PARTICIPANTS

Corporate Participants

Lynn C. Pieper – Managing Director, Westwicke Partners LLC
Robert Bradley Gray – President, Chief Executive Officer & Director, NanoString Technologies, Inc.
James Algot Johnson – Chief Financial Officer, NanoString Technologies, Inc.

Other Participants

Tycho W. Peterson – Analyst, JPMorgan Securities LLC
Dan L. Leonard – Analyst, Leerink Partners LLC
Jeff T. Elliott – Analyst, Robert W. Baird & Co. Equity Capital Markets

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the NanoString 2013 Fourth-Quarter Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Lynn Pieper of Westwicke Partners. You may begin.

Lynn C. Pieper, Managing Director, Westwicke Partners LLC

Thank you. Earlier today, NanoString released financial results for the quarter and year-ended December 31, 2013. If you have not received this news release or if you'd like to be added to the company's distribution list, please call Westwicke Partners at 415-202-5678.

Before we begin, let me remind you the company's remarks include various forward-looking statements within the meaning of the Private Securities Litigation Reform Act, including projections of future business growth and the factors underlying such growth, expected timing of new product introduction, anticipated timing and outcome of ongoing clinical studies and plans for future clinical studies, expectations regarding Prosigna's competitive profile and market acceptance, expected timing of availability of Prosigna testing services, expected timing for hiring and training Prosigna's sales personnel, the timing and nature of Prosigna reimbursement-related decisions, plans for and timing of applications and decisions regarding inclusion of Prosigna in treatment guidelines and projected financial results for the first quarter and full year of 2014.

Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond NanoString's control, including risks and uncertainties described from time-to-time in NanoString's SEC filings.

NanoString's results may differ materially from those projected on today's call. NanoString undertakes no obligation to publicly update any forward-looking statement. Additionally, non-GAAP financial measures will be referred to during today's call. A reconciliation of these non-GAAP measures is included in today's press release, which is available on the NanoString website.

With that, I'd like to turn the call over to Brad Gray, President and CEO of NanoString. Brad?

Robert Bradley Gray, President, Chief Executive Officer & Director

Thank you, Lynn. Good afternoon and thank you for joining us on our Q4 call. 2013 was a transformational year for NanoString. Our strategy to become an indispensable part of cancer research and diagnosis came clearly into focus. Our team executed on this endeavor throughout the year, rapidly expanding our installed base, while maintaining our strong consumable pull-through. This allowed us to successfully position the company for an initial public offering as well as a follow-on offering completed in January. I'm extremely proud of all we accomplished in 2013 and I'm confident about our long-term growth prospects.

For the full-year 2013, we delivered $31.4 million in revenue, 37% growth over 2012. Growth accelerated in the second half of the year with our fourth-quarter revenues up 56%, reaching $10.1 million. During 2013, we grew our installed base over 40% to end the year at over 180 systems, while maintaining consumable pull-through at over $100,000 per system per year.

Importantly, we introduced several products, which allow us for the first time to meet the needs of clinical laboratories, dramatically expanding our addressable market and setting a stage for growth in 2014. After receiving FDA 510(k) clearance for our Prosigna Breast Cancer Assay ahead of our schedule and with a competitive label, we announced its commercial adoption by leading clinical labs and cancer centers in the US.

With our recent follow-on equity financing, bringing $57 million of net proceeds into the company, we have the resources we need to fund strategic growth initiatives. Meanwhile, our customers and collaborators had another banner year and continue to demonstrate the unique advantages of our technology. During 2013, researchers used our technology to publish 185 peer-reviewed papers, a 70% increase over the prior year. Almost half of these papers related to the study and treatment of cancer and four of them described the clinical validation of our Prosigna Breast Cancer Assay.

Over the next few minutes, I'll provide a business update and then we'll turn the call over to our CFO, Jim Johnson, who will provide more detail on the financial results and will provide our outlook for 2014. We will then open up the call to your questions.

During the fourth quarter, consistent with typical seasonality and capital budget cycles, we focused heavily on placing new instruments, including the first wave of our new diagnostic systems. Through solid execution, we accelerated the cadence of new instrument placement, driving instrument revenues up 109% to $5.3 million in the quarter.

We believe that this is the highest quality type of growth, because expanding our installed base should generate higher consumable revenue in the future. Meanwhile, we reported $4.4 million in consumable revenue, including Prosigna kits during the fourth quarter, which was up 19% from the same period a year ago.

Revenue growth was strong across all geographies with new instrument sales split about evenly between North America and international markets. This is consistent with the trend for the full year and reflects our recent investment in both direct and distributor channels outside North America.

Two other important trends continued in the fourth quarter. First, the study and diagnosis of cancer drove a majority of our new instrument placements. Second, demand from biopharma customers remained strong, accounting for approximately 35% of our consumable revenue. We expect that these factors will continue to be key drivers of growth in the coming years. Clinical laboratories are a new source of growth that we began tapping during the fourth quarter and which we expect to become even more important in the future.

In November, we launched the nCounter Dx Analysis System and a dual-mode configuration that we call FLEX. In the diagnostics mode, FLEX systems runs the Prosigna Breast Cancer Assay, while in life sciences mode, they can process research experiments and Elements-based multiplex assays developed by clinical labs.

As a single system that conform both diagnostic and research assays, our FLEX configuration provides clinical labs and academic medicals centers, the ability to leverage a single instrument across both their research and clinical mission.

A second major addition that we're offering for clinical labs came with the full commercial launch of our nCounter Elements chemistry, which we announced earlier this month following a successful early access program.

Elements is a line of General Purpose Reagents, developed specifically to meet the need of translational researchers and clinical labs, by allowing them to independently develop custom multiplex assays to detect gene expression, copy number variation and gene fusions.

We expect Elements to appeal to both clinical labs, looking to develop their own diagnostic tests, as well as translational researches, who have been among our core customers in the past. Of the 22 participants in the early access program, two-thirds were involved in translational and clinical research with half of these focused specifically on cancer.

Approximately 25% of the early access projects were investigating fusion genes, indicating strong interest and the potential to use nCounter-based multiplex fusion assays as a replacement for single FLEX assays based on fluorescence in situ hybridization or FISH. These early examples nicely illustrate the power of our strategy to merge research and clinical testing onto a single platform. They also illustrate how our new product offerings enable us to address the clinical market as one company rather than its two businesses, ordering the lines between our historical business segments. We believe that this development is exciting and further demonstrates the capital efficient nature of our business model.

During the financial overview, Jim will outline changes we will be making through our financial reporting to profitably reflect this evolution of our business.

We have a number of exciting product opportunities under development in 2014. Our benchtop instrument program remains on track and we plan to launch it late this calendar year. Additionally, we are developing new applications that will allow nCounter technology to probe additional aspects of biology. For example, in January our customer at Mass General Hospital in Mass, Boston, published in the journal of Science Translational Medicine, a technique for multiplex protein analysis using the nCounter System. Simultaneous to this publication, we announced that we had secured an exclusive option to license intellectual property related to this protein expression assay.

In addition, as previewed earlier this month at the AGBT meeting in Marco Island, Florida, we are developing a new chemistry that substantially increases the specificity of our probes, improving our ability to detect gene fusions and potentially allowing nCounter System for the first time to detect mutation in the expressed demand genes.

These developments open the door to future multianalyte assays that for combinations of mutation, RNA and proteins simultaneously in a single run. This could increase the appeal of our technology in markets where we already compete and open up new markets like proteomics, which have not been targeted in the past. Stay tuned for more on these developments in future quarters.

Now, focusing on Prosigna, during the fourth quarter, we announced the commercial availability of our Prosigna Breast Cancer Assay as well as its adoption by leading US clinical labs and cancer centers. Our strategy in the US is two-pronged with Prosigna testing being provided on one hand

by major cancer centers and on the other hand by multiple commercial labs. In total, we installed six Prosigna-capable nCounter Systems in the US during the fourth quarter.

As announced in early December, three of these systems placed in Q4 were installed in premier national diagnostic labs, ARUP, LabCorp and Quest, while two of these systems were installed in leading US cancer centers. In late December, our third cancer center, the University of California, Davis, purchased in our Prosigna-capable nCounter System. Discussions are underway with other cancer centers and commercial labs and overall we are pleased with the early interest.

We expect the US labs who have adopted Prosigna to begin offering testing services over the course of the first half of 2014. On January 13, LabCorp announced its launch of Prosigna testing services and we expect both ARUP and Quest to launch testing services by the end of March.

Meanwhile, we are building our North American oncology sales team. As we described in the past, we are recruiting a sales force dedicated to working closely with our clinical laboratory customers to educate medical oncologist about the merits of Prosigna. We intend to use a phased approach, initially hiring approximately 15 field-based oncology sales reps.

I am pleased to report in addition to our VP of North America, when we announced in December, we have also hired our Regional Directors and had filled a majority of our territories. The quality of individuals we are attracting has been outstanding. And the initial wave of hires are joining primarily from innovative oncology therapeutics' company and bringing substantial experience in the breast cancer market. We expect to have the oncology sales force fully hired and trained by the end of this quarter.

I am also pleased to report that we've begun hiring a high caliber team, dedicated to securing US reimbursement for Prosigna. In January, we hired an exceptional Vice President of Reimbursement & Market Access, who has already begun to build his team. They're focused on two near-term priorities, securing billing codes that will be uniquely identified with Prosigna and pursuing CMS reimbursement under the MolDx Program.

On the coding front, during the fourth quarter, we applied for an MAAA CPT code and a McKesson Z-Code, each of which would be unique to Prosigna. Both applications are proceeding as expected. Earlier this month, we were assigned our Z-Code and we expect to learn in the weeks ahead whether we will be assigned a unique MAAA CPT code.

In parallel, we are engaging in informal discussions with the Palmetto staff leading the MolDx Program, both directly and through our laboratory partners. We continue to be optimistic that we could receive a positive coverage decision by as early as Q3 2014 for the states covered by Palmetto and Noridian, which include North Carolina and California, home to the largest molecular diagnostic testing sites for LabCorp and Quest respectively.

Because CMS reimbursement is expected to be a major catalyst for Prosigna uptake, our 2014 Prosigna revenue is likely to be highly sensitive to the timing of reimbursement. Although we cannot control precisely when MolDx reimbursement decisions will be achieved, we are focused on navigating this process as efficiently and effectively as possible.

Inclusion on treatment guidelines will also be an important catalyst for Prosigna uptake. The most important breast cancer treatment guidelines in the US are those developed through an independent review process by the NCCN. While NCCN does not publish criteria for including molecular diagnostic testing guidelines, we believe that they focus on peer-reviewed publications and regulatory clearances that demonstrate clinical and analytic abilities and the ability to thus provide information that contributes to the optimal management of disease.

We are confident that we will submit to NCCN a strong case for consideration of inclusion for Prosigna in their guidelines. Our body of peer-reviewed literature is expanding rapidly and we expect to have at least six peer-reviewed papers describing the performance of Prosigna by the time we submit our application later in the first half of 2014.

Over the past few months, three important papers on Prosigna have been published. First, in December, the results of our pivotal ABCSG-8 clinical validation study were published in the Annals of Oncology. The authors of this study concluded that patients categorized by the Prosigna Assay as low risk are unlikely to benefit from chemotherapy and that this information should aide physicians in determining whether chemotherapy is required. The authors also concluded that the Prosigna Assay has achieved Level 1 Evidence, the standard typically required for inclusion in cancer treatment guidelines.

Second, earlier this month, the late recurrence results from the ABCSG-8 study were published in the Journal of Clinical Cancer Research. This study authors found that Prosigna significantly increased prognostic accuracy with respect to late distant recurrence compared to clinical factors alone.

Third, a paper published in December for the first time demonstrated that Prosigna can predict which patients with locally advanced or metastatic breast cancer benefit from a specific chemotherapy agent, gemcitabine. In addition, we recently learned that a paper describing the multi-site analytical validation of Prosigna has been accepted for publication.

These results demonstrate that local laboratory pathologists can generated precise and reproducible results using Prosigna assay on the nCounter Dx Analysis System. These publications build on the two peer-reviewed papers published earlier in 2013 based on our TransATAC study, which established Prosigna's advantages relative to Oncotype Dx, a test which is already included in the NCCN guidelines.

Taken together, these papers form a substantial body of evidence and we feel good about the strength of our application for inclusion in the NCCN guidelines.

Turning to Europe, we continue to lay the foundation for broad, long-term adoption of Prosigna outside the United States. Our top priority has been to place Prosigna capable nCounter Systems in major academic centers and then work with the leaders in these centers to advocate for reimbursement. We have recently completed enrollment of 200 patients in our decision impact study in Spain and intend to present results at a major meeting later this year.

With the completion of this study, the diagnostics systems located in Madrid and Barcelona are transitioning to promotional testing. Meanwhile, enrollment in our German decision impact study has accelerated and we intend to initiate a third decision impact study in the EU later this year.

Key opinion leaders across Europe have recognized the value of Prosigna for their patients relative to the traditional pathology approaches used throughout most of Europe. We remain convinced that our decentralized approach to breast cancer testing uniquely positions Prosigna to become the global standard of care over the long term.

I'd now like to hand it over to Jim Johnson, who will review our Q4 financials and outlook for 2014.

James Algot Johnson, Chief Financial Officer

Thanks, Brad. Let me start with the fourth quarter of 2013. Our total revenue was $10.1 million, up 56% over the $6.5 million reported a year ago for the fourth quarter of 2012. Instrument revenue

was the largest driver of year-over-year growth, increasing by 109% to $5.3 million and it reflects the sale of five nCounter Dx Analysis Systems, all of them in the FLEX configuration.

As Brad mentioned, the introduction of a dual-mode system has blurred the line between life sciences research and diagnostics, so it's no longer possible to divide our instrument revenues between those two markets, without making arbitrary determinations. As a result, starting this quarter, we will no longer be reporting instrument revenues separately for life sciences and diagnostics. We will, however, be reporting Prosigna test kit revenue as a separate line item on our P&L.

Total consumable revenue was $4.4 million for the fourth quarter of 2013, up 19% from $3.7 million for the fourth quarter of 2012. We, now for 2013 included $140,000 of Prosigna kit revenue, less than half of which was sold to one major US commercial lab, gearing up to launch Prosigna services in early 2014. While up year-over-year, consumable revenue was flat sequentially, reflecting a substantial focus of our team on instrument placements in the fourth quarter, due to both capital budget cycle as well as the launch of the FLEX systems.

Gross margin for the quarter was 52% compared to 49% for the fourth quarter of 2012. The product mix had a significant impact on this comparison, as instrument revenue increased from 39% to 52% in total revenues between the two periods.

We've been successful in continuing to drive margin improvement through increased scale and related cost efficiencies and this can be seen more obviously in our full-year results. Our gross margin increased from 46% to 52% with a more consistent product mix. R&D expense was $4.5 million, up 33% over Q4 of 2012 and the increase reflects increased investment in the advancement of our nCounter technology, especially related to the design and engineering of our benchtop system.

SG&A expense was $9.1 million for the quarter, up substantially from $4.9 million a year-ago. And this increase reflects Prosigna launch costs, investments to expand our existing life sciences sale channel and the added cost of being a public company.

Operating expense for the quarter included $379,000 of stock-compensation expense compared to $179,000 in the fourth quarter of 2012. We ended the year with $42.7 million of cash and investments. Taking into account approximately $57 million was net proceeds from our January follow-on offering, which include partial exercise of the underwriters over-allotment option, we had nearly $100 million of cash on hand to drive growth in 2014 and beyond.

For your reference, we've included a schedule of non-GAAP financial information in our press release, which among other things shows our operating results, that is all pre-IPO preferred stock that didn't convert into common stock. On a non-GAAP basis, our net loss for the quarter was $7.5 million or $0.51 per share compared to $4.4 million or $0.53 per share in the fourth quarter of 2012. Please refer to that schedule for a detailed reconciliation of these items.

So, now I'll provide our financial guidance for 2014. We're expecting total revenue of $45 million to $50 million for the year, which represent approximately 43% to 59% growth over 2013. We expect revenue growth to be driven by continuing strong demand for our Research Use Only systems and related consumables with added growth coming from increasing penetration of the clinical lab market opportunity based on our nCounter Dx Analysis System.

We also expect Prosigna to contribute to growth in the back half of the year assuming increase in traction with reimbursement. We want to make it very clear that we expect the usage and sales of Prosigna kit to be relatively slow in the first two to three quarter in 2014. Given that the first wave of clinical labs are coming online this quarter and next, we do not expect meaningful revenues in the first quarter.

For Q1, more specifically, we expect total revenue in the range of $8.3 million to $8.8 million, reflecting robust year-over-year growth of 46% to 55%. To be clear, in the future, we don't expect to provide quarterly guidance. However, given the recent commercial launch of Prosigna, we thought it was appropriate for this quarter.

We expect that gross margin will continue to fluctuate from quarter-to-quarter depending on the mix between consumables and instruments, but at the same time, we expect consumables margins to continue to improve based on increasing scale and capacity utilization. For the year in total, we expect overall gross margin to be in the range of 55% to 58%.

On a quarterly basis, we expected to ramp upward over the course of the year, consistent with the growth in consumables revenue, there's more meaningful ramp related to Prosigna in the second half. We're expecting total operating expenses of $70 million to $75 million for the year, split approximately one-third to R&D and two-thirds to SG&A.

We made significant investments to grow the business in 2013 and we plan to make further investments in 2014 to drive future growth.

Key areas include build out of the Prosigna commercial organization, additional Prosigna clinical development and investments in new products and technology advancement.

We expect operating expenses to include approximately $3 million to $4 million of stock-based compensation expense for the year. Our operating loss for the year is expected to be in the range of $40 million to $50 million. Interest expense is expected to be approximately $2 million to $3 million for the full year. And finally, total capital expenditures are expected to be $3 million to $4 million for the year.

So, with that, I'll turn it back over to Brad to wrap up.

Robert Bradley Gray, President, Chief Executive Officer & Director

Thanks, Jim. In summary, our team made significant progress in growing our business during 2013 and we've begun 2014 with substantial momentum. We are creating fundamental value through the combination of robust revenue growth, gross margin expansion and entry into the clinical laboratory market. Through innovative products, we're accelerating the use of genomic insights to benefit patients globally.

We are aggressively growing the installed base in nCounter Systems in the US in both research and clinical laboratory settings. And we expect all three of our clinical laboratory offerings of FLEX system, our Prosigna Assay and our Elements General Purpose Reagents to drive this growth.

With these three offerings, we believe that we are uniquely positioned to offer local labs the opportunity to perform both translational research and complex high-value clinical testing for cancer. We expect that the clinical laboratory market will continue to emerge as a major catalyst for growth during 2014. We look forward to updating you on our progress during future calls.

I would now like to open up the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from line of Tycho Peterson of J. P. Morgan. Your line is now open.

<Q – Tycho Peterson – JPMorgan Securities LLC>: Hey, guys. Thanks for taking the question. Maybe, Brad, just starting off with some of the developments I guess at AGBT, and Joe's talk – talking about some of the new chemistry, the step I think upgrade, the code sets and panels, then antibody labeling kits. Can you maybe just talk about how you think about introducing those or these developments that would come out this year or what are the timeline?

<A – Bradley Gray – NanoString Technologies, Inc.>: Thanks, Tycho. The introduction of our multiplexed protein based assay is something that's still several quarters away. Joe and his team are working with the inventor's Ralph Weissleder at Mass General Hospital to replicate that work and to figure out how to simplify it even further, before we developed and introduce the product. So hope for that would be a late 2014 launch. I'd say that the potential to the mutation on the nCounter Analysis System is a product that likely will emerge in a similar timeframe, late 2014.

<Q – Tycho Peterson – JPMorgan Securities LLC>: And then on Elements, can you maybe just give us a sense as to kind of the scope of the work that's being done? When will we start to see maybe some commercialized products from some of the adopters? I think the same presentation by Joe highlighted something out of China in terms of Pfizer implementing a new test. So, can you maybe just talk about when we're, at the degree to which we're going to start to see products emerging using Elements?

<A – Bradley Gray – NanoString Technologies, Inc.>: Yeah. So, during the early access program, which took place really in the second half of 2013, most of the work focused on existing and new nCounter users, usually translating an assay they built on our traditional chemistry onto Elements and confirming that it worked. A lot of that interest, as we described, was in fusion assays, such as the ALK EML4 fusion detection techniques that were first described by research customers of ours at Pfizer and which have now been published in two peer-reviewed journal papers in The Journal of Molecular Diagnostics. I think we had a handful of research with our commercial labs – clinical commercial labs, who were investigating the introduction of that assay.

I'd say now in the wake of the full commercial launch, the first diagnostic testing services on the Elements will start to emerge I think at a slow pace in the next quarter or two, accelerating to the back half of the year. The first impact of Elements and its introduction is likely to be felt in the acceleration of instrument placement, the placement that reflects instruments into these clinical labs. Now, with our offering, with a system that can do both Prosigna and lab-developed test, that's really appealing to the cancer centers. So the first impact, where the business likely to feel from Elements, is actually on our instrument revenue line.

<Q – Tycho Peterson – JPMorgan Securities LLC>: Okay. And then, couple sort of quick ones. On the benchtop instrument, what's still has to kind of be done at this point? Do you need to kind of lock down design? Maybe just walk us through some of the key milestones we should be paying attention to?

<A – Bradley Gray – NanoString Technologies, Inc.>: Well, so the milestones you should be paying attention to are not likely to be many. As we have in the past cycle, we'll keep some of the specific specs and development milestones close to the best for of course competitive reasons and commercial reasons. I would describe that the work that remains at hand as largely engineering. The technical improvements that are required to introduce the benchtop system are largely behind us and now we're locking down things that I would describe as engineering. And that's a real process, so that's keeping the team busy and focused, but the technical risk has been largely removed.

<Q – Tycho Peterson – JPMorgan Securities LLC>: And then lastly, just guidance this year, it sounds like you are baking in a positive coverage decision with Palmetto and Noridian, so can you just confirm that that's factored in there? And then secondly, as we think about the adoption by the clinical partners, how important are guidelines going to be, do we see an inflection point, I guess once you actually get written in the guidelines at that path?

<A – Bradley Gray – NanoString Technologies, Inc.>: The two major inflections that I would describe on Prosigna uptake are respectively CMS reimbursement under the MolDx program and guideline inclusion under NCCN. Implicit in our guidance is a positive reimbursement momentum, including the MolDx decision in the latter half of the year. And so that is taken to guidance, to answer your first question.

Guideline inclusion is an important catalyst as well. That is a process that is updated on an annual basis by an independent review committee in NCCN, who looks at facts and data, usually in a meeting over the summer and we'll update their guidelines late in any given calendar year. So in terms of 2014 revenue impact, it's not likely to be substantial, it's because of the timing during the year. It will be a more material driver of positive – the guideline inclusion will be more a material driver of revenue in 2015 and beyond.

<Q – Tycho Peterson – JPMorgan Securities LLC>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Dan Leonard of Leerink. Your line is now open.

<Q – Dan Leonard – Leerink Partners LLC>: Great. Thank you. So a question on the consumables revenue in your life science business, it seems like it's been flat for a few quarters now. How do you expect this to trend in the first half of 2014, given that some of these new applications on the box aren't going to be available until the second half of the year?

<A – James Johnson – NanoString Technologies, Inc.>: Yeah. Well, that's a good question, Dan. We think that although it has been steady over the past few quarters, we've been tracking it more than 100,000 per system per year in pull-through and there is a certain amount of quarter-to-quarter variability. It's somewhat impacted by timing of large custom code spec orders, but I think what we also saw in the fourth quarter was that our sales force was particularly focused on instrument placements.

It's typically, as you know, the normal cycle for our customers, Q4 is a big year for that. We also have the Dx System launch in November. And in fact, through our incentive compensation plan, we were actually motivating our commercial team to sell instruments in Q4. So that's I think definitely a factor to be considered.

<Q – Dan Leonard – Leerink Partners LLC>: Okay. And, Jim, while I have you, what was the driver of the increase in accounts receivable days outstanding in the fourth quarter?

<A – James Johnson – NanoString Technologies, Inc.>: It's about the same as in Q3. I think it was right around 75 days, both in Q3 and Q4. Our accounts receivable are in good shape. We've had no meaningful bad debts in the history of the company, but what we're seeing there in the third and fourth quarters is just that much of the ordering activity and the shipment and revenue recognition occurred in the second half of the quarter. So, disproportionate share of our revenues were in accounts receivable at the end of the quarter.

<Q – Dan Leonard – Leerink Partners LLC>: Got it. And then my final question, are you offering Prosigna kits broadly in the US at this point or this will launch on your end more limited to those early customers you've highlighted?

<A – Bradley Gray – NanoString Technologies, Inc.>: I'll take this one. So, technically, in order to run Prosigna, any customer has to have one of our diagnostic systems. So as of the end of the year, only six of those systems have been placed in the United States. So in terms of we're offering kits on January 1, those are six potential customers for Prosigna kits. In order to sell more kits and really drive Prosigna kit revenue through 2014, we need to both start to drive testing volume for those existing labs and grow the installed base of Prosigna-capable nCounter systems through the year.

<Q – Dan Leonard – Leerink Partners LLC>: Got it. Thank you.

Operator: Thank you. And our next question comes from line of Jeff Elliott of Robert W. Baird. Your line is now open.

<Q – Jeff Elliott – Robert W. Baird & Co. Equity Capital Markets>: Hey, guys. Thanks for the question. I wonder if you could provide some additional color on the experience you've had thus far working with LabCorp, given that they've launched? And also can you talk about how the validation process is going at Quest and ARUP thus far?

<A – Bradley Gray – NanoString Technologies, Inc.>: Sure. So the work that we've done with our laboratory partners so far has been largely supporting them on their own validation, which LabCorp completed quickly and the other labs have also completed now, as well. Working with them on early development of their commercial launch materials is helping them describe that Prosigna assay to diagnostic customers.

And finally, coordinating closely with them on our reimbursement strategy, ensuring that our approach to coding is one that's going to work with them and that their own reimbursement experts believe it's going to be appealing to the third-party plans and then working with their reimbursement people to engage collectively in the MolDx process, which is of course because of the geography relevant for both of their major labs.

That's going to work to-date, that will start to change in the quarter ahead, obviously as we have our sales force hired and trained at the end of this quarter, we'll begin to work with them in a very different way, which is to collaborate in the field, jointly educating oncologists about the use of Prosigna and driving volume towards those systems. But the collaboration today has been really largely by getting them up and running, which has happened successfully all three sides, preparing them for commercial launch, which we expect to have completed by the end of this quarter and then getting ready for making the best possible case and as smooth as possible process through reimbursement.

<Q – Jeff Elliott – Robert W. Baird & Co. Equity Capital Markets>: Got it. And just a follow-up at one of Dan's questions, on the consumable pull-through per instrument, how should we think about that in 2014, in light of the recent launch of Elements and the launch of Prosigna, is there a range you're going to provide?

<A – Bradley Gray – NanoString Technologies, Inc.>: I think for now, we expect for the time being that the trends will be similar to our historical pattern, which had been very consistently for over the past four years, despite a little bumping up and down on average in each year overall $100,000 per system per year. And I think that's a trend that we expect to continue. Elements will take some time before it becomes a very material part of our consumable revenue. As I said on Tycho's question, think about that first it's driving instrument placement and then later driving consumables. And Prosigna, as Jim said, is going to become more meaningful in the back half of the year, but won't materially change the pull-through in the first half of the year. So I think for the time being, our expectation is that we'll be consistent with our historical trends.

<Q – Jeff Elliott – Robert W. Baird & Co. Equity Capital Markets>: And then, can you provide any color – I guess Jim, can you provide any color on the phasing of OpEx through the year?

<A – James Johnson – NanoString Technologies, Inc.>: Well, I think that a lot of the growth is going to occur early, because a big part of that is building the Prosigna oncology base commercially. So as Brad mentioned, we've got a lot of hiring underway now. So I think it's going to be not flat necessarily, but it's not going to be as ramped as 2013 one. That's my current expectation.

<A – Bradley Gray – NanoString Technologies, Inc.>: Yeah, just to build on that and clarify a little bit, a lot of the increase in OpEx that was implicit in our 2014 guidance, our commitments and hires we've already made, we made them in the second half of 2013. So it's really about sort of paying for the full 12 months of a number of hires we made in 2014 that we're really going to pay it for a few months of that compensation over the course of 2013. So in a sense, the run rate has already increased substantially.

<Q – Jeff Elliott – Robert W. Baird & Co. Equity Capital Markets>: Got it. And then two quick ones for Jim, what are you assuming if anything in guidance for European revenue considering that it sounds like it's being shift over to commercial launch and then for the next-gen instrument, are you assuming anything in guidance for those two things?

<A – James Johnson – NanoString Technologies, Inc.>: We're not actually giving separate guidance for any of those items. I mean, obviously, they are included in our $45 million to $50 million overall revenue target for the 2014.

<A – Bradley Gray – NanoString Technologies, Inc.>: Yeah, as we said, Jeff, in the call we had in December, we expect to make slow steady progress in Europe. The gating factor there is really reimbursement and getting the governments of Europe who haven't paid for genomic testing for breast cancer patients in the past to come online. That we said very clearly in December is not an inflection we expect during 2014 in a meaningful way. And so while Prosigna European revenue is baked in to our numbers, it's a pretty modest portion of what we expect out of Prosigna overall.

<Q – Jeff Elliott – Robert W. Baird & Co. Equity Capital Markets>: Got it. Okay. Thanks, guys.

Operator: Thank you and I'm showing no further questions at this time. I'd like to turn the call back over to Brad Gray for any further remarks.

Robert Bradley Gray, President, Chief Executive Officer & Director

Well, thank you, everyone, for joining our quarterly call. We look forward to keeping you all updated on calls like this and then, hopefully face-to-face meetings in the months ahead.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Have a great day, everyone.