



Mindray Medical International Limited  
2012 Annual Report

**mindray**  
healthcare within reach

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## WHO WE ARE

**We are a leading developer, manufacturer and marketer of medical devices worldwide. We maintain our global headquarters in Shenzhen, China, U.S. headquarters in Mahwah, New Jersey and multiple sales offices in major international markets. From our main manufacturing and engineering base in China, we supply through our worldwide distribution network a broad range of products across three primary business segments, namely patient monitoring and life support, in-vitro diagnostic (IVD), and medical imaging systems.**

## **VISION**

We will make better healthcare solutions more accessible to humanity.

## **MISSION**

Improve healthcare by optimizing and sharing medical technologies with the world.

## **VALUES**

To earn the respect and trust of our customers worldwide by continuously finding better solutions across all aspects of our business and to create a performance-driven culture that values integrity and constant improvement.



### **CONSISTENT FOCUS ON R&D**

With more than 1,700 engineers in multiple research and development (R&D) centers in China, the U.S. and Sweden, Mindray has established a powerful platform that continues to drive high growth and profitability. Our R&D team continually looks for ways to innovate and develop high-quality products specific to the needs of our customers, while trying to lower costs at the same time. As a result, we have a large and growing patent portfolio, a strong product pipeline, and a growth and profitability record that are a cut above the industry.

### **GLOBAL VISION LOCAL FOCUS**

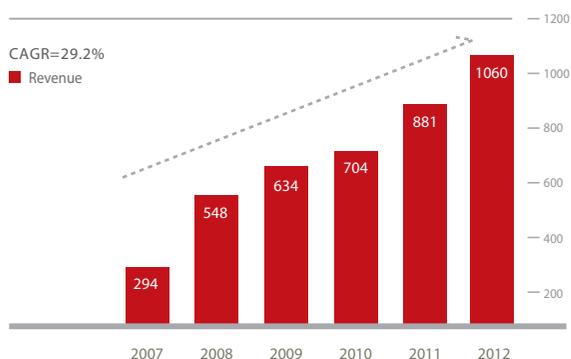
With the global vision of making better healthcare solutions more accessible to humanity, Mindray supplies high-performance, well-priced customized products through its multiple sales offices to an ever-expanding distribution network around the world. The company has also established and strengthened its direct sales channels in several developed countries. Currently, we have 32 local sales and services offices in China and more than 20 international services and service offices.

### **COMMITMENT TO QUALITY**

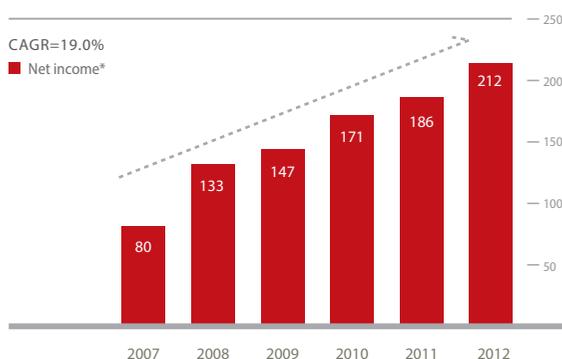
Mindray is dedicated to developing and delivering the highest-quality medical devices. We employ strict in-process quality control throughout our entire production with the goal of achieving a zero-defect ratio for our products. Our vertically integrated operation model complements this process and enables us to efficiently develop, manufacture and market high-quality products.

# KEY FINANCIAL HIGHLIGHTS

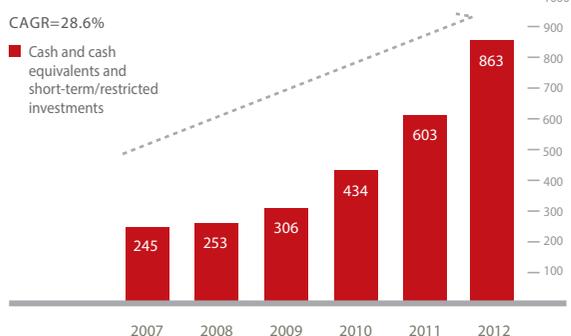
Revenue



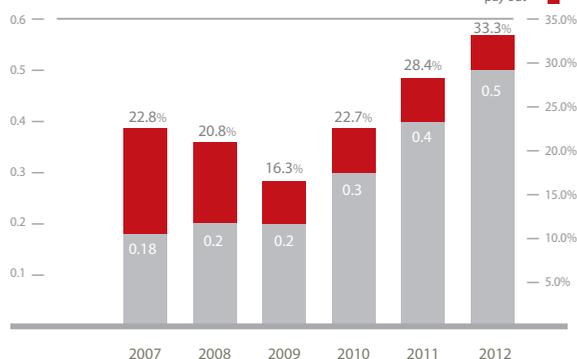
Net income <sup>1</sup>



Cash and cash equivalents and short-term/restricted investments <sup>2</sup>



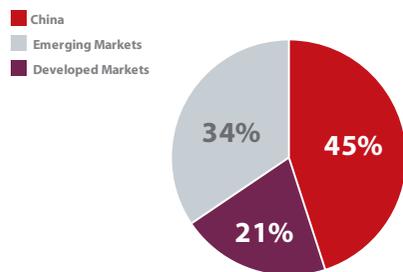
Dividend



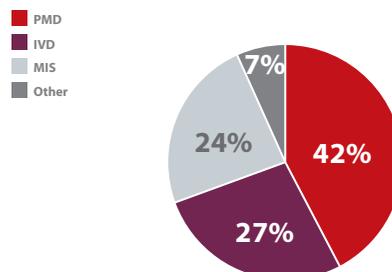
Note:

- 1.Non-GAAP figures exclude share-based compensation expenses, acquired intangible assets amortization expenses, in-progress research and development expenses, realignment cost post acquisition, dispute charges,dispute related legal fees, as well as income from early termination of contract, all net of related tax impact.
- 2.Restricted cash and restricted investments related to purchase consideration in connection with our acquisition being held on escrow accounts are excluded.

2012 Sale Breaddown by Region



2012 Sales Breakdown by Segment



Note:

- Emerging Markets represent all countries except for China and the Developed Markets.  
 Developed Markets represent the North American and Western European countries.

# CEO LETTER

**Last year, we successfully executed our planned strategy and achieved excellent results, with our sales and net profits both exceeding our annual targets. China and the emerging markets were again the key propellers for our growth. Each grew more than 20% year-over-year and together, they represented close to 80% of our total revenues.**



Mr. Li Xiting  
President & CEO  
Mindray Medical International Limited

Dear Fellow Shareholders,

2012 was another significant year for Mindray. We surpassed a billion dollar in annual sales for the first time in our 21-year history. This is largely because of our dedication to innovation and long-term vision to make healthcare solutions more accessible to humanity.

Last year, we successfully executed our planned strategy and achieved excellent results, with our sales and Non-GAAP net profits both exceeding our annual targets. China and the emerging markets were again the key propellers for our growth. Each grew more than 20% year-over-year and together, they represented close to 80% of our total revenues.

Over the past few years, we have significantly strengthened our sales, distribution and service capabilities in China and the emerging markets. A key account management team, together with a direct servicing platform, was formed to serve our top clients. To further enhance our overall customer service level, we installed new customer relationship management (CRM) systems in major countries to better manage our sales process. Our growth profiles in these regions reflect the success of our investment strategies.

We also made inroads in the developed markets as we continue to build our brand by introducing more products and increasing direct sales. Western Europe was a particularly strong market, registering double-digit growth last year. This is no small feat, considering the ongoing severe economic weakness in the region.

In 2012, we met our product development target of launching 10 new products, including one high-end anaesthesia machine, two color ultrasound systems, three digital radiography systems and Four IVD products. For the IVD segment, we launched a high-speed biochemistry analyzer, BS-2000, along with some reagents. This product helped the company break into certain high-end segments that were previously not available to us. To improve our R&D efficiency, we launched a Medical Product Innovation Project last year with a focus on upgrading our products and expanding our portfolio.

We also acquired four more companies in China, taking our total number of acquisitions to eight over the past two years. Some of these transactions allowed us to tap into new growth areas, such as endoscopes and orthopedics. The integration of our prior acquisitions are also well on track.

In June 2012, Mindray received "China's Most Outstanding Global Brand Award" from one of the country's most authoritative financial newspapers, *21st Century Business Herald*. This recognizes our efforts on developing high-quality products and delivering top-notch services to our customers over the past two decades.

To demonstrate our continuous commitment to Mindray's shareholders, we declared a cash dividend of \$0.50 per share on the company's ordinary shares based on our net income for the full year 2012. This represents the seventh consecutive year that we have declared dividends following our initial public offering.

As of December 31, 2012, Mindray employed approximately 7,500 employees globally. They are our most valuable asset and we have consistently offered ownership incentives to our employees by granting them stock options. We have great people at every level and strong leaders who have the experience and strategic insight to turn opportunities into even greater success for the company in the future.

Here, we thank all our employees for their continuous efforts and support to help the company execute its long-term strategy.

## 2012 Operational Highlights

**Strong Growth in China and Emerging Markets.** Our sales in China continued its strong growth momentum and recorded more than 25% year-over-year growth last year. This was due to a favorable industry environment with strong investments in private and county-level hospitals as well as our effective sales reinforcement program, comprehensive service channels and extensive product offerings. We believe that China's healthcare spending environment remains positive for us in the near future, as the government aims to expand and upgrade the county-level hospitals so that they can cater for more patients. As a domestic medical device leader with a strong presence in the mid-end markets, Mindray is poised to benefit from this trend. This, together with our internal initiatives, makes us confident about our long-term competitive position in the sector.

In spite of the political uncertainties and currency risks in some regions, demand in the overall emerging markets remained strong and achieved more than 20% year-over-year growth in 2012. Latin America, Asia Pacific, Eastern Europe and the CIS region remained our growth drivers. Over the past couple of years, we expanded our key account coverage in top emerging countries and enhanced our capabilities in public and private sector participation. These investments continued to pay off. In 2012, we have more than 20 international sales and service offices.

**Continued Market Expansion in Western Europe.** Despite economic weakness and tightening hospital capital expenditure in developed markets, we recorded double-digit growth in the Western European region, driven by our increased brand recognition and direct sales effort, as well as broader product offerings. Our team has continued to build our presence in Western Europe, mainly in the UK, France, Germany, Italy and the Netherlands, which are the home markets of some reputable companies in our industry. Throughout the past decade, we have successfully launched a series of high-quality, well-priced products into these markets and built solid direct sales and service infrastructures, allowing us to earn great feedback and references from our customers. These factors are increasingly driving our sales growth, leading to our market share gains in the region.

**Completed Four New Acquisitions.** To leverage our strong cash position and further implement our growth strategy, we are actively exploring external opportunities that can complement or enhance Mindray's core capabilities. As mentioned earlier, last year we acquired four Chinese companies, namely Hangzhou Optcla Medical Instrument, which makes rigid endoscopes; Shanghai Medical Optical Instrument, a flexible endoscope provider; Wuhan Dragonbio, an orthopedics products maker; and Beijing Percil Instrument, a coagulation analysis provider. We are excited to tap into these new business segments and expect to achieve synergies from these transactions in the future by combining our strong engineering, manufacturing, sales and management platforms with the acquired companies' brand name, technology and expertise.

**Strong IVD Sales Performance.** In 2012, our IVD products achieved the highest growth rate among the three business lines that we operate, contributing around 27% to the total sales revenue. Diagnostic laboratory reagent sales continued to accelerate. Our IVD sales in China were particularly strong, thanks to our high-end products such as BS-800 and BC-6800, which ramped up our reagent sales and penetration in the high-end segment. Over the last few quarters, we have continued to expand our product offerings and integrate other IVD businesses we have acquired. We are also developing two new manufacturing plants dedicated for IVD products in China to meet future expansion.

We are confident about the growth prospects of this segment because of increasing recognition of our brand and our attractive products. The changing market trend also means that service sales will become a more important source of profit for hospitals, thus driving more demand for IVD products.

**Our Outlook.** We are optimistic about our future growth as we continue to strengthen our foothold in China and boost our international presence. Based on our strong competitive position and continued favorable private and government spending trends in the healthcare industry, China will remain our most promising market and we are confident that Mindray will continue to be a domestic leader. We expect the overall prospects for the emerging markets to remain favorable in the long run, but there will still be some lingering risk

factors. We will prioritize building and optimizing sales and service platforms for our key regions by increasing direct investment in market promotion, hiring local staff, customizing after-sales service programs so that we can better penetrate into different market segments. In the developed markets, we remain cautious about the operating environment, but the governments' desire to reduce healthcare costs will create many opportunities for our company. We will work on expanding our presence and believe that our long-term competitive position remains strong.

R&D investment is our big focus. We will continue to increase our R&D efficiency and build a stronger product pipeline to support the new business segments. This year, we expect to introduce another seven to 10 products. We will also increase investment in our R&D centers in China and other overseas locations to strengthen our capabilities and attract more engineering talents. Externally, we will seek more cooperation or M&A opportunities to complement our existing product and technology offerings.

Our mission is to make better healthcare solutions more accessible to humanity. We will continue to help improve global healthcare by providing the latest technologies and affordable products to a greater number of people.

We thank you for your continued support.



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Sincerely Yours,  
Li Xiting  
President & CEO  
Mindray Medical International Limited

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# DEVOTED TO INNOVATION

Our company's success was largely built on our dedication to innovation, which allows us to consistently introduce new and more advanced products at reasonable prices. We believe that R&D is the most important core competency that we need to focus on investing in order to maintain our growth profile going forward.





The city of Mahwah, New Jersey is situated in a time zone that is 12 hours behind Shenzhen, China. Despite the significant time difference, our research teams in the US and China cooperated closely to develop the A5 anesthesia machine. The Mahwah team worked on laying down the rules for user-interface and industrial design as well as the final launch of the product, while the Shenzhen team tried to perfect the software and hardware designs as well as studied ways to meet the market demand.

In Mahwah, Mindray has a dedicated research team composed of experienced technical and clinical engineers as well as clinical assessment experts to provide their professional recommendations. In order to determine the development and design needs for the A5, they strictly follow a set of management processes, which include performing large-scale interviews and surveys to gauge

end users' demands, and analyzing their workflow to devise products that are easy to use and suitable for a wide range of operating environments. Our Mahwah team's strong capability in user-interface design is well recognized in the industry. Their efforts over the past few years have successfully yielded a new full touchscreen interface that has been incorporated into the A5.

The A5 project involved more than 80 development engineers, who worked together through regular site visits on both sides and communicated through tele- and video- conferencing. The product received positive market response upon its launch and won a 2012 annual award organized by the Industrial Designers Society of America.

This is but one example demonstrating the close collaboration between our US and China R&D centers. In China, we maintain one of the largest R&D team among Chinese medical device manufacturers and we have locations in Beijing, Chengdu, Nanjing, Shanghai, Shenzhen and Xi'An. We also maintain R&D centers overseas in Mahwah, Miami and Seattle in the U.S. as well as Stockholm, Sweden. Our facility in Shenzhen coordinates our global R&D efforts, leveraging the core competencies of each of our centers. As of December 31, 2012, we had more than 1,700 engineers and other R&D personnel.

Our company's success was largely built on our dedication to innovation, which allows us to consistently introduce new and more advanced products at reasonable prices. Since 2008, we have made and will continue to invest about 10% of our net revenues in R&D activities. We believe that R&D is the most important core competency that we need to focus on investing in order to maintain our growth profile going forward.

# OUR PRODUCTS

Our strong R&D means that we continue to diversify our product offerings.

Over the past two decades, Mindray has enriched its portfolio and gradually transformed from a single product provider to one that provides comprehensive solutions for our customers. Now our main business lines include patient monitoring and life support, IVD, and medical imaging systems.





## Patient Monitoring & Life Support Products

Mindray installed its 600,000<sup>th</sup> patient monitor in one of China's leading medical centers, the West China Hospital, in Sichuan province last year, marking yet another milestone for our company since we introduced China's first pulse oximeter patient monitor 21 years ago.

Net revenues in our patient monitoring and life support products grew at an annual rate of 16.1% to \$449.1 million in 2012, primarily driven by sales in anesthesia machines, defibrillators and surgical equipment.

Among our three business lines, patient monitor and life support is our largest segment and has the highest market penetration rate both domestically and internationally. It covers six subsectors, including patient monitoring products, anesthesia products, surgical equipment, defibrillators, infusion pumps and ventilators. In 2012, we added one anesthesia machine to tap into the high-end market.

We have been maintaining our leading position in the domestic Chinese market for years and globally, we are the number three patient monitor product provider after our acquisition of Datascope's patient monitoring business. We can now provide total solutions for clinicians from critical care to sub-acute settings across the emergency and operating rooms as well as intensive care and coronary care units. We have received various honors for our products, including the Frost & Sullivan 2012 Product Line Strategy Award and the 2011 Medical Device Excellence Award for our V-Series Patient Monitoring Systems.

Going forward, we will continue to strengthen our market share of China's large hospitals and international markets with our recently introduced products offering increased functionality and more comprehensive features, as well as those in our near-term product pipeline. As we continue to develop and acquire more products, we will be able to offer even more comprehensive solutions to hospitals.



## In-vitro Diagnostic Products

Net revenues in our IVD products grew at an annual rate of 27.0% to \$286.1 million in 2012, driven by increased sales in our five-part hematology analyzer, biochemistry analyzers and reagents.

In 2012, we launched one hematology analyzer and two biochemistry analyzers with several reagents, including the BS-2000. BS-2000 is the latest high-speed biochemistry analyzer with a throughput range from 2,000 photometric tests per hour for a single module to up to 4,400 tests per hour for dual modules with electrolyte tests. Hospitals and clinical laboratories with high sample volumes will benefit the most from its fast speed.

Our current IVD product portfolio consists of five categories: hematology analysis, biochemistry analysis, urine sediment analysis, microbiology analysis and coagulation analysis. The

IVD segment has a very large market potential; we anticipate that our revenue from this business line will continue to grow as we develop and introduce products with more comprehensive features.

Sales of consumable liquid reagents, which are used with our IVD products each time when an analysis is performed, generate a recurring revenue stream for our company. In 2012, reagents accounted for 35.3% of our IVD segment revenues, or 9.5% of our total net revenues. We expect our reagent sales, which produce a higher gross margin, to grow in both absolute and percentage terms as we increase our installed base of analyzers, coupled with more effective marketing campaigns.



## Medical Imaging Systems

In the eastern African country of Kenya, a majority of pregnant women don't have prenatal care and gynecologists do not know how to operate ultrasound systems. Since 2010, Mindray, together with the Obstetrics and Gynecology Communication Association in Kenya, jointly organized a series of national training and educational activities to teach local obstetricians how to use ultrasound equipment for pregnant women.

During the training sessions, many pregnant women came from faraway places to take advantage of the free ultrasound tests. In Kenya, antenatal exemptions are not a common practice and therefore, most obstetricians cannot make use of the ultrasound devices effectively. Due to poor antenatal care and awareness, many pregnant mothers choose to deliver babies at home, where a lack of adequate equipment and facilities is a big problem. With Mindray's help, many patients are now able to enjoy adequate and proper care. We are happy to have made a difference for many Africans with our user-friendly products.

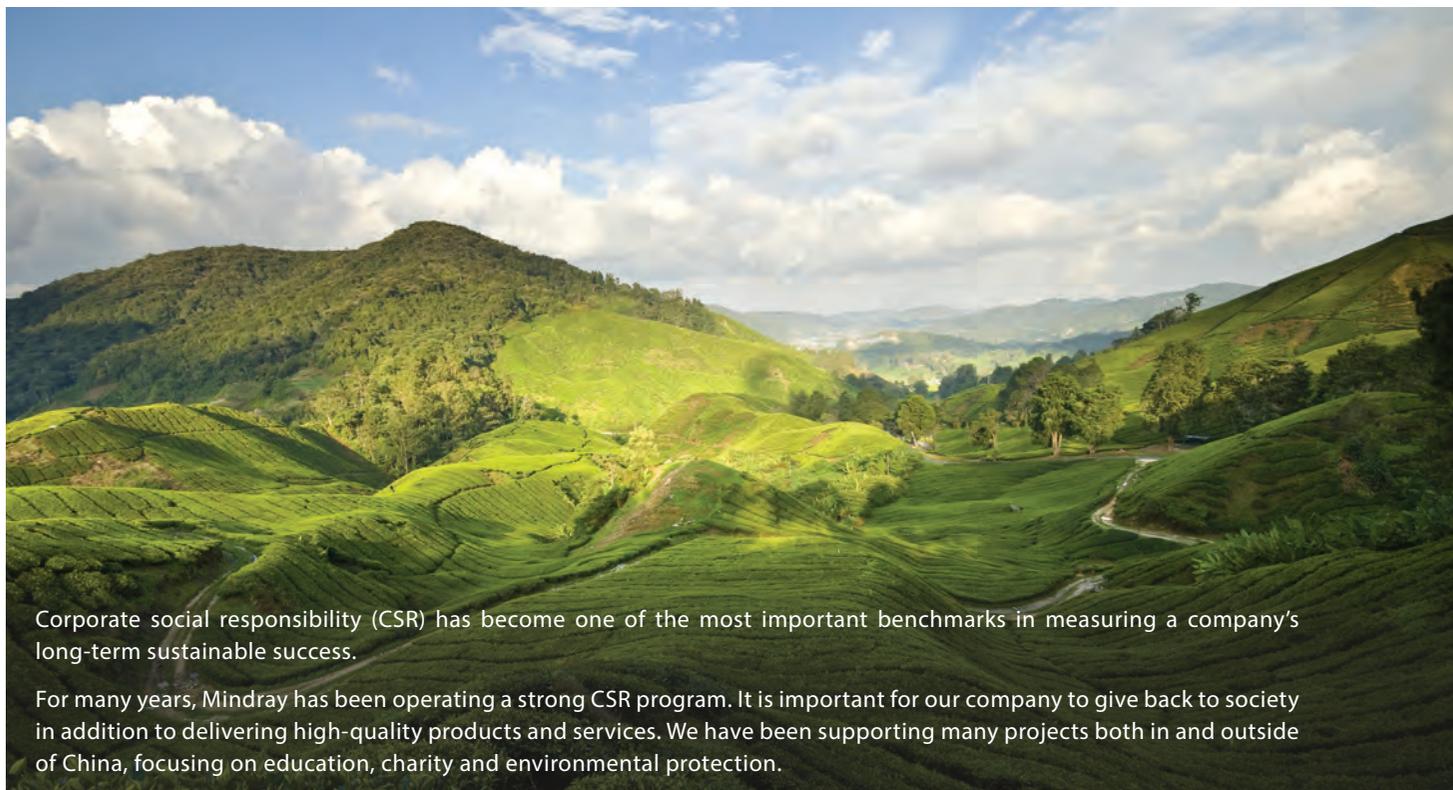
Net revenues in our medical imaging system products grew at an annual rate of 14.3% to \$253 million in 2012 as a result of sales increase in our color ultrasound systems.

Our portfolio consists of more than 25 medical imaging systems, including ultrasound, digital radiography and magnetic resonance imaging (MRI) systems.

In 2012, we launched two color ultrasound products and three digital radiography systems. Ultrasound devices are commonly used by urologists, gynecologists, obstetricians and cardiologists. We sell both black-and-white and portable color ultrasound systems as well as a broad range of transducers to enhance the adaptability of these products for a variety of applications in order to increase customer appeal and broaden our potential client base. Our digital radiography systems use flat-panel detectors to capture images. The detector's design speeds up treatments, improves patient comfort and provides greater cost efficiency. Our MRI system uses permanent magnetic field and in-scan technology to record the image of the body's scanned areas.

We have successfully penetrated the ultrasound markets in China and other emerging markets. As we develop more advanced ultrasound and other imaging modality, we anticipate that Mindray will be able to gain greater share in other developed countries.

# CORPORATE SOCIAL RESPONSIBILITY



Corporate social responsibility (CSR) has become one of the most important benchmarks in measuring a company's long-term sustainable success.

For many years, Mindray has been operating a strong CSR program. It is important for our company to give back to society in addition to delivering high-quality products and services. We have been supporting many projects both in and outside of China, focusing on education, charity and environmental protection.

## Support for Education

Every year, Mindray offers free training to healthcare workers in Africa on how to use and maintain our medical devices, thus ensuring that they provide the greatest benefits possible in sometimes challenging environment. With sufficient knowledge and capability, healthcare professionals can ensure that patients would receive cures with high-quality healthcare and minimum discomfort. We have also donated to the educational funds for the University of Science and Technology of China.

## Support for Charity

In China, Mindray has used its leading position to actively support nationwide efforts to improve rural healthcare conditions by designing customized and affordable equipment for these particularly harsh environments. We have also donated a large number of medical devices, including biochemistry analyzers and ultrasound products, to county-level and rural hospitals.

Outside of China, we help people satisfy their basic healthcare needs in various ways.

## Support for Environmental Protection

Many of our products and production processes comply with international environmental standards such as the European Union's Waste Electrical and Electronic Equipment Directive, as well as the Restriction of Hazardous Substances Directive. Our processes reduce the use of toxic substances such as cyanide and energy consumption through the use of more efficient liquid crystal displays and circuit boards.

Our commitment to CSR is widely supported by our management and employees. We will continue to contribute and encourage more people to join us.

# MILESTONE & CORPORATE INFORMATION

## Milestones

- 2011-2012:** Shenzhen subsidiary continued to receive key software enterprise status award from the Chinese government
- 2012:** Received "China's Most Outstanding Global Brand Award" by 21st Century Business Herald
- 2012:** Developed Mindray's first high-speed biochemistry analyzer
- 2011:** Developed China's first high-end automatic five-part hematology analyzer
- 2010:** Shenzhen subsidiary again received key software enterprise status award from the Chinese government
- 2010:** Developed Mindray's first magnetic resonance imaging system
- 2009:** Shenzhen subsidiary received key software enterprise status award from the Chinese government
- 2008:** Developed China's first color Doppler laptop-sized ultrasound system
- 2008:** Acquired Datascope's patient-monitoring device business
- 2007:** Revenues generated in the international markets exceeded revenues generated in the domestic markets for the first time in Mindray's history
- 2006:** Listed on the New York Stock Exchange (NYSE) under the symbol MR
- 2006:** Developed China's first five-part hematology analyzer
- 2004:** Received first FDA 510(k) clearance; first product exported to the US
- 2003:** Developed China's first automatic chemistry analyzer
- 2001:** Developed China's first digital diagnostic ultrasound imaging system
- 2000:** Received first CE Mark clearance; began exporting products
- 1998:** Developed China's first three-part differential hematology analyzer
- 1995:** ISO 9001 certified by TÜV
- 1993:** Developed China's first multi-parameter patient monitor
- 1991:** Founded in Shenzhen, China

## Corporate Information

### CORPORATE OFFICERS

**Xu Hang**

Chairman

**Li Xiting**

President and Chief Executive Officer

**Alex Lung**

Chief Financial Officer

**Liu Jie**

Chief Operating Officer

**Cheng Minghe**

Chief Strategic Officer

**Fannie Lin Fan**

General Counsel

### BOARD OF DIRECTORS

**Xu Hang**

Chairman

Mindray Medical International Limited

**Li Xiting**

Director, President and Chief Executive Officer

Mindray Medical International Limited

**Ronald Ede**

Director

**Joyce I-Yin Hsu**

Independent Director

**Chen Qingtai**

Independent Director

**Peter Wan**

Independent Director

Fellow of the Hong Kong Institute of Certified Public Accountants, the U.K. Association of Chartered Certified Accountants and the Hong Kong Institute of Directors

**Kern Lim**

Independent Director

Executive Director, CFO and COO of VSC Holdings Limited

**Wu Qiyao**

Independent Director

Professor at Beijing Institute of Technology

### Global Operational Headquarters

Mindray Building, Keji 12th Road South  
High-tech Industrial Park, Nanshan  
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### Independent Accountants

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