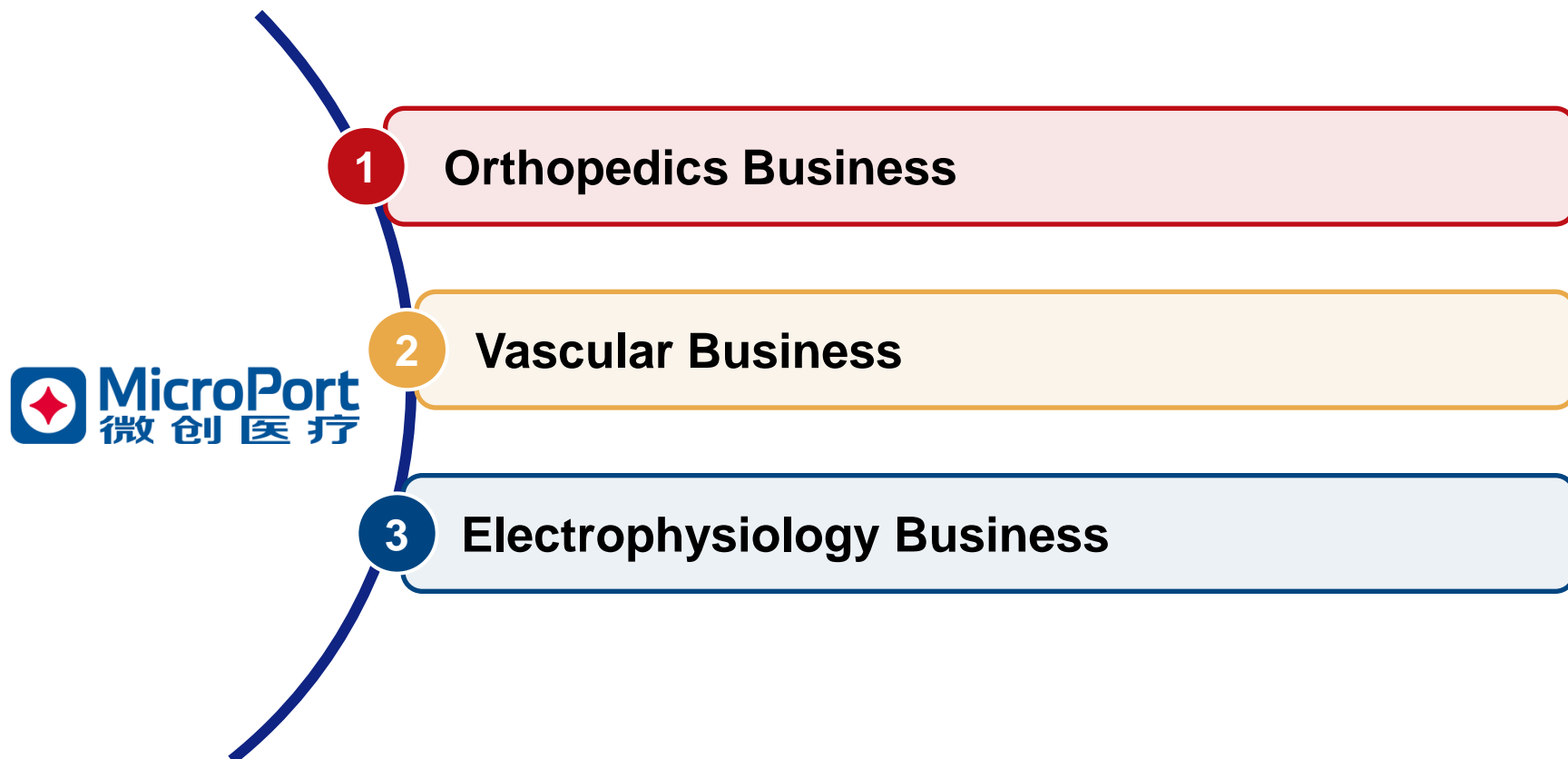


Research and Development Costs

(USD million)



Business Update by Segment



1 Orthopedics Business - Company & Products

Full Range of Products Pipeline

OrthoRecon



Knees



SuperPath
Recovery Technique



Hips

Spine



Spine-Plates



Spine-Screws

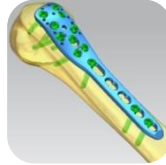


Spine-Cages



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.



1 Orthopedics Business - Strategy & Global Leverage

Hips – Fast Recovery

- Instrument Optimization & Approach Solutions
- Anterior Approach Development
- Arthroscopic Development
- Rebranding / Messaging
- Sales Force and Surgeon Adoption Program

Knees – Patient Preference

- Instrument Optimization / Low-Cost Instruments
- Kit Efficiency & Pricing Tiers
- Cementless & Ligament Balancing Segments
- Rebranding / Messaging
- REVO & Hinge Project



**Linked R&D,
Marketing, Clinical,
& Regulatory
Strategy**

North America



International



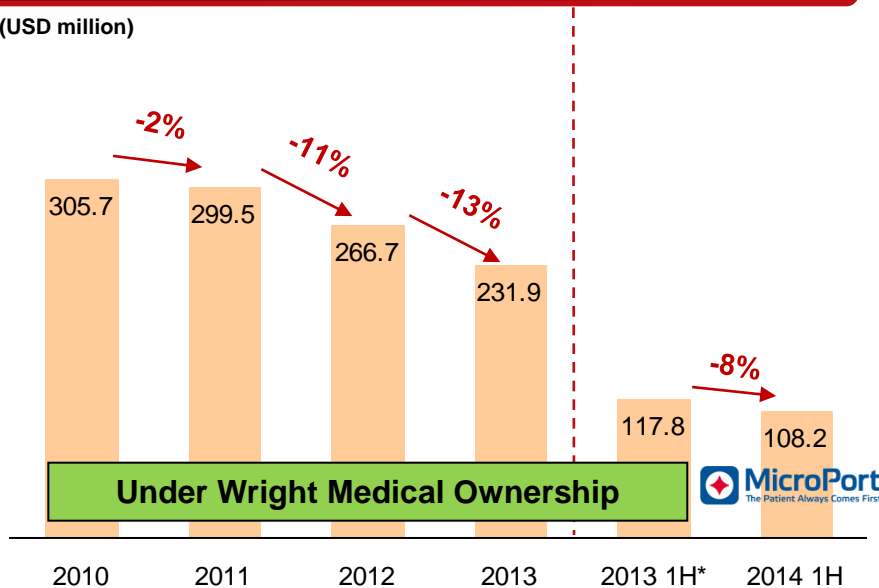
Japan



1 Orthopedics Business - OrthoRecon Revenue

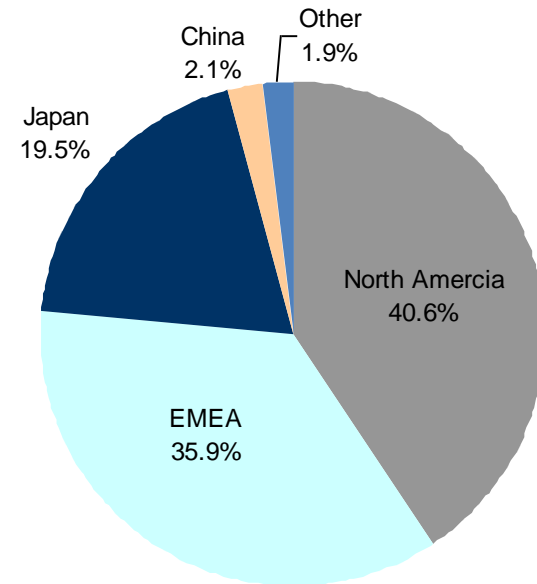
OrthoRecon Revenue Trend

(USD million)



* Jan. revenue is prorated for partial month to exclude Jan 1st to 9th.

2014 1H OrthoRecon Revenue Mix



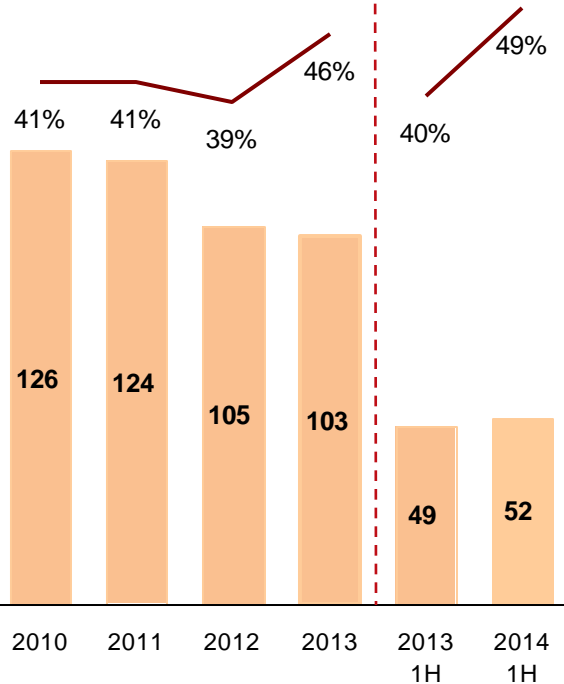
Revenue Trends Improving

- 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
 - **EMEA & Int'l:** 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

1 Orthopedics Business - OrthoRecon Expenses

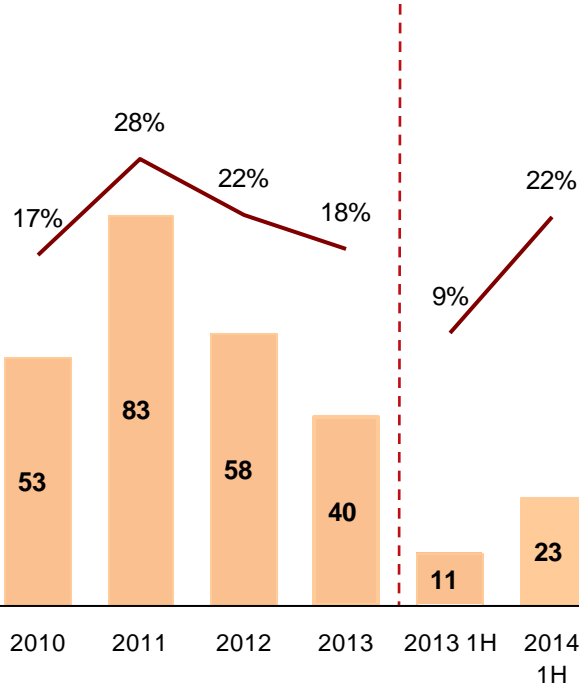
Sales and Marketing Cost

(USD million)



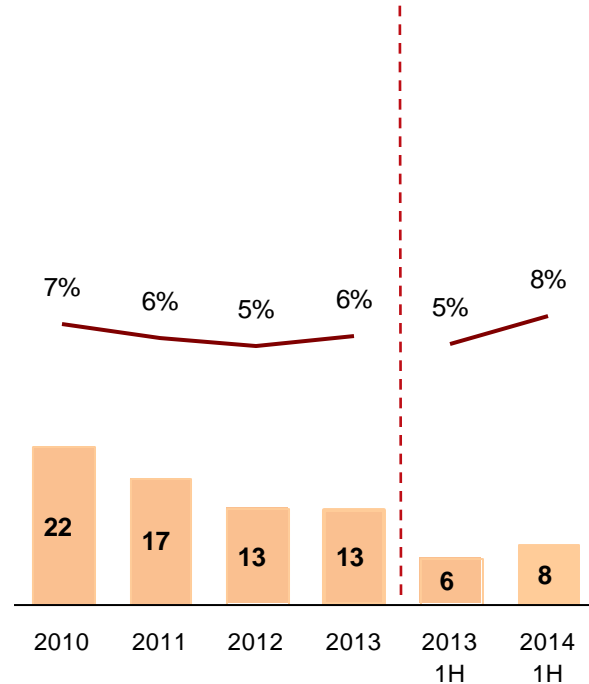
Administrative Expense

(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 team assembled; opportunity to leverage administrative infrastructure with MP's vascular business.
- R&D: Increase in MPO investment in R&D to "turn the innovation engine back on" for the Orthopedics business and support the development of new products.

1 Orthopedics Business - Marketing

AAOS Annual Meeting in New Orleans

MPO launch event in the US was at the world's largest orthopedic conference. Highlights include an announcement of our new brand, a new booth and look, as well as an inaugural dinner event to showcase our new strategy to some of the world's orthopedic leaders.



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.

1 Orthopedics Business — Medical Education/Training

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

- Over 250 Orthopedic Surgeons signed up to attend MPO's signature European annual didactic event

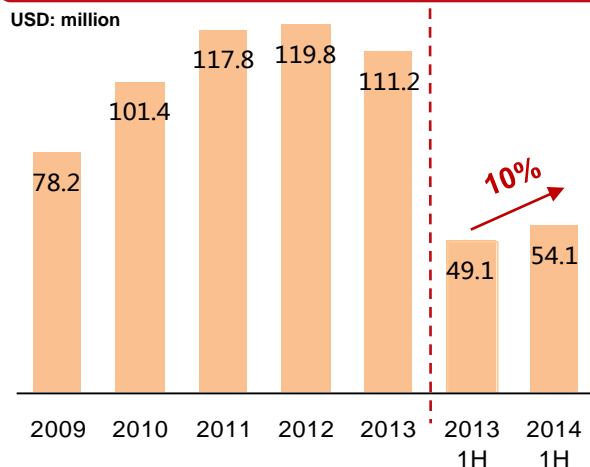


Firebird2

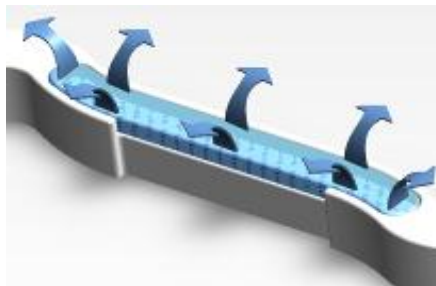


- ❑ Commercially launched in **January 2009**
- ❑ Constructed of **cobalt-chromium** coated with sirolimus
- ❑ 0.034 inch thick

DES/TES Revenue (2009-2014 1H)



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

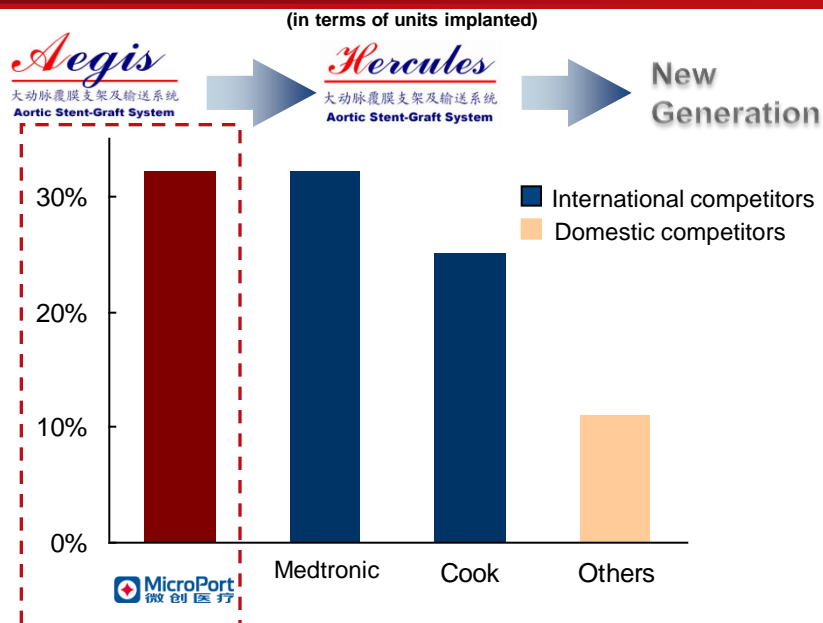
- ❑ **Assets purchase agreement on Jan 2014, acquired:**

- DES manufacturing related equipment and machinery;
- DES-related patents & IP

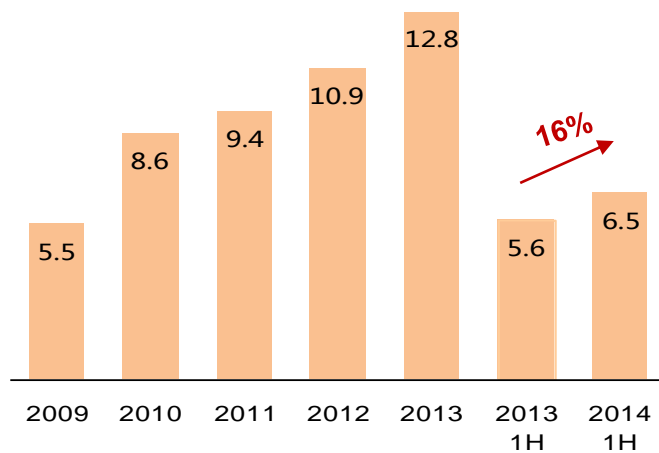


Secure the position of global leader for target-eluting stent technology and take another step forward to strengthen the competitive and intellectual property position for DES franchise.

TAA/AAA 2013 Market Share

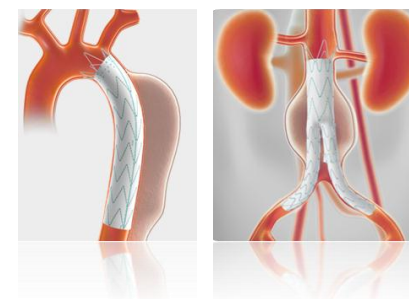


Solid Growth of Endovascular in Revenue



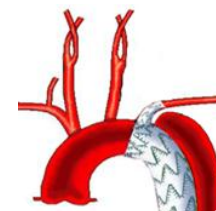
Products Profile

Hercules T / Hercules B



- Hercules Balloon Dilation Catheter received CFDA approval in 2013

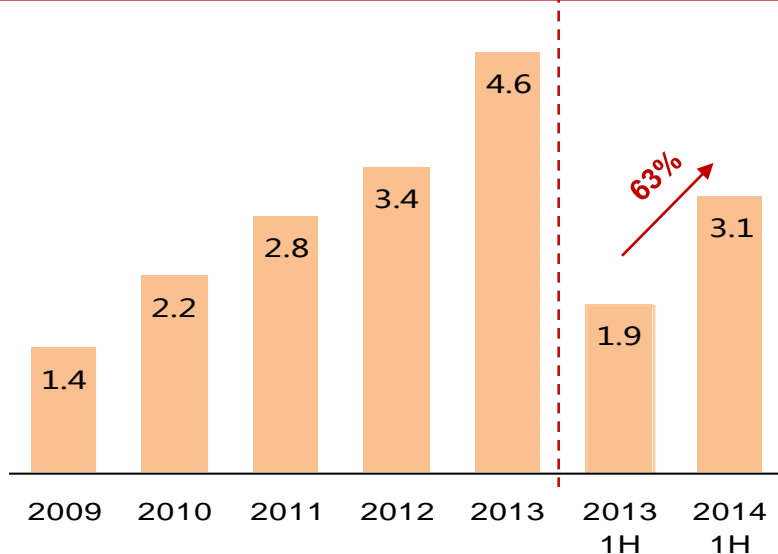
Castor



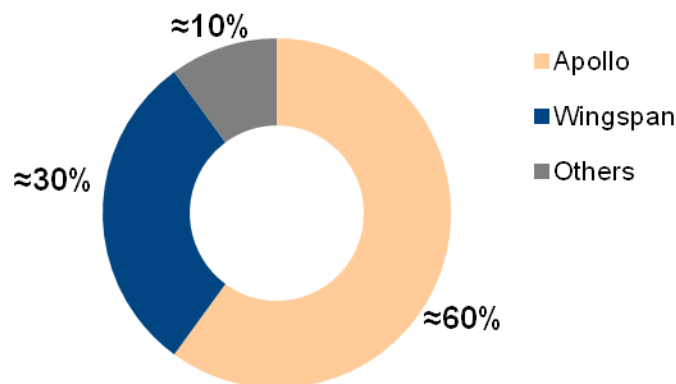
- Branched Aortic Stent-Graft and Delivery System
- First-in-man Finished in early 2013
- Clinical Trial ongoing

2 Vascular Business - Neurovascular

Dramatic Growth of Neurovascular in Revenue



Leading Position in Neurovascular stents



Products Already Received SFDA Approval

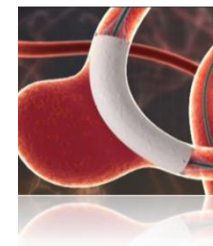
APOLLO - Ischemic

- Vascular Reconstruction Device
- Clinical Trial ongoing



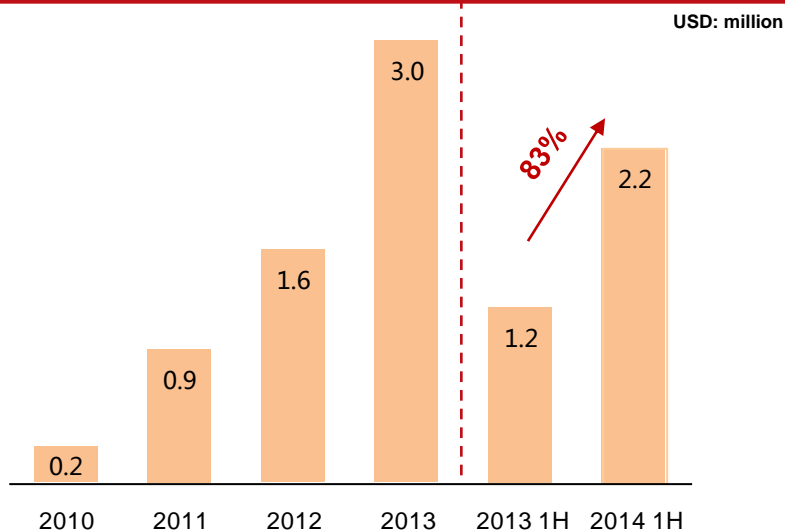
WILLIS - hemorrhagic

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



3 Electrophysiology Business

Dramatic Growth of Electrophysiology in Revenue



Products on the China Market



Products with CE Certifications

FireMagic



- Radiofrequency Ablation Catheter

EasyFinder



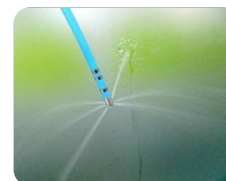
- Fixed or adjustable Curved Mapping Catheter

EasyLoop



- Circumferential Pulmonary Vein Mapping Catheter

FireMagic 3D



- Saline Infusion Radiofrequency Ablation Catheter

Columbus



- 3D EP Navigation System

Anchor



- External Reference Patch

📍 **Started operating in Dominican Republic and Turkey in 2014**

Appendix I

- Consolidated Income Statement

(USD '000)	2014 1H	2013 1H
Revenue	183,795	67,678
Cost of sales	(55,198)	(12,753)
Gross profit	128,597	54,925
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)
Operating Profit	681	18,742
Finance costs	(5,071)	(248)
Share of losses of a joint venture	(1)	
(Loss)/profit before taxation	(4,391)	18,494
Income tax	(5,552)	(3,720)
Net (loss)/profit	(9,943)	14,774

Appendix II

- Consolidated Balance Sheet

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	
Total non-current assets	432,890	219,043
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
Total current assets	500,012	299,803
Total assets	932,902	518,846
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)	
Total current liabilities	(327,916)	(77,997)
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)
Total liabilities	(546,363)	(128,413)
Share capital	(14)	(14)
Capital reserve	(386,525)	(390,419)
Total stockholders' equity	(386,539)	(390,433)
Total liabilities and equity	(932,902)	(518,846)

Appendix III

- Condensed Consolidated Cash Flow Statement - Adjusted

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

* 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.

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