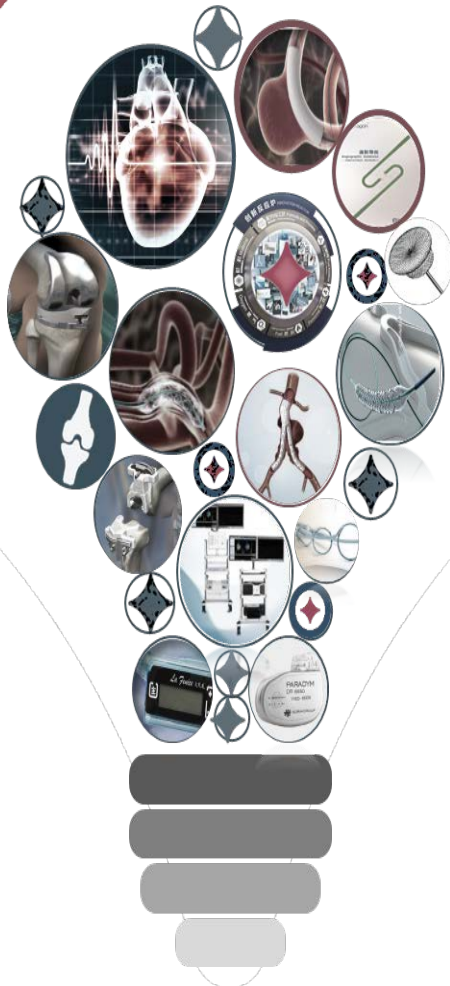




## The Patient Always Comes First



# MicroPort 2016 1H Earning Release

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## 1. Interim Results Highlights

## 2. Financial Review

## 3. Business Review

## 4. Appendix

- Financial Statements

# 1H 2016 Results Highlights

## Highlights

- Successfully achieved revenue of \$198.6m, representing a growth rate of 6.9% excluding foreign exchange impact
- Key segments and core products maintained robust growth
  - Cardiovascular, Endovascular and Neurovascular revenues increased by 12.4%, 40.2% and 26.8% respectively excluding foreign exchange impact
- MPO further narrowed its net loss with cash flow break-even on track
- Net Profit realized turnaround from (US\$2.6m) to US\$5.5m
- Substantial progress in R&D and pipeline development
  - Columbus™ and FireMagic™ 3D Cool & Supercool obtained CFDA approvals
  - Firehawk™ obtained regulatory approval in Brazil, India, Argentina and Vietnam; Target AC Clinical Trials in Europe completed ~70% patient enrollment
  - Evolution Revision Tibial System submitted for FDA approval
  - TAVI, Firesorb™, “Innovated-in-China” Pacing Lead and Minos™ at Clinical Trials stage
  - TAVI, Firesorb™, Tubridge™ and Reewarm™ PTX granted Green-Path for CFDA approval
  - Total hip prosthesis R&D in China scheduled to enter Clinical Trials
  - Surgical Robot is in good process
- EP business was approved by HKSE and the Board for quotation on NEEQ, which is expected to provide a good platform for financing and further development.

## Key Financial Summary (\*Excl. FX)

Revenue: +6.9%\*

### Driven by Key Segments

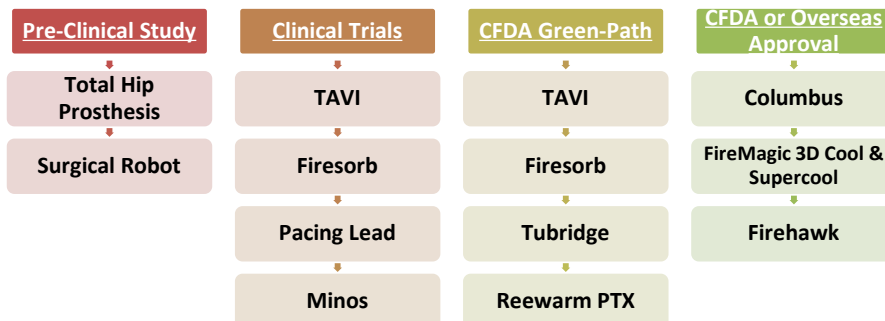
Orthopedics: +1.2%    Cardio: +12.4%\*    Endo: +40.2%\*    Neuro: +26.8%\*

### Driven by Key Areas and Core Products

MPO Net loss: narrowed 27%\*    Ortho China: +78%\* be consol.    Firehawk: +126%\*    Hercules Thoracic: +60%\*    APPOLO: +31%\*

Net Profit : –USD 2.6m → + USD5.5m

## R&D and Pipeline Progress



## 1. Interim Results Highlights

## 2. Financial Review

## 3. Business Review

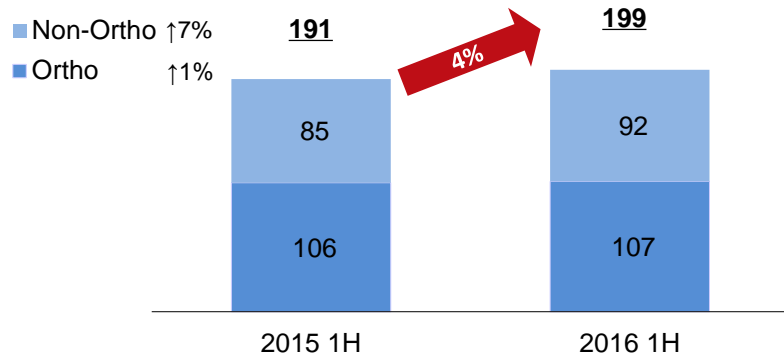
## 4. Appendix

- Financial Statements

# Consolidated Financial Performance

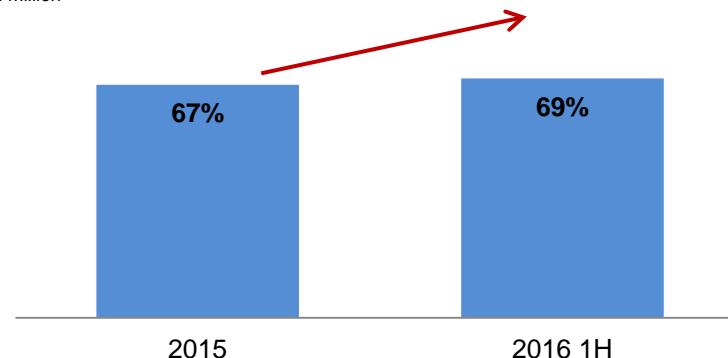
## Revenue

USD: million



## Gross Profit Margin

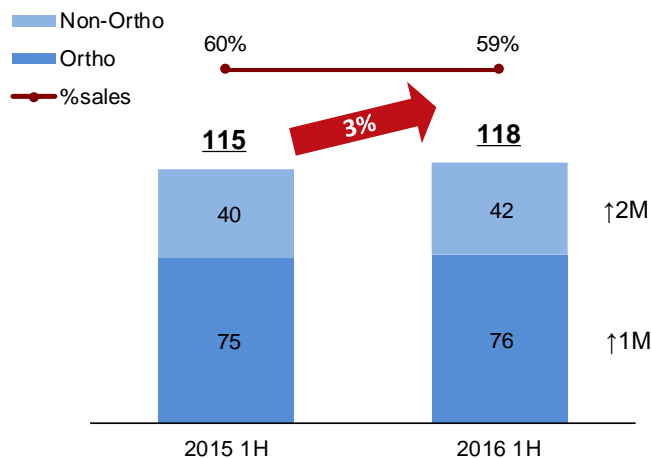
USD: million



**Group revenue up 7% excl. FX, 4% as reported**

## Operating Expenses

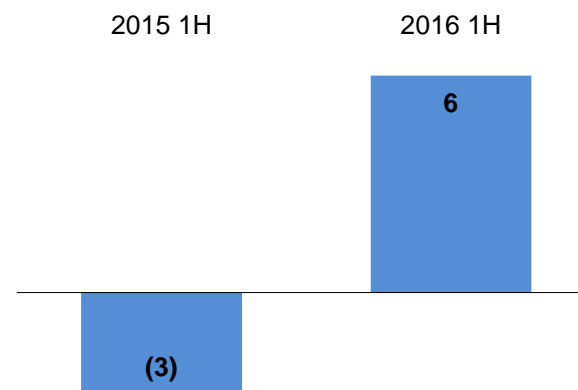
USD: million



**Percentage of sales improved 1%**

## Net Profit/(Loss)

USD: million

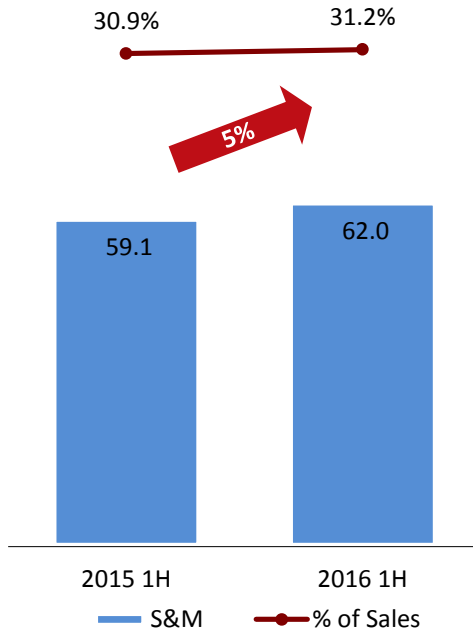


**Turnaround from loss (\$3m) to profit \$6m.**

# Operating Expenses

## Sales and Marketing Expenses

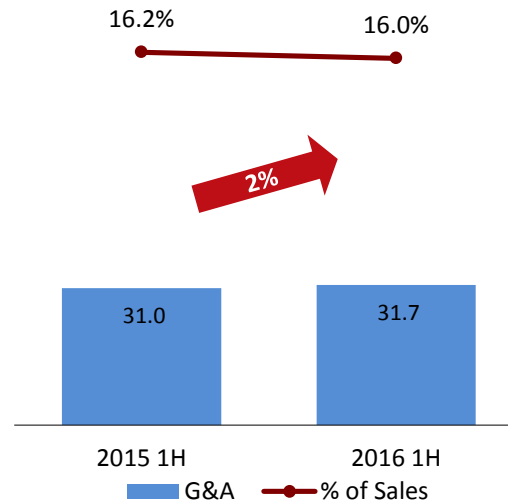
USD: million



- Percentage of Sales ↑ 0.3%
- Increase by 2.9M
  - Ortho ↑ 1.6M due to more bonus paid for promotion of the orthopedics business;
  - Non-Ortho ↑ 1.3M due to more input in post-market clinical trials for promotion of Firehawk in the domestic market.

## Administrative Expenses

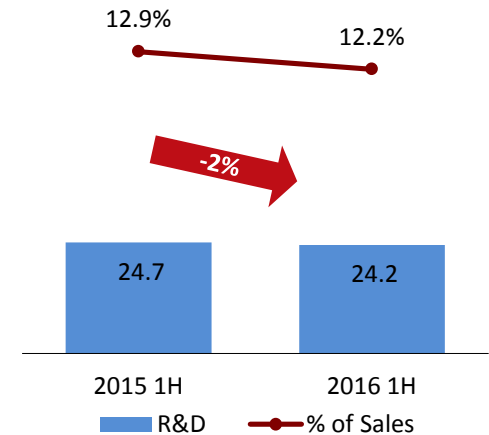
USD: million



- Percentage of Sales ↓ 0.2%
- Increase by 0.7M
  - Non-Ortho Y/Y ↑ 0.9M to support business growth;
  - Offset by Ortho Y/Y ↓ 0.2M.

## Research and Develop. Expenses

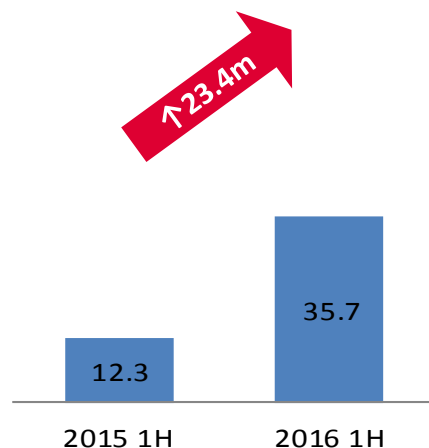
USD: million



- Percentage of Sales ↓ 0.7%
  - Decrease by 0.5M
    - Non-Ortho Y/Y ↓ 0.3M;
    - Ortho Y/Y ↓ 0.2M.
- \* Note: Capitalized R&D ↑ 1.7M*

## Net Cashflow from Operating Activities

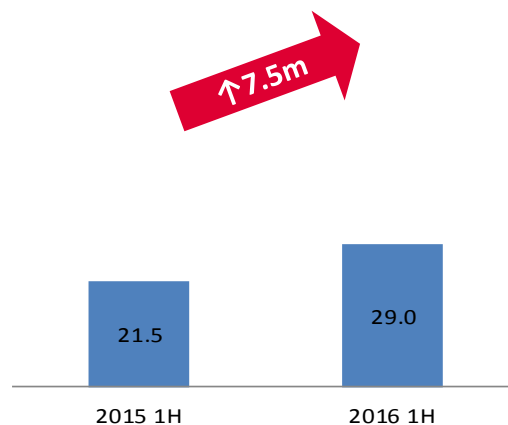
USD: million



**Net operating cash inflow increased 23.4M**

## Net Cashflow from Investing Activities

USD: million

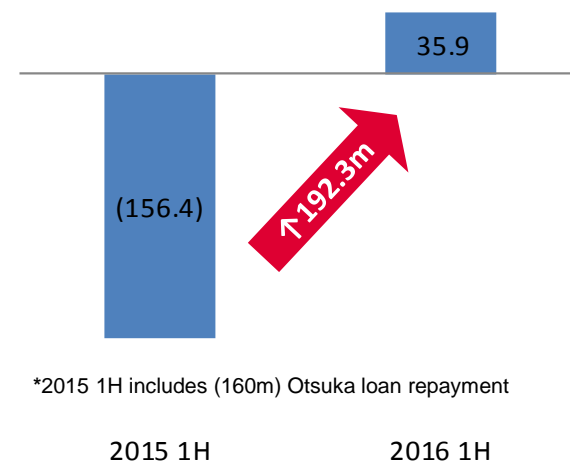


**Net investing cash outflow increased 7.5M to support business growth**

*\* Includes movement in time deposits over 3 month (1H16: -6m vs 1H15: -10m)*

## Net Cashflow

USD: million



*\*2015 1H includes (160m) Otsuka loan repayment*

**Net cashflow turned positive to 35.9M in 1H 2016**

Convertible bond issued in 1H 2016 bringing in Carlyle as new important strategic investor

*\* Includes movement in time deposits over 3 month (1H16: -6m vs 1H15: -10m)*



## 1. Interim Results Highlights

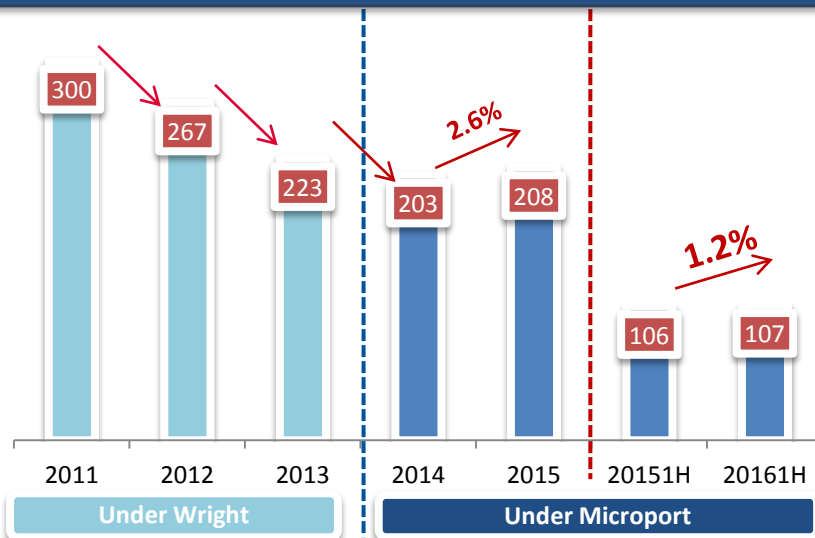
## 2. Financial Review

## 3. Business Review

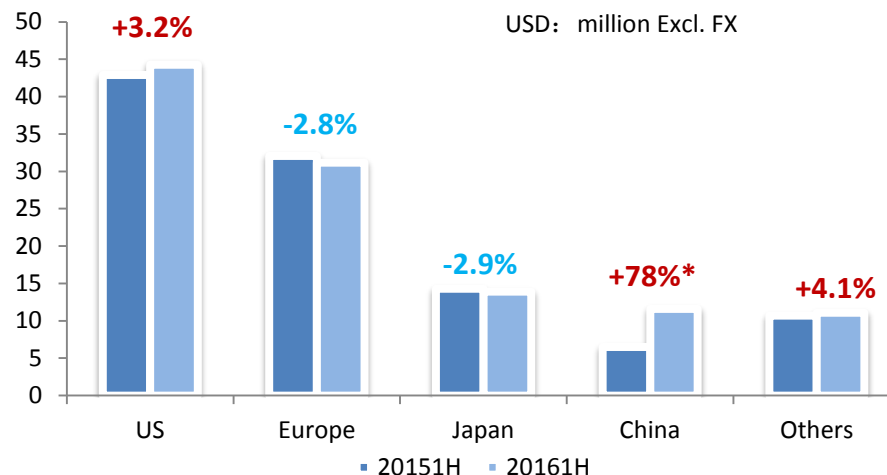
## 4. Appendix

- Financial Statements

## Revenue

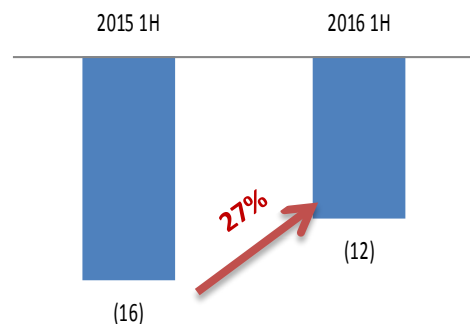


## Revenue by Geographic Areas



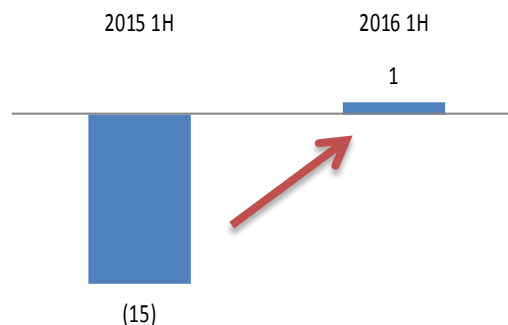
## MPO Net Loss w/o FX

USD: million Excl. FX



## MPO Operating Cash flow

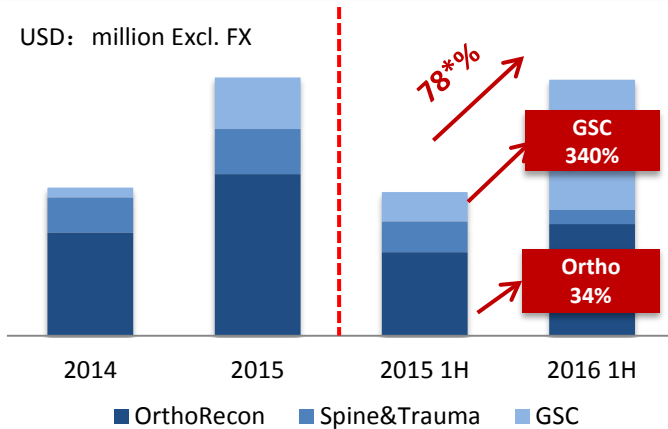
USD: million



- Continued to build our corporate brand around the concept of Full Function, Fast Recovery™ to promote our differentiated products
- MPO Continued to deliver solid financial performance
  - ▢ Improved gross margin
  - ▢ Flat operating expenses
  - ▢ Control on inventory & investment
  - ▢ Cash flow improvement on track with target to break-even by year-end
- US: maintained a market average growth rate
- Europe: dropped due to stocking distributors' internal re-organization and strength of USD
- Japan: a significant deceleration of revenue drop

## Revenue and Growth

USD: million Excl. FX



\* Revenue of China business is before consolidation

### ■ China OrthoRecon :

- Solid ramp up on Superpath™ and Evolution™
- Sales on imported products became profitable
- Improved margin driven by product mix
- Made in China project on track: Equipment are under installation and debugging

### ■ Global Supply Center ("GSC"):

- Start GSC phase II projects
- Raw materials for made-in-China project: 20% savings
- Rapid progress of purchase of low-cost instruments in Asia-Pacific area

### ■ Instrument Manufacturing:

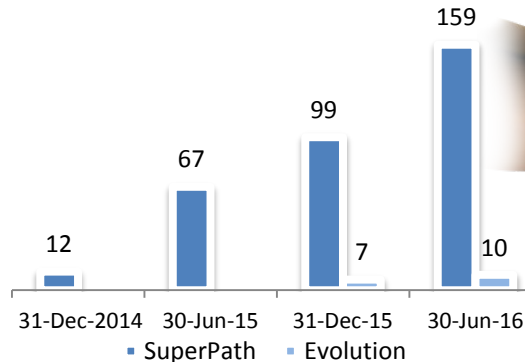
- Completion of verification, start to fulfill GSC orders in
- Ability to provide 60% kinds of instruments purchased by GSC

### ■ Spine and Trauma ("S&T"):

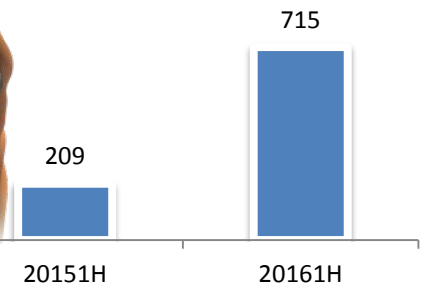
- New products next year: bone cement, PKP, PVP, bone nail

## 2016 Superpath™ and Evolution™

### Hospital Coverage



### Superpath™ Surgical Cases



As of Mid-Aug:

### ■ Superpath™

- Hospitals covered: 159 in 23 provinces
- Total surgical cases: 1665 since launched at Nov.14

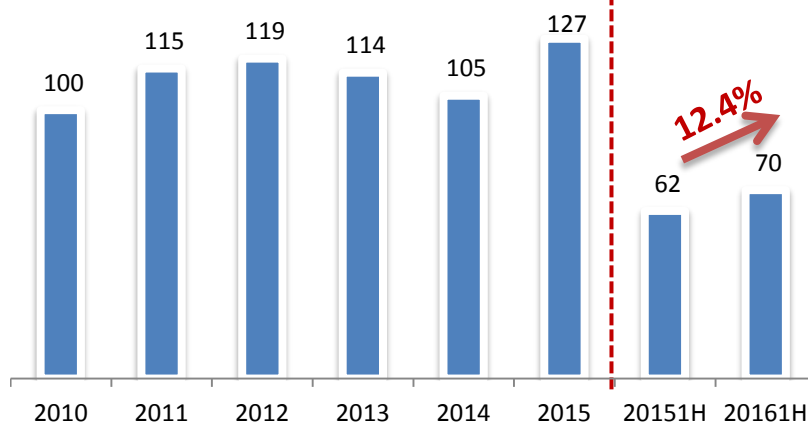
### ■ Evolution™

- Hospitals covered: 10 in 9 provinces
- Total Surgical cases: 136 since launched at Aug.15



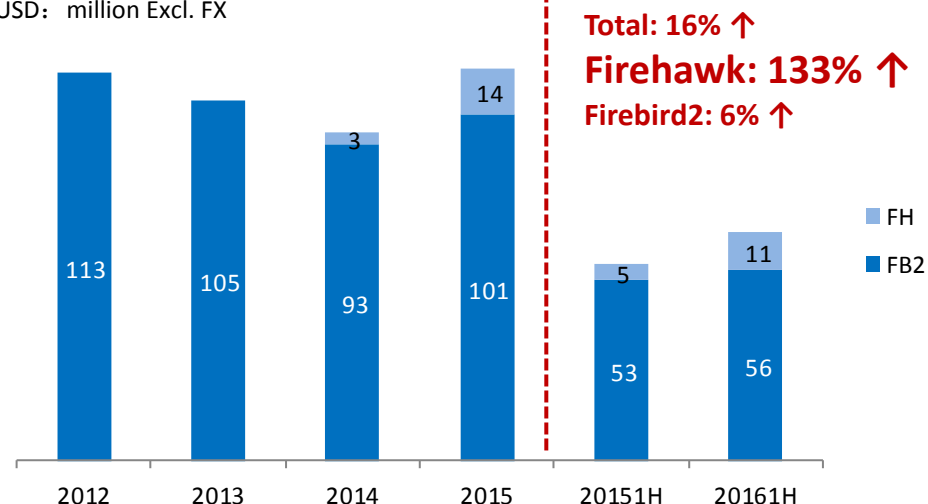
## Revenue

USD: million Excl. FX



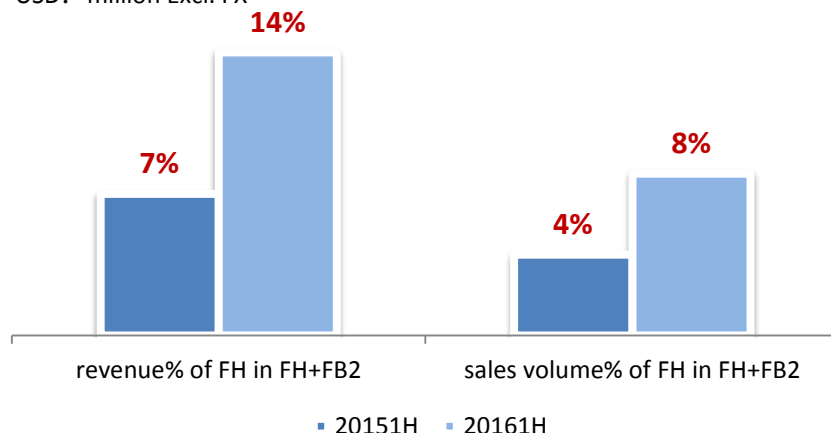
## Domestic DES Sales Growth by Products

USD: million Excl. FX



## Percentage of Firehawk in Domestic DES sales

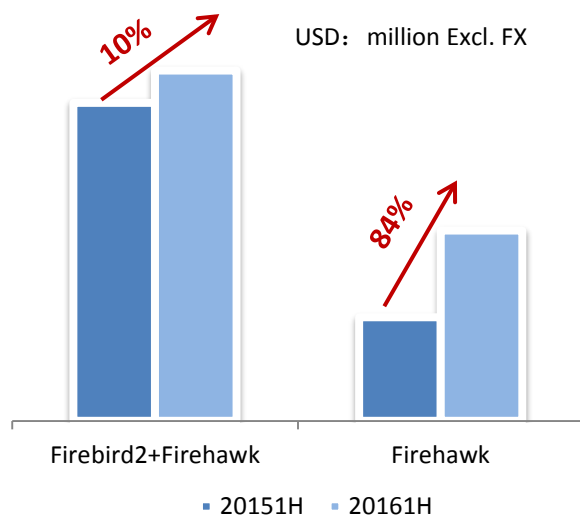
USD: million Excl. FX



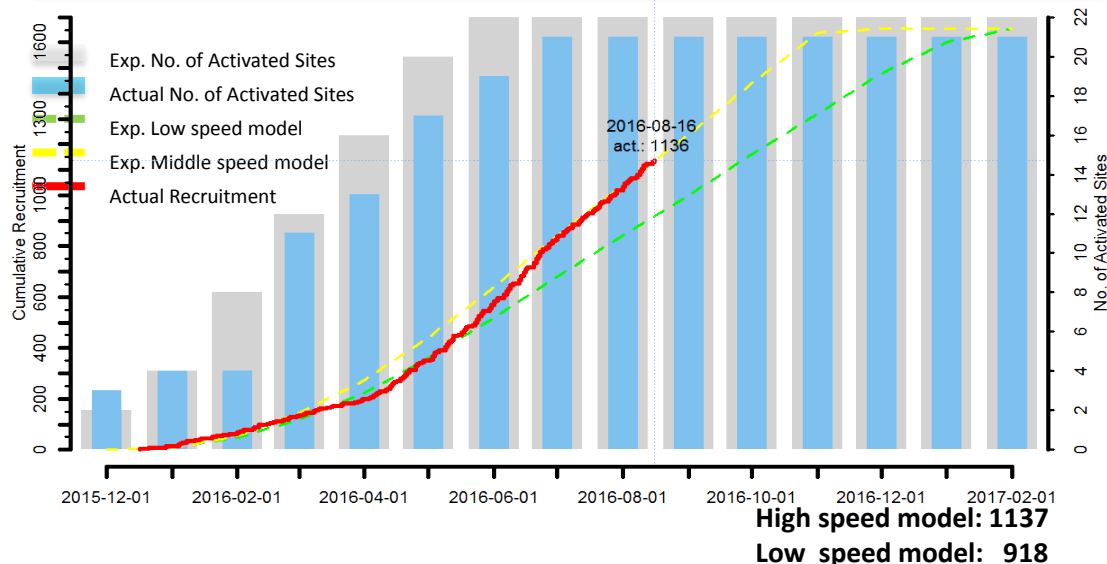
## Highlights

- **Revenue** increased by 12.4% excl. FX or 5.3% in US\$
- **Domestic stents** sales units and revenue growth increased by 25% and 16% excl. FX respectively
- **Firehawk™** sales achieved 133% growth rate in China. As at mid-Aug, entered into 264 hospitals in 26 provinces
- **Firebird2™** sales continued organic growth at 6% . As at Mid-Aug, entered into over 1300 hospitals in 30 provinces
- **Firehawk™** sales volume and revenue accounted for 8% and 14% of overall DES sales in 1H

## Overseas Revenue



## Firehawk™ TARGET AC Enrollment Status



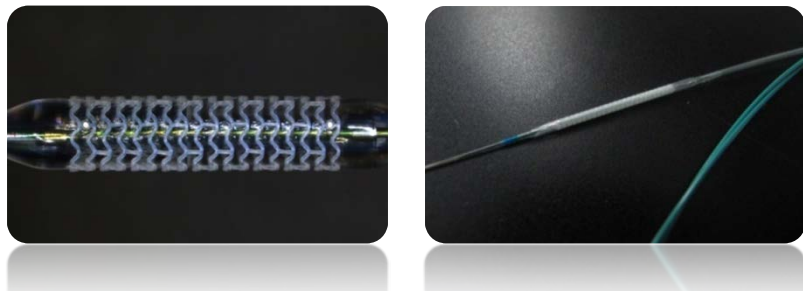
## Highlights

- Firehawk™ overseas coverage: 24 overseas countries
- Total overseas sales of Firebird2™ and Firehawk™ growth: Y/Y 10%
- Firehawk™ overseas sales: Y/Y 84%
- Firehawk™ Target AC Clinical Trials in Europe is ahead of schedule with over 1214 patients enrolled in 21 hospitals (total target 1656 patients)

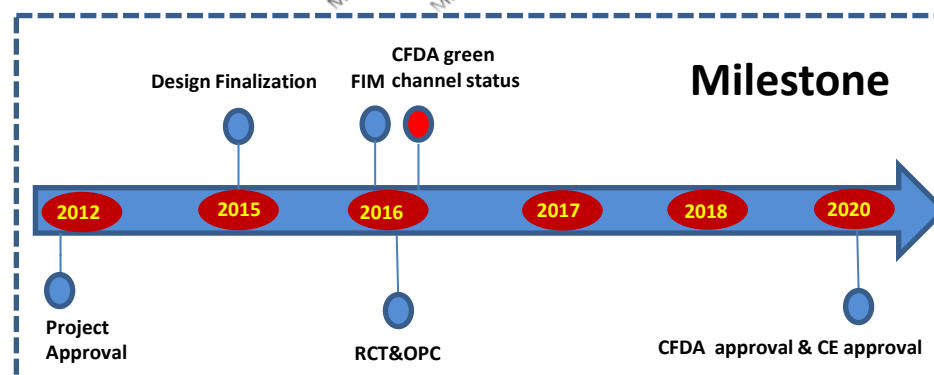
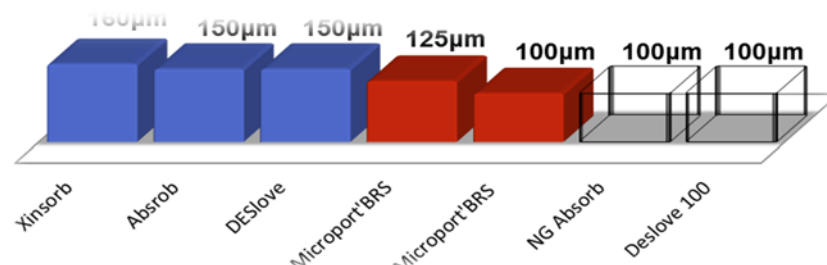
## New Countries & Distributors Development



## Firesorb-Bioresorbable Rapamycin Target Eluting Coronary Stent System

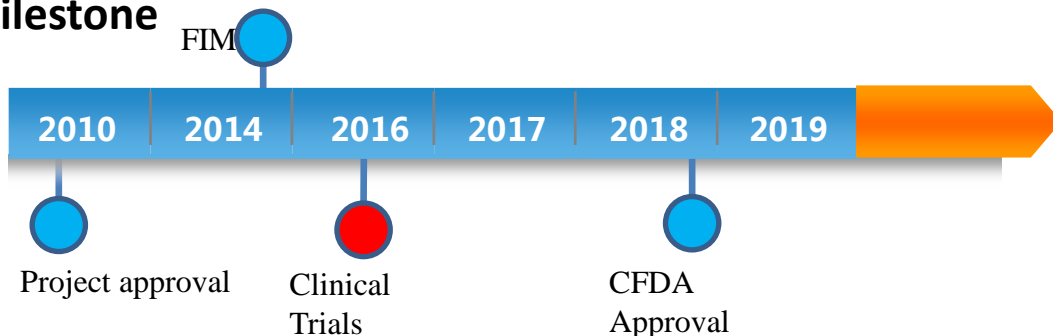


- Granted Green-Path for CFDA approval
- FIM Clinical Trials (45 patients) completed
- Clinical follow-up ongoing and expected to receive report in Q3 and then Initiate FUTURE-II in Q4



## Transcatheter Aortic Valve (TAVI) --Vitaflow

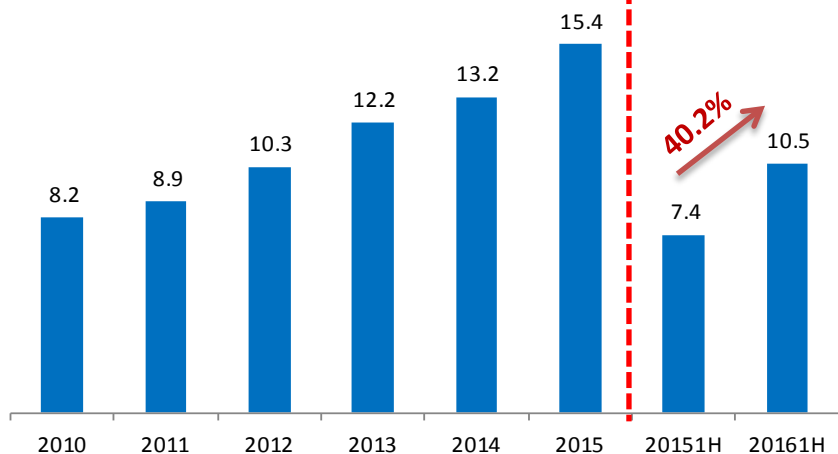
### Milestone



- Granted Green-Path for CFDA approval.
- At the Stage of Pre-marketing Clinical Trials.
- Estimated to complete all of its Clinical Trials before the End of 2016.
- Introduced at “China Valve” conference

## Revenue

USD: million Excl. FX

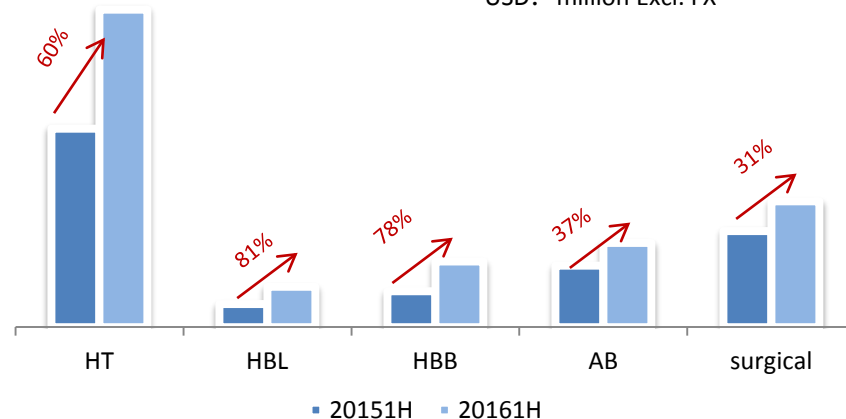


Extensive product pipeline ~ 17 products expected by 2019 across all sectors

Product Name	Q4 2016	Q1 2018	Q4 2018	Q2 2019	
Castor	★	★	★	★	TAA
Next Generation TAA			★	★	
多分支			★	★	AAA
Ultra-LP		★	★	★	
ReeWarm PTX(0.018)	★	★	★	★	Peripheral
ReeWarm PTX(0.014)		★	★	★	
ReeWarm(0.018) Drug PTX			★	★	
Next Generation Surgical Stent				★	Surgical

## Sales growth by products

USD: million Excl. FX

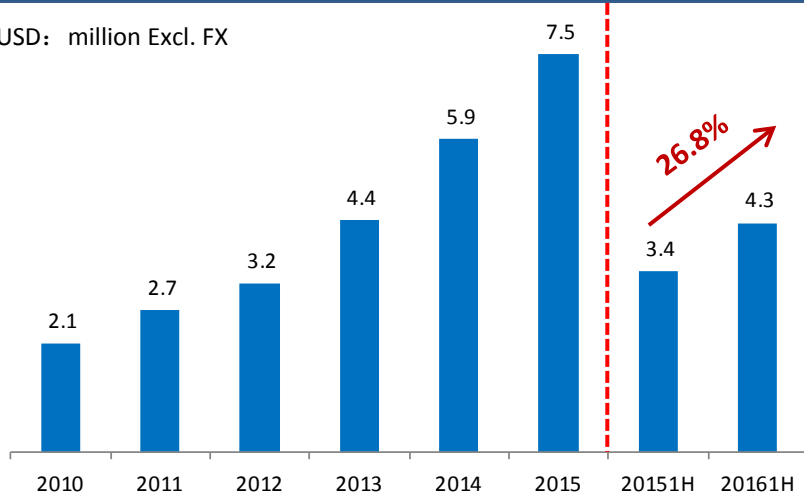


## Highlights

- Achieved Y/Y sales growth of 40% excl. FX and 32% in USD, exceeding market average level
- Hercules Thoracic Stent-Graft System maintains strong growth momentum with 74% and 60% growth rate in volume and revenue, respectively.
- Significant growth of AAA related products
- Cronus™ Surgical stent graft system, the unique product adopted in China, maintained solid growth after launched for decade.
- Castor™ Thoracic Branch Stent-Graft System granted Green-Path with 70 follow-up Clinical Trials completed
- Reewarm™ PTX Drug balloon dilatation granted Green-Path

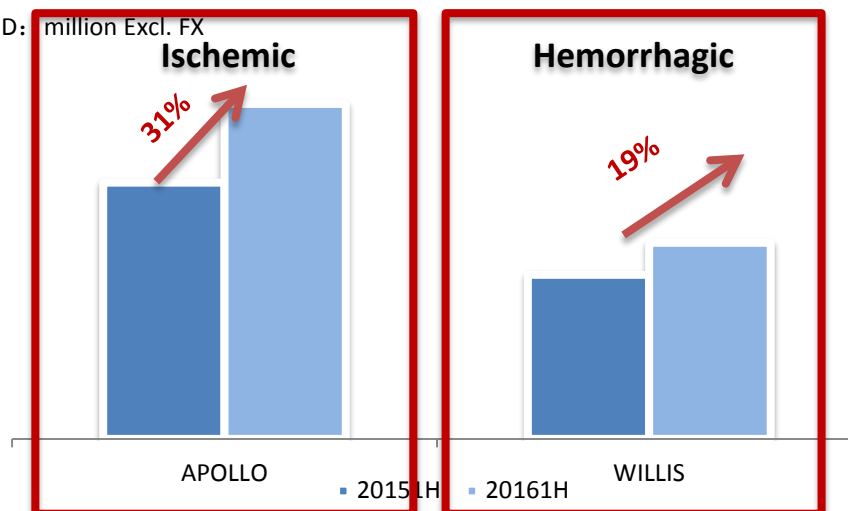
## Revenue

USD: million Excl. FX

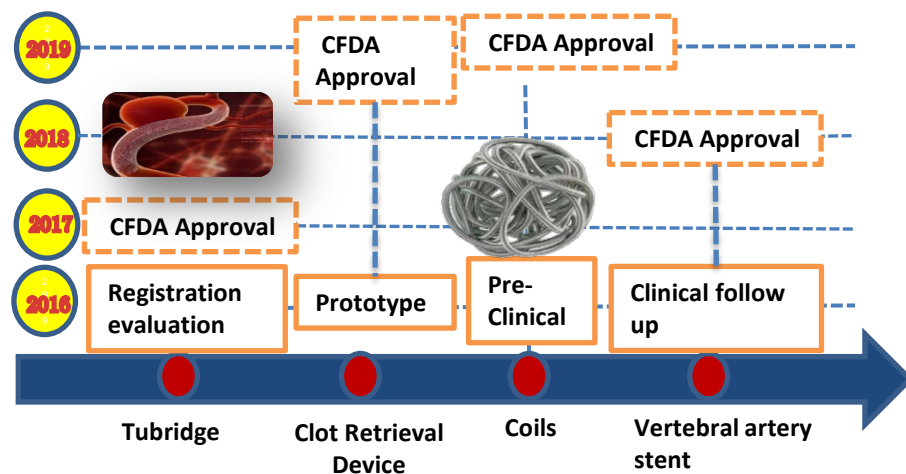


## Sales growth by products

USD: million Excl. FX



## Pipeline -- Full range of solutions



## Highlights

- Revenue growth by 26.8% excl. FX or 19% in US\$
- Robust growth momentum maintained for APOLLO Intracranial Stent System after launched for decade with growth rate of 31% yoy
- WILLIS® Intracranial Stent Graft System continued to obtain greater market recognition with growth rate of 19% yoy
- WILLIS® was obtained regulatory approval in Thailand
- WILLIS® included in Shanghai's Drug Reimbursement List with 80% expense covered by the insurance.
- Tubridge™ was granted Green-Path for CFDA approval

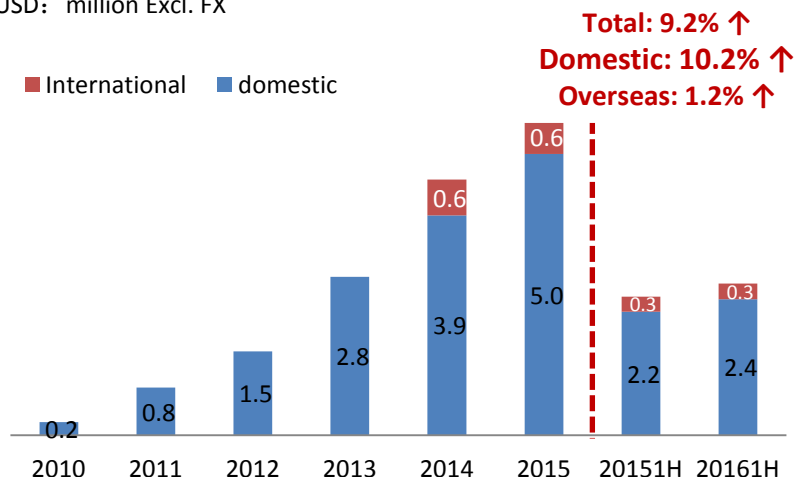


# 5 Electrophysiology Business

## Revenue

USD: million Excl. FX

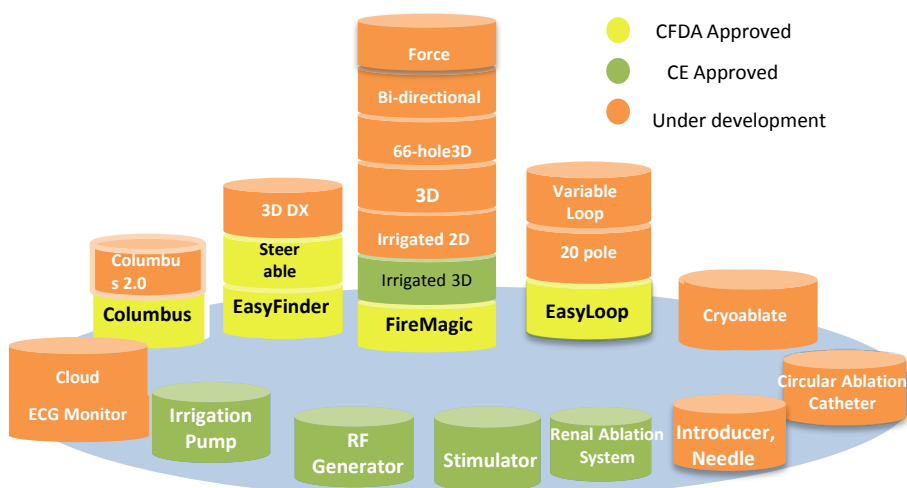
■ International ■ domestic



## Highlights

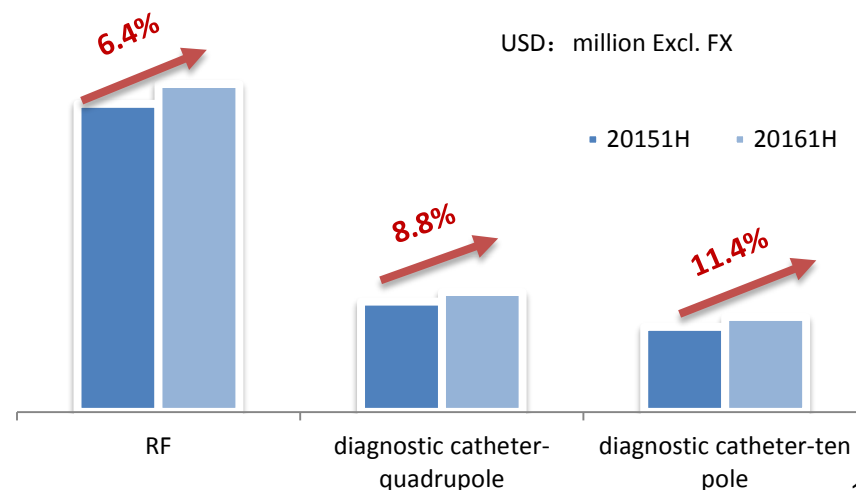
- The only Chinese company to have 3-D Magnet Mapping System and full EP product line.
- Revenue growth of 9.2% excl. FX or 2.4% in US\$;
- Columbus® and FireMagic™ 3D Cool & Supercool obtained CFDA Approval
- Totally 29 hospitals initiated coverage globally in 1H
- EP business was approved by HKSE and the Board for quotation on NEEQ, which is expected to provide a good platform for financing and further development.

## Full product portfolio & platform for the treatment of CA & AF



## Sales Growth by Products

USD: million Excl. FX



# MicroPort Sorin CRM (MSC)



## Who we are?

- 51% Microport
- 49% Sorin

## What we do?

- R&D
- Made-in-China Product
- Services

## Why we do it?

- Demand in China
- Know-how
- break the monopoly

## How we do it?

- Serving China
- Made in China
- Innovated in China

## R&D Progress

- Launched PRC's **first domestic cardiac pacemaker production line** with international advanced standards in 2015
- **"Innovated-in-China" BonaFire® Pacing Lead** completed first Implantation in FIM Clinical Trials of in May, 15 patients enrollment completed ahead of schedule
- **"Made-in-China" pacemaker** submitted documents for CFDA registration approval
- **"Innovated-in-China" pacing analyzer** finished Pre-clinical study , and ready to initiate Pre-marketing Clinical Trials



Reply 200

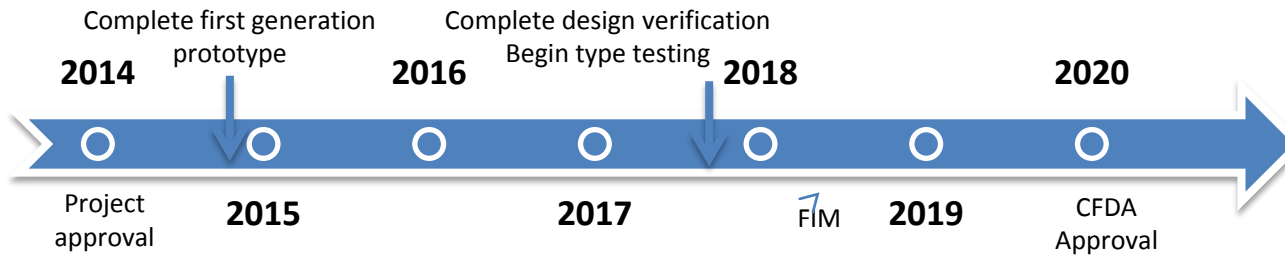


Esprit



Reply

## ■ R&D Progress of surgical robot keep on schedule



## ■ Online service platform "Life Line Live" launched

- MicroPort® Online "Life-Line-Live" was Launched to connect doctors and patients to provide consultant services
- MicroPort® and Yizheng Municipal Government established "Shanghai-Yizheng Healthcare Cooperation Project" to conduct remote consultation, real-time surgery instruction and online training.



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# Appendix I

## - Consolidated Income Statement

(USD '000)	2016 1H	2015 1H	Flux %
<b>Revenue</b>	<b>198,556</b>	<b>191,245</b>	<b>4%</b>
Cost of sales	(61,595)	(62,904)	-2%
<b>Gross profit</b>	<b>136,961</b>	<b>128,341</b>	<b>7%</b>
Other revenue & net gain	5,084	1,027	395%
Research and development costs	(24,161)	(24,712)	-2%
Distribution costs	(62,038)	(59,122)	5%
Administrative expenses	(31,681)	(31,019)	2%
Other operating costs	(1,728)	(1,843)	-6%
<b>Operating Profit</b>	<b>22,437</b>	<b>12,672</b>	<b>77%</b>
Finance costs	(8,264)	(7,855)	-5%
Share of losses of a joint venture	(1,768)	(1,913)	
<b>Profit/(loss) before taxation</b>	<b>12,405</b>	<b>2,904</b>	<b>327%</b>
Income tax	(6,870)	(5,491)	25%
<b>Net profit/(loss)</b>	<b>5,535</b>	<b>(2,587)</b>	<b>-314%</b>

# Appendix II

## - Consolidated Balance Sheet

USD'000	30 Jun 2016	31 Dec 2015
Fixed assets	267,842	271,203
Intangible assets	63,440	60,217
Prepayments for fix assets	3,378	2,711
Goodwill	54,458	55,463
Interest in a joint venture	2,917	4,759
Deferred tax assets	3,669	3,711
Time deposits	-	-
Other non-current assets	3,441	4,339
<b>Total non-current assets</b>	<b>399,145</b>	<b>402,403</b>
Inventories	103,601	101,840
Trade and other receivables	139,624	126,957
Time deposits	9,197	2,976
Cash and cash equivalents	129,102	99,467
<b>Total current assets</b>	<b>381,524</b>	<b>331,240</b>
<b>Total assets</b>	<b>780,669</b>	<b>733,643</b>
Trade and other payables	(88,181)	(99,418)
Interest-bearing borrowings	(104,461)	(55,086)
Income tax payable	(4,839)	(1,226)
Deferred income	(3)	(5)
Derivative financial liabilities	(50)	(397)
Obligation under finance leases	(415)	(1,209)
Other current liabilities	(7,286)	(7,260)
<b>Total current liabilities</b>	<b>(205,235)</b>	<b>(164,601)</b>
Interest-bearing borrowings	(51,543)	(129,374)
Convertible bonds	(145,001)	(94,815)
Obligation under finance leases	(68)	(33)
Deferred income	(31,708)	(22,086)
Other payables	(2,051)	(1,541)
Other non-current liabilities	-	-
Deferred tax liabilities	(3,573)	(3,365)
<b>Total liabilities</b>	<b>(439,179)</b>	<b>(415,815)</b>
Share capital	(14)	(14)
Reserves	(334,747)	(312,505)
Non controlling interests	(6,729)	(5,309)
<b>Total equity</b>	<b>(341,490)</b>	<b>(317,828)</b>

# Appendix III

## - Condensed Consolidated Cash Flow Statement - Adjusted

(USD '000)	2016 1H	2015 1H	Flux %
Cash generate from operations	38,104	14,476	163%
Income tax paid	(2,381)	(2,221)	7%
<b>Net cash generated from operating activities</b>	<b>35,723</b>	<b>12,255</b>	<b>191%</b>
<b>Net cash (used in)/from investing activities*</b>	<b>(29,042)</b>	<b>(21,485)</b>	<b>35%</b>
<b>Net cash generated in financing activities</b>	<b>30,435</b>	<b>(146,272)</b>	<b>-121%</b>
<b>Net decrease in cash and cash equivalent</b>	<b>37,116</b>	<b>(155,502)</b>	<b>-124%</b>
<b>Cash and cash equivalents at 1 January</b>	<b>102,443</b>	<b>287,721</b>	<b>-64%</b>
Effect of foreign exchange rate changes	(1,260)	(882)	43%
<b>Cash and cash equivalents at 30 June</b>	<b>138,299</b>	<b>131,337</b>	<b>5%</b>

\* Adjusted net uplift 6 million of time deposits over 3 month (2015 1H: 10 million net placement ) in to cash and cash equivalents.

# Thank You



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The Patient Always Comes First