# Sorin Group Announces Preliminary Results for 2012

The Associated Press

MILAN--(BUSINESS WIRE)--Feb 7, 2013--At a meeting held today and chaired by Rosario Bifulco, the Sorin S.p.A. (MIL:SRN) Board of Directors analyzed the results for the fourth quarter 2012 and the preliminary unaudited consolidated results for the year of 2012. The final draft of the financial statements for the year of 2012 will be approved by the Board of Directors at a meeting to be held on March 14, 2013.

“In 2012 Sorin Group demonstrated the strength of its foundations in successfully recovering from the consequences of the earthquakes in Mirandola, in gaining shares in the CRM and heart valves markets, despite challenging industry dynamics, and in generating approximately €50 million in free cash flow to invest in its growth initiatives,” said André-Michel Ballester, Sorin Group's Chief Executive Officer. “The Company is therefore well positioned in 2013 to regain its global leadership in the oxygenators and autotransfusion segments, to accelerate penetration of SonR TM and Perceval TM and to continue implementing its long-term growth strategy,” he added.

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER 2012 In the fourth quarter of 2012, Sorin Group posted revenues of €190.8 million.

The Cardiopulmonary Business Unit (heart-lung machines, oxygenators and autotransfusion blood circulation systems) reported revenues of €87.9 million. The heart-lung machines segment, which was not affected by the earthquakes, posted a 6.4% 2 contraction in the fourth quarter, mostly attributable to a challenging quarter-over-quarter comparison. The oxygenators and autotransfusion segments were recovering from the earthquakes ahead of plan. The Company estimates that the negative impact of these events on revenues is equal to approximately €15 million in the fourth quarter. The Heart ValvesBusiness Unit (mechanical, tissue and sutureless heart valves and valve-repair products) reported revenues of €32.0 million, a 3.3% 2 increase compared to the fourth quarter of 2011. The quarter was marked by a very strong performance of the tissue valves segment, mostly attributable to the ongoing penetration of Mitroflow TM in the US, in Japan and in emerging markets, and the contribution of Perceval TM , which more than offset the weak performance of mechanical valves. During the quarter, the Company launched in the US its Mitroflow Valsalva Conduit TM, the only Valsalva conduit graft for use in combination with an aortic tissue valve, and secured the approval for marketing and sale of its Mitroflow TM aortic heart valve in Japan. Finally, in the period, Sorin Group acquired a minority investment with option-to-buy in HighLife, an early-stage company focused on the development of a unique transcatheter mitral valve replacement system. The Cardiac Rhythm ManagementBusiness Unit (implantable devices to manage cardiac rhythm disorders) posted revenues of €70.3 million, a slight 0.7% 2 decrease compared to the fourth quarter of 2011, reflecting

continuous share gains in a contracting CRM market. Revenue growth in the high-voltage segment is mainly attributable to the ongoing penetration of Sorin's CRT-D SonR TM premium device in Europe. The low voltage segment reported a decrease in revenues, mainly as a result of growing pricing pressure in all major markets. During the quarter, Sorin Group acquired Neurotech, a development-stage company focused on neurostimulation devices. Sorin Group also announces a cost savings program to strengthen the Company's competitive position and to free-up resources to re-invest in its long-term growth initiatives. The program is expected to be completed in 2013 and aims at achieving overall savings, once fully implemented, of approximately €15-17 million per year. Sorin Group expects to reinvest part of these savings in its new growth platforms (New Ventures) and in the fast-growing emerging markets. To achieve the overall program savings the Company will incur in approximately €16 million of restructuring charges, of which €6.8 million recorded in the fourth quarter of 2012. This program also reflects the combination of Sorin's Cardiopulmonary and Heart Valves divisions into a single Cardiac Surgery business unit 4 and, in order to allow the Company to respond more effectively to the challenging CRM environment, particularly in the United States, a streamlining of the CRM field organization, including the shut-down of the Plymouth (Minnesota) facility and subsequent centralization of the Company's US CRM activities in the site of Arvada (Colorado). PRELIMINARY CONSOLIDATED RESULTS FOR 2012 In 2012, Sorin Group reported revenues of €731.1 million, a 1.7% decrease ( as reported ) compared to 2011. Revenues of the product segments not impacted by the earthquakes increased by 5.3% (as reported) or by 2.0% 2 at constant foreign exchanges over 2011.

The CardiopulmonaryBusiness Unit realized revenues of €319.4 million in 2012, a 7.4% decrease (as reported) compared to 2011, due to the earthquakes that hit the Mirandola plant in May 2012. The Company estimates that the negative impact on revenues as a result of the earthquakes is equal to approximately €62 million for the full year of 2012. The heart-lung machines segment, which was not affected by the earthquakes, posted record revenues for the fourth consecutive year, further reinforcing the Company's leadership position in every major market.

The oxygenators and autotransfusion segments were impacted by the earthquakes. As Sorin Group was able to restart production for both product segments ahead of plan, the negative impact on revenues was significantly lower than initially anticipated. The Company expects to regain 100% of its market share in the oxygenators and autotransfusion product segments by June 2013. During 2012, Sorin Group focused on the manufacturing scale-up of the new family of oxygenators Inspire, which the Company plans to roll-out in the first half of 2013.

In July 2012, Sorin Group acquired the US-based company, California Medical Laboratories, a manufacturer of high quality cannulae, catheters and accessories for cardiac surgery. This acquisition represents a further strengthening of Sorin Group's competitive positioning in the cannulae product segment, and follows the July 2011 acquisition of Estech's minimally invasive cannulae product line.

The Heart Valves Business Unit realized revenues of €126.5 million, a 2.1% 2 increase compared to 2011. The mechanical valves segment witnessed a decrease

in revenues in line with the continued shift of the market toward biological valves.

The tissue valves segment reported a 6.2% 2 growth, driven by the ongoing penetration of Mitroflow TM in emerging markets and the US, and the strong performance of Perceval TM , whose annual revenues amounted to €8.4 million. During 2012, the Company received CE mark for Perceval's proprietary MIS introducer, next generation kit of accessories and extended indications (from patients over the age of 75 to patients over 65).

In the second half of the year, Sorin Group received the US Food and Drug Administration (FDA) approval for the Mitroflow Valsalva Conduit TM and the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) approval for the Mitroflow TM aortic valve in Japan.

The growth in the 'Other' segment was driven by the solid performance of the annuloplasty rings, including the Memo 3D mitral repair ring launched in Japan and other accessories for heart valve cardiac surgery.

During 2012, Sorin Group demonstrated its commitment to build a new growth platform in percutaneous mitral valve therapies through two selected investments. In July and November 2012, Sorin Group acquired, respectively, a minority interest with option-to-buy in Cardiosolutions and HighLife, companies both focused on the development of innovative percutaneous systems to treat patients with mitral valve regurgitation.

As a result of the combination of Sorin's Cardiopulmonary and Heart Valves divisions, the Company will start to report together, at the next quarterly results release, the above revenues for the newly created Cardiac Surgery Business Unit. For reference purposes, in 2012 the Cardiac Surgery Business Unit reported revenues of approximately €445.9 million compared to €463.9 million in 2011.

The Cardiac Rhythm ManagementBusiness Unit posted revenues of €282.7 million in 2012, a slight 0.6% 2 contraction compared to 2011, thus reflecting the continued negative trend of this market. The high-voltage segment performed well thanks to the ongoing penetration of the innovative CRT SonR system, which allowed Sorin to gain further share in this segment in Europe.

In the low-voltage segment, the Company maintained its competitive position despite a decrease in revenues mainly attributable to a slowdown in the US market, pricing pressure in Europe and reimbursement changes in Japan.

The Company's commitment to innovation continued in 2012, with significant marketing approvals and roll-out of key products including: a new portfolio of leads in Europe and in the US, the PARADYM™ RF family of implantable cardioverter defibrillators and cardiac resynchronization devices with remote monitoring capabilities in the US, the SMARTVIEW TM remote monitoring solution for patients with implantable cardiac devices in Europe, and finally, the State Food and Drug Administration (SFDA) approval and the commercial launch of the REPLY TM and ESPRIT TM families of pacemakers in China. During the year, the full results of the

CLEAR study were also published in Europace Advance Access, a peer reviewed cardiology journal, and the first patients were enrolled in the DREAM clinical study, aimed at evaluating the sensitivity and positive predictive value of the Sleep Apnea Monitoring (SAM) feature in implantable pacemakers.

Finally in 2012, Sorin Group confirmed its commitment to build a new growth platform in neuromodulation therapies to treat heart failure. During the year, the Company initiated the “Intense” collaborative R&D project, which was selected for the Investissements d’Avenir program by the French Government, and acquired the Belgian developer of neurostimulation devices Neurotech. Both projects are highly complementary and are aimed at the development of implantable medical devices that stimulate the vagus nerve. Such programs, which follow the 2011 investment in Enopace Biomedical, represent important steps forward in the implementation of the Company's long-term growth strategy.

Gross profit in 2012 was €443.5 million, or 60.7% of revenues, compared to 60.2% of revenues in 2011. This improvement is mostly driven by a favorable product mix and ongoing manufacturing efficiencies, which more than offset the negative impact of the pricing pressure in CRM.

Selling, general and administrative (SG&A) expenses were €310.1 million compared to €289.7 million in 2011. At constant foreign-exchange rates, SG&A expenses increased by 1.1% or €3.2 million in absolute terms. Notwithstanding the earthquakes and in order to preserve the Company’s ability to accelerate its recovery plan, Sorin Group did not reduce its sales and marketing activities in the Cardiopulmonary Business Unit.

Research and development (R&D) expenses were €75.4 million compared to €70.1 million in 2011. At constant foreign-exchange rates, R&D expenses increased by 6.5% or €4.5 million in absolute terms. R&D activity was primarily focused on the manufacturing scale-up of Inspire TM, the development of Heartlink TM, the new product releases of SonR TM and Remote Monitoring systems, the clinical studies for the Perceval TM and Freedom Solo TM valves and the Intense neuromodulation project.

EBITDA was €101. 8 million compared to €128.7 million in 2011. The Company estimates that the earthquakes had a negative impact on EBITDA of approximately €31 million for the full year of 2012.

EBIT was €37.7 million compared to €87.7 million in 2011. EBIT before special items was €58.0 million (€ 87.8 million in 2011). Special items, totalling €20.3 million for 2012, include restructuring charges for €7.9 million, non-recurring charges related to the earthquakes (such as inventory and fixed assets write-off, costs for demolition and reconstruction) for €13.4 million and extraordinary expenses related to the write-off of in-process research & development for €7.5 million, partly balanced by the partial indemnification for the earthquakes of €13.75 million. This indemnification reflects a first instalment of €10 million received by the Company in July 2012 and a second instalment of €3.75 million received in January 2013. The remaining non-recurring charges refer to business development activities and legal

fees and disputes.

Financial charges amounted to €12.8 million compared to €7.3 million in 2011. The full-year 2012 incorporates a financial charge of €4.8 million for the unwinding of an over-hedging position resulting from a lower revenue level following the earthquakes. On a run-rate basis, interest expenses decreased by €1.4 million in 2012, mostly as a result of lower average debt. Sorin’s medium-long term debt, amounting to €95.2 million at 2012 year-end, is financed by the European Investment Bank and due in June 2014.

Net profit was €23.7 million compared to €58.0 million in 2011.

Adjusted net profit 1 was €42.1 million compared to €58.6 million in 2011. The Company estimates that the negative impact on adjusted net profit related to the earthquakes amounted to approximately €20 million for the full-year 2012.

Net financial debt as of December 31, 2012 was down to €87.8 million, compared to €105.9 million as of December 31, 2011 (€89.1 million as of September 30, 2012). Improvements in working capital were partially offset by special items totalling €29.8 million. Special items include €38.0 million associated to business development initiatives related to the implementation of the Company’s long-term growth strategy (see attached table for details).

In 2012, the Company's free cash flow5 amounted to €47.8 million. Sorin Group estimates that the negative cash impact related to the earthquakes amounted to approximately €20 million, including the first installment of €10 million of the partial insurance indemnification.

Guidance for the current fiscal year For 2013, the Company expects: Cardiopulmonary to recover from the earthquakes and to grow revenues by approximately 10% 2 over 2012; The remaining businesses to grow by 3-5% 2 over 2012; Adjusted net profit 1 of approximately €55-60 million. In 2013 the Company will focus on accelerating long-term growth through the full market share recovery in the product segments affected by the earthquakes, the commercial launch of Inspire TM and Heartlink TM, the continued growth of SonR TM, the roll-out of Perceval TM (which is expected to generate €13-15 3 million of sales), the ongoing management of the Company’s recent investments in innovation and the geographic expansion in emerging markets.

For the first quarter of 2013, Sorin Group expects revenues of approximately €178-180 million 3.

For more information, please visit: www.sorin.com.

1 Adjusted net profit: net profit before the after-tax treatment of non-recurring income and expenses (special items)
2 At comparable exchange rates and perimeter
3 Assuming exchange rates at current levels
4 See Sorin Group press release dated October 31, 2012

5 Free cash flow: net profit + depreciation, amortization and writedowns ± Δ working capital – investments. This account is net of the impact of special items

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