

Microstream®

# Media & Analyst Conference

Q3 / 9 months 2008 Results

November 10, 2008



**Oridion®**

Smart Solutions One Breath at a Time™

# Disclaimer

Certain statements in this presentation are not historical but forward-looking. The words "estimate" "project" "intend" "expect" "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to the Company's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for the Company's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology.

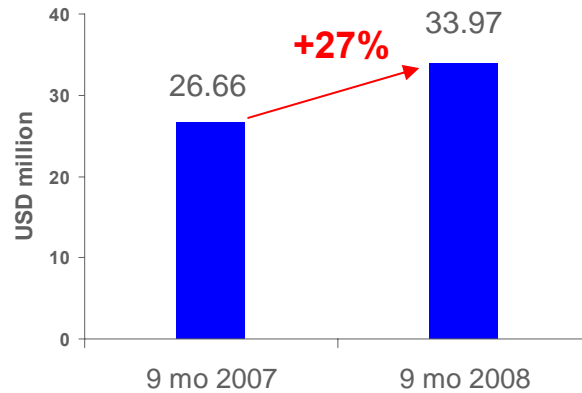
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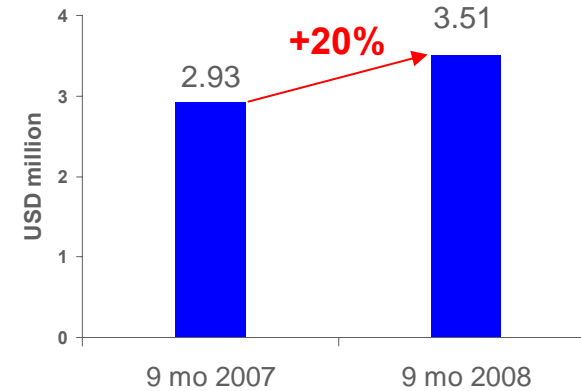
# 9 Months 2008

## High Growth and Sustained Profitability

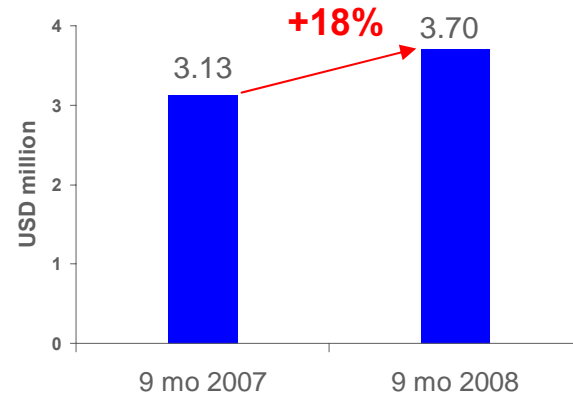
### Revenues



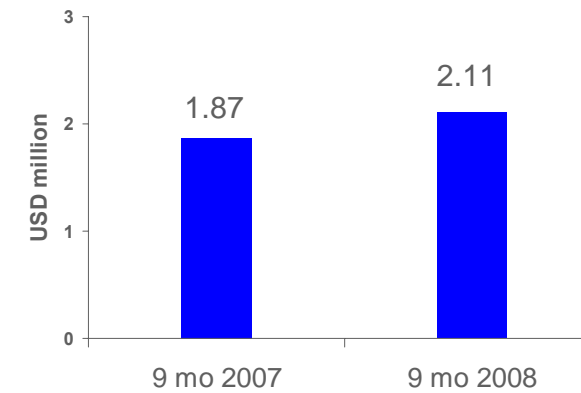
### Operating Income



### Net Income



### Cash Flow Operating Activities



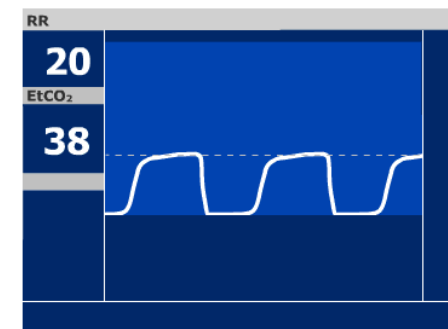
# Our Core Business – Capnography

Patient monitoring technology

Quantifies and characterizes CO<sub>2</sub> in a patient's breath

The first indicator of respiratory distress or impairment

Increasingly mandated by health care providers in medical sites outside the operating room



Oridion®

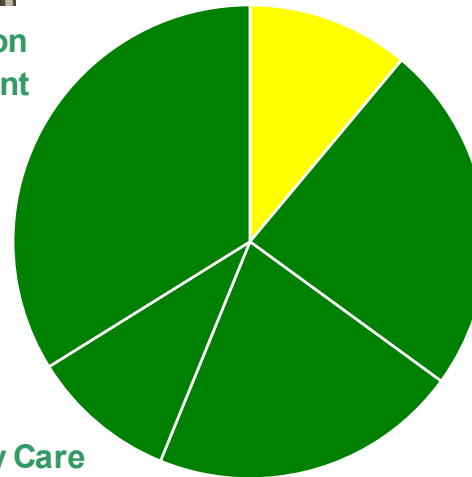
# Oridion Enabled Capnography to Migrate Beyond the Operating Room



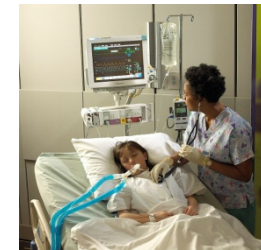
**Procedural Sedation & Pain Management**  
34%



**Respiratory Care**  
10%



**Operating Room (OR)**  
11%



**Intensive Care (ICUs)**  
24%



**Emergency (EMS)**  
21%

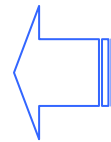
100% equals approx. 1.2 million Potential Sites in US, Western Europe and Japan only

Source: The Wilkinson Group; Oridion estimates

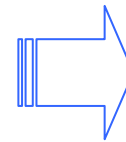
# Foundations of Oridion's Product/Technology Leadership

## Hardware

Superior Detection Technology



*Strong Intellectual Property*



## Consumables

Unique, enabling, environment-tailored sampling lines



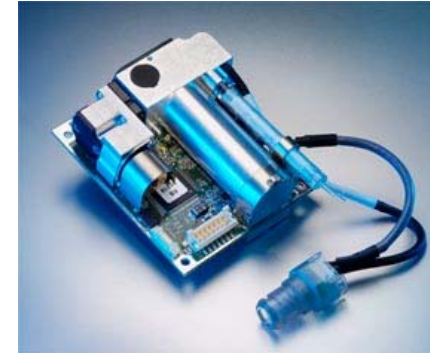
## Smart Capnography™

Data interpretation that aids the caregiver and improves patient outcomes



# Microstream<sup>®</sup> Hardware

- ✓ Unique CO<sub>2</sub> measurement technology (Molecular Correlation Spectroscopy)
- ✓ Integrates as “standard” modules into
  - OEM partners’ monitors
  - Oridion’s own transportable 1-2 parameter monitors



# Proprietary Line of Microstream<sup>®</sup> Consumables

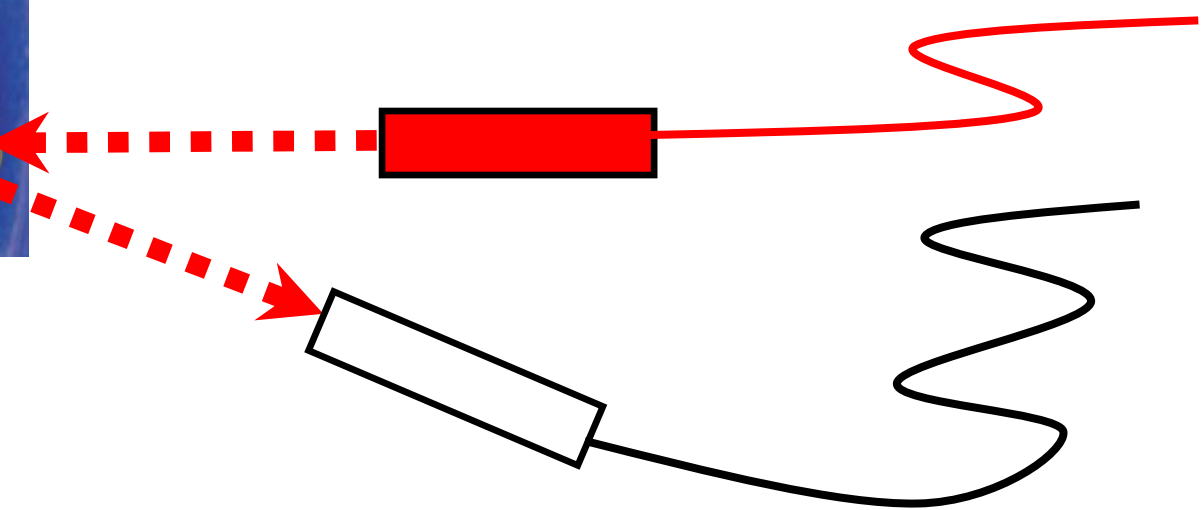
- ✓ Single-use breath sampling lines to fit all patients (neonates to adults) in all clinical settings
- ✓ Products for both proprietary OEM partner devices (protected) and for installed base of non-Microstream monitors



*Oridion is the only capnography supplier to offer tailored breath-sampling solutions for each environment and application*

# FilterLine Recognition System (FRS)

FRS Technology ensures operation only when a Microstream<sup>®</sup> Filterline (consumable) is connected



# Intellectual Property

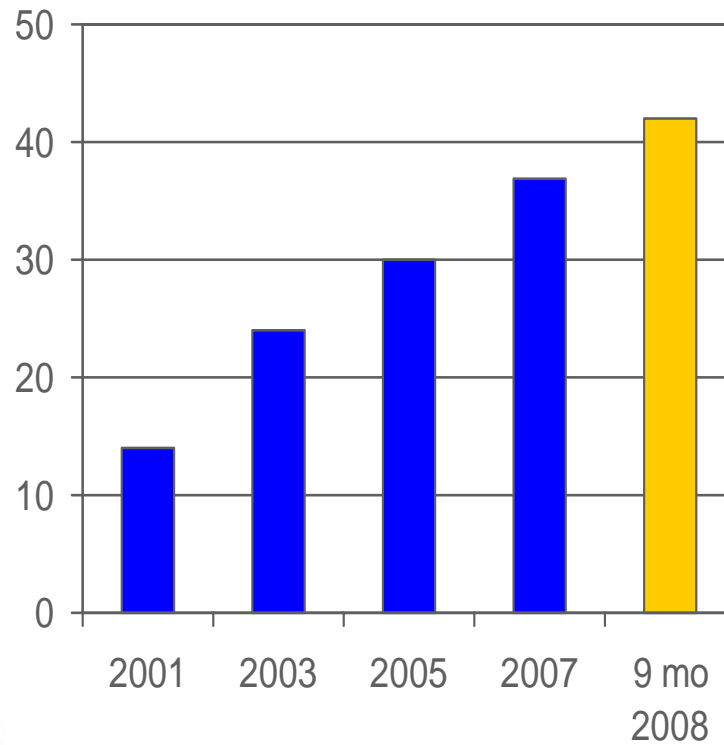
- ✓ Hardware
  - 2 Patents
  - 5 Patent applications
  
- ✓ Consumables
  - 6 Patents
  - 15 Patent applications
  
- ✓ Smart Capnography
  - 8 Patent applications

# Hardware/Consumables Business Model

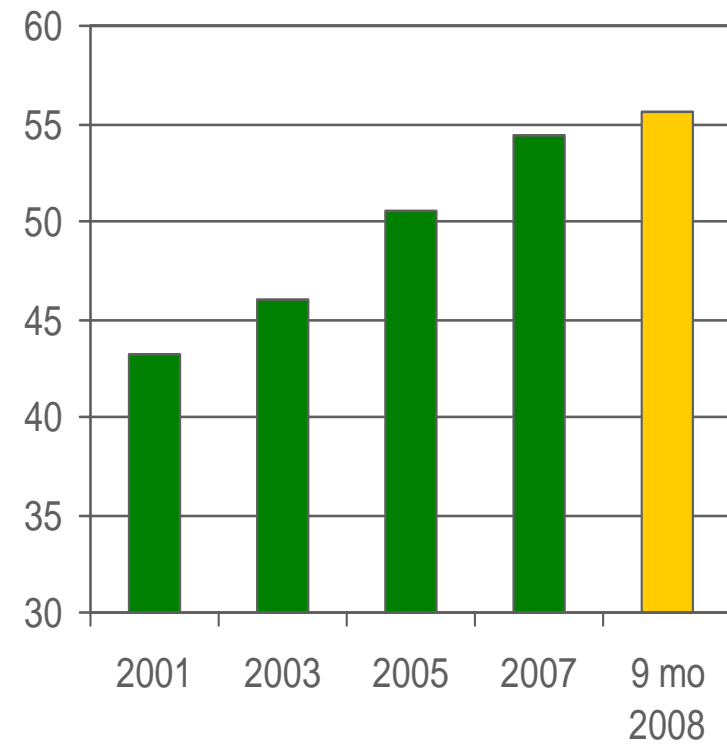
- ✓ “Razor / Razor Blade”
- ✓ Gross margin increases as proportion of higher-margin consumables increases
- ✓ Greater proportion of recurring revenues (consumables) means reduced risk (e.g. OEM exposure)
- ✓ Future revenues are more transparent

# The Hardware/Consumables Business Model

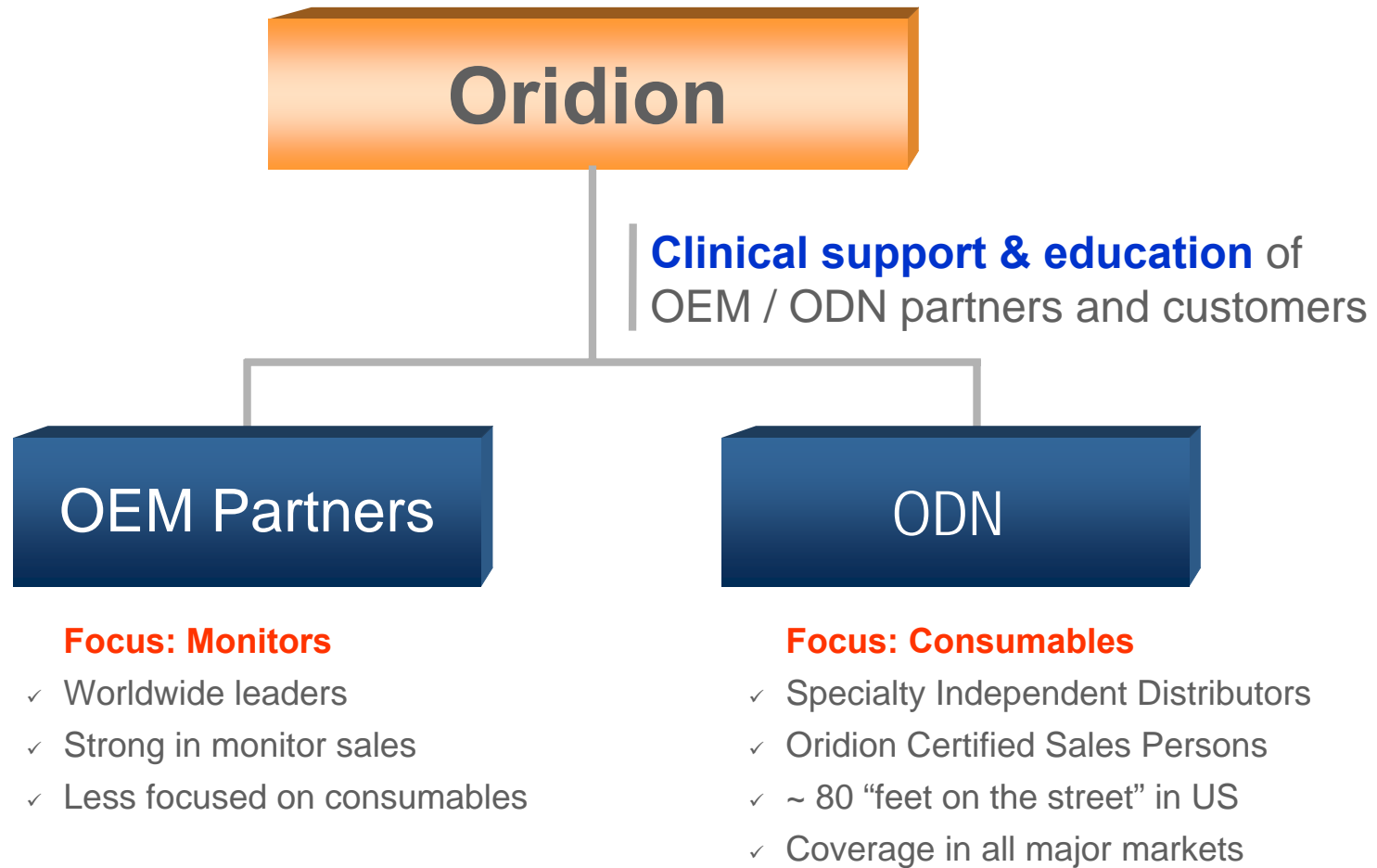
## Consumables as a % of Total Revenues



## Gross Margin %



# Getting to Market



# Partner Update

**PHILIPS**

**DIXTAL**  
COLLABORATIVE EVOLUTION

**GW**  
GOLDWAY

**Invivo™**

**PHYSIO  
CONTROL**



**MINDRAY CO., LTD.**

**Datascope®**

**Drägermedical**  
A Dräger and Siemens Company

**WelchAllyn®**



**COVIDIEN**

*positive results for life™*



**SPACELABS  
Healthcare**



**Medical Equipment & Systems**  
Electrical & Electronics Division (EBG)



**BIONICS**

Human Health Care



**CardinalHealth**



**CAS MEDICAL SYSTEMS, INC.**  
TECHNOLOGY APPLIED TO MEDICINE

**ANALOGIC®**

The World Resource  
for Health & Security Technology



**IVY BIOMEDICAL  
SYSTEMS, INC.**



Mennen Medical

**SIEMENS**



**FUKUDA  
DENSHI**



**NIHON KOHDEN**



**Oridion®**

# Competitive Positioning

- ✓ Clear global market leader outside operating room
- ✓ OEM customers phased-out/de-emphasized own capnography (e.g. Philips, Nellcor/Covidien, Draeger, Welch Allyn)
- ✓ Fragmented market with few small competitors active
  - Main ones are Novamatrix (subsidiary of Respironics/Philips), BCI (subsidiary of Smiths), Nonin, Phase-in
  - Possible future launch of “new” technology: acoustic monitoring (for respiratory rate, not CO<sub>2</sub>/ventilation)

# Market Drivers


## ✓ Long-Term

- Aging populations in U.S., Europe, Japan, China
- Environmental contamination
- Obesity “epidemic”, obstructive sleep apnea

## ✓ Near-Term

- Heightened awareness of major patient-safety problems in hospitals
- Incorporation of capnography into standard of care protocols

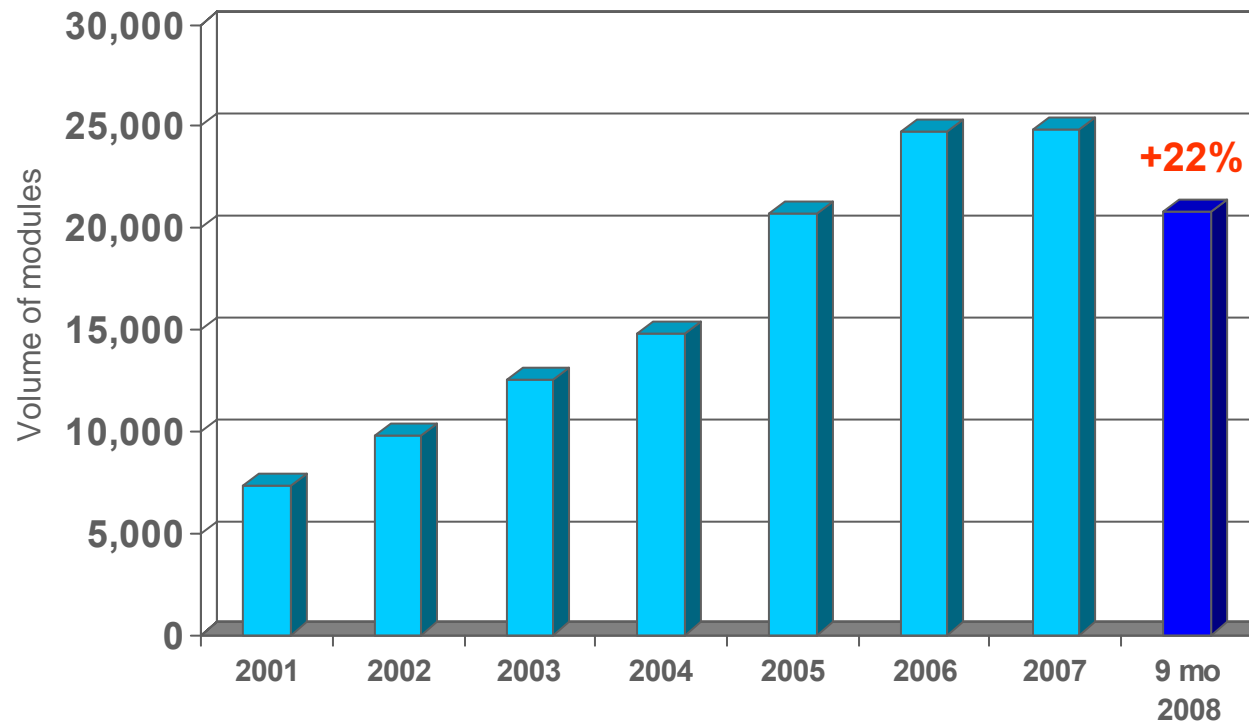
# Standard of Care Evolution

- 
- 1999 ● American Heart Association declares capnography **Standard of Care** for anesthetized patients in/**out** of operating room
  - 2002 ● American Heart Association declares capnography **Standard of Care** for intubated patients in **EMS (ambulances)**  
● American College of Emergency Physicians: **CO<sub>2</sub> monitoring is superior** to physical examination, pulse oximetry or esophageal detector devices
  - 2004 ● American College of Critical Care Medicine: Bedside monitors in all **PICUs must have** capnography capability
  - 2005/06 ● **US states begin mandating** capnography for intubated patients **in EMS**  
● Patient safety bodies **make first recommendations** for capnography / ventilation monitoring **in Pain Management**
  - 2007 ● European Committee for standardization: all mobile Intensive Care Units **require CO<sub>2</sub> monitoring equipment**

# Volume Growth – Modules

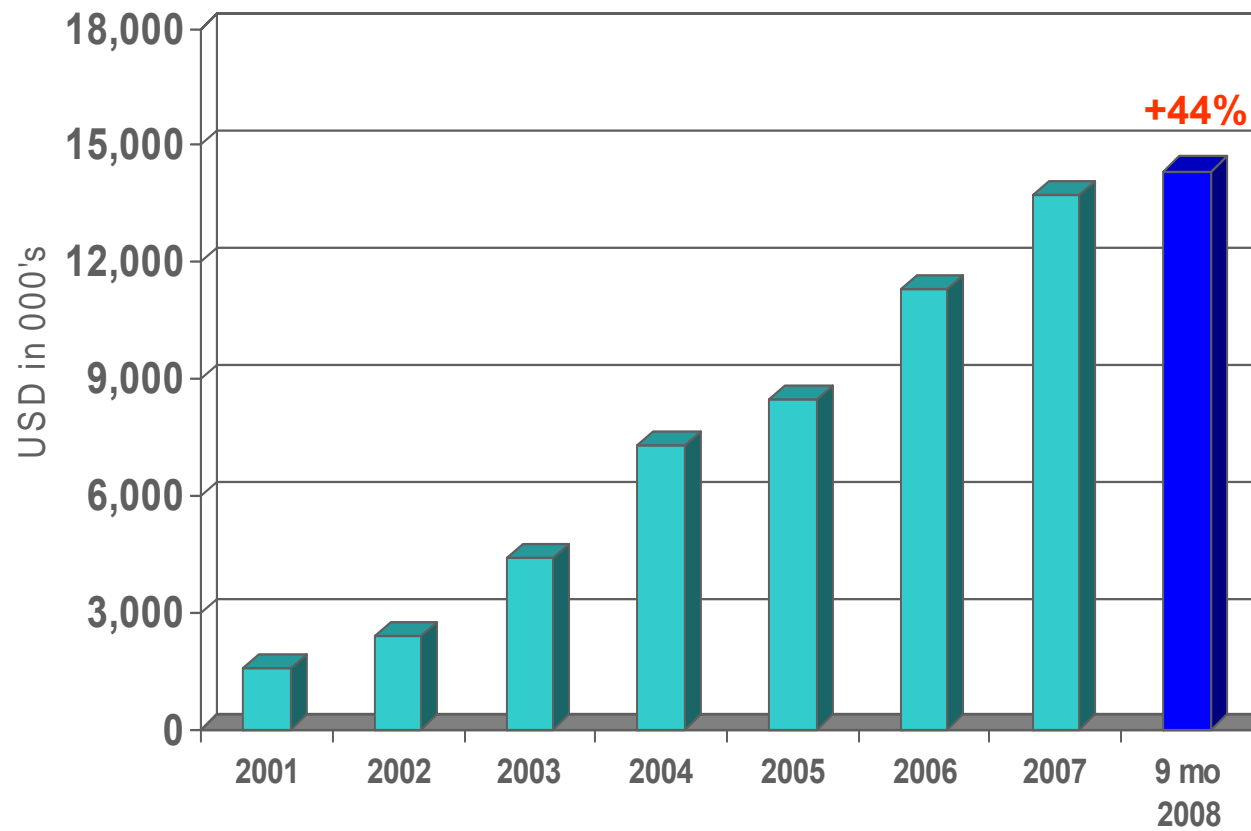


Installed base – **over 130,000** units in the last seven years



Note: FY 2007 includes minimal sales to Medtronic Physio-Control for the first 9 months

# Growth in Consumables

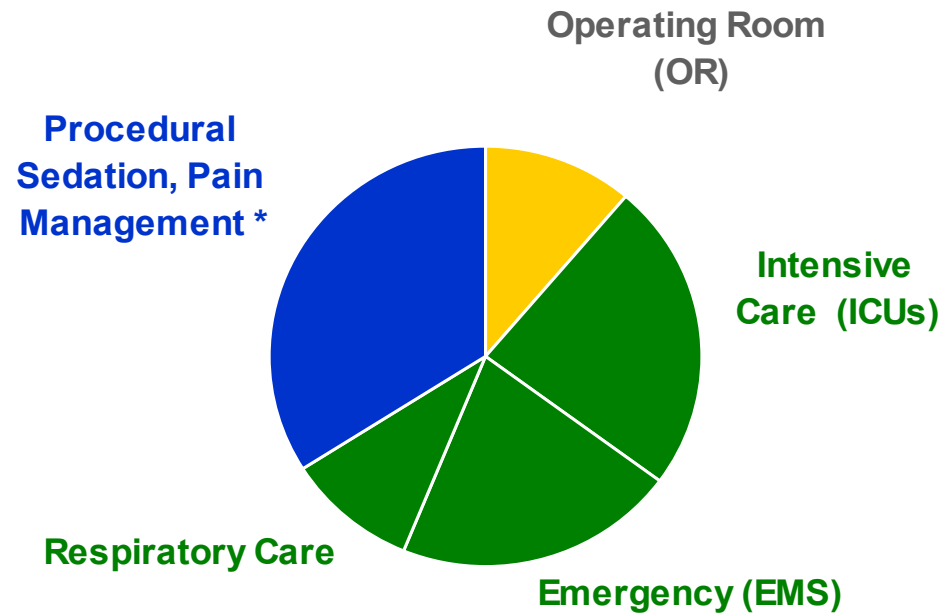


# Goals and Strategy Going Forward



# Potential for Sustainable Strong Consumables Growth Remains Intact

\* Over 40 million procedures annually in the U.S.A. alone  
Oridion current total consumables usage annually: approx. 3 million



■ Operating Room not targeted by Oridion

■ Traditional medical environments of Oridion

■ New, additional market potential

# Clinical Studies Thrust

Aim: Increase physician and healthcare provider awareness of the benefits of capnography

- ✓ 17 clinical papers published in 2007
- ✓ Over 30 published or submitted thus far in 2008

# Compelling Recent Research Case 1

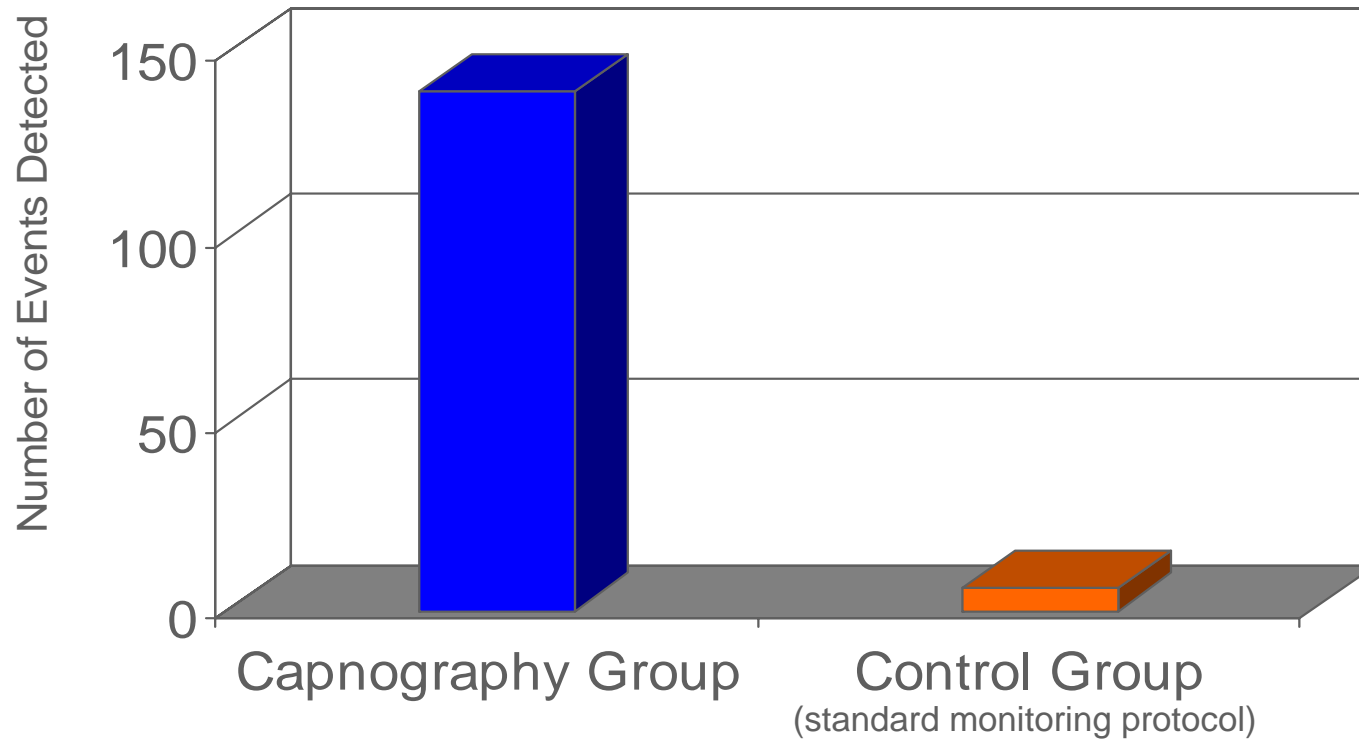
“During analgesia and anesthesia, cases of respiratory depression were *28 times as likely to be detected if they were monitored by capnography* as those that were not monitored”

Source: *University of Alabama – Birmingham, Waugh, Epps, Khodneva - meta-analysis presented at the Society of Technology in Anesthesia International Congress, January, 2008*



# Compelling Recent Research Case 2

## Number of Episodes of Respiratory Depression Detected



Source: *American Journal of Nursing*, February, 2008; Presbyterian Hospital of Dallas; Hutchinson, R; Rodriguez, L

# Compelling Recent Research

## Case 3

In one medical center, over just a four month-period after initiating capnography monitoring for pain management, *capnography was associated with nine “rescues”* that were not detected by other means.

“The patients saved might have otherwise suffered negative respiratory events and/or depression requiring additional interventions and services were they not monitored by this technology (Oridion Microstream<sup>®</sup> capnography)”.

*Source: Main Line Health, Bryan Mawr, PA, McCarter, D, et al, Respiratory Care, December 2007*

# Why Smart Capnography™?

- ✓ Make Capnography easier to use and simplify clinical use/workflow
- ✓ Improve patient outcomes and comfort
- ✓ Reduce clinical risk and cost
- ✓ Extend the reach of ventilation monitoring for patient safety
- ✓ Provide Oridion with further opportunities to differentiate Microstream offerings to OEMs

## SARA...Smart Alarm for Respiratory Analysis

Smart Capnography for improved patient care

**P**reserving caregiver vigilance to alarms is essential for patient safety. Virtually every patient-connected device uses audible alarms to notify caregivers of a change in patient condition or in device status. However, numerous alarms that do not signal clinical significance are a distraction to busy caregivers. Reducing distractions from clinically insignificant alarms helps preserve caregiver alarm vigilance, leading to improved patient safety.

### How does SARA help?

- Increase patient safety**
  - Provides a more accurate indication of patient status changes
  - Enables faster response to clinically significant events by better informing the clinician
- Improve patient comfort and clinical satisfaction**
  - Helps patients sleep better by reducing nuisance alarms
  - Reduces interruptions to patient care, such as morning and evening vital signs
  - Reduces unnecessary interruptions during family visits
  - Reduces patient frustration
- Reduce distractions and time spent responding to nuisance alarms**
- Reduce clinical risk and cost by preventing caregiver alarm fatigue**

### Smart Capnography: Alarm management

Smart Capnography is a family of algorithms developed by Oridion that simplify the use of Microstream® CO<sub>2</sub> monitors to improve patient safety and clinical workflow.

One of these patent-pending algorithms, Smart Respiratory Alarm Analysis (SARA), is an embedded alarm management technology that recognizes

### Clinical Validation of SARA

With SARA, Respiratory Rate Alarms were reduced by 29% overall, and reduced short duration alarms, lasting less than 10 seconds, by an additional 19%. No significant ER alarms were missed with SARA. See Figure 1 for the comparison of reduction of RR alarms and alarm duration.<sup>1</sup>

In an Oridion sponsored study at the Medical University of South Carolina (MUSC), SARA alerted less frequently than the existing alarm algorithm, but identified all episodes of respiratory depression (requiring rescue).

When installed in Mercy Hospital in Canton, Ohio, the institution reported a significant reduction in ER alarms and a significant reduction in Respiratory Therapy staff complaints.

SARA was cleared by FDA 510K review in October 2007.

Figure 1: Comparison of alarm events with and without SARA. 16, 1-hour long monitoring periods with low alarm rate set at 8 breaths per minute.

Alarm Duration	Existing Algorithm	SARA
< 10 sec	173	49
10-20 sec	102	42
20-30 sec	51	22

**Clinical studies comparing SARA with existing alarm algorithms have shown:**

- SARA creates fewer alarms overall
- SARA creates alarms for all significant events recognized by the existing algorithm
- SARA provides a more indication of patient status changes

...And Smart Capnography is getting smarter all the time. Look for new Oridion Smart Capnography releases that improve patient safety and clinical workflow.

Smart Solutions. One Breath at a Time™

References:  
1. Collier L, Collier J, Lutz D. Smart alarm respiratory analysis (SARA) used in respiratory to reduce alarm during spontaneous breathing. ITA (Intel safety award) Issue presentation: 2007.

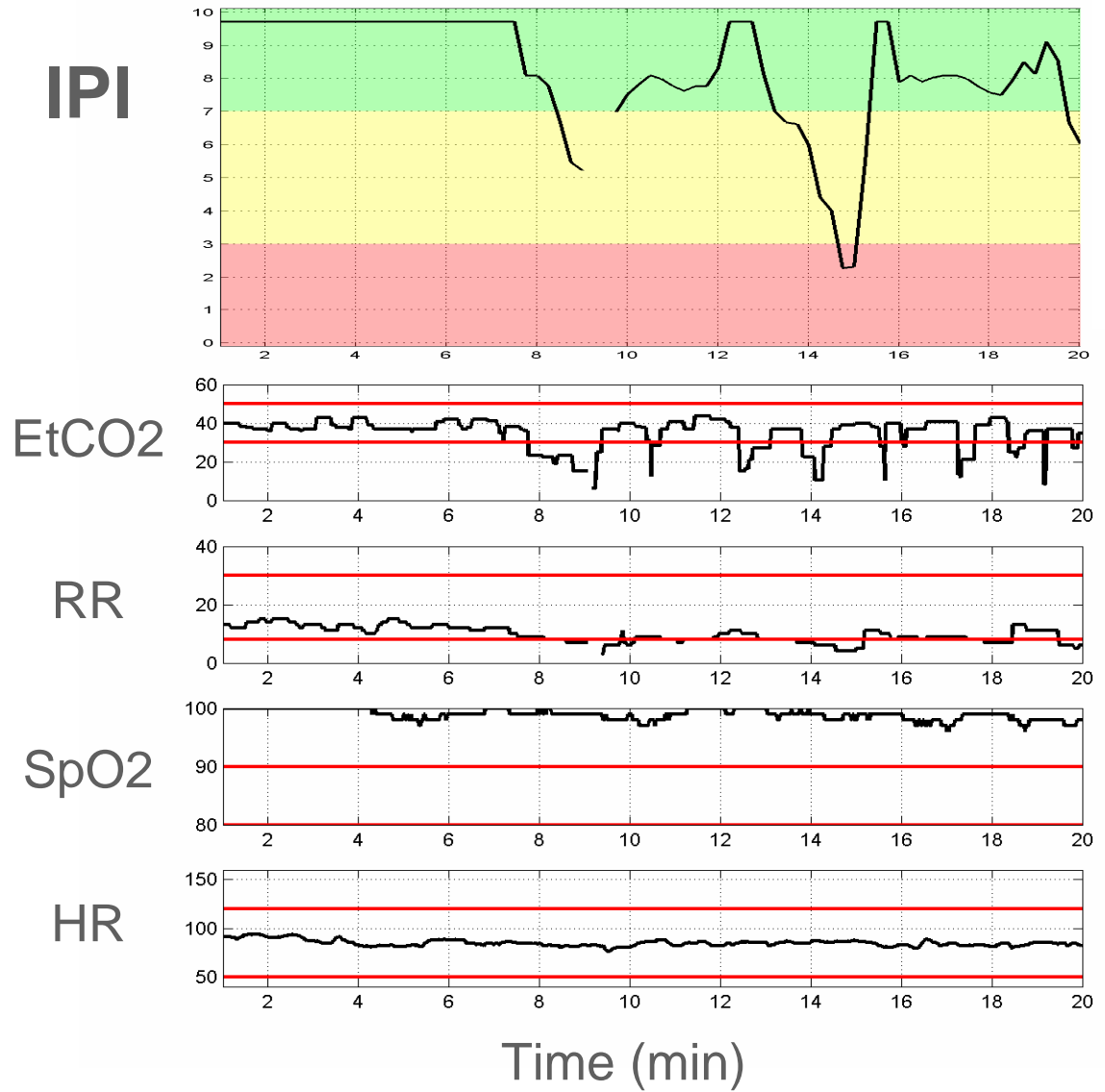
Smart Solutions One Breath at a Time™

proprietary and confidential

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# IPI in action...

General Floor  
Case #25



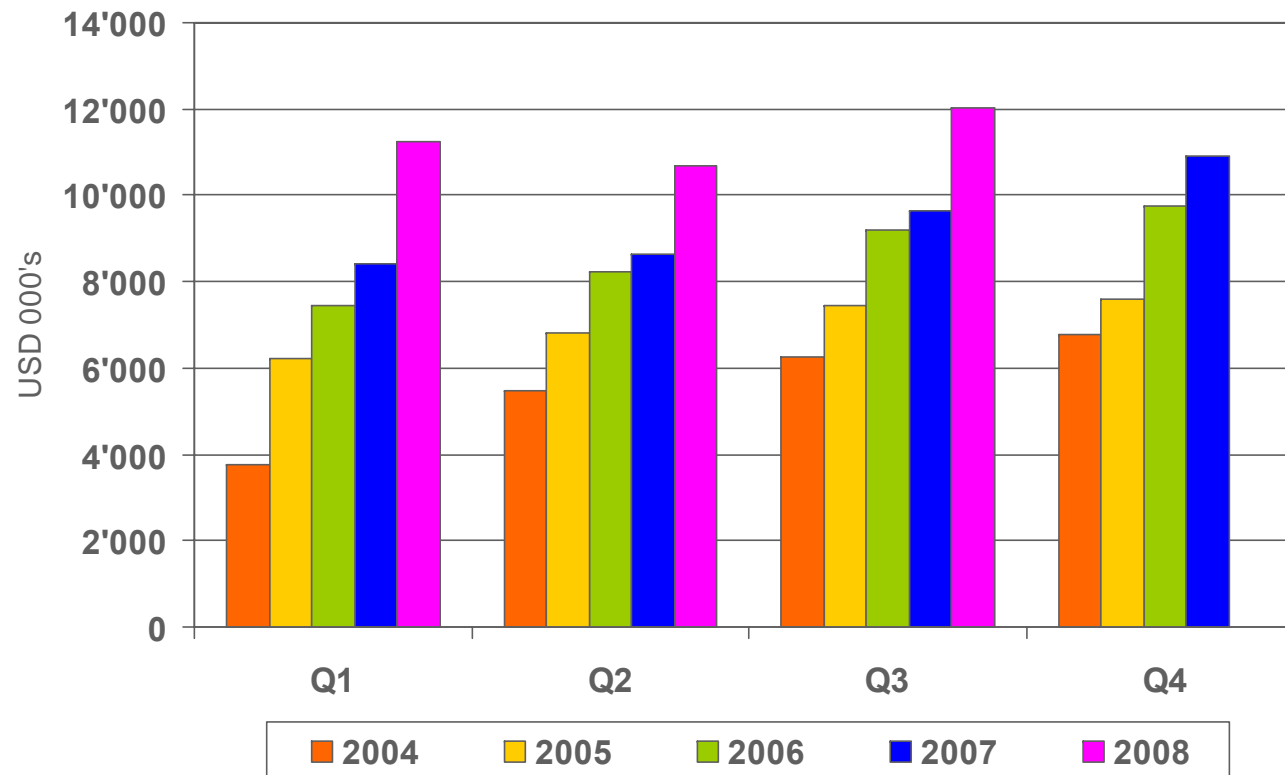
# Business and Financial Highlights

# Business Highlights thus far in 2008

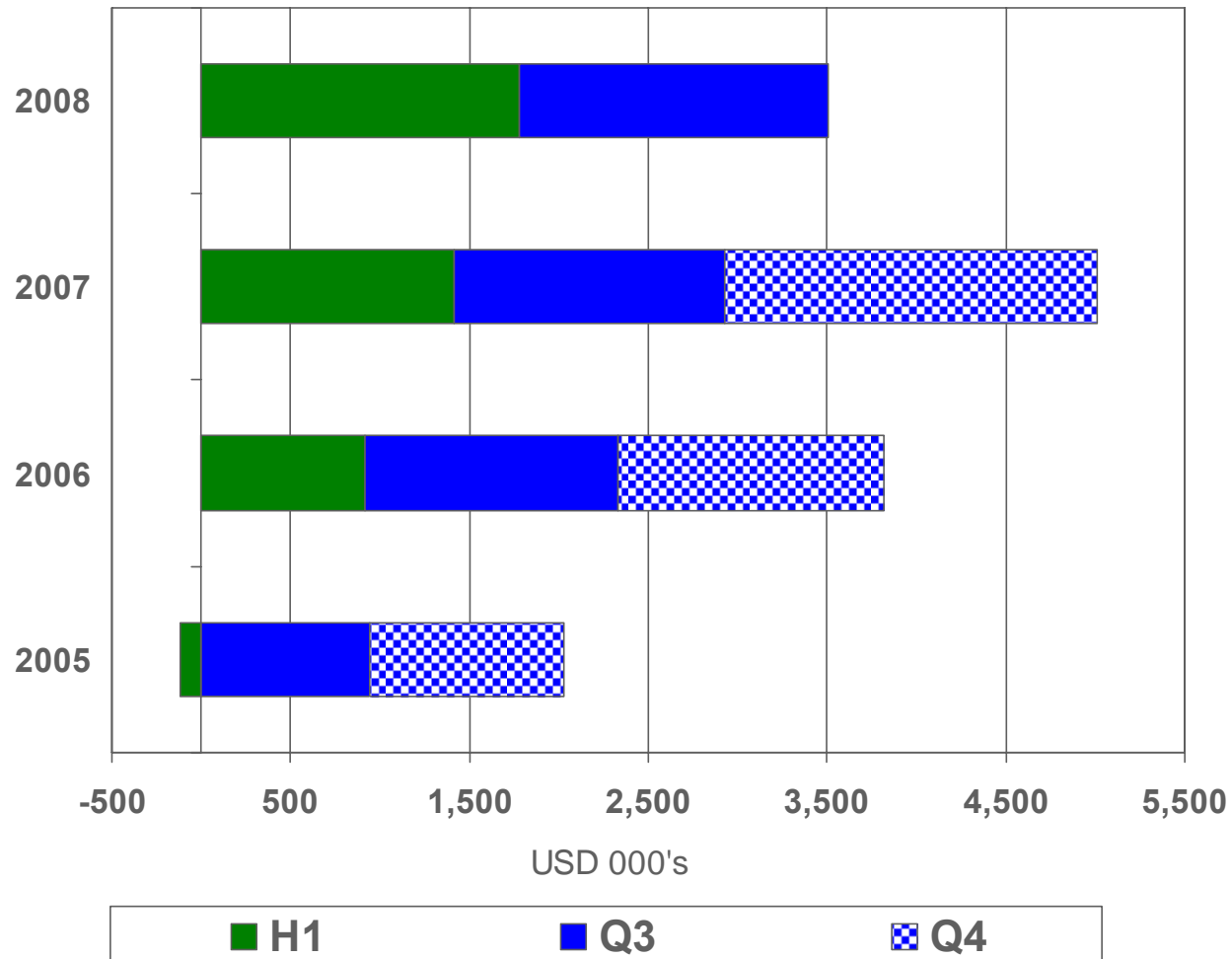
- ✓ Received the “2008 Manufacturers Partnership Award” from IMDA, the association of medical specialty sales and marketing companies in the US
- ✓ Almost full resumption of ordering by Physio-Control
- ✓ Launched the Surestream™ consumable line to serve the Welch Allyn installed base of monitors
- ✓ Admitted to the SPI index on the SWX Swiss Stock Exchange
- ✓ Signed new OEM partnership agreement with Spacelabs Inc.
- ✓ Consolidation in our industry
  - Philips acquires Respironics, Dixtal and Goldway
  - Mindray acquires Datascope’s monitoring business
- ✓ Signed 3 year purchase agreement with Kaiser Foundation Health Plan, Inc.
- ✓ Regarding the turmoil in financial markets, we have thus far not experienced any material impact on near-term demand in our markets



# Consistent Quarterly Revenue Growth... (similar periods)



## Second Half Operating Results Typically Much Larger than the First Half...

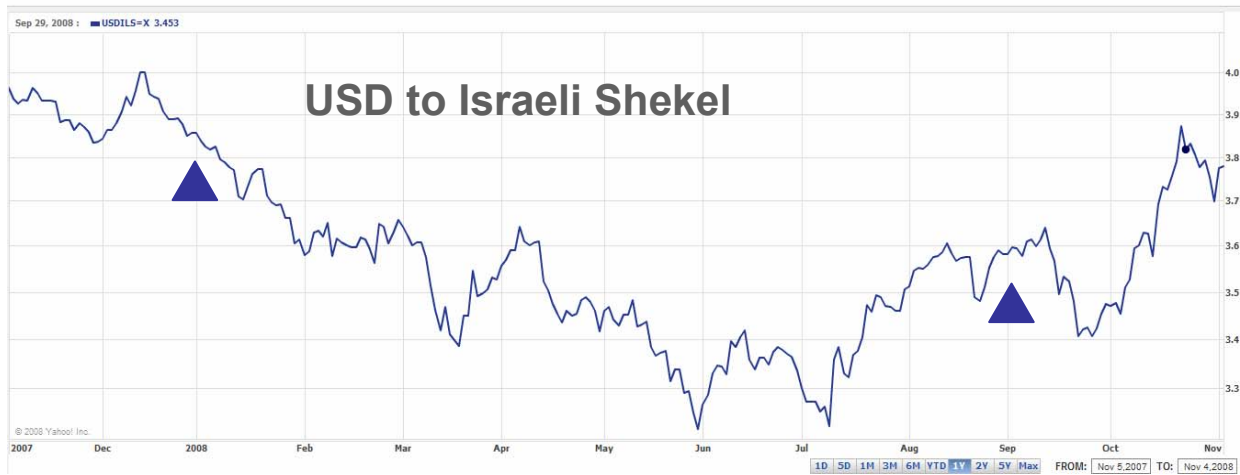
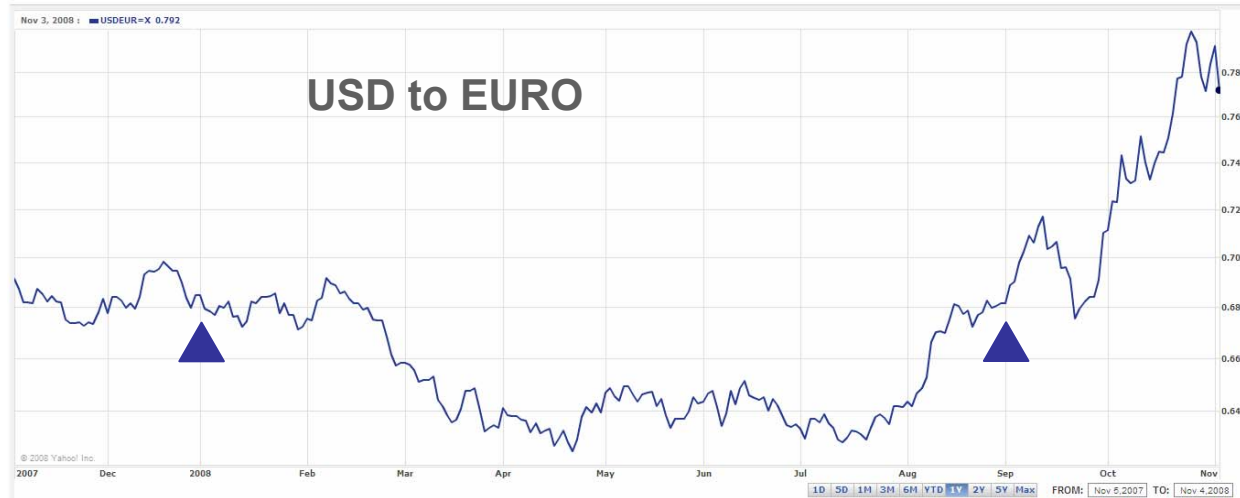


# Consolidated Statements of Operations

All numbers in USD 000's	<b>Q3 2008</b>	<b>Q3 2007</b>	<b>Δ Q3 08/07</b>	<b>9 mo 2008</b>	<b>9 mo 2007</b>	<b>Δ 9 mo 08/07</b>
Revenues	12,015	9,627	+25%	33,970	26,660	+27%
Cost of revenues	5,249	4,347	+21%	15,071	12,283	+23%
Gross profit	6,766	5,280	+28%	18,899	14,377	+31%
<b>Gross margin</b>	<b>56.3%</b>	<b>54.8%</b>	<b>NA</b>	<b>55.6%</b>	<b>53.9%</b>	<b>NA</b>
Operating expenses	5,036	3,760	+34%	15,393	11,447	+34%
<b>Operating income</b>	<b>1,730</b>	<b>1,520</b>	<b>+14%</b>	<b>3,506</b>	<b>2,930</b>	<b>+20%</b>
<b>Operating margin</b>	<b>14.4%</b>	<b>15.8%</b>	<b>NA</b>	<b>10.3%</b>	<b>11.0%</b>	<b>NA</b>
Financial income (expenses) net	(1,216)	398	NA	(902)	203	NA
Income tax benefit	-	-	NA	1,092	-	NA
Net income	514	1,918	-73%	3,696	3,133	+18%



# The Currency Movements



Source: Yahoo Finance

# Operating Efficiency

All numbers in USD 000's	<b>9 mo 2008</b>	<i><b>in % of revenues</b></i>	<b>9 mo 2007</b>	<i><b>in % of revenues</b></i>
Revenues	33,970		26,660	
<b>Gross profit</b>	<b>18,899</b>	<b>55.6%</b>	<b>14,377</b>	<b>53.9%</b>
Research & Development	3,408	10.0%	2,351	8.8%
Selling & Marketing	9,307	27.4%	7,146	26.8%
General & Administrative	2,678	7.9%	1,950	7.3%
<b>Operating expenses</b>	<b>15,393</b>	<b>45.3%</b>	<b>11,447</b>	<b>42.9%</b>
<b>Operating income</b>	<b>3,506</b>	<b>10.3%</b>	<b>2,930</b>	<b>11.0%</b>



# EBITDA

All numbers in USD 000's	<b>9 mo 2008</b>	<b>9 mo 2007</b>	<b>FY 2007</b>
Revenues	33,970	26,660	37,554
<b>Operating income (EBIT)</b>	<b>3,506</b>	<b>2,930</b>	<b>5,008</b>
<b><i>Operating income margin</i></b>	<b>10.3%</b>	<b>11.0%</b>	<b>13.3%</b>
Depreciation & Amortization	1,062	1,034	1,262
<b>EBITDA</b>	<b>4,568</b>	<b>3,964</b>	<b>6,270</b>
<b><i>EBITDA margin</i></b>	<b>13.4%</b>	<b>14.9%</b>	<b>16.7%</b>



# Balance Sheet

USD 000's

## Assets:

Cash and cash equivalents  
 Short-term deposits  
 Marketable securities  
 Trade and other receivables  
 Inventories  
 Deferred tax assets  
 Fixed and other assets

## Total Assets

## Liabilities & Shareholders' Equity:

Trade and other payables  
 Long Term liabilities  
 Shareholders' Equity

## Total Liabilities and Shareholders' Equity

	September 30, 2008	December 31, 2007
	3,648	6,642
	-	50
	10,792	7,498
	9,417	8,965
	7,319	4,612
	5,393	4,300
	5,883	4,863
<b>Total Assets</b>	<b>42,452</b>	<b>36,930</b>
	8,574	6,214
	3,142	2,521
	30,736	28,195
<b>Total Liabilities and Shareholders' Equity</b>	<b>42,452</b>	<b>36,930</b>



# Cash Flow

USD 000's

Net Income

Depreciation and amortization

Deferred tax assets

Changes in working capital

Gain from sale of marketable securities

**Net cash provided by operating activities**

**Net cash used in investing activities**

**Net cash provided by financing activities**

**Increase (decrease) in cash, cash equivalents**

**Cash and cash equivalents at end of period**

**Cash, cash equivalents, short-term deposits,  
marketable securities**

	<b>9 mo 2008</b>	<b>9 mo 2007</b>	<b>FY 2007</b>
	3,696	3,133	9,899
	1,062	1,034	1,262
	(1,093)	-	(4,300)
	(840)	(2,295)	(3,187)
	(711)	(2)	(372)
<b>Net cash provided by operating activities</b>	<b>2,114</b>	<b>1,870</b>	<b>3,302</b>
<b>Net cash used in investing activities</b>	<b>(5,356)</b>	<b>(3,191)</b>	<b>(3,631)</b>
<b>Net cash provided by financing activities</b>	<b>248</b>	<b>636</b>	<b>645</b>
<b>Increase (decrease) in cash, cash equivalents</b>	<b>(2,994)</b>	<b>(685)</b>	<b>316</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,648</b>	<b>5,641</b>	<b>6,642</b>
<b>Cash, cash equivalents, short-term deposits, marketable securities</b>	<b>14,440</b>	<b>9,688</b>	<b>14,190</b>

# Outlook

- Maintaining previous targets for FY 2008
  - Revenue growth: 25%
  - Operating income margin: 12%-13%
- Growth drivers in the Capnography market remain in place
- OEM and ODN channels should strengthen further
- Technology leadership and IP Portfolio will support our sustainability (e.g., Smart Capnography)
- Oridion well positioned, as the clear market leader, to show sustained growth, even in the uncertain economic situation ahead

# Investor Relations

- Next events
  - Q4 / FY 2008                      March 2, 2009
  - Q1 2009                                May 18, 2009
  - AGM                                      June 10, 2009
  
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