

## **Script of Mindray 3Q2023 Results Release and Earnings Call**

Hello everyone!

I'm May Li, Board Secretary of Mindray. Thank you for joining us today for this conference call to discuss our performance for the third quarter of 2023. It's great to have all our investors and analysts on this call today.

**Now, let me go over the performance of our company for the third quarter of 2023 in detail:**

In the first three quarters of 2023, the total revenue reached 27.3 billion yuan, representing an increase of 17.2% YoY. Revenue for the third quarter alone reached 8.8 billion yuan, with an increase of 11.2% YoY.

### **Geographically speaking:**

Domestic market saw a YoY revenue increase of 19.1%, reaching 17.1 billion yuan in the first three quarters. Specifically, the third quarter experienced a growth of 4.7%. Since August, the escalated anti-corruption campaign in healthcare sector has affected the public hospitals' tendering processes in China. This has posed challenges to our domestic business operations. Among them, medical equipment procurement has been influenced more severe, while the impact on IVD reagents is limited.

With a YoY increase of 14.2%, the international market achieved a revenue of 10.2 billion yuan in the first three quarters. The third quarter grew by 23.0% in particular. Even with the ongoing economic distress in the overseas market and the reduction in purchasing power due to the persistently strong USD, we still have noticed a significant acceleration in our international market growth during the third quarter. This is due to our continuous penetration into high-end customer groups overseas and our efforts on local platform development. In developing countries, the growth even further reached to more than 30%. In terms of product lines, the third quarter saw growth in the international market for both IVD and PMLS segments, with

respective increases of over 40% and 20%.

**Now let's take a closer look by three segments.**

The PMLS segment achieved an increase of 20.8% in the first three quarters. This was driven by the expansion of new healthcare infrastructure buildup projects in China and the penetration of high-end customers overseas. In particular, minimally invasive surgery business grew by over 30%. In the domestic market, following the escalated crackdown of healthcare corruption that began in August, some of the equipment procurement bidding processes in public hospitals have been delayed, resulting in slower growth for this segment in the third quarter. However, the impact of the healthcare anti-corruption measures on new healthcare infrastructure buildup projects is far less significant compared to the impacts on regular hospital procurement. As of the end of the third quarter, the business opportunity on new healthcare infrastructure buildup projects in China remained at 20.5 billion yuan. This is expected to continue driving the growth of China PMLS business over the next two years. In the overseas market, our world-class product competitiveness has enabled the PMLS segment's penetration into high-end hospitals and large healthcare groups across Europe, North America, and developing countries. Thanks to our increasingly wider lead in delivering comprehensive solutions, we've even managed to penetrate our medical equipment, including patient monitors and anesthesia machines, and collaborative IT solutions into multiple high-end customers. Such achievements have greatly enhanced Mindray's brand influence in the overseas high-end market, further solidifying our market leadership.

As for the IVD segment, China has experienced a rapid recovery of diagnosis and treatment activities since this March and the impacts of anti-corruption campaign were limited to IVD reagents consumption. At the same time, we continue penetrating into medium to large volume customers in the international market. We have already achieved nearly 100 ICLs breakthrough overseas in the first three quarters. This number has already met our annual target. As a result, the IVD segment reported an 18.5% increase over the first three quarters. The third quarter alone saw an increase of over 20%. The revenue from the BC-7500 series has surpassed 760 million yuan in the first three quarters and they are expected to bring in over 1 billion yuan

revenue for the entire year. This would be a historic moment for Mindray, as it's the first time for a new product that has reached 1 billion yuan revenue in just three years after its launch. On July 31 this year, we announced that we planned to acquire a 75% stake of DiaSys. The transaction is moving forward smoothly so far. Once the deal is closed, we will fully leverage our proven experience and expertise in integrating and managing cross-border mergers and acquisitions. The acquisition of DiaSys will enable us to progressively roll out and improve our supply chain platform for international IVD business, such as CLIA, and enhance the capacity-building of overseas localized production, warehousing, logistics, and service, thereby ultimately laying a solid foundation for the comprehensive international expansion of IVD business.

For the MIS segment, we've seen a delay in our ultrasound bidding and procurement processes of domestic public hospitals due to the corruption crackdown in the healthcare sector. Meanwhile, the economic downturn and the impact of strong USD in the overseas primary care market have posed some challenges. However, we still achieved a 9.1% YoY growth in the first three quarters because of the increasing penetration to high-end customers. Specifically, ultrasound in the overseas market recorded an increase of over 15%. In the face of a plateaued primary care market abroad, we stepped up our academic promotion efforts towards mid to high-end markets. The academic conferences we held were pivotal in promoting several of our ultrasound products, such as the new R series and I series, effectively adopted by hospitals. As a result, for the first time ever, the revenue from mid and high-end ultrasound products contributed over half of our total overseas revenue in ultrasound. Looking ahead, we are confident that our upcoming premium high-end products will elevate our competitive position, driving our penetration into high-end overseas ultrasound market.

The net profit attributable to shareholders in the first three quarters of 2023 was 9.8 billion yuan, with 21.4% YoY increase. Net profit after deducting non-recurring gains and losses was 9.7 billion yuan, with 21.0% YoY increase. For the third quarter alone, the net profit attributable to shareholders was 3.39 billion yuan, with 20.5% YoY increase. After deducting non-recurring gains and losses, the net profit stood at 3.4 billion yuan, representing a 21.4% YoY growth.

Cash flow-wise, the first three quarters of 2023 saw a net cash flow from operating activities of 7.8 billion yuan, achieving a 15.3% YoY increase. The third quarter alone saw a YoY growth of 23.4%, generating a net cash flow from operating activities of 3.3 billion yuan.

Meanwhile, we have announced the profit distribution plan for the first three quarters. The Company intends to distribute cash dividends of RMB 43 (tax included) per 10 shares to all shareholders. This amounts to a total cash dividend distribution of 5.2 billion yuan. This plan requires approval from the shareholders' meeting before it can be implemented. Based on the planned dividend distribution for the whole year, we estimate a dividend payout ratio exceeding 60% in 2023.

**Next, I will update the Company's R&D investment and major new product launches during the third quarter of this year:**

We remained high R&D investment, with R&D expenditure reaching 2.8 billion yuan in the first three quarters of 2023. This accounts for 10.3% of the revenue, representing a YoY increase of 23.3%. Through our persistent efforts in pursuing innovation and upgrading technologies, we've been able to continually expand our product offerings, particularly achieving breakthroughs in high-end markets. In the third quarter of 2023, we launched multiple new products in the IVD segment. This includes the MT 8000 Laboratory Automation System, Antibody to Hepatitis B e Antigen, High Sensitivity Cardiac Troponin I, and N-terminal pro B-type natriuretic peptide. We also unveiled a variety of new ultrasound systems and solutions in the MIS segment. For example, Resona R7 Platinum Edition made its debut in North America, Hepatus 9 was introduced in China, and RetroPad, a digital radiography upgrade solution for conventional X-Ray system, was rolled out for our international customers. For the PMLS segment, we expanded our product offerings with the launch of the 4K/NIR/3D Endoscope Camera System&4K 3D Video Endoscope, as well as Veterinary Infusion/Syringe Pump AniFM 3-Series. We are also planning to launch more products in the fourth quarter, including premium high-end ultrasound for general imaging and high-end cardiac ultrasound.

**Last but not least, I'd like to share with you the updates on our sustainable**

**development efforts:**

We've been focusing on crucial technological challenges within the realm of medical devices. By organizing and participating in industry exchanges that bring together universities, experts, and industry peers, we're striving to take technological innovation to new heights. The Project 2025 vision and initiative, as launched by us, targets three pivotal areas: foundational training, cutting-edge technological exchanges, and collaborative research in the medical field. Together, these pillars are powering advancements in the medical ultrasound industry. We will continue partnering with primary medical institutions worldwide, aiming to establish more than 50 specialized ultrasound training centers and schools. This initiative is projected to benefit over 10,000 medical students and doctors. We are also preparing to host over 2,000 academic exchanges and support the publication of 100 academic papers.

The safety of public life is of great importance to us. We are committed to raising first-aid awareness and enhancing the public's ability to respond to emergencies through prompting the use of AEDs. As of September 30 this year, our AEDs have successfully treated 200 cases of cardiac arrest that occurred in public places in China. During the Reporting Period, we successfully mobilized 337,500 instances of participation in first-aid training through various channels.

Operation Smile is an international non-profit organization. It provides free repair surgeries for patients with facial deformities such as cleft lip and cleft palate. This August, the first medical center of Operation Smile in China was successfully inaugurated in Wenshan, a city located in Wenshan Zhuang and Miao Autonomous Prefecture of Yunnan Province. We've made a donation of medical equipment to assist this medical center in setting up its operating rooms. This contribution will support Operation Smile in providing free, safe, and high-quality medical assistance to patients struggling with cleft lips, palates, and other facial deformities. Ten of our employees joined in the free medical consultation activities organized by Operation Smile, reaching out to communities in Meigu County of Sichuan Province and Wenshan City of Yunnan Province. Moreover, we've managed to raise about 11,000 yuan for Operation Smile through various fundraising initiatives, including charity sales and 99 Giving Day. The funds raised will

go towards surgeries and relevant treatments for children suffering from cleft lips, palates, and other facial deformities. They will also be used to support the professional training for medical volunteers from Operation Smile.

That's my presentation on the Company's operational performance for the third quarter of 2023.