



# A Step Closer

Mindray Annual Report 2011

**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, and medical imaging systems.**

## CHINA OPERATIONAL HEADQUARTERS, GLOBAL FOOTPRINT

From its manufacturing and engineering headquarters in Shenzhen, China, Mindray supplies high-performance products through its multiple sales offices to an ever-expanding distribution network around the world. The company has also established direct sales channels in several developed countries.

## COMMITMENT TO QUALITY

Year after year, Mindray continues to develop and deliver 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 operating model complements this process and enables us to efficiently develop, manufacture and market high-quality products.

## FOCUS ON R&D - A DRIVER FOR GROWTH & PROFITABILITY

With more than 1,700 engineers in multiple research and development centers in China, the U.S. and Sweden, Mindray has established a powerful R&D 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 is a cut above the industry.

**We recorded strong performances in all major markets.**



**Dear Fellow Shareholders,**

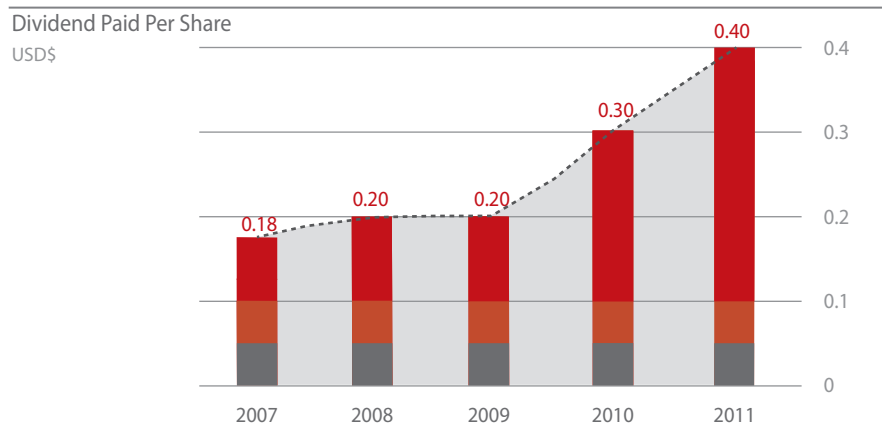
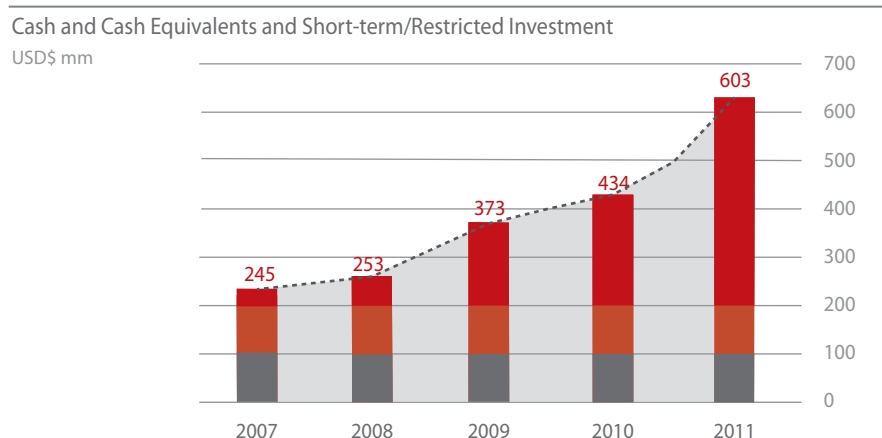
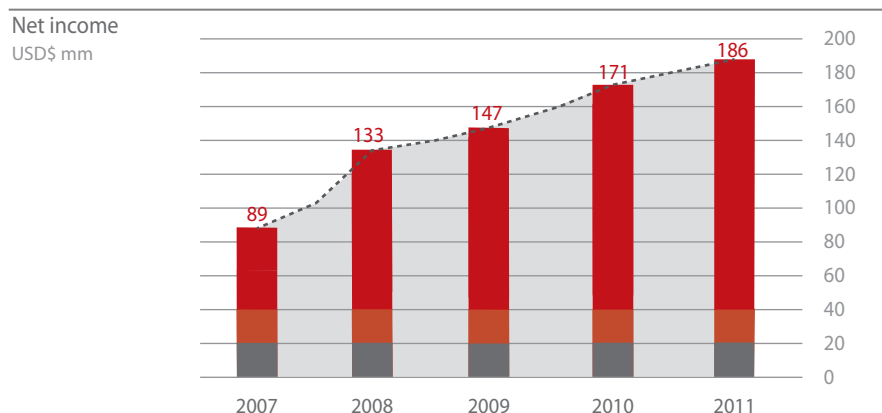
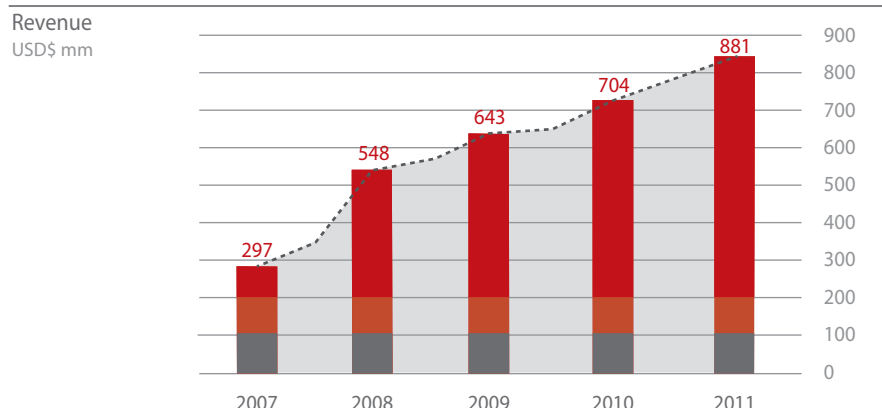
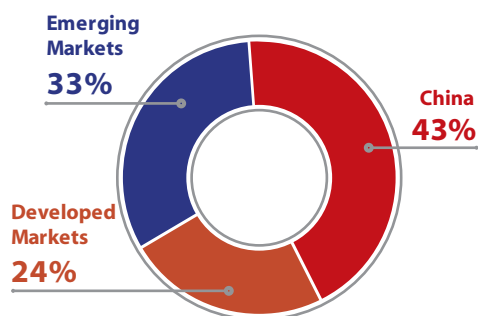
We celebrated the company's 20th anniversary with great achievements on all fronts in 2011. We recorded strong performances in all major markets, achieving a 25.1% year-over-year revenue growth of \$880.7 million and meeting our non-GAAP net income guidance of more than 10%.

But that did not mean the year went by without challenges. The rising costs in China, foreign exchange fluctuations, the political instability in the Middle East and Africa, and the worsening economic crisis in Western Europe were just a few obstacles that we had to overcome in order to maintain our operational excellence.

We continued to invest in our key markets, introduced more new high-quality products and acquired four companies to supplement our technology and product offerings. During the year, we strengthened our sales and distribution in domestic and emerging markets, and increased our direct sales effort in developed markets. We also enhanced our customer relationship management system to gain deeper market insights and accelerated our product upgrades and portfolio expansion. All these efforts helped lay a strong foundation for Mindray to further expand our global presence in the coming years.

To demonstrate our continuous commitment to Mindray shareholders, the Board of Directors declared a cash dividend of \$0.40 per share on the company's ordinary shares based on our net income for the full year 2011. This is the sixth consecutive year that we have declared dividends following our IPO in 2006. We also announced a share repurchase program of up to \$100 million, which is in effect through December 2012.

## A Global Player in Medical Technology





We continued to achieve well-balanced growth across all three product lines.



## 2011 HIGHLIGHTS

**Strong growth in China.** Our sales in China recorded more than 27% year-over-year growth last year, benefiting from increased investments in private hospitals and county-level hospitals, as well as the completion of our sales reinforcement program. Targeting existing distributors and sales management teams, this program allows us to capture the opportunities arising from emerging private hospitals and infrastructure upgrades in county-level hospitals, which are traditionally Mindray's strongest foothold.

In addition, the Chinese government remains committed to investing in the healthcare industry. Government incentive programs and funding to increase patient traffic at county-level hospitals over the last 18 months have accelerated purchases in medical equipment. We have strengthened our distribution network to meet the rising demand from county-level hospitals, thereby enabling our key account team to lock in more big orders. We believe the government's healthcare spending trend will continue to benefit Mindray.

**Continued expansion in international markets.** Our business's global presence means that we are exposed to external macro-economic fluctuations. Despite political uncertainties in some emerging markets and tightening hospital capital expenditure in Western Europe, we recorded strong international sales growth in 2011. Emerging markets, such as Asia Pacific, Latin America, and Eastern Europe and the CIS region, remained our key growth drivers. Developed markets also recorded better-than-expected growth, driven by our increased direct sales effort and broader product offerings. Our performance in the US, which reached high-teens growth for the year, was particularly strong. This gave us even more confidence in expanding our global presence in the future.

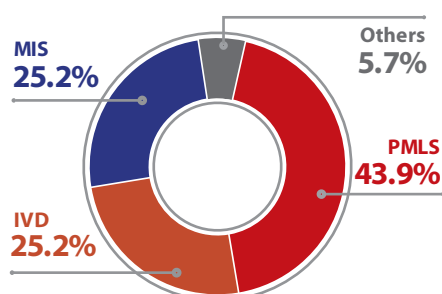
**New exciting products.** Last year, we exceeded our product development target and launched 13 new products across our three main product lines, including the A-series anesthesia machines, an advanced automatic five-part hematology analyzer with high processing speed, ventilators, the newly upgraded patient monitoring products and black-and-white ultrasound systems. As a result of our R&D efforts, we now have more than 100 products in the market. Going forward, we are confident that our R&D commitment will enable us to meet our targeted goal of launching 7 to 10 new products each year, while maintaining a healthy margin level.

**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. Last year, we acquired four companies in China to strengthen our technology and product offerings. They are Shenke

Medical, an infusion pump provider, Hyssen Electronics, a urine sediment analyzer producer, Greenland Information Technology, a healthcare IT solutions provider, and Tiandiren Biotech, which provides microbiology analysis solutions with a specialization in microbial identification and antibiotic susceptibility testing. We expect to achieve synergies from these transactions by combining our strong engineering, manufacturing, sales and management platforms with the acquired companies' brand name, technology and expertise.

**Well-balanced growth across major product pipelines.** Mindray offers a diversified sales mix with its strong product offerings and expansive geographic reach across developed and emerging markets. Last year, all three of our product lines, namely patient monitoring and life support, in-vitro diagnostic and medical imaging systems, performed well and contributed to our solid growth in China and internationally.

Segment Revenues as a Percentage of Total 2011 Revenues



#### A CLOSER LOOK AT OUR THREE PRODUCT LINES:

With approximately 10% of world market share, we believe Mindray is the third-largest player in the global patient monitoring device market. We plan to grow this position by expanding our market share through bundled sales focused on total operating room solutions. Currently, our patient monitoring and life support products contribute around 43.9% to our total revenues. Our in-vitro diagnostic product line contributes

25.2% to our total revenues and this segment has the biggest market among the three business lines that we operate. We have enriched our product portfolio by launching a high-level hematology analyzer and several new reagents. Diagnostic laboratory reagent sales continued to accelerate and now account for 29.5% of the segment's 2011 net revenues. We expect reagent sales to increase in both real and percentage terms as we build a sufficient installed base of analyzers and strengthen our marketing strategies.

Approximately 25.2% of our total revenues come from the medical imaging systems product line. Last year, we launched additional color ultrasound systems and high-ticket imaging products, and expanded our market share in ultrasound products in the United States and other developed markets. We believe a larger product range will help us improve overall penetration in both the short and long term.

#### OUR PEOPLE

As of December 31, 2011, Mindray employs approximately 6,800 employees globally. Our employees are our most valuable asset and our performance-based culture is designed to reward talent. We have consistently offered ownership incentives for our employees by granting them share options. We have great people at every level and most important of all, strong leaders who have the experience and strategic insight to turn opportunities into even greater success for the company in the future.

#### OUR OUTLOOK

We are excited about our future as we continue to boost our international presence and strengthen our foothold in China. The overall global market sentiment is improving, though we do foresee headwinds in regions that are politically unstable. Globally, we will continue to strengthen our sales, marketing and support infrastructure. In China, we are encouraged by

the government's recent focus on investing in medical insurance and long-term healthcare investment, as well as the progress of our strategic initiatives. We remain confident that Mindray will continue to lead in the domestic market because of our strong brand recognition, competitive advantages and R&D strength. For the emerging and developed markets, 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 both the public and private sectors.

R&D investment remains our focus this year. We intend to increase our R&D efficiency and build an even stronger product pipeline to support the new segment. We will also increase investments in our R&D centers in China and other overseas locations to strengthen our capabilities and attract more engineering talents.

Our mission is to make better healthcare solutions more accessible to humanity. We will keep delivering advanced and affordable products to address the ever-changing demands of the market.

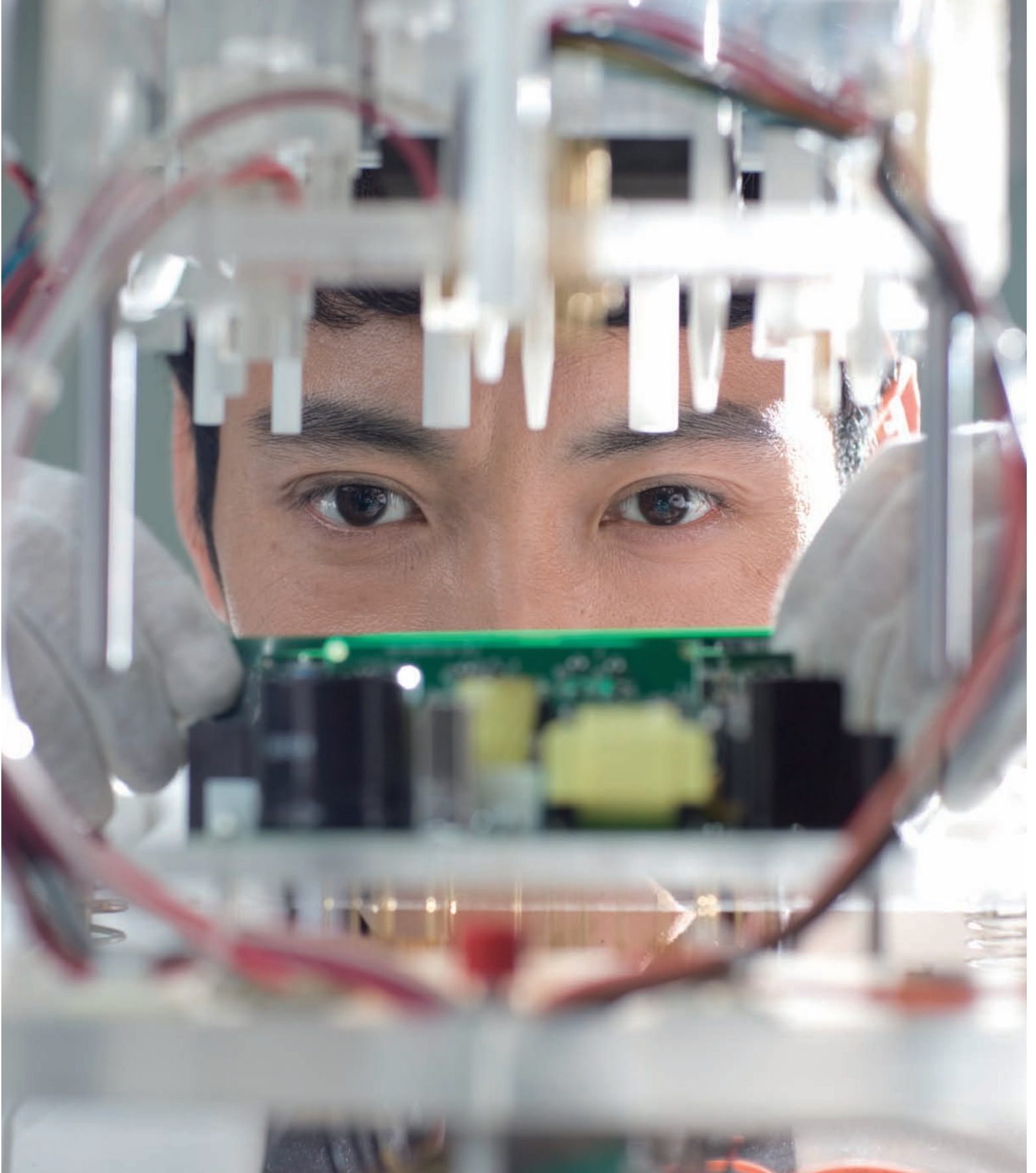
We thank you for your continued support.

Sincerely Yours,  
Xu Hang

Chairman & Co-CEO  
Mindray Medical  
International Limited

Sincerely Yours,  
Li Xiting

President & Co-CEO  
Mindray Medical  
International Limited



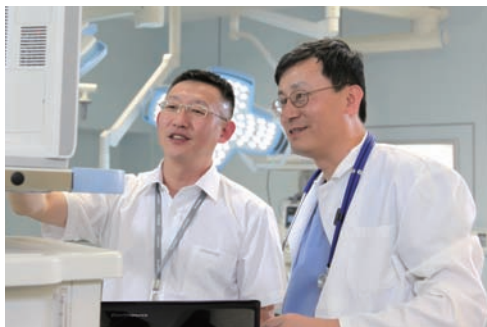


Mindray's success was largely built on our dedication to innovation, which allows us to consistently introduce new and more advanced products at competitive prices. Between 2008 and 2011, our spending on R&D remained steady at approximately 10% of our net revenues. Last year, we launched 13 new products, which exceeded our product development goal. This year, we aim to introduce 7 to 10 new products.

In China, We have R&D centers in Shenzhen, Beijing, Nanjing, Xi'an, Chengdu and Shanghai. Internationally, we maintain R&D centers in the US cities of Seattle, Washington, Mahwah and New Jersey, as well as in Stockholm, Sweden.



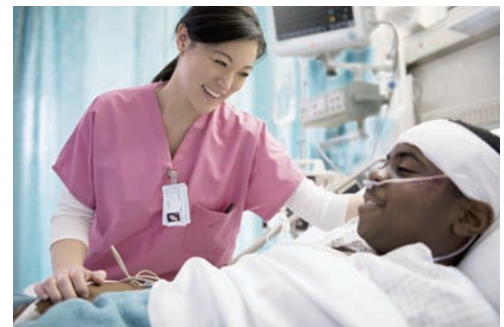
Our domestic and international R&D teams work closely together to achieve key technological breakthroughs so that we can continue to introduce more new, high-end products.



We listen to the physicians who use our products and improve our design based on their opinion with the aim of producing the best quality equipments that meet their needs.



We listen to feedback from the patients so that we can continue to make products that best satisfy their needs.



We try to improve the relationship between doctors and patients by providing them with innovative and high-quality products.

## OUR PRODUCTS

Over the past 20 years, Mindray has enriched its portfolio from a single product to more than 100 spanning three major business segments. We now provide both ICU/OR and lab test and diagnostics solutions.



### Patient Monitoring & Life Support Products

Segment revenues in 2011: \$387 million, 22.3% annual growth rate, 43.9% of total net segment revenues.

Net revenues in our patient monitoring and life support products grew at an annual rate of 22.3% to \$387 million in 2011, primarily driven by patient monitoring products, anesthesia machines, defibrillators and surgical equipment.

Our patient monitoring devices track the physiological parameters of patients, such as heart rate, blood pressure, respiration and temperature. We currently offer around 50 different patient monitoring devices that are suitable for adults, pediatric and neonatal patients. They are used principally in hospital intensive care units, operating rooms and emergency rooms. Our portfolio can be categorized into single- and multiple-parameter monitors, mobile and portable multifunction monitors, central stations that can collect and display multiple patients' data on a single screen, and electro-cardiogram monitoring devices. Last year, we added two patient monitor products, a defibrillator, two anesthesia machines and two ventilators to this product line. The infusion pump business we acquired last year also complements this product line.

We provide operation room and intensive care unit solutions for physicians. We offer anesthesia machines, defibrillators, surgical beds, surgical lights, ceiling pendants, syringes and infusion pumps, as well as ventilators.



We offer a range of semi-automated and fully automated in-vitro diagnostic products for laboratories, clinics and hospitals to detect and quantify various substances in patient samples. Our portfolio consists of in-vitro diagnostic products in four categories: hematology analyzers, biochemistry analyzers, urine sediment analyzers and microbiology analyzers.

## In-vitro Diagnostic Products

Segment revenues in 2011: \$222 million, 26.8% annual growth rate, 25.2% of total net segment revenues.

Net revenues in our in-vitro diagnostic products grew at an annual rate of 26.8% to \$222 million in 2011, driven by increased sales in our five-part hematology analyzer, biochemistry analyzers and reagents. Reagent sales are now a recurring revenue stream for the company, accounting for around 29.5% of our in-vitro diagnostic products segment revenues in 2011.

We offer a range of semi-automated and fully automated in-vitro diagnostic products, namely hematology analyzers and biochemistry

analyzers, to provide data and analysis on blood, urine and other bodily fluid samples for clinical diagnosis and treatment. We also offer reagents, which are used in the chemical reactions analyzed by the in-vitro diagnostic products, to laboratories, clinics and hospitals.

In 2011, we launched a high-end five-part hematology analyzer with several reagents, and added urine sediment analysis and microbiology analysis products to the in-vitro diagnostic product line through acquisitions. Our current product portfolio consists of more than 25 in-vitro diagnostic products and approximately 120 reagents.



Our medical imaging system segment includes ultrasound, digital radiography, magnetic resonance imaging and a Picture Archiving and Communication System (PACS).

## Medical Imaging Systems

Segment revenues in 2011: \$222 million, 28.0% annual growth rate, 25.2% of total net segment revenues.

Net revenues in our medical imaging systems products grew at an annual rate of 28.0% to \$222 million in 2011 as a result of sales increase in color ultrasound systems. Our current portfolio consists of more than 25 medical imaging systems, including ultrasound, digital radiography, MRI and a Picture Archiving and Communication System (PACS).

Our ultrasound systems use computer-managed sound waves to produce real time images of anatomical movement and blood flow. Ultrasound systems are commonly employed in medical fields such as urology, gynecology, obstetrics and cardiology. We currently sell black-and-white as well as color portable and

mobile ultrasound systems. We also offer 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, shortening x-ray exposure time compared to traditional film-based radiography systems. The detector design eliminates manual activities, hastens treatments, improves patient comfort and provides greater cost efficiency. Our MRI system currently uses permanent magnetic field and in-scan technology to record the image of the scanned area of the body.

In 2011, we launched one advanced color ultrasound and four black-and-white ultrasound products. We also acquired a healthcare IT solution business that specializes in PACS.



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

Mindray has been operating a strong CSR program for a long time. We feel that it is important for us 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

Each 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.

Beyond the medical practice, we have also contributed 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 the nationwide effort 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 China, we continue to help people satisfy their basic healthcare needs. Last year, we donated a biochemistry analyzer to Myanmar to help improve its diagnostic analysis.

## Support for environmental protection

We strictly comply with environmental regulations. Many of our products and production processes conform to international 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.



# CORE VALUES

## A Step Closer

### 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.



## 1991

Founded in Shenzhen, China

## 2006

- Developed China's first 5-part hematology analyzer
- Listed on the New York Stock Exchange (NYSE) under symbol MR



## 2008

- Acquired Datascope's patient monitoring device business
- Developed China's first Color Doppler laptop-size ultrasound system



## 2011

- Developed the first high-end five-part hematology analyzer for the China market
- Acquired 4 domestic companies that further enhance the company's technology and product offerings



## CORPORATE OFFICERS

### Xu Hang

Chairman and Co-Chief Executive Officer

### Li Xiting

President and Co-Chief Executive Officer

### Alex Lung

Chief Financial Officer

### Liu Jie

Chief Operating Officer

### Cheng Minghe

Chief Strategic Officer

### David Gibson

President, Mindray DS USA Inc.

### Fannie Lin Fan

General Counsel

## BOARD OF DIRECTORS

### Xu Hang

Chairman and Co-Chief Executive Officer  
Mindray Medical International Limited

### Li Xiting

President, Director and Co-Chief Executive Officer  
Mindray Medical International Limited

### Ronald Ede

Director

### Joyce I-Yin Hsu

Director

### Chen Qingtai

Independent Director

### Peter Wan

Independent Director  
Fellow of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, U.K. 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

## CONTACT INFORMATION

### Global Operational Headquarters

Mindray Building, Keji 12th Road South,  
High-tech Industrial Park, Nanshan,  
Shenzhen 518057, P.R.China

### Independent Accountants

PricewaterhouseCoopers,  
33/F Cheung Kong Center, 2 Queen's Road,  
Central, Hong Kong

### BNY Mellon Shareowner Services

P.O. Box 11258, Church Street Station,  
New York, NY 10286-1258,  
United States of America

### Investor Relations Contact

Tel: +86-755-8188-8398

Fax: +86-755-2658-2680

Email: [ir@mindray.com](mailto:ir@mindray.com)

Website: <http://ir.mindray.com>

Hoki Luk

Managing Partner

Western Bridge, LLC

Tel: +1-646-808-9150

Email: [hoki.luk@westernbridgegroup.com](mailto:hoki.luk@westernbridgegroup.com)

Website: [www.westernbridgegroup.com](http://www.westernbridgegroup.com)



