

Mindray Bio-Medical

M&A of DiaSys Conference Call-Q&A Summary

Q: Regarding the recent announcement by the Company to acquire 75% stake in DiaSys, what is the significance of this merger and acquisition (M&A) for the Company? What are the reasons behind choosing to acquire DiaSys?

A: In-vitro Diagnostics (IVD) segment is one of the core businesses that supports the Company's long-term development. Realizing comprehensive international expansion of the IVD segment is an indispensable stride in the journey. However, the missing piece of the supply chain platform abroad has long hampered the Company's international expansion of the IVD segment, especially in penetrating medium to large volume customer segments. The Company estimates that the total accessible overseas market for the IVD segment will be nearly USD 40 billion, with over 70% of customers falling under the medium to large volume customer segments. However, the overseas IVD revenue of the Company was less than USD 400 million last year, primarily generated by small volume customers.

To accelerate the international expansion of the IVD segment and penetrate into medium to large volume customer groups, Mindray has begun to develop strategic goals for building supply chain platforms abroad long ago. To achieve this goal, the Company has conducted years of systematic worldwide research, evaluating multiple dimensions, including platform distribution, team competencies, product technologies, and M&A feasibility. DiaSys was ultimately selected as our best global partner.

In terms of platform distribution, with local production facilities across Europe, APAC, and Latin America, DiaSys can provide local or regional customers with timely delivery and localized services. By integrating these overseas platforms, and progressively rolling out and improving the supply chain platforms abroad for IVD product offerings, including CLIA, Mindray can gradually establish supply capabilities around the world to meet local demands and achieve breakthroughs in medium to large volume customer

segments. This move will unlock more markets, driving the growth of the Company's IVD business in international markets.

In terms of team competencies, DiaSys itself is an international enterprise, housing a wealth of exceptional talents with a global mindset in the field of IVD. This talent resource will provide robust support for Mindray's IVD business in its international expansion endeavors.

In terms of technologies, as a well-recognized global IVD brand, DiaSys possesses over 30 years of expertise in R&D and has built a sound reputation in the reagent area that can collaborate with Mindray's instrument business and bring about remarkable synergies.

In addition, DiaSys embraces strong R&D capabilities in control products and calibrators, making it capable of quickly complementing and enriching Mindray's IVD product offerings while effectively improving the performance of detection systems.

Once the deal is completed, the Company will fully leverage its proven experience and expertise in integrating and managing cross-border M&As. The acquisition of DiaSys will enable the Company to progressively roll out and improve its supply chain platforms for its overseas IVD business, such as CLIA, and enhance the capacity-building of overseas localization production, warehousing, logistics, and service, thereby ultimately laying a solid foundation for the comprehensive international expansion of IVD business.

Q: Could the Company provide an overview of the integration plan and timeline for DiaSys acquisition once the deal completes? Will the growth of IVD segment accelerate in the future?

A: From the management perspective, DiaSys and its subsidiaries will be incorporated into Mindray Group's consolidated financial statements. Mindray will gain control over the Shareholders' Meeting and the Board of Directors of the target company and have the authority to approve budgets and final accounts for key personnel, finance, and properties. However, the current management of DiaSys will be retained, and their job positions and functions remain unchanged.

From the business perspective, the greatest value of DiaSys to Mindray lies in its potential to contribute to the refinement of the Company's IVD supply chain platforms overseas. Therefore, the majority of the integration plan moving forward will revolve around the construction of local supply chain platforms:

(1) Firstly, Mindray will dispatch a management team to DiaSys, ensuring that its business will develop in line with the Company's strategic direction. However, the day-to-day operations at DiaSys will primarily remain the responsibility of its original management. Self-driven mindset and international capabilities of DiaSys original team will be fully leveraged to accelerate Mindray's international expansion in its IVD business.

(2) Secondly, Mindray will work with DiaSys to jointly invest in resources, sending corresponding technical support teams to various regions across Europe, APAC, and Latin America. Taking the local market demands into account, we will commence the construction of IVD supply chain platforms and progressively introduce all IVD product offerings, including CLIA, with the aim to cater to regional customers with localized reagent supply and services and facilitate our penetrations in medium to large volume customer groups.

(3) Lastly, Mindray will leverage DiaSys' R&D and production capabilities in control products and calibrators to enrich its IVD product offerings and enhance the performance of its detection systems effectively.

Given the time required for expanding production facilities abroad, conducting necessary product quality verification before the commencement of local production, and updating product registration due to changes in production sites, it's estimated that the Company will need to invest 3~5 years to ensure the comprehensive integration of DiaSys' resources, aiming towards the strategic development goal of our international IVD business.

Looking ahead, the Company expects its international IVD business to sustain relatively strong growth in the medium to long term. On the one hand, there is an overall improvement in Mindray's IVD products, which is anticipated to realize the goal of "benchmarking with world-class brands in IVD products competitiveness" by the end

of 2025. On the other hand, following the integration with DiaSys, the Company is set to achieve comprehensive penetrations in medium to large volume customer groups based on the construction of overseas IVD supply chain platforms.

Q: Why choose to acquire 75% stake in DiaSys Diagnostic instead of opting for a full acquisition?

A: According to the relevant laws and regulations of Germany, holding 75% stake in a company is deemed sufficient for absolute control, and the significant decisions of the target company will be made primarily based on the opinions of the major shareholders. Gaining absolute control over DiaSys will benefit the Company's subsequent integration plan, accelerating Mindray's construction of overseas supply chain platforms and facilitating its comprehensive international expansion in the IVD business. Meanwhile, once the acquisition of DiaSys concludes, all of its original management teams will be retained. Keeping partial equity interest for the founding management can motivate themselves and continue to jointly execute the integration plan. It is our collective goal that we can foster the growth and enhance the strength of DiaSys while sharing the future success.

Starting from the ninth year following the completion of the deal, both the transferor and transferee are entitled to request the other party the purchase or sale of all the equity interest of DiaSys that the transferor holds at that time and at a specified price in agreed-upon circumstances. Both parties undertake that they will accept such purchase or sale requests.

Q: How much goodwill is projected to be generated from this acquisition, and is there a potential risk of asset impairment in the future?

A: Based on the current estimated purchase price of EUR 115 million, this acquisition is projected to generate nearly EUR 100 million in goodwill. The overseas supply chain platforms obtained through the acquisition of DiaSys are integral to the Company's future international expansion in IVD and are closely related to the future growth goals of the IVD segment. Therefore, DiaSys is incorporated into the IVD asset group without

undergoing a separate impairment testing on its goodwill. The risk of impairment for DiaSys' goodwill is extremely low.

Q: What are the future directions that the Company is aiming for in terms of M&As?

A: Mindray will center on its future business growth directions to accelerate its M&A endeavors. The initial steps involve strengthening its main businesses, exploring emerging businesses, and supporting the development of its overseas regions.

Through M&A efforts, the Company plans to integrate globally cutting-edge technologies across the whole industry chain, enhance the overall competitiveness of its existing businesses in medium-to-high-end markets, and accelerate the growth of emerging businesses. Meanwhile, the Company remains committed to exploring new business areas and is in constant search of market spaces for long-term and continuous growth. Taking the demands and characteristics of different regional markets into account, the Company will explore the construction of localized operational platforms to specific market as well.