

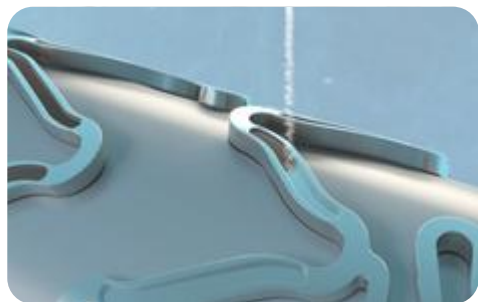
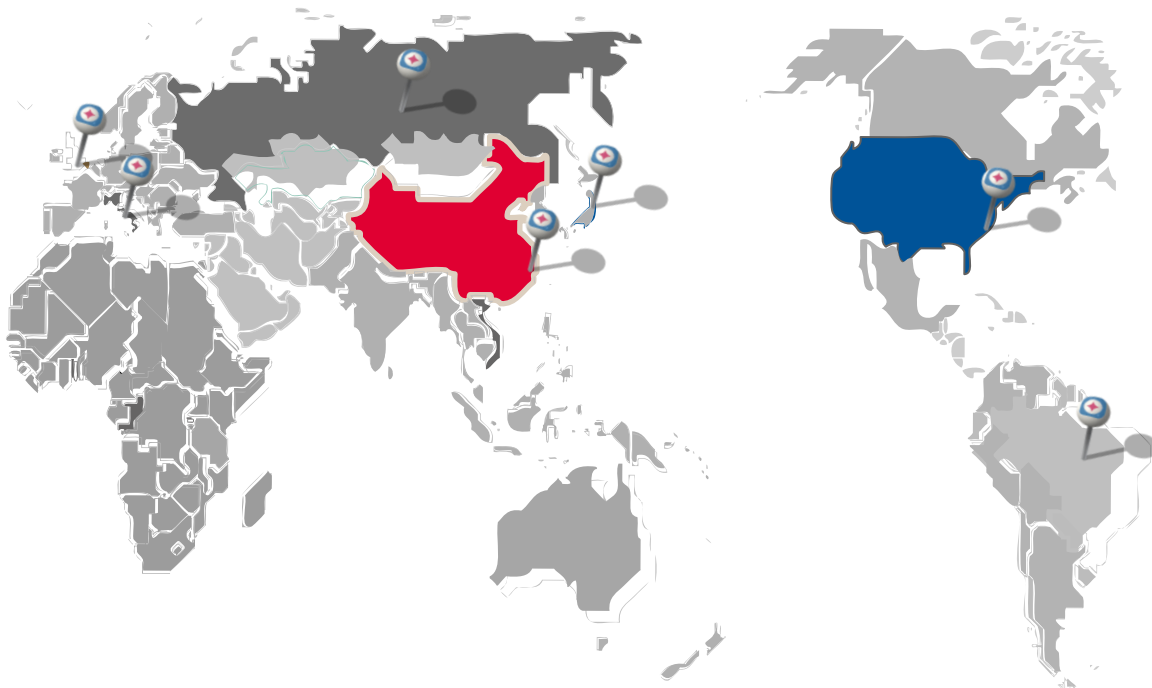
# MicroPort 2015 Earning Release

Stock Code: 00853(HK)

April 2015



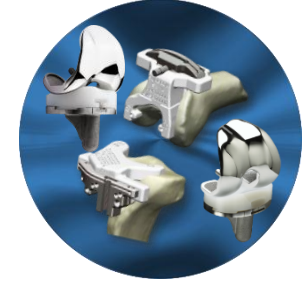
**MicroPort**  
The Patient Always Comes First



# 2014 Business Highlights

## Orthopedics

- ❑ Closing of the Acquisition of Wright Medical's OrthoRecon Business.
- ❑ 100 Day Plan Executed without significant issues.
- ❑ China OrthoRecon business outperformed.



## Interventional Cardiology

- ❑ Firehawk approved by CFDA in China and commercially launched in April 2014.
- ❑ Firehawk obtained CE mark in Jan 2015.
- ❑ TAVR: Succeeded in first-in-man clinical trial.



## Electrophysiology

- ❑ EP launched overseas with CE market in 2014.

## CRM

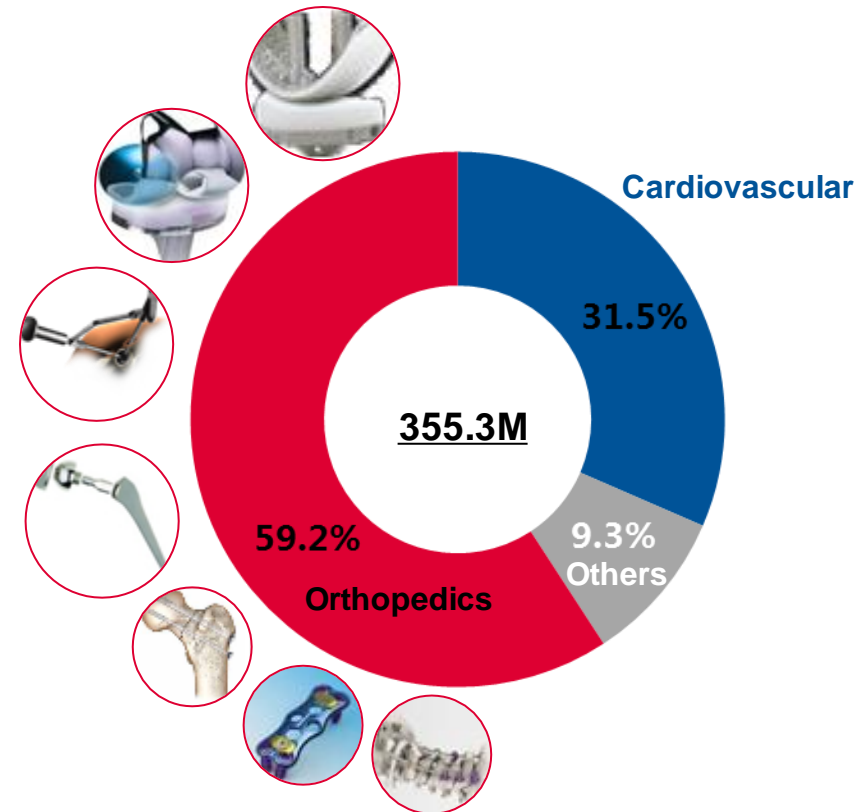
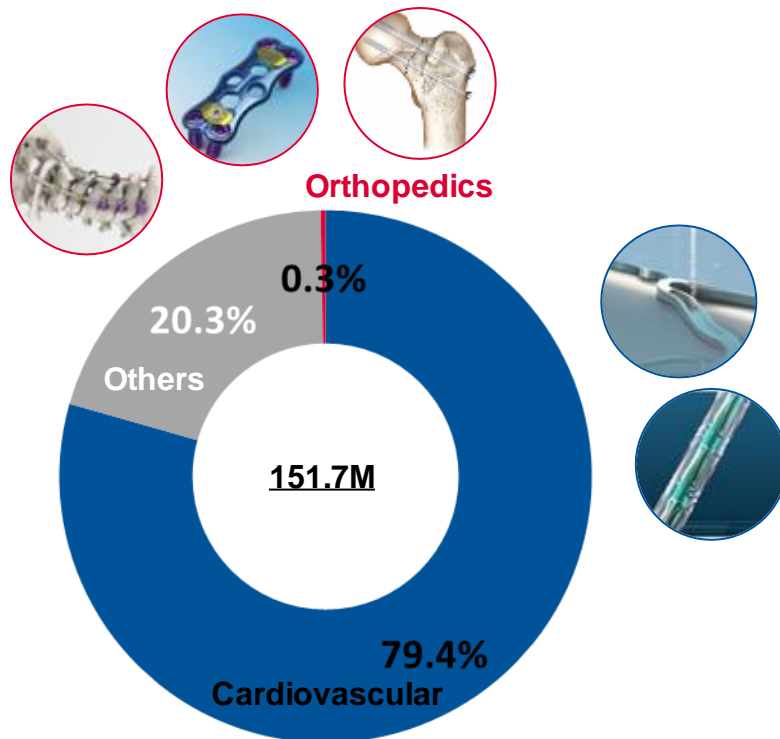
- ❑ JV with Sorin started to operate since May 2014.
- ❑ First commercial sale in Sep 2014.



# Broaden Product Offering - Diversification

2013

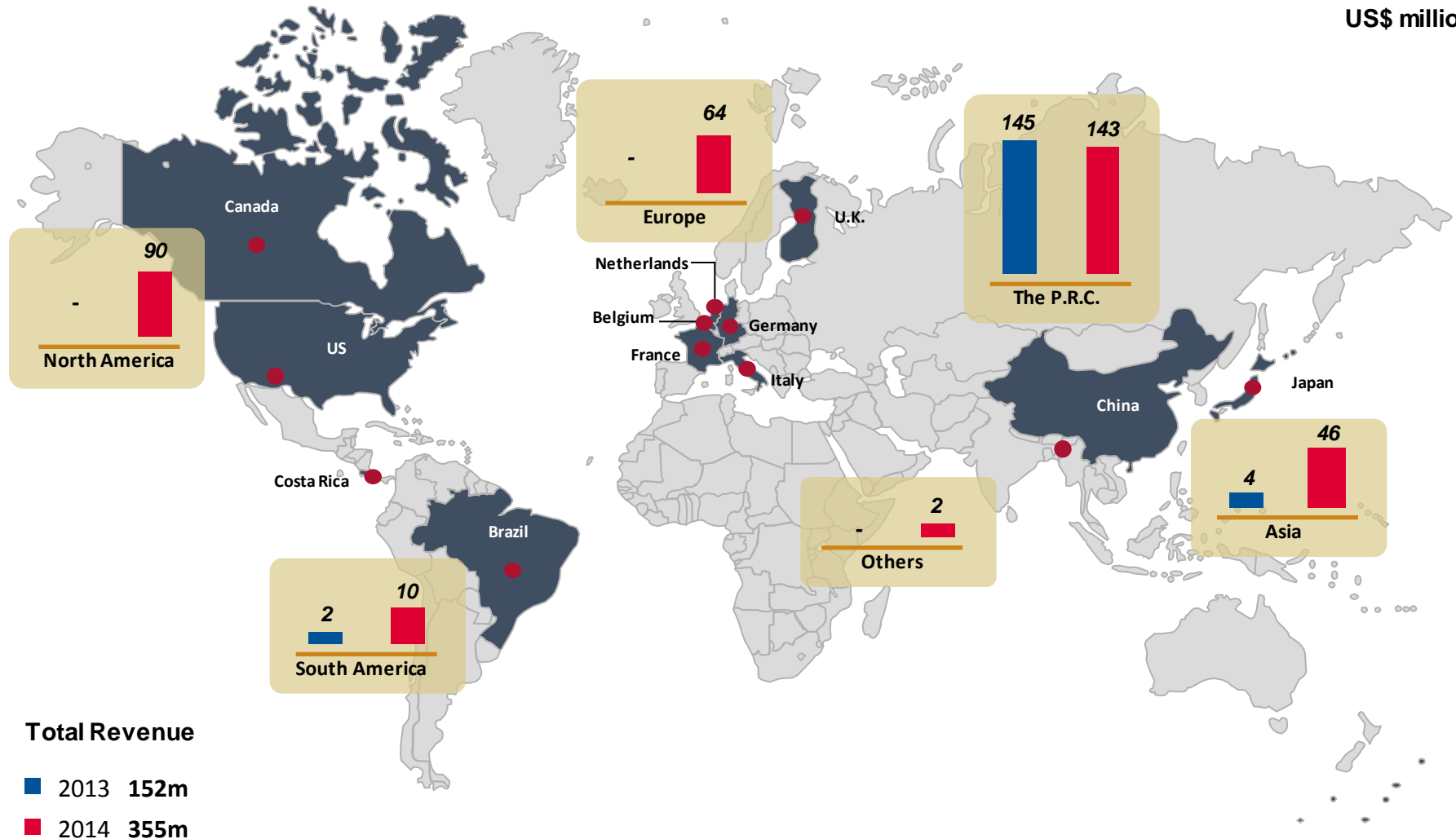
2014



Significantly diversified our current product offering and revenue sources with the result of revenue dramatically increased by 134% in year 2014 compared with year 2013.

# Expand Geographical Coverage - Globalization

US\$ million



Greatly expanded our geographic coverage and enhances our presence outside China with the result of Non-China sales contribution increased from 4% in 2013 to 60% in 2014.

# Financial Summary 2014

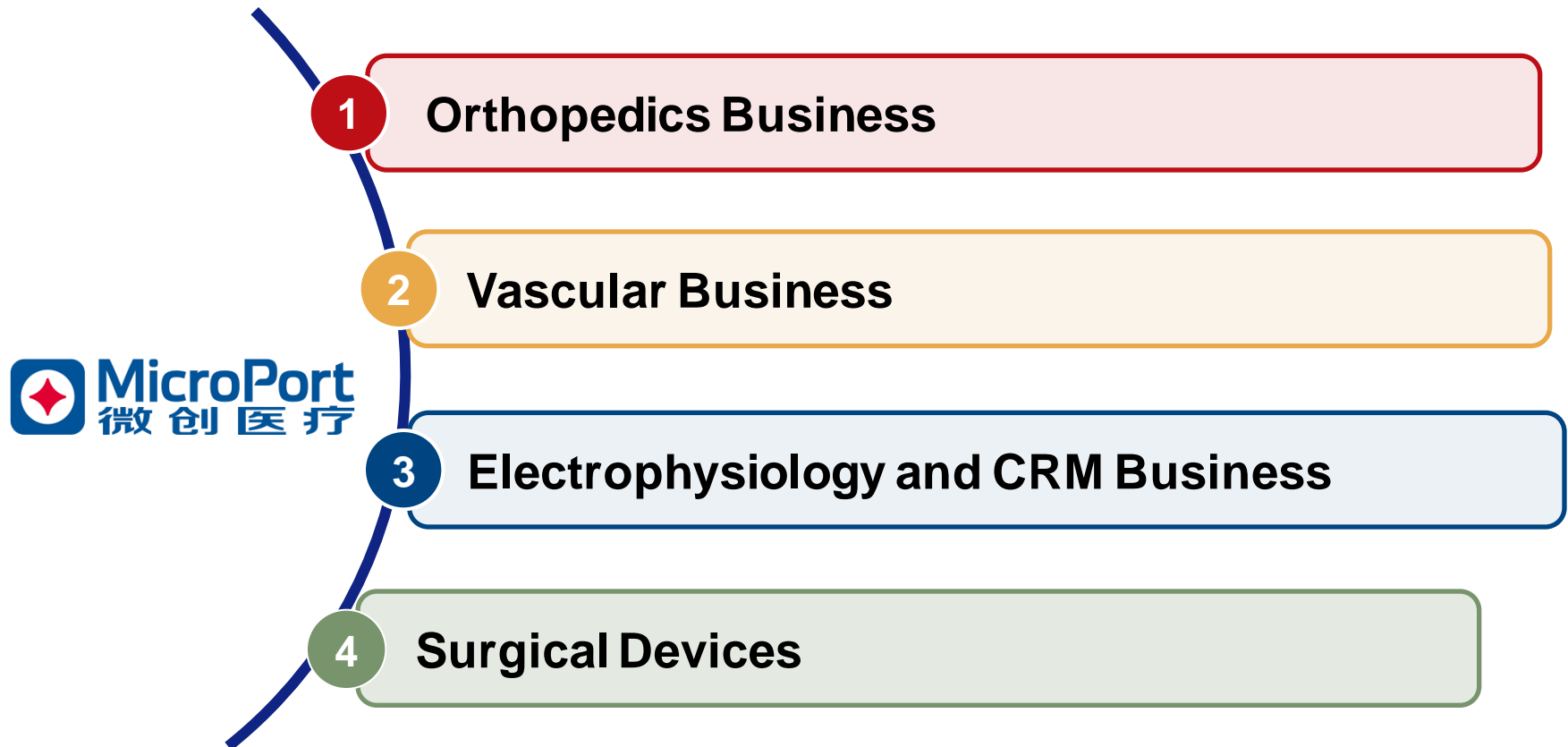
## Highlights

- + **Revenue: 355.3m, Y/Y ↑134%**
  - Non-Ortho business flat
  - Newly acquired OrthoRecon business contribute 209m (closing date of Jan 10, 2014)
  
- + **Gross Margin, 68%**
  - Non-Ortho business Gross Margin: 77%
  - Offset by newly acquired OrthoRecon business, lower than Non-Ortho business
  
- + **Net Loss: (59.6m)**
  - Net gain from Non-orthor business, 30.9m.
  - Offset by:
    - Newly acquired OrthoRecon business loss (43.8m)
    - Non recurring transition expenses (10.4m)
    - Interest expenses from M&A loans (13.0m)
    - One-time Goodwill impairment (23.3m)

## Key Financial Summary

USD: million	2014	2013	Flux
Revenue	355.3	151.7	134%
Cost	(112.0)	(28.8)	289%
<b>Gross Profit</b>	<b>243.3</b>	<b>122.9</b>	<b>98%</b>
<i>Gross Margin</i>	<i>68%</i>	<i>81%</i>	
Operating Expenses	(259.0)	(74.1)	250%
<b>Recurring operating profit</b>	<b>(15.7)</b>	<b>48.8</b>	<b>-132%</b>
Other Operating Expense	(35.7)	(21.9)	63%
Net Gain	12.0	7.3	64%
Finance Costs	(13.0)	(1.1)	1128%
Share of losses of JV	(1.2)		
<b>(Loss)/Profit before taxation</b>	<b>(53.5)</b>	<b>33.2</b>	
<b>Net (Loss)/Profit</b>	<b>(59.6)</b>	<b>24.0</b>	

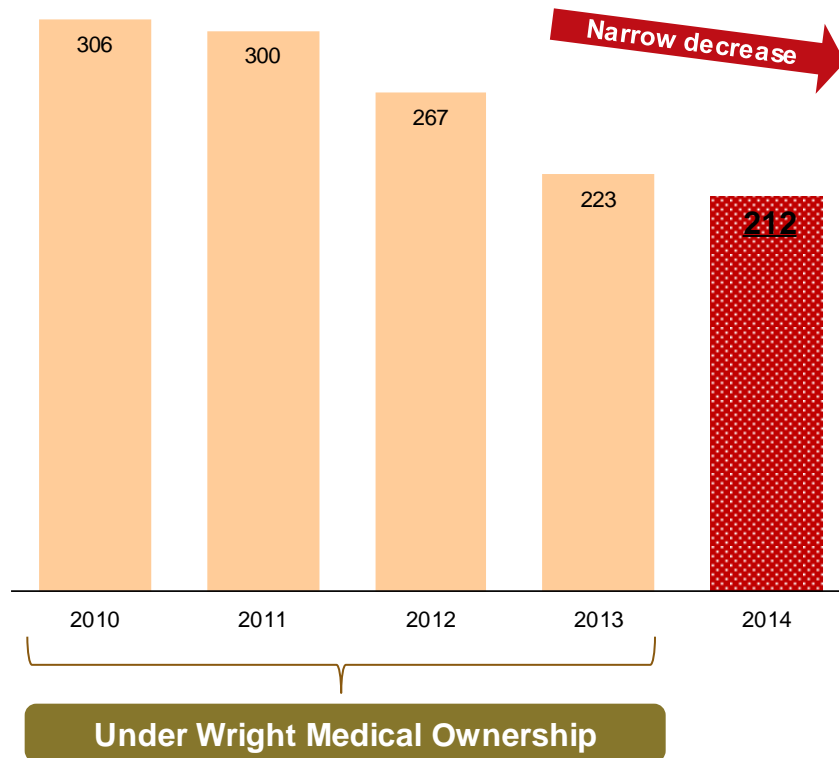
# Business Update by Segment



# 1 Orthopedics Business

## Stabilizing the MPO Business in 2014

(USD million)



## Overview

- The Business owns the brands PATH®, SUPERPATH™, PROFEMUR®, ADVANCE®, EVOLUTION®, etc.
- US sales: sales force of ~ 150 people
- International sales: combination of ~ 100 direct sales force and distributors in non-US markets.

## Highlights

- 100 Day Plan Executed without significant issues.
- Secured Global Distribution Network
- China outperformed and Latin America & EMEA performed
- KOL Recruitment to MPO

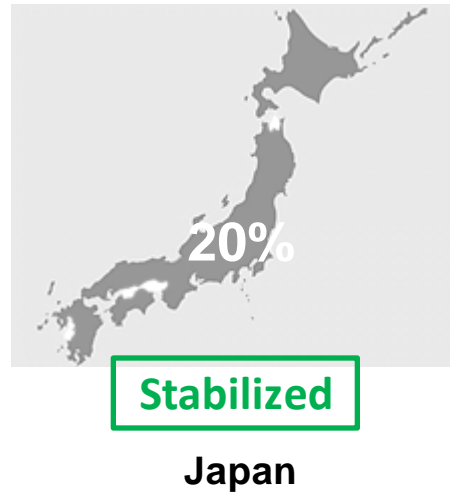
Note: 2014 revenue is annualized to include stub period of Jan 1-9, 2014 before acquisition.

# 3 Year Strategic Objectives





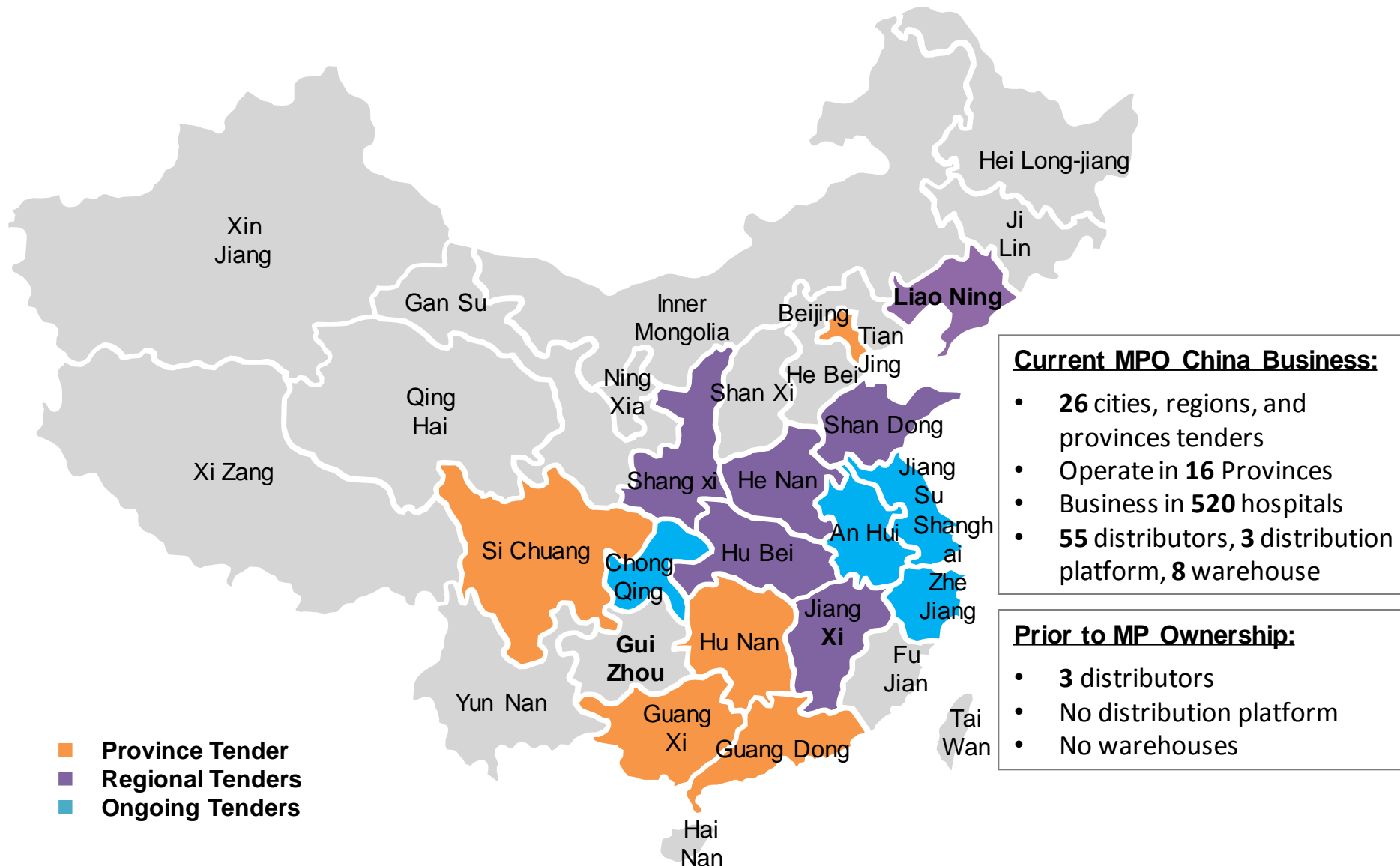
## 2014 = Global Revenue Drivers:



## Global Infrastructure Investments:



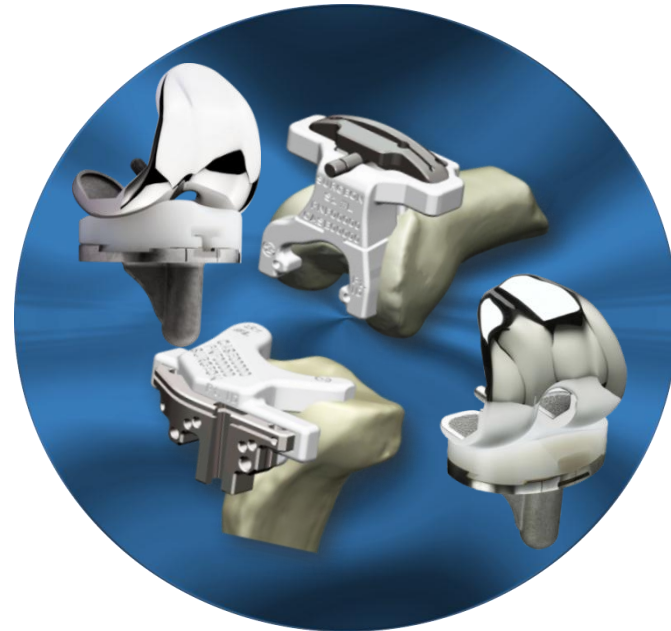
# Orthopedic Business - China Market Coverage



## Strategic Foundation



**FAST RECOVERY HIP  
SOLUTIONS**  
“Out Patient THR”



**PATIENT PREFERRED KNEE  
SOLUTIONS**  
“Stability in Motion”

## ❑ Leveraging our clinical history and proprietary technology.

The SuperPath<sup>®</sup> hip technique is a *tissue-sparing* approach where *no muscles* or *tendons* are cut. The SuperPath<sup>®</sup> *approach requires none of the typical postoperative hip restrictions*.

SuperPath<sup>®</sup> Hip Replacement  
► Fast Forward™



## ❑ Leveraging China Facility to establish a Global Instrument Supply Center (GISC) in Shanghai by Q3 of 2015 and have it fully functioning by Q1 of 2016.

GISC focus on **instrument supply & distribution** and leverage both Arlington and Shanghai resources to achieve the better cost & EBITDA effect.

# Orthopedics Business – Marketing/Branding

- ❑ AAOS Annual Meeting - New Orleans
- ❑ The 15th Annual Meeting of Asia-Pacific Arthroplasty Society - Chengdu
- ❑ Current Concepts in Joint Replacement 2014 Spring Course – Las Vegas
- ❑ Annual Meeting of Japanese Orthopedic Association - Japan
- ❑ EFORT Congress - UK
- ❑ American Association of Hip and Knee Surgeons - Dallas
- ❑ China Orthopedic Association – Beijing
- ❑ Current Concepts in Joint Replacement 2014 Winter Course - Orlando






# “Integrity In Motion” Educational Program

- ❖ Surgery Observation Centers
- ❖ Joint Replacement Master Classes
- ❖ Hands-on Wet Labs
- ❖ International Fellowships



**践行正道**  
2014年第三届  
微创骨科关节外科新技术学习班  
MicroPort Orthopedics  
Training Program on TKA&THA



2014年10月12-14日  
上海第九人民医院

**践行正道**  
2014年微创人工关节置换新技术  
9月23日(星期六)  
浦东新区 张江高科技园区 张东路1601号  
总部大楼

《外科的现状与未来》,《膝关节微创植入新技术》,《膝关节设计新理念》,《人造关节置换热点讨论》,《专家分享疑难病例》,  
实习生,吴海山,周一新,鼎力担任本次大会的主席。同时,美国专家  
亲临现场,分享 Superpath®——全球最新的膝关节后外侧微创入路手术技术。  
分享,携手缔造精彩!

上海微创骨科医疗科技有限公司  
2014年6月

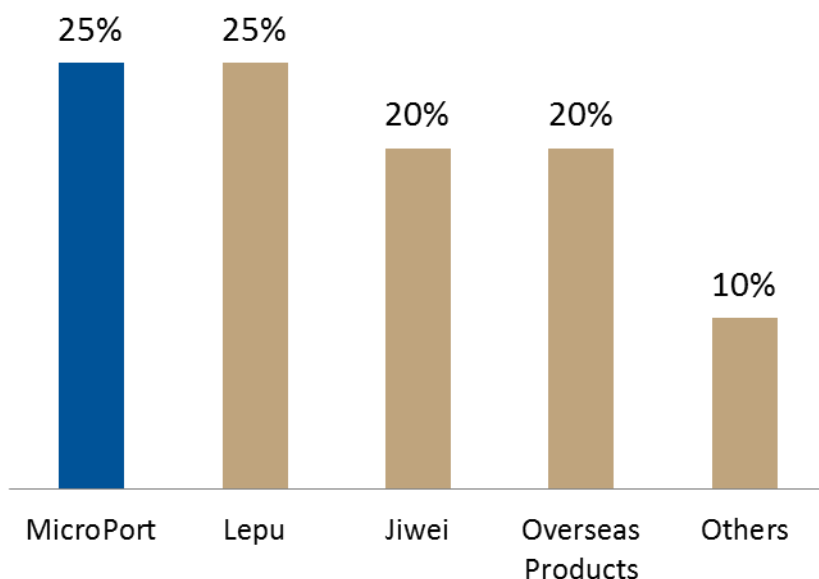
**2014第一届微创骨科  
髌关节技术高级研讨班**

时间: 2014年9月26-27日  
地点: 上海市第六人民医院



### China DES Market Share 2014

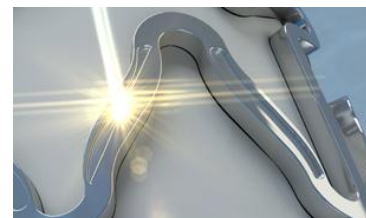
- Leading Position in China DES Market



\*Source from China Cardiovascular stents Industry Development Report

**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.**

### Firehawk Update

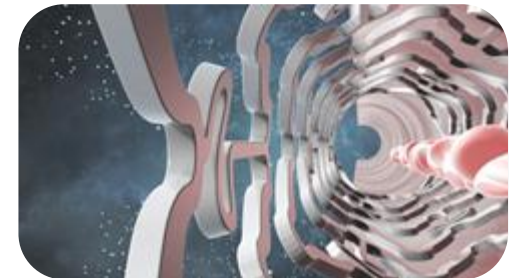
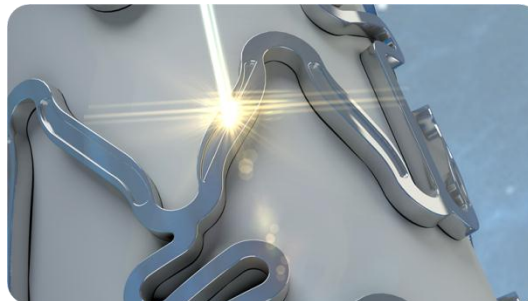
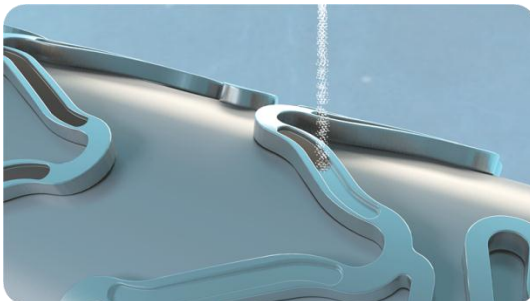
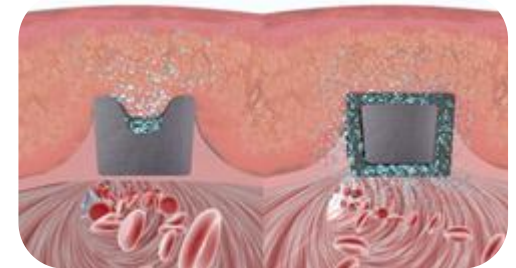
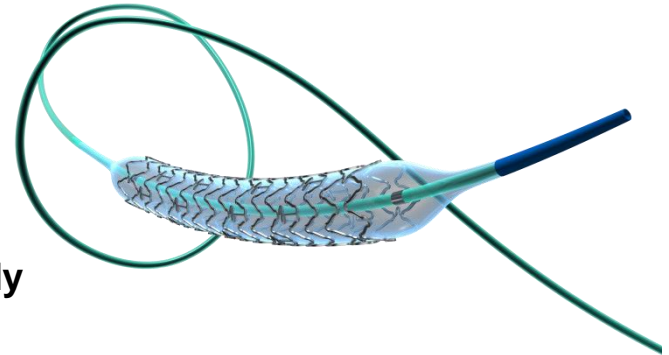


- CFDA approved in Jan, 2014
  - CE Mark obtained in Jan, 2015
  - Premium MNC Price Achieved
- Third generation DES
  - The World's First and Only **target-eluting stent**
  - The largest pre-market clinical study in China ensures high credibility of safety and efficacy
  - The lowest dosage of drug amongst all DES's maintains excellent efficacy
  - Solid evidence-based medical data paves the way for world-wide introduction
- **Conor Assets purchase agreement on Jan 2014, acquired:**
    - DES manufacturing related equipment and machinery;
    - DES-related patents & IP



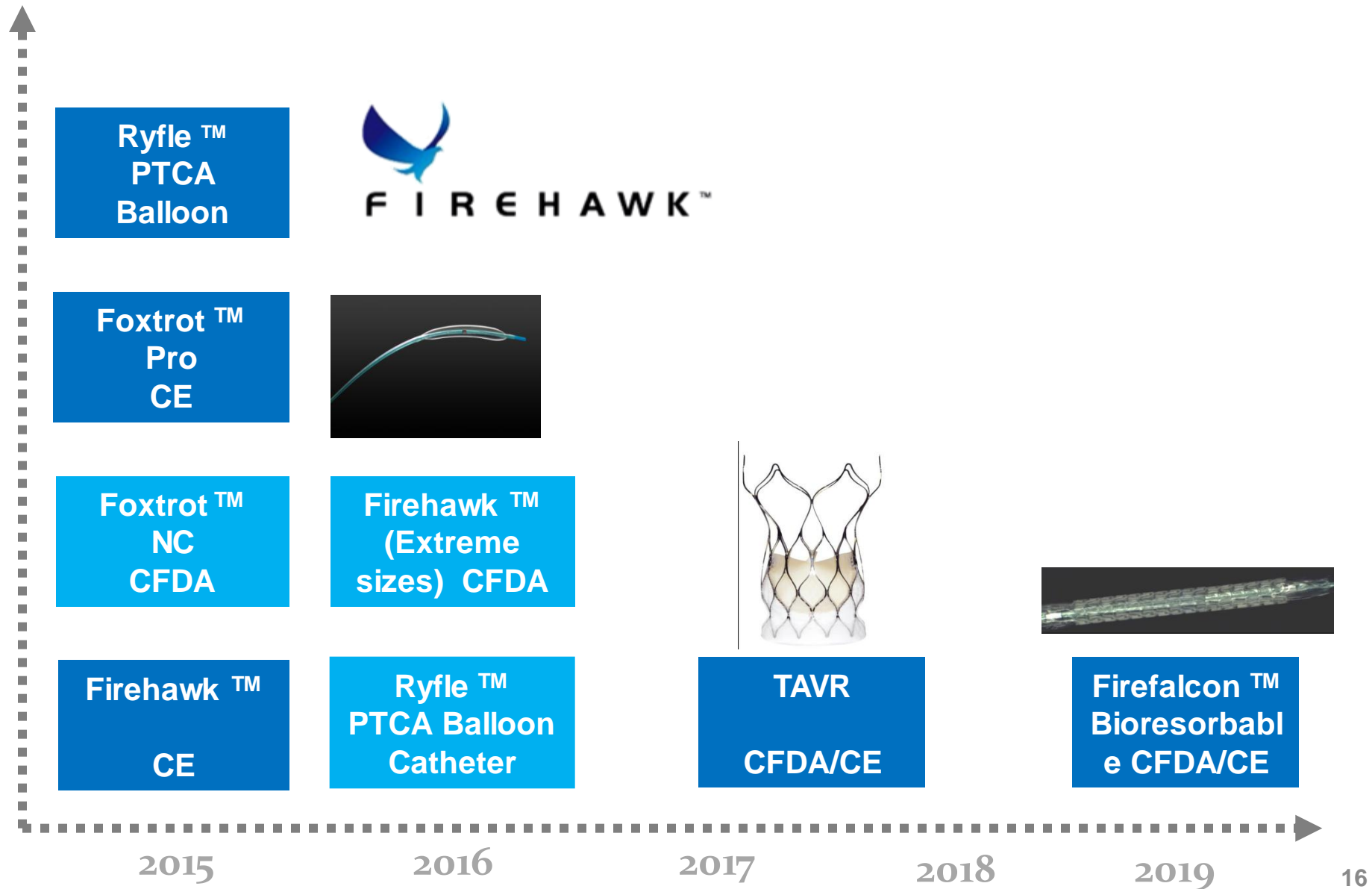
The World's **First** and **Only** Target Eluting Stent (TES)

- With the lowest drug dosage
- Targeted unidirectional eluting technology with fully biodegradable polymers
- Unique position identification/recognition & state-of-the-art 3D printing technologies
- The largest pre-market clinical study following the most stringent protocol in China
- Solid evidence-based medical data



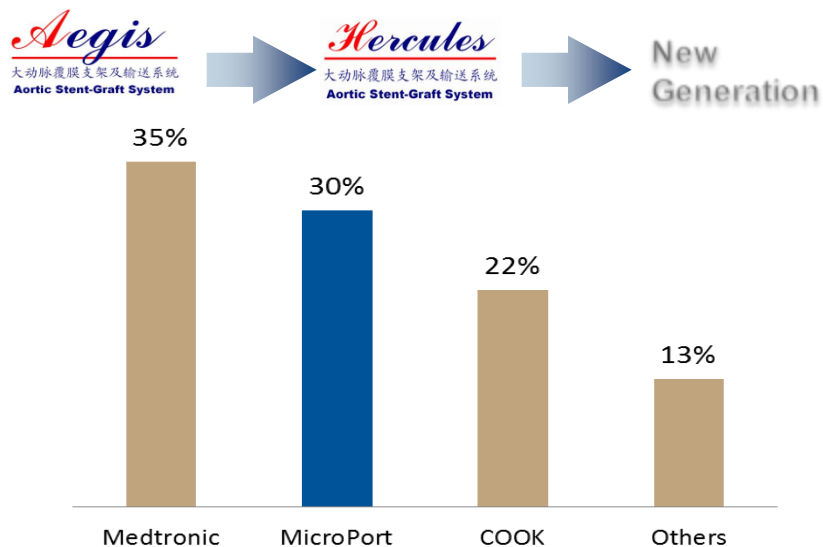


# Interventional Cardiology Product Pipeline



## 2 Vascular Business - Endovascular Stent Graft

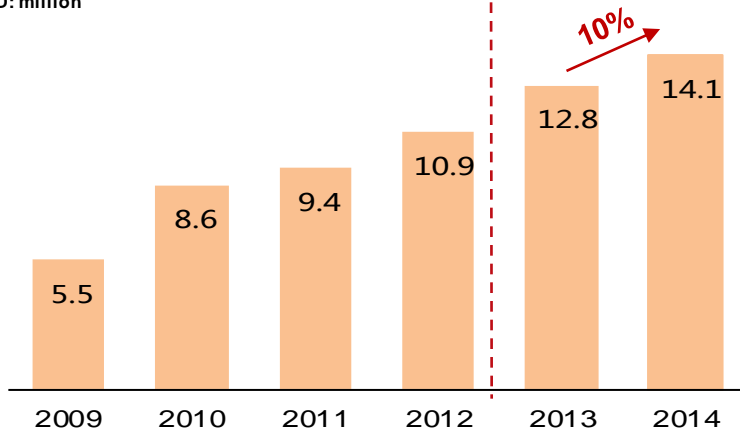
### TAA/AAA 2014 Market Share



\*Source from GBI Research's Proprietary Database (Accessed July 12, 2012)

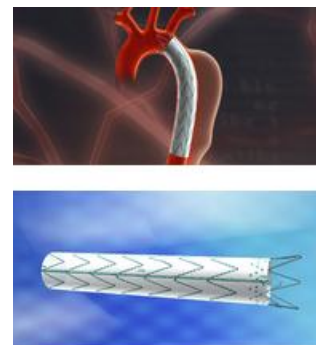
### Solid Growth of Endovascular in Revenue

USD: million



### Products Profile

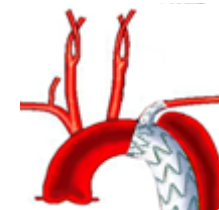
#### Hercules T



#### Hercules B



#### Castor

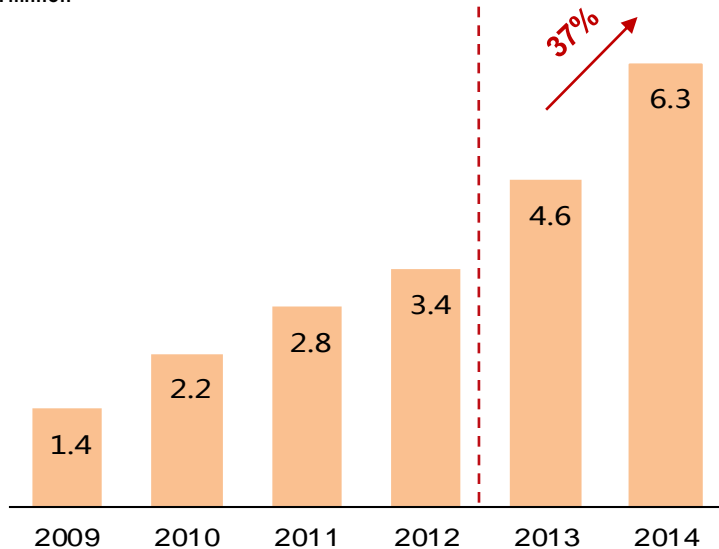


- Branched Aortic Stent-Graft and Delivery System
- Successful Clinical Trial closing report announced on Jan 2015

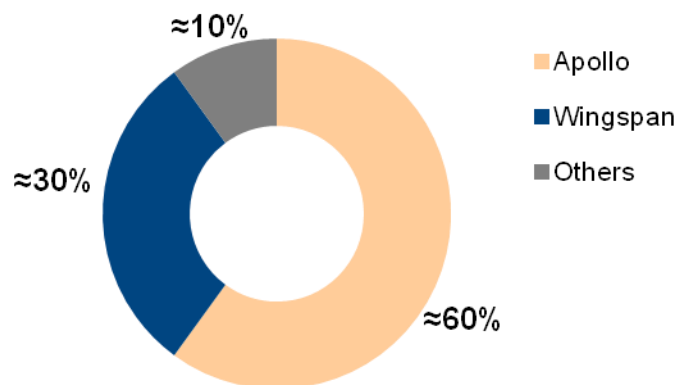
**Complete share restructure to employee motivation scheme**

### Dramatic Growth of Neurovascular in Revenue

USD: million



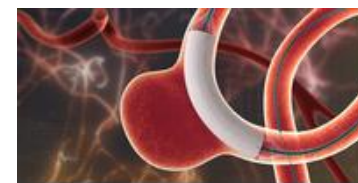
### Leading Position in Neurovascular stents



### Products Already Received SFDA Approval

#### WILLIS - hemorrhagic

- Intracranial Stent Graft System
- Received CFDA approval in 2013
- Launched the business in 2014
- **The Only product in Chinese market**
- **WILLIS has already entered 58 hospitals in China.**



#### APOLLO - Ischemic

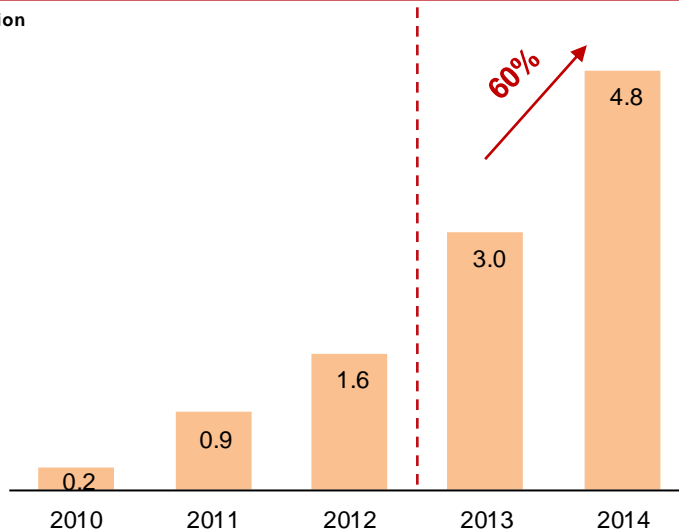
- Vascular Reconstruction Device
- Finished Clinical Trial



# 3 Electrophysiology Business

## Dramatic Growth of Electrophysiology in Revenue

USD: million



## 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

✚ **The Only Chinese company to have full EP product line**

✚ **Launched in CE & China market**

✚ **Achieved overseas sales of 3-D mapping systems in Dominican Republic, Turkey and Greece in 2014**



**创领** 心律管理医疗器械  
 (上海) 有限公司  
 MICROPORT SORIN CRM (SHANGHAI) CO., LTD

创新起搏 | 领梦中国  
 INNOVATED IN CHINA, FOR CHINA

## Our Vision

Helping patients live better and longer through our quality pacing products and services innovated and made in China, for China and the world

## Our Goal

To strive for the #1 position in local pacing segment in China

## Imported Sorin Products on the China Market



- **Smallest**
- **Physiologic**
- **Dual Sensor**
- Made 1st sell in Sep, 2014

## Innovated in China, for China



- IPGs
- Leads
- Programmer
- Biz Models
- Others
- Building a manufacturing line in Shanghai
- Animal study on going
- Aiming to initiate human trial in 2015
- Leveraging MP & Sorin capabilities

## Key Factors



- Products launched in China and overseas market
- 43 patents in China
- Products currently used in more than 180 hospitals

## Products Launched

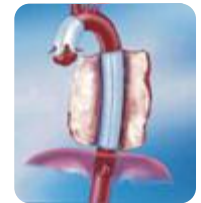
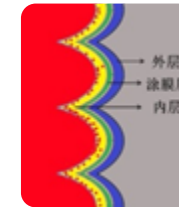
- Oxygenator
- Blood Storage Filter
- Disposable Cardiotomy Irrigator
- Amender™ PDA Occluder
- Amender™ ASD Occluder



## Products in Pipeline



- Artificial Blood Vessel



- Hernia Patch



- Others





# Key R&D Pipeline

## Cardiac Intervention

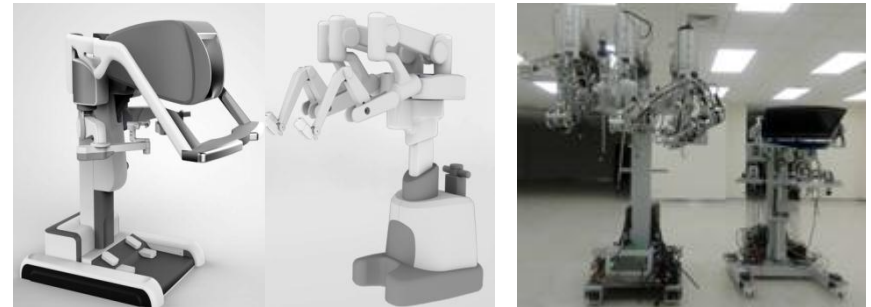


- Successfully completed the first human implantation on Sep 2014.
- In the stage of clinical

### • Advantages

- *Be implanted using a revolutionary interventional procedure that doesn't need to open the patient's chest*
- *With less pain*
- *Faster recovery*

## Surgical Robot



- Set up the project on May, 2014
- The core team has been set up, including 10 R&D engineers
- In the stage of animal experiment

**The 1<sup>st</sup> successfully implantation of the aortic heart valve and Surgical Robot R&D mark that MicroPort's research and development ability has reached a new level.**

# Social Responsibility

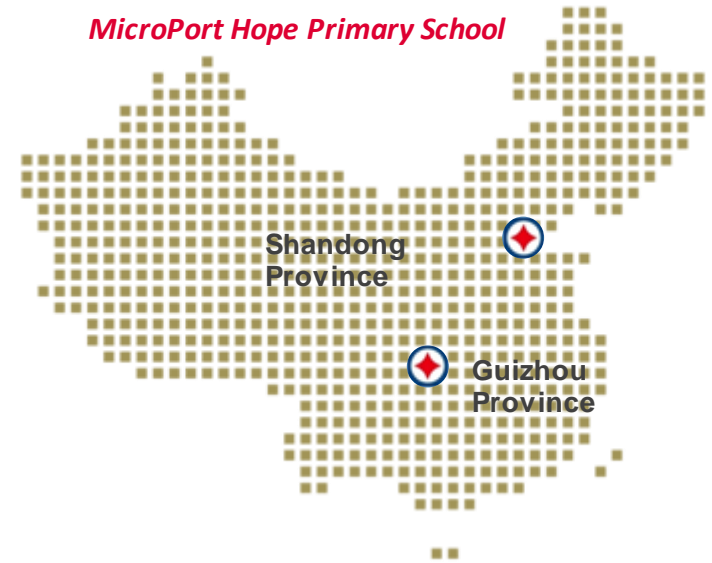
## ❑ Education to Advance Expertise and Care

- — → MP Foundation in University of Shanghai for Science and Technology
- — → Medical Device Library and Information Center in USST

## ❑ Care Goes Beyond the Office

- — → Shangdong MP Hope Primary School
- — → Zunyi MP Hope Primary School

*MicroPort Hope Primary School*





# Appendix I

## - Consolidated Income Statement

(USD '000)	2014	2013
<b>Revenue</b>	<b>355,284</b>	<b>151,655</b>
Cost of sales	(111,999)	(28,777)
<b>Gross profit</b>	<b>243,285</b>	<b>122,878</b>
Other revenue & net income	12,025	7,320
Research and development costs	(54,564)	(29,195)
Distribution costs	(133,629)	(25,630)
Administrative expenses	(70,773)	(19,259)
Other operating costs	(35,710)	(21,897)
<b>Operating Profit</b>	<b>(39,366)</b>	<b>34,217</b>
Finance costs	(12,956)	(1,055)
Share of losses of a joint venture	(1,192)	
<b>(Loss)/profit before taxation</b>	<b>(53,514)</b>	<b>33,162</b>
Income tax	(6,057)	(9,165)
<b>Net (loss)/profit</b>	<b>(59,571)</b>	<b>23,997</b>

# Appendix II

## - Consolidated Balance Sheet

USD'000	31 Dec 2014	31 Dec 2013
Fixed assets	286,666	154,897
Intangible assets	60,506	34,280
Prepayments for fix assets	1,678	1,092
Goodwill	56,529	25,577
Deferred tax assets	4,124	3,197
Interest in a joint venture	3,866	-
Deposits with banks	11,440	-
Other non-current receivables	6,813	-
<b>Total non-current assets</b>	<b>431,622</b>	<b>219,043</b>
Inventories	109,901	20,314
Trade and other receivables	121,930	63,264
Deposits with banks	60,679	56,322
Cash and cash equivalents	215,602	159,903
<b>Total current assets</b>	<b>508,112</b>	<b>299,803</b>
<b>Total assets</b>	<b>939,734</b>	<b>518,846</b>
Trade and other payables	(108,649)	(45,506)
Interest-bearing borrowings	(215,897)	(29,629)
Income tax payable	(1,016)	(2,848)
Deferred income	(10)	(14)
Derivative financial liabilities	(592)	-
Obligation under finance leases	(1,868)	-
<b>Total current liabilities</b>	<b>(328,032)</b>	<b>(77,997)</b>
Interest-bearing borrowings	(132,817)	(21,964)
Convertible bond	(91,573)	-
Obligation under finance leases	(1,894)	-
Deferred income	(28,989)	(16,982)
Other payables	(1,793)	-
Other non-current liabilities	(7,335)	(7,053)
Deferred tax liabilities	(3,558)	(4,417)
<b>Total liabilities</b>	<b>(595,991)</b>	<b>(128,413)</b>
Share capital	(14)	(14)
Capital reserve	(342,239)	(390,419)
Non controlling interest	(1,490)	-
<b>Total equity</b>	<b>(343,743)</b>	<b>(390,433)</b>

# Appendix III

## - Condensed Consolidated Cash Flow Statement - Adjusted

(USD '000)	2014	2013
Cash generate from operations	26,242	66,487
Income tax paid	(8,436)	(8,734)
<b>Net cash generated from operating activities</b>	<b>17,806</b>	<b>57,753</b>
<b>Net cash (used in)/from investing activities*</b>	<b>(338,155)</b>	<b>(43,575)</b>
<b>Net cash generated in financing activities</b>	<b>394,008</b>	<b>27,691</b>
<b>Net decrease in cash and cash equivalent</b>	<b>73,659</b>	<b>41,869</b>
<b>Cash and cash equivalents at 1 January</b>	<b>216,225</b>	<b>171,731</b>
Effect of foreign exchange rate changes	(2,163)	2,625
<b>Cash and cash equivalents at 31 December</b>	<b>287,721</b>	<b>216,225</b>

\* Adjusted net uplift 16 million of time deposits with bank over 3 month (2013: 50 million net placement ) in to cash and cash equivalents.

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# Thank You



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The Patient Always Comes First

