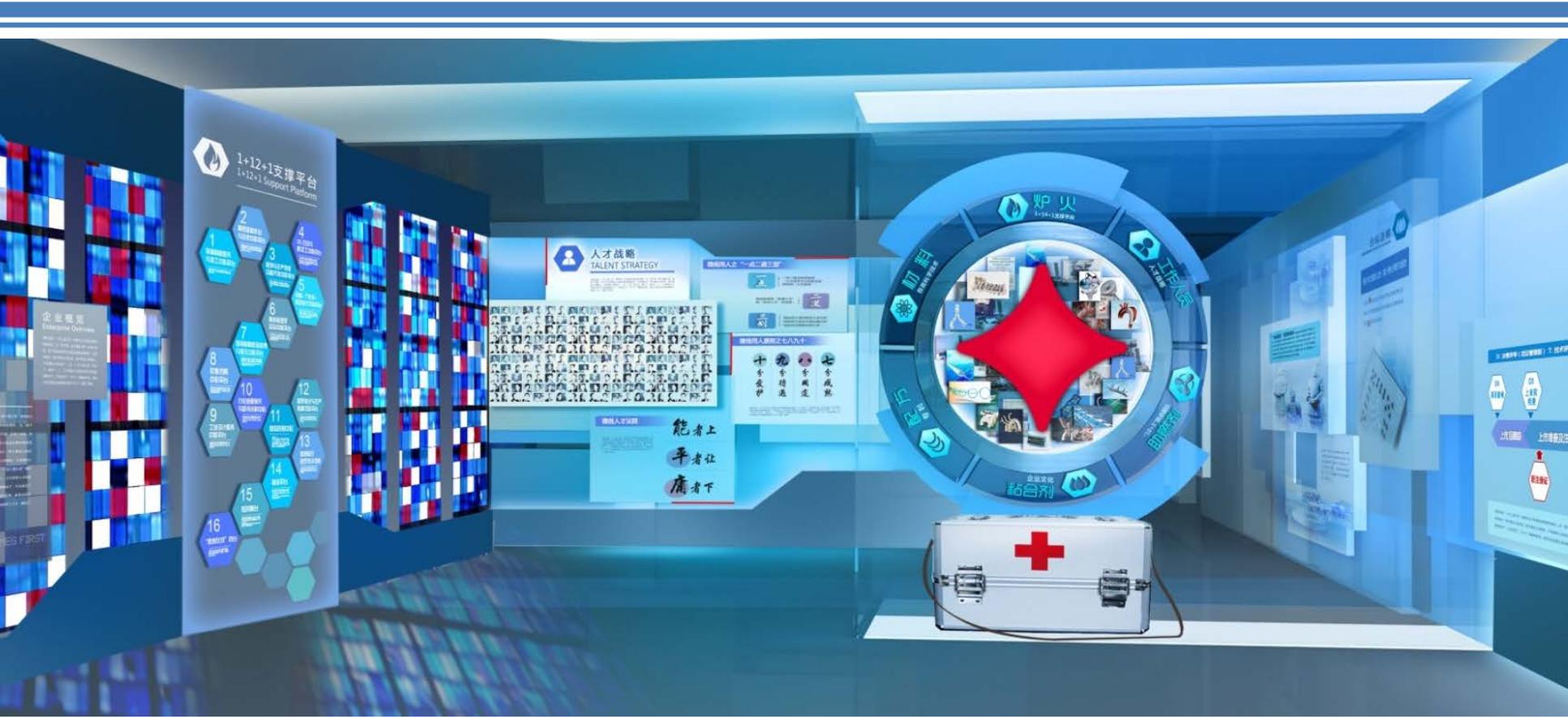


# MicroPort 2015 Earning Release

Stock Code: 00853(HK)



March, 2016

# 2015 2H Company Highlights

## Corporate

- MicroPort® Science and Technology Innovation Platform Won the State Science and Technology Progress Award
- Four Regulatory Green Channel Granted: Tubridge™ Vascular Reconstruction Device, Reewarm™ PTX, Castor, and Columbus

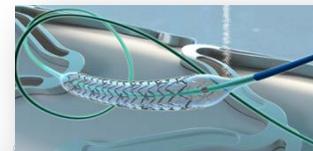


## Interventional Cardiology

- DES Revenue Maintain Double Digit Growth
- First Patient Enrolled in MicroPort's European Clinical Study for "Firehawk" in Dec, 2015
- "Firesorb"--- Bioresorbable Stent :Started FIM Clinical Trial in Jan, 2016

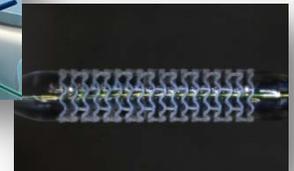


- 3<sup>rd</sup> generation of DES



F I R E H A W K™

- Firesorb



## Orthopedics

- Global Revenue Turn-around. US and Europe Market Growth.
- China Orthopedics Continues Hyper Growth Driven by SuperPath and Evolution



## Electrophysiology

- "Columbus"--- 3D Navigation System: Gained CFDA Approval in March, 2016



# Contents

 **2015 Financial Results**

 **Business Update**

\*Appendix - Financial Statements



# Financial Summary 2015

## Highlights

- + **Revenue: \$375.8m, ↑6%**
  - Non-Ortho business strong performance ↑18%
  - Ortho business turn around, ↑3% in constant currency, offset by 5% unfavorable FX
  
- + **Gross Margin, declined by 1%**
  
- + **Operating Expenses declined by 2%, mainly attributable to improved operating efficiency of the Ortho business**
  
- + **Net Loss significantly improved from \$59.6m to \$11.4m**
  - Recurring operations breakeven, from \$15.7m loss in 2014, mainly
    - Ortho improved by \$9.5m
    - Non-Ortho continued to grow by \$5.6m
  - Other operating costs significant declined by \$30.8m

## Key Financial Summary

USD: million	2015	2014	Flux
Revenue	375.8	355.3	6%
Cost	(123.3)	(112.0)	10%
<b>Gross Profit</b>	<b>252.5</b>	<b>243.3</b>	<b>4%</b>
<i>Gross Margin</i>	<i>67%</i>	<i>68%</i>	
Operating Expenses	(253.1)	(259.0)	-2%
<b>Recurring operating Loss</b>	<b>(0.6)</b>	<b>(15.7)</b>	<b>-96%</b>
Other Operating Costs*	(4.9)	(35.7)	-86%
Net Gain from Gov. Grant&Interst Inc.	15.5	12.0	29%
Finance Costs	(14.8)	(13.0)	14%
Share of losses of JV	(3.8)	(1.2)	218%
<b>Loss before taxation</b>	<b>(8.5)</b>	<b>(53.5)</b>	<b>-84%</b>
<b>Net Loss</b>	<b>(11.4)</b>	<b>(59.6)</b>	<b>-81%</b>

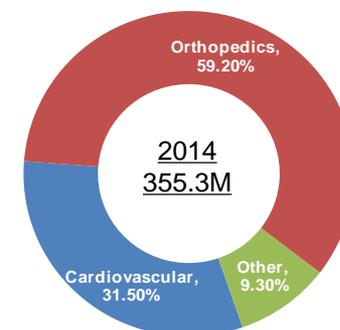
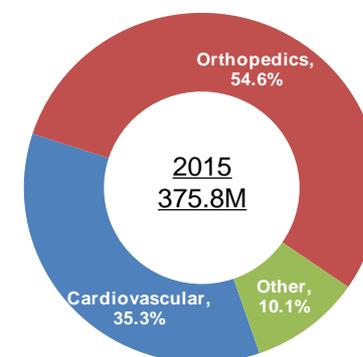
\*Other operating costs mainly represents goodwill impairment and transition exp.

# Revenue by Segment

## Key Takeaways

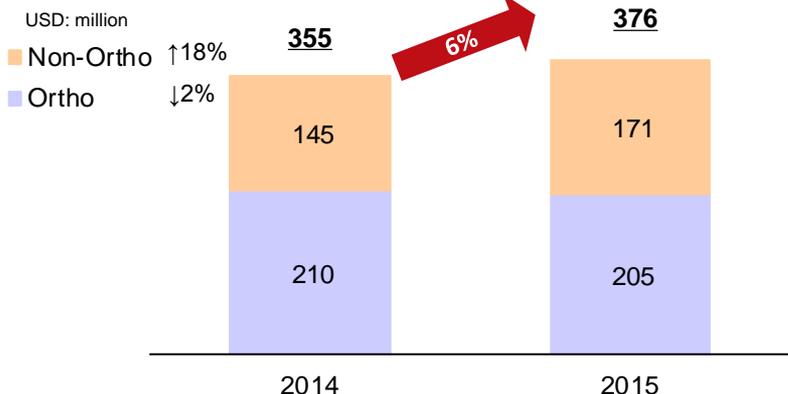
- Excl. FX impact, Group Rev Y/Y ↑10%;
- Double digit growth seen in the segments of Cardio, Ortho China, Endo, EP and Neuro;
- All segments and regions show solid growth Y/Y except Orthopedics Japan.

USD million	Financial Year Ended		Percent Change	
	2015	2014	in US\$	in local currency
<b>Cardiovascular devices business</b>	<b>132.6</b>	111.9	18%	20%
<b>Orthopedics devices business</b>	<b>205.2</b>	210.4	-2%	3%
- United States	87.5	83.8	4%	4%
- Europe	59.0	62.8	-6%	3%
- Japan	27.9	37.1	-25%	-14%
- China*	9.7	6.6	48%	50%
- ROW	21.1	20.1	5%	8%
<b>Endovascular devices business</b>	<b>16.2</b>	14.1	15%	16%
<b>Electrophysiology devices business</b>	<b>5.8</b>	4.8	21%	23%
<b>Neurovascular devices business</b>	<b>7.9</b>	6.3	25%	27%
<b>Surgical devices business</b>	<b>6.1</b>	5.8	5%	6%
<b>Diabetes devices business</b>	<b>2.1</b>	2.0	4%	6%
<b>Total</b>	<b>375.8</b>	355.3	6%	10%



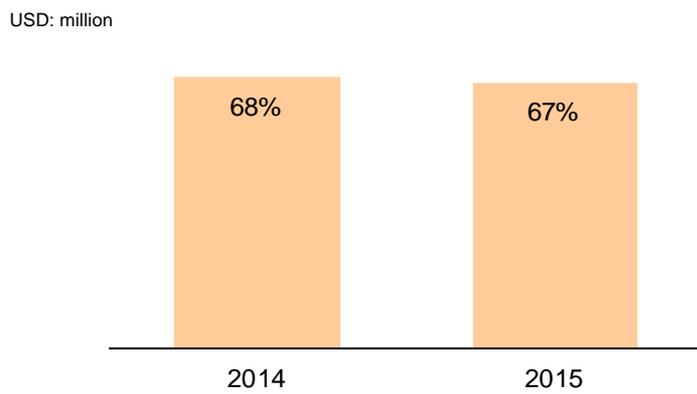
# Consolidated Financial Performance

## Revenue



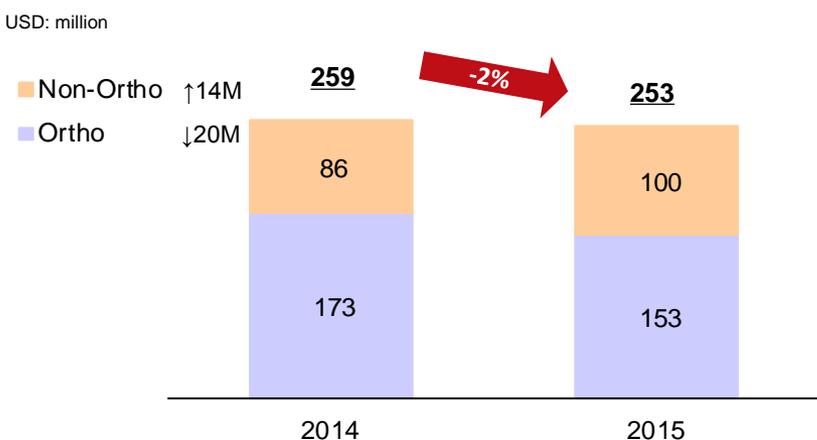
In constant currency, Group' revenue increased by 10%.

## Gross Profit Margin



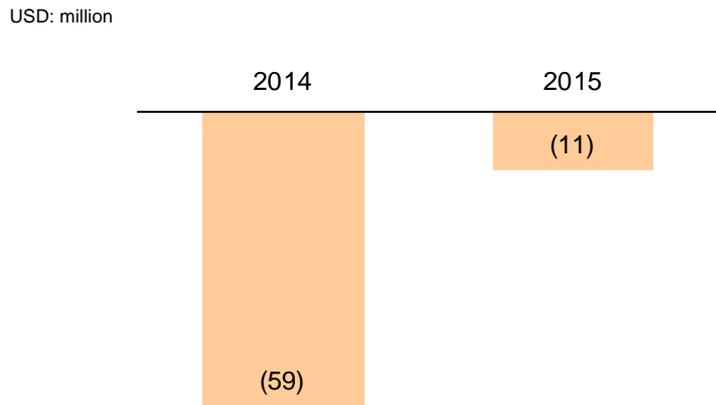
GP margin slightly decreased by 1%.

## Operating Expenses



Percentage of sales decline from 73% to 67%.

## Net Loss

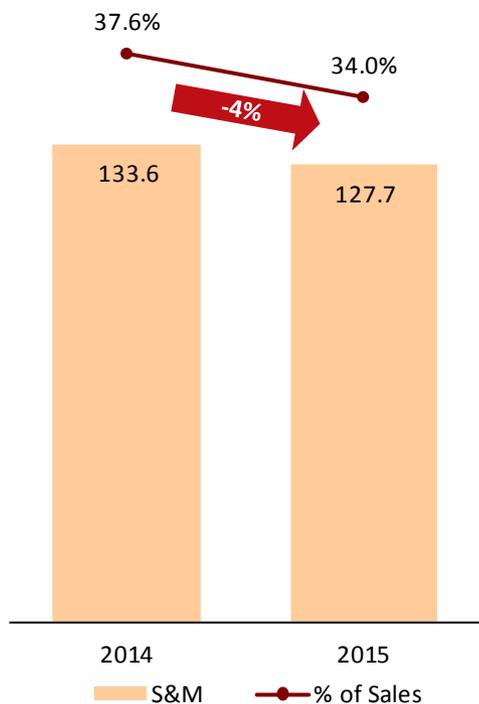


Net loss significantly improved by 48m.

# Operating Expenses

## Sales and Marketing Expenses

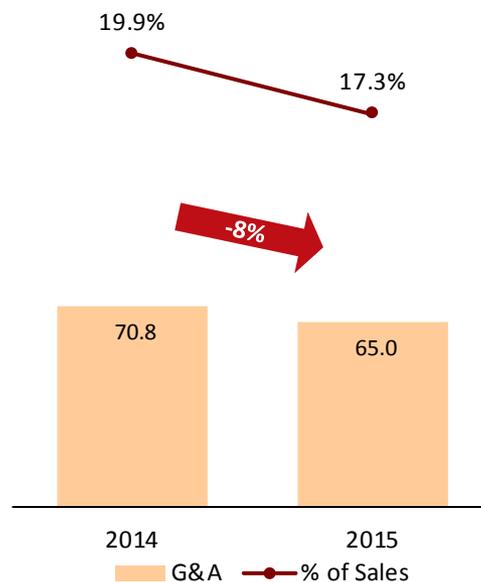
USD: million



- S&M Y/Y decreased by 5.9M mainly due to
  - Ortho Y/Y ↓12.3M as a result of Operation efficiency by reorganization;
  - Offset by more input in Cardio market and Int'l market.

## Administrative Expenses

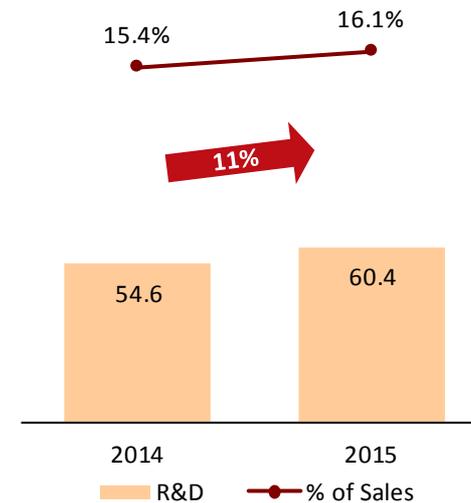
USD: million



- G&A Y/Y decreased by 5.8M mainly due to
  - Ortho Y/Y ↓6.7M as a result of Operation efficiency by reorganization;
  - Offset by Non-Ortho Y/Y ↑0.9M.

## Research and Develop. Expenses

USD: million



- R&D Y/Y increased by 5.8M mainly due to
  - Non-Ortho Y/Y ↑6.9M;
  - Offset by Ortho Y/Y ↓1.1M.

# Business Update by Segment

1

**Orthopedics Business**

2

**Vascular Business**

3

**Electrophysiology Business**

4

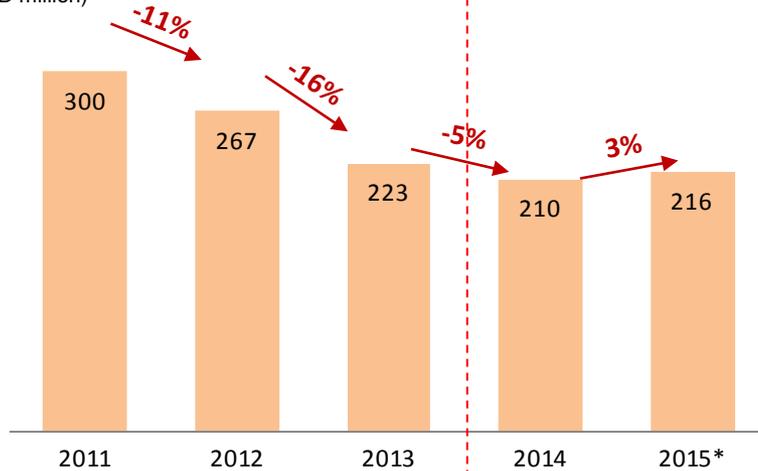
**MicroPort Sorin CRM (MSC)**

5

**Others**

## Revenue

(USD million)



Under Wright

Under Microport

Note\*: in Constant Currency

### Revenue:

- Global turn around in 2015
- Strong growth in China (50%)

### Expenses:

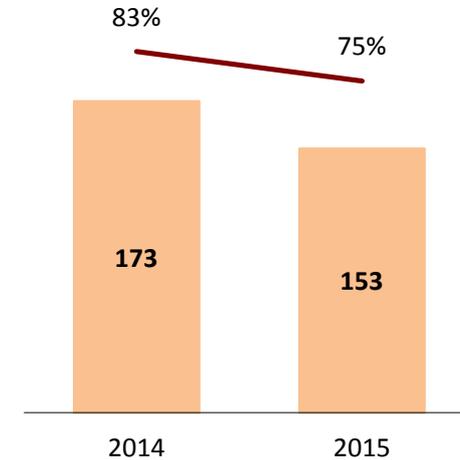
- Cost leverage and efficiency improvement help to decrease the operating expenses by 12%

### Net Loss:

- Net loss significantly reduced by 38%

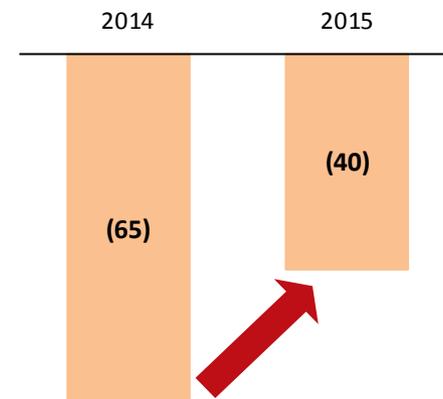
## Operating Expense

(USD million)

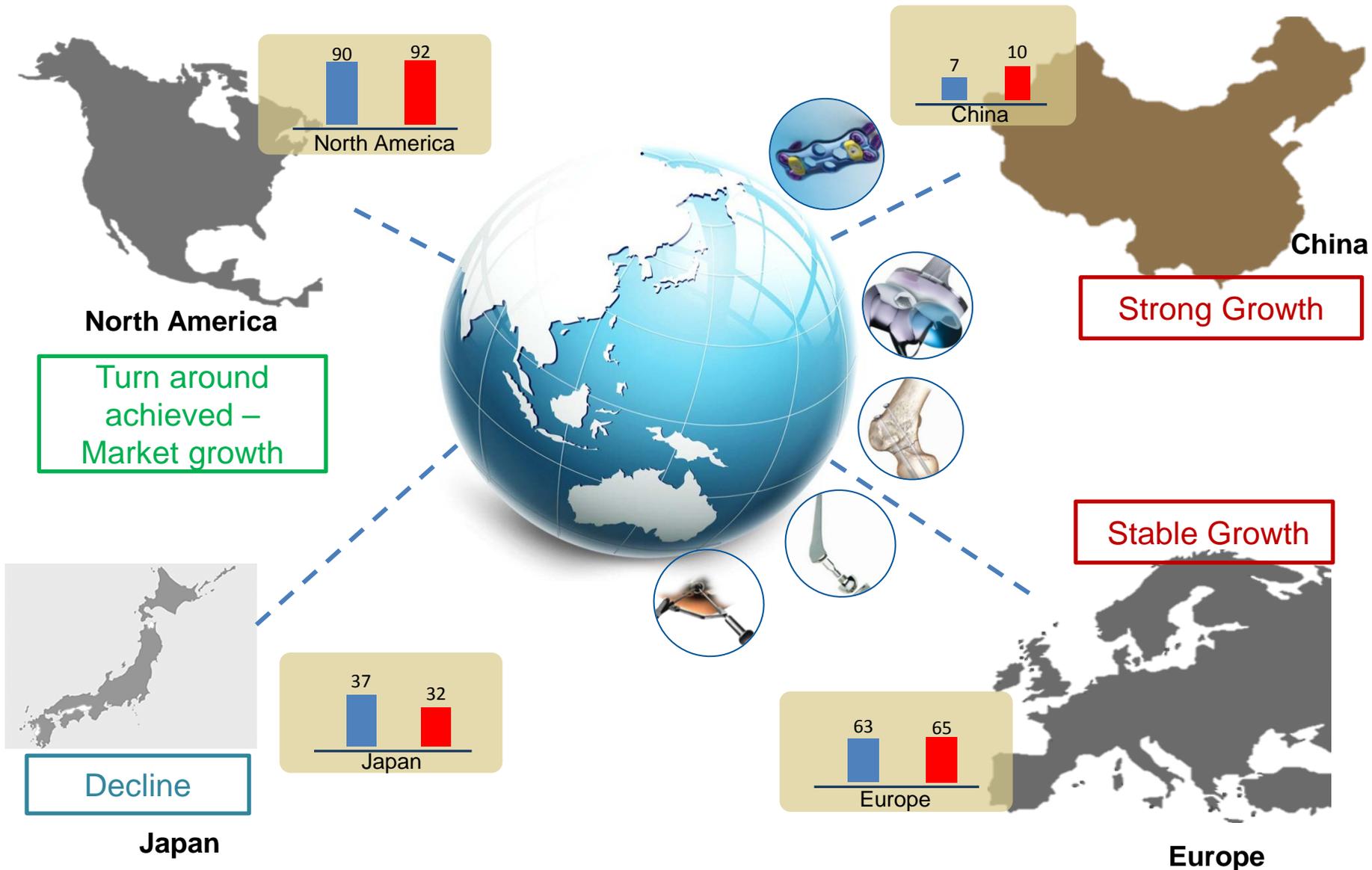


## Net Loss

(USD million)

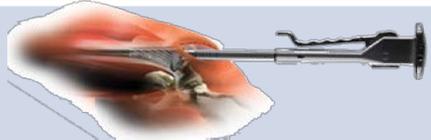
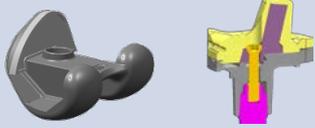


# 1 Orthopedics Business – Global Business



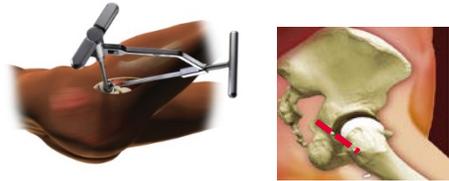
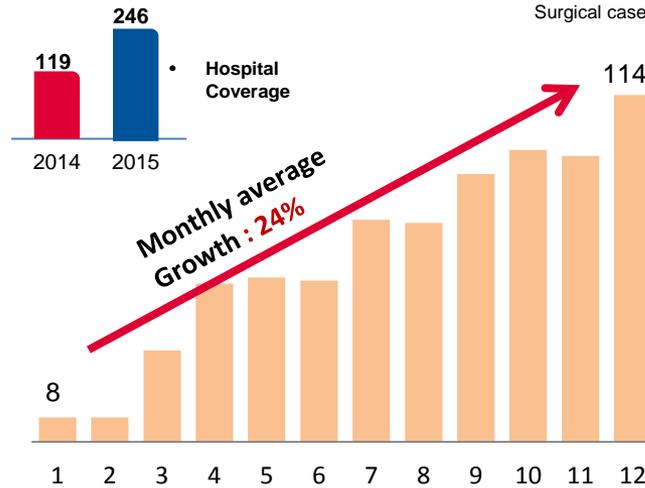
\* 2015 Figures in constant currency.

## R&D Product Pipeline 2016-2017: Supporting Our Core Offering

Product	Application	Date	
	Universal Inline Broach Handle	SuperPath® extension to other stems	Q2 2016
	Anterior Approach Instruments: Optimized Instrumentation	Anterior Approach THA	Q2 2016
	EVO Cementless: Biofoam Tibial Bases and Basic Keels	Cement-free TKA	Q3 2016
	EVOLUTION Revision Tibia Bases, Stems and Augments	Revision TKA > Primary TKA sales	Q4 2016/Q1 2017
	EVOLUTION Revision CCK Femur and Insert	Revision TKA > Primary TKA sales	Q2 2017
	New Cup: Optimized Poly: XL & E-POLY BIOFOAM	THA: Next Generation-replace old system	Q2 2017
	Next Generation Optimized ML Taper Hip Stem	THA: Optimized for Tissue-sparing surgery	Q3 2017

# 1 Orthopedics Business – China Business

## 2015 SuperPath Trend



## Evolution



- Gained CFDA Registration Certificate and came into the market on August 29, 2015.
- Started first surgery in Sep 2015. More than 40 surgeries have been performed to date.

## China Program



➤ The construction of Suzhou Orthopedics factory is now in accordance with plan.



➤ The toolmaking has already started.

## GISC



- Launches Global Instruments Supply Center
- Offers good logistics service to internal/external customers
- Keeps the total cost advantage in a leading position



GISC Shanghai FTZ DC

# 1 Orthopedics Business – Medical Training & Marketing



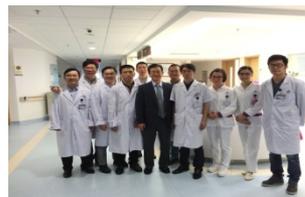
- From September 2 to September 5, MicroPort® Orthopedics attended the 16th Brazilian Hip Congress in the city of Fortaleza, Northeast Brazil.

- From October 8 to October 9, the International MedEd team organized a very successful Instructional Cadaveric Course on SuperPath® in Bristol, United Kingdom

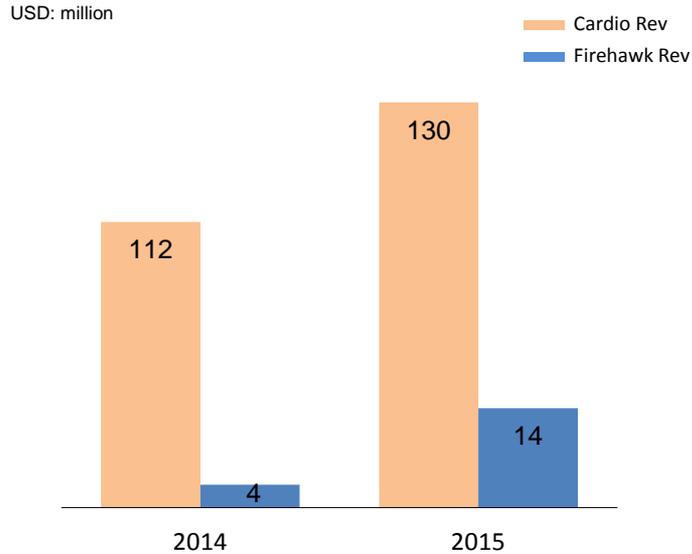
- From November 16 to November 19, MicroPort® Orthopedics Invited Professor Jimmy Chow Come to China to Carry Out SuperPath™ Academic Exchange Activities

- MicroPort® Orthopedics Attend the Tenth Session of the COA International Conference. MicroPort® Orthopedics participated in the conference and held a SuperPath® and EVOLUTION® satellite meeting.

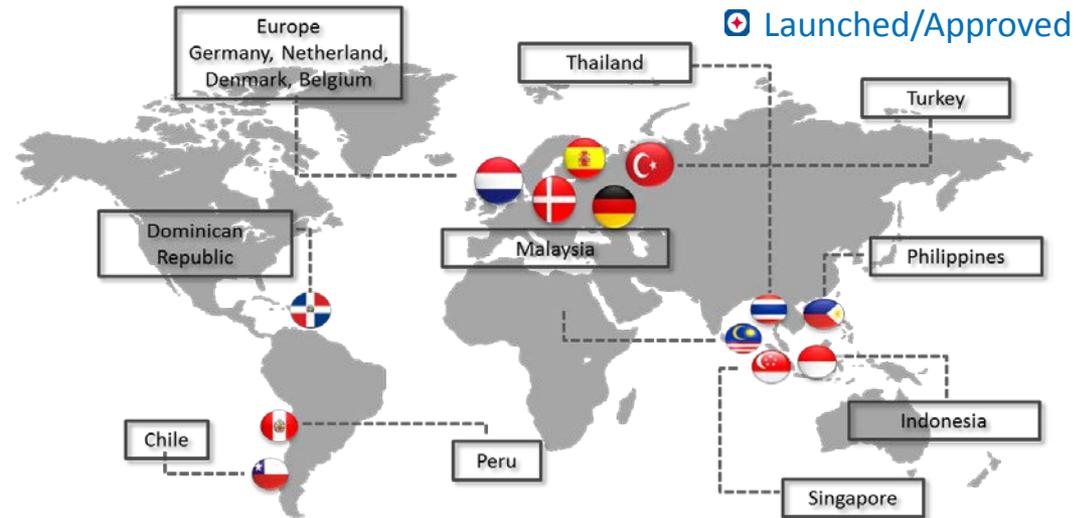
- From January 16 to January 18, 2016, MicroPort Orthopedics launched a training course in Shanghai and Sichuan Province respectively.



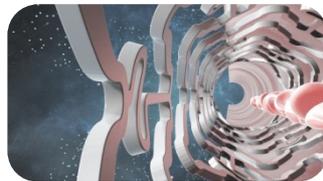
## Revenue



## Firehawk Fly Over the World



- Lowest drug dosage with the same efficacy
- The largest pre-market clinical study following the most stringent protocol in China.
- Received CE approval in Jan. 2015.

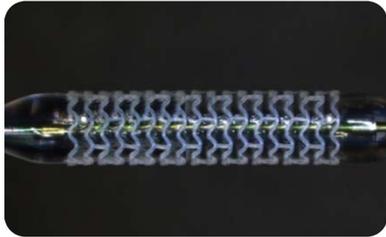


### The World's **First and Only** Target Eluting Stent (TES)

- First Patient Enrolled in MicroPort's European Clinical Study for the Rapamycin Target Eluting Coronary Stent System- "Firehawk".
- Firehawk attended TCT 2015, 5 TARGET FIM study results were published



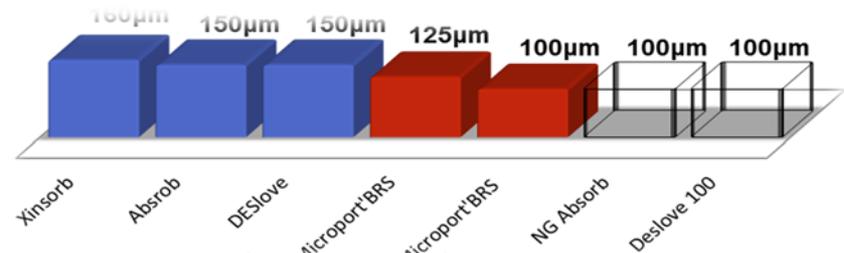
## Firesorb — Bioresorbable Rapamycin Target Eluting Coronary Stent System



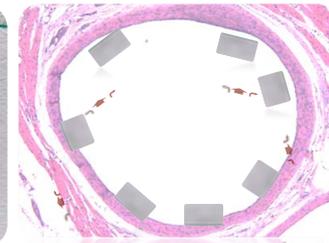
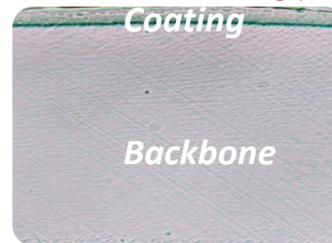
- **Backbone**
- **Strut thickness**
- **Abluminal coating**
- **Coating thickness**
- **Rapamycin dose**
- **RO markers**
- **Storage**
- **Available size**

**PLLA**  
**100µm~125µm**  
**PDLLA + Rapamycin**  
**<5 µm**  
**4 µg/mm**  
**At two ends**  
**Room temperature**  
**Φ2.5~4.0mm, 13~29mm**

*The first second generation bioresorbable stent used in human*



- Thinner strut ( 100~125µm )
- lower crossing profile
- shorter degradation time

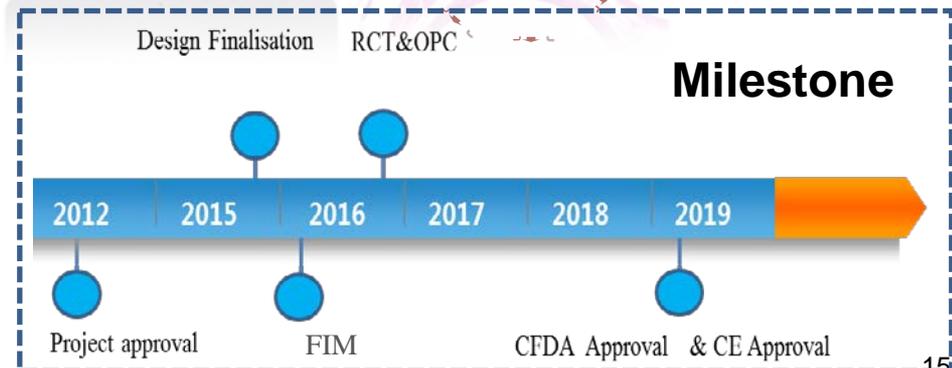


- Abluminal Coating
- Target Eluting, lower dosage of drug

### Highlights



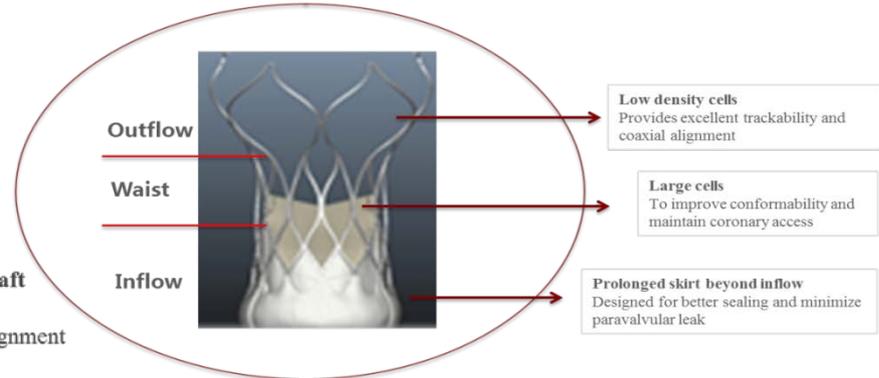
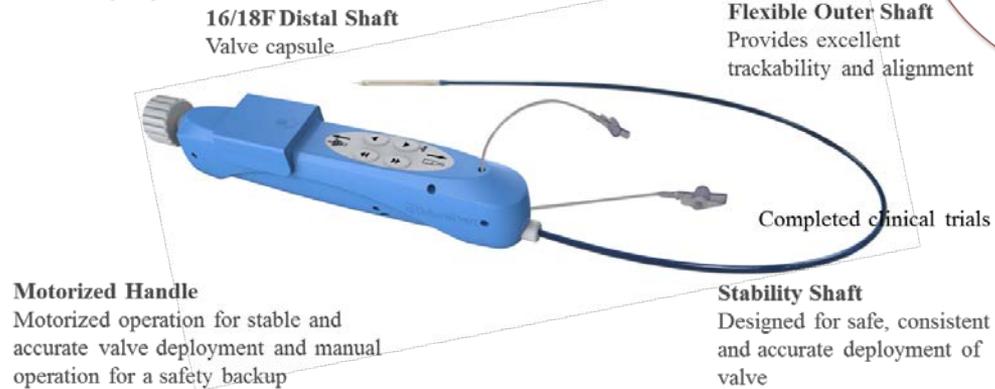
➤ **MicroPort® Firesorb Bioresorbable Rapamycin Target Eluting Coronary Scaffold System Completes First Successful Implantation in the First FIM Clinical Trial**



## TAVI

Valve Size	21mm	24mm	27mm	30mm
DS Profile	16F	16F	18F	18F

### Delivery system



### Valve

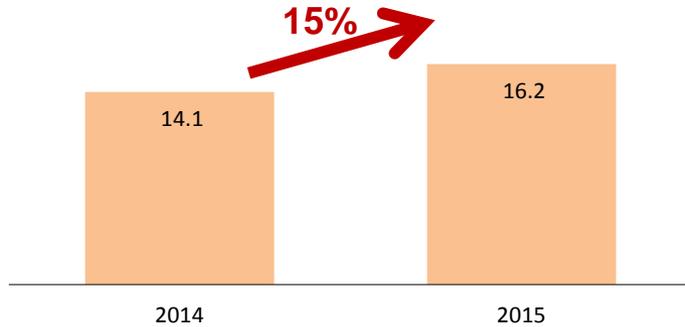
- Self-expanding Nitinol Stent
- Bovine pericardial leaflets with anti-calcification treatment
- PET Skirt

### Milestone



## Revenue

USD: million



- Driven by 10%-15% domestic market capacity growth.

## Highlights

- Reewarm™ PTX Granted Green Channel Status for CFDA Approval recently in 2016
- MicroPort® Endovascular (Shanghai) Co., Ltd recognized as one of Shanghai's the first group of High-tech enterprise
- MicroPort® Endovascular Castor™ Appearance 2015 International Endovascular Conference
- Hercules™ Balloon Dilation Catheter Gains Market Launch Approval in Brazil in 2015.

## Product Portfolio and R&D Pipeline

### Aortic Endovascular Product



Hercules-LP



Hercules-B



Aegis-B



Castor



Hercules-D

### Peripheral Endovascular Product

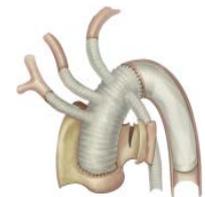


Crownus



Reewarm

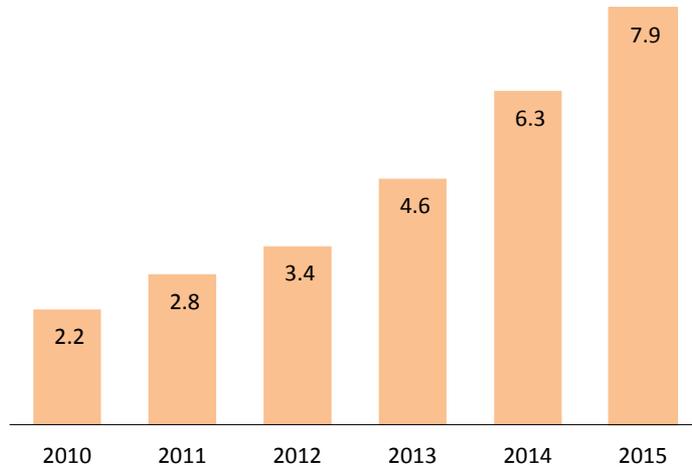
### Surgery Product



Cronus

## Dramatic Growth of Neuro in Revenue

USD: million



- 6 years' continuous double digit growth, driven by Willis and Apollo.

## Highlights in 2015

- **Tubridge™ Granted Green Channel Status for CFDA Approval recently in March, 2016.**
- Apollo maintains leadership in sales, market share, and exports.

## Full Neuro Product Portfolio

### -Hemorrhagic



## WILLIS

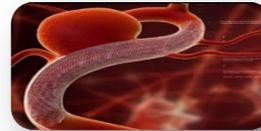
- The only product in Chinese market

### -Ischemic



- Be indicated for the treatment of intracranial stenosis

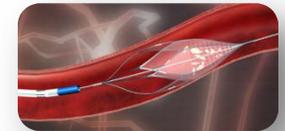
## Tubridge™



- High-density braided self-expanded stent



## APOLLO



## Coil



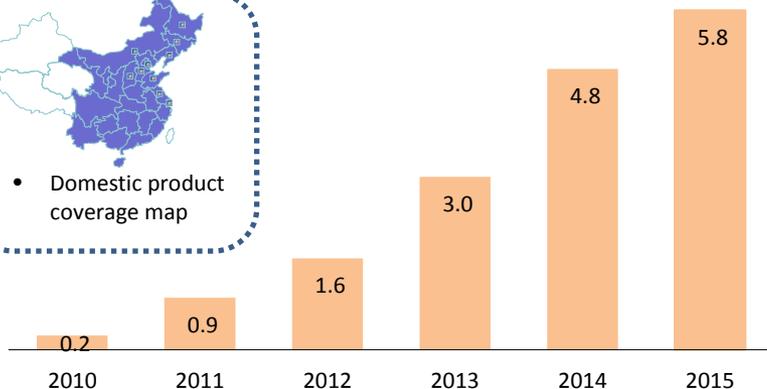
- The Aneurism improves the success rate of surgery(In R&D) development

## AETHER

- Approved by CFDA in 2006

## Dramatic Growth of EP in Revenue

USD: million



■ 6 years' continuous double digit growth

## Highlights in 2015

- OptimAblate™ Cardiac RF Generator and OptimAblate™ Irrigation Pump Obtained CE Certification of EU
- The Cardiovascular Catheter Sheath and the Accessories, completed its first clinical case observation
- EasyFinder™ Electrophysiology Steerable Diagnostic Catheter Gained CFDA Approval in 2015
- **Columbus Gains CFDA Approval in March 2016.**



## Product Portfolio

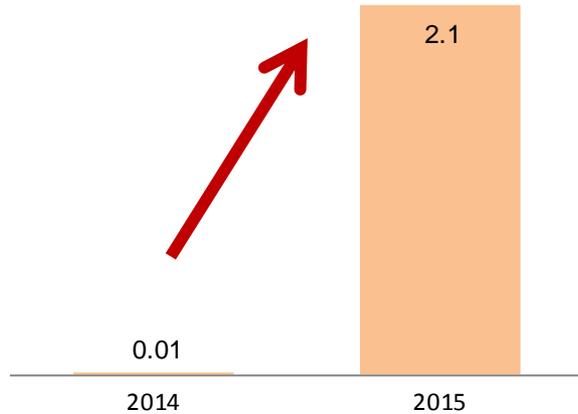


**The only Chinese company to have 3-D Magnet Mapping System and full EP product line.**

# 4 MicroPort Sorin CRM (MSC)

## Revenue

USD: million



- IPGs
- Leads
- Programmer
- Biz Models
- Others



## Innovated in China, for China



**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

- **Launched China's First Domestic Pacemaker Production Line in June, 2015**
- Animal study on-going
- Leveraging MP & Sorin capabilities



**Surgical Robot**

➤ **Product Introduction**

**Indication:**

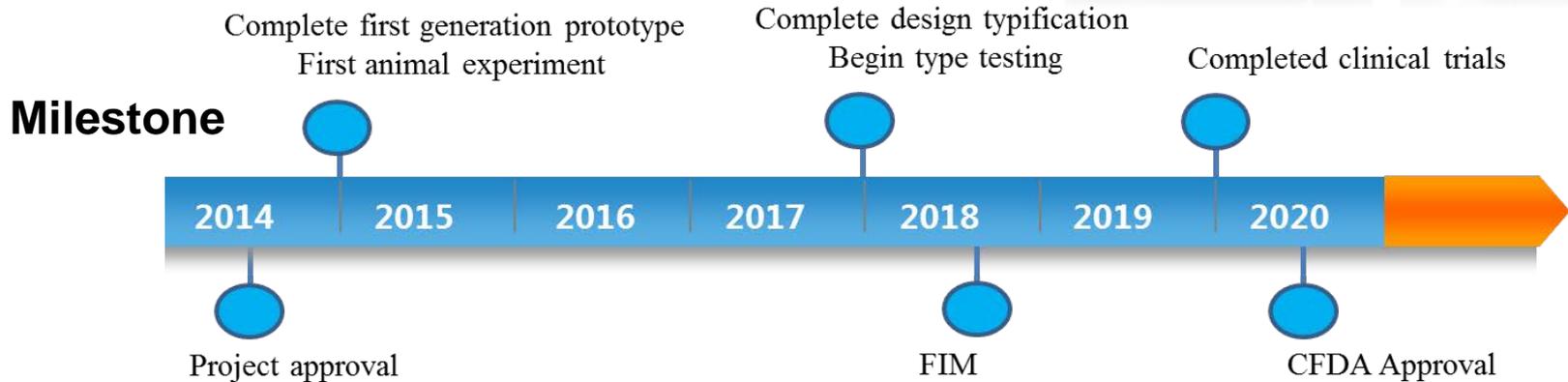
urology, obstetrics,  
general thoracic, cardiovascular surgery

**Core Function:**

Master-Slave teleoperation, 3D vision.  
Full dimension motion control, Force feedback.

➤ **R&D Progress**

Developed the first generation prototype;  
Systematical performance testing;  
Animal Testing;



# Appendix I

## - Consolidated Income Statement

(USD '000)	2015	2014	Flux %
<b>Revenue</b>	<b>375,844</b>	<b>355,284</b>	<b>6%</b>
Cost of sales	(123,335)	(111,999)	10%
<b>Gross profit</b>	<b>252,509</b>	<b>243,285</b>	<b>4%</b>
Other revenue & net gain	15,525	12,025	29%
Research and development costs	(60,354)	(54,564)	11%
Distribution costs	(127,739)	(133,629)	-4%
Administrative expenses	(65,031)	(70,773)	-8%
Other operating costs	(4,886)	(35,710)	-86%
<b>Operating Profit</b>	<b>10,024</b>	<b>(39,366)</b>	<b>-125%</b>
Finance costs	(14,778)	(12,956)	-14%
Share of losses of a joint venture	(3,788)	(1,192)	
<b>Profit/(loss) before taxation</b>	<b>(8,542)</b>	<b>(53,514)</b>	<b>-84%</b>
Income tax	(2,837)	(6,057)	-53%
<b>Net loss</b>	<b>(11,379)</b>	<b>(59,571)</b>	<b>-81%</b>

# Appendix II

## - Consolidated Balance Sheet

USD'000	31 Dec 2015	31 Dec 2014
Fixed assets	271,203	286,666
Intangible assets	60,217	60,506
Prepayments for fix assets	2,711	1,678
Goodwill	55,463	56,529
Interest in a joint venture	4,759	3,866
Deferred tax assets	3,711	4,124
Time deposits	-	11,440
Other non-current assets	4,339	6,813
<b>Total non-current assets</b>	<b>402,403</b>	<b>431,622</b>
Inventories	101,840	109,901
Trade and other receivables	126,957	121,930
Time deposits	2,976	60,679
Cash and cash equivalents	99,467	215,602
<b>Total current assets</b>	<b>331,240</b>	<b>508,112</b>
<b>Total assets</b>	<b>733,643</b>	<b>939,734</b>
Trade and other payables	(99,418)	(108,649)
Interest-bearing borrowings	(55,086)	(215,897)
Income tax payable	(1,226)	(1,016)
Deferred income	(5)	(10)
Derivative financial liabilities	(397)	(592)
Obligation under finance leases	(1,209)	(1,868)
Other current liabilities	(7,260)	
<b>Total current liabilities</b>	<b>(164,601)</b>	<b>(328,032)</b>
Interest-bearing borrowings	(129,374)	(132,817)
Convertible bonds	(94,815)	(91,573)
Obligation under finance leases	(33)	(1,894)
Deferred income	(22,086)	(28,989)
Other payables	(1,541)	(1,793)
Other non-current liabilities	-	(7,335)
Deferred tax liabilities	(3,365)	(3,558)
<b>Total liabilities</b>	<b>(415,815)</b>	<b>(595,991)</b>
Share capital	(14)	(14)
Reserves	(312,505)	(342,239)
Non controlling interests	(5,309)	(1,490)
<b>Total equity</b>	<b>(317,828)</b>	<b>(343,743)</b>

# Appendix III

## - Condensed Consolidated Cash Flow Statement - Adjusted

(USD '000)	2015	2014
Cash generate from operations	36,132	26,242
Income tax paid	(5,412)	(8,436)
<b>Net cash generated from operating activities</b>	<b>30,720</b>	<b>17,806</b>
<b>Net cash (used in)/from investing activities*</b>	<b>(47,177)</b>	<b>(338,155)</b>
<b>Net cash generated in financing activities</b>	<b>(164,952)</b>	<b>394,008</b>
<b>Net decrease in cash and cash equivalent</b>	<b>(181,409)</b>	<b>73,659</b>
<b>Cash and cash equivalents at 1 January</b>	<b>287,721</b>	<b>216,225</b>
Effect of foreign exchange rate changes	(3,869)	(2,163)
<b>Cash and cash equivalents at 31 December</b>	<b>102,443</b>	<b>287,721</b>

\* Adjusted net placement 69 million of time deposits with bank over 3 month (2014: 16 million net uplift ) in to cash and cash equivalents.

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