News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FPH), AUSTRALIA (FPH)

FISHER & PAYKEL HEALTHCARE REPORTS FULL YEAR RESULTS

Auckland, New Zealand, 25 May 2012 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) today announced that expanding clinical applications for its medical devices and new products contributed to record operating revenue of NZ$516.7 million for the year ended 31 March 2012.

The company reported net profit after tax of NZ$64.1 million, compared to NZ$52.5 million for the prior year. The prior year result included one-off non-cash deferred tax charges of NZ$11.5 million.

In constant currency terms, and excluding the prior year deferred tax charges, the company's net profit after tax grew 23%, primarily as a result of revenue growth, disciplined control of expenses and other efficiencies.

Operating revenue

The company derived approximately 52% of its operating revenue in US dollars. In US dollars, the company's respiratory and acute care product group (RAC) operating revenue increased by 18% and obstructive sleep apnea (OSA) product group revenue increased by 7%, over the prior year.

"Strong growth in our RAC product group was driven by rapidly growing acceptance of our products which are used in applications outside of intensive care ventilation, with operating revenue from consumables used in those new applications increasing 24% in constant currency terms", commented Fisher & Paykel Healthcare's CEO, Mr Michael Daniell.

"In our OSA product group, constant currency flow generator revenue growth of 18% over the prior year reflected strong growth from our ICON range. Mask revenue reduced 4% in constant currency terms, but began to improve late in the year, following the launch of the first of a number of innovative new masks".

Dividend

The company's directors have approved a final dividend for the financial year ended 31 March 2012 of 7.0 NZ cents per ordinary share (2011: 7.0 cents), carrying full imputation credit based on a tax rate of 28%. For New Zealand resident shareholders that results in a gross dividend of 9.722 cents per ordinary share. Eligible non-resident shareholders will receive a supplementary dividend of 1.235 NZ cents per ordinary share. The final dividend will be paid on 6 July 2012, with a record date of 22 June 2012, and ex-dividend dates of 18 June 2012 for the ASX and 20 June 2012 for the NZSX.

The company offers a dividend reinvestment plan (DRP), under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares. A 3% discount will be applied when determining the price per share of shares issued under the DRP and will be applied in respect of the 2012 final dividend and future dividends, until such time as the directors determine otherwise.

Research & Development, Selling, General & Administrative expenses

Research and development (R&D) expenses increased by 7% over the prior year to NZ$42.0 million, representing 8.1% of operating revenue.

The company continued to expand its product and process research and development activities, and current new product projects include OSA masks, flow generators, humidifier systems and respiratory and acute care consumables.

Selling, general and administrative (SG&A) expenses increased 1% to NZ$142.6 million, or 6% in constant currency terms, as the company continued to expand its operations and its sales teams in the North America, Europe and Asia-Pacific regions.

Capacity Expansion

During the year the company invested NZ$67.5 million of capital expenditure, which included equipment for increased manufacturing capacity, new product tooling, replacement equipment and NZ$47.4 million for construction of the third building on its Auckland site.

The ramp up of manufacturing of consumable products at the company's facility in Tijuana, Mexico progressed as expected with an increasing quantity and range of the company's products now manufactured there.

Foreign Exchange Hedging

To protect the company from exchange rate volatility, the company had in place at 31 March 2012 a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ$450 million. These instruments hedge the company's net exposure. At the commencement of the 2013 financial year, the company had in place approximately 64% cover for the US dollar and approximately 65% cover for the Euro at average rates of approximately 0.75 US dollars and 0.46 Euros to the New Zealand dollar.

The company closed out foreign exchange contracts in the 2010 and 2012 financial years, which will contribute NZ$17.8 million in the 2013 financial year and NZ$21.3 million in the 2014 financial year to operating profit but not to cash flow, as the cash was received in the 2010 and 2012 financial years. Those instruments were progressively replaced with new instruments that form part of the company's current foreign exchange hedging.

Outlook for FY2013

"We expect our underlying revenue growth to begin to accelerate this year, particularly in the second half, as a number of new products, including new OSA masks, are introduced around the world. We also anticipate a continuation of strong growth in demand for our products, which are used in a broad range of respiratory and surgical applications.

We expect to continue to improve constant currency operating margin, with faster growth in higher margin differentiated products, cost reductions and other efficiencies.

Exchange rates have continued to be very volatile. For the 2013 financial year, based on an exchange rate range of 0.75 to 0.80 for the NZD:USD for the remainder of the year, we expect our operating revenue to be in the range of NZ$540 million to NZ$560 million and net profit after tax to be in the range of NZ$62 million to NZ$70 million", concluded Mr Daniell.

Financial Statements and Commentary

Attached to this news release are condensed NZ dollar financial statements and commentary. For convenience the income statement has been translated into US dollars. The US dollar financial statement is non-conforming financial information, as defined by the NZ Financial Markets Authority.

The company's financial statements for the year ended 31 March 2012 and the comparative financial information for the year ended 31 March 2011 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

A constant currency analysis is also included. A constant currency income statement is prepared each month to enable the board and management to monitor and assess the company's underlying financial performance without any distortion from changes in foreign exchange rates. The constant currency data provided is an estimate of the changes in the main income statement items after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations. The data is based on the NZ dollar income statements for the relevant periods which have all been restated at the budget foreign exchange rates for the 2012 financial year.

The constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results.

Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to review the results and to discuss the outlook for the 2013 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST (6:00pm USEDT) and will be broadcast simultaneously over the Internet.

To listen to the webcast, access the company's website at www.fphcare.com. Please allow extra time prior to the webcast to visit the site and download the streaming media software if required. An online archive of the event will be available approximately two hours after the webcast and will remain on the site for two weeks.

To attend the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **76732439**.

New Zealand Toll Free	0800 452 569	USA Toll Free	1866 242 1388
Australia Toll Free	1800 354 715	Hong Kong Toll Free	800 968831
United Kingdom Toll Free	0808 234 7860	International	+61 2 8823 6760

An audio replay of the conference call will be available approximately 2 hours after the call and will be accessible for two weeks by dialing one of the numbers below. When prompted please enter the conference code of: **76732439**.

New Zealand Toll Free	0800 445 136	USA Toll Free	1866 214 5335
Australia Toll Free	1800 766 700	Hong Kong Toll Free	800 901596
United Kingdom Toll Free	0800 731 7846	International	+61 2 8235 5000

About Fisher & Paykel Healthcare

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. The company's products are sold in over 120 countries worldwide. For more information about the company, visit our website www.fphcare.com.

Contact: Michael Daniell MD/CEO on +64 9 574 0161 or Tony Barclay CFO on +64 9 574 0119.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

(In thousands of NZ dollars, except per share data)

	Year Ended 31 March		
	2011	**2012**	**%**
Operating revenue	506,074	516,688	+2%
Cost of sales	(228,372)	(241,651)	+6%
Gross profit	277,702	275,037	-1%
Gross margin	*54.9%*	*53.2%*	
Other income	1,200	2,400	+100%
Selling, general and administrative expenses	(141,882)	(142,644)	+1%
Research and development expenses	(39,277)	(41,988)	+7%
Total operating expenses	(181,159)	(184,632)	+2%
Operating profit before financing costs	97,743	92,805	-5%
Operating margin	*19.3%*	*18.0%*	
Financing income	577	280	-51%
Financing expense	(6,026)	(4,334)	-28%
Exchange gain (loss) on foreign currency borrowings	520	3,566	+586%
Net financing income (expense)	(4,929)	(488)	-90%
Profit before tax	92,814	92,317	-1%
Tax expense excluding the effect of legislative changes in May 2010	(28,868)	(28,207)	-2%
Profit after tax excluding legislative changes	63,946	64,110	0%
Tax expense relating to legislative changes in May 2010	(11,480)	-	
Profit after tax	52,466	64,110	+22%
Total tax expense	(40,348)	(28,207)	-30%
Basic earnings per share	10.2 cps	12.2 cps	
Diluted earnings per share	9.8 cps	11.7 cps	
Weighted average basic shares outstanding	517,154,550	525,706,219	
Weighted average diluted shares outstanding	536,265,092	546,509,548	

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Operating Revenue
(In thousands of dollars)

Year Ended 31 March

	NZ dollars 2011	NZ dollars 2012	% Change	US dollars 2011	US dollars 2012	% Change	*Constant currency % Change*
Respiratory and acute care products	253,303	270,830	+6.9%	185,606	218,628	+17.8%	*+13.2%*
OSA products	236,654	229,105	-3.2%	173,525	184,925	+6.6%	*+2.9%*
Core products sub-total	489,957	499,935	+2.0%	359,131	403,553	+12.4%	*+8.3%*
Distributed and other products	16,117	16,753	+3.9%	11,821	13,517	+14.3%	*+7.5%*
Total	$506,074	$516,688	+2.1%	$370,952	$417,070	+12.4%	*+8.2%*

	NZ dollars 2011	NZ dollars 2012	% Change	US dollars 2011	US dollars 2012	% Change
North America	233,706	230,563	-1.3%	171,275	186,137	+8.7%
Europe	159,438	170,355	+6.8%	116,958	137,538	+17.6%
Asia Pacific	90,115	92,981	+3.2%	66,076	75,031	+13.6%
Other	22,815	22,789	-0.1%	16,643	18,364	+10.3%
Total	$506,074	$516,688	+2.1%	$370,952	$417,070	+12.4%

Condensed Balance Sheets
(In thousands of NZ dollars)

	As at 31 March 2011	As at 31 March 2012
Cash and cash equivalents	6,110	6,253
Trade and other receivables	79,622	77,130
Inventories	80,101	84,430
Other current assets	20,654	27,218
Total current assets	186,487	195,031
Property, plant and equipment	254,265	311,631
Other assets	76,856	65,392
Total assets	517,608	572,054
Current liabilities	84,178	150,623
Non-current liabilities	120,139	73,279
Shareholders' equity	313,291	348,152
Total liabilities and shareholders' equity	517,608	572,054

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Statements of Cash Flows
(In thousands of NZ dollars)

	Year Ended 31 March	
	2011	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	501,167	503,975
Receipts from derivative financial instruments monetised	-	24,264
Interest received	478	272
Payments to suppliers and employees	(398,870)	(405,898)
Taxation paid	(25,620)	(24,427)
Interest paid	(6,102)	(4,303)
Net cash flow from operations	71,053	93,883
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Net purchase of property, plant and equipment	(40,715)	(64,878)
Purchase of intangible assets	(2,522)	(2,597)
Net cash flow (used in) investing activities	(43,237)	(67,475)
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Employee share purchase schemes	588	563
Net issue (repurchase) of share capital	23,341	23,758
Borrowings, net	7,302	21,328
Dividends paid	(68,716)	(70,201)
Net cash flow (used in) financing activities	(37,485)	(24,552)
Net increase (decrease) in cash	(9,669)	1,856
Opening cash	(1,123)	(11,000)
Effect of foreign exchange rates	(208)	739
Closing cash	(11,000)	(8,405)
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	6,110	6,253
Bank overdrafts	(17,110)	(14,658)
Closing cash	(11,000)	(8,405)

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
AND SUBSIDIARIES

Condensed Income Statements

(In thousands of US dollars, except per share data)

	Year Ended 31 March		
	2011	**2012**	**% Change**
Operating revenue	370,952	417,070	+12%
Cost of sales	(167,397)	(195,061)	+17%
Gross profit	203,555	222,009	+9%
Gross margin	*54.9%*	*53.2%*	
Other income	880	1,937	+120%
Selling, general and administrative expenses	(104,000)	(115,142)	+11%
Research and development expenses	(28,790)	(33,893)	+18%
Total operating expenses	(132,790)	(149,035)	+12%
Operating profit before financing costs	71,645	74,911	+5%
Operating margin	*19.3%*	*18.0%*	
Financing income	423	226	-47%
Financing expense	(4,417)	(3,498)	-21%
Exchange gain (loss) on foreign currency borrowings	381	2,878	+655%
Net financing income (expense)	(3,613)	(394)	-89%
Profit before tax	68,032	74,517	+10%
Tax expense excluding the effect of legislative changes in May 2010	(21,160)	(22,769)	+8%
Profit after tax excluding legislative changes	46,872	51,748	+10%
Tax expense relating to legislative changes in May 2010	(8,415)	-	
Profit after tax	38,457	51,748	+35%
Total tax expense	(29,575)	(22,769)	-23%
Basic earnings per share	7.4 cps	9.8 cps	
Diluted earnings per share	7.2 cps	9.5 cps	
Weighted average basic shares outstanding	517,154,550	525,706,219	
Weighted average diluted shares outstanding	536,265,092	546,509,548	

Full Year Results Commentary

Net profit after tax was NZ$64.1 million for the year ended 31 March 2012, an increase of 22% compared to the prior year of NZ$52.5 million. After excluding the one off non cash deferred tax charges of NZ$11.5 million for the year ended 31 March 2011 (related to the NZ government's removal of depreciation on buildings and the reduction in the NZ company tax rate from 30% to 28%) an increase of 0.3% was recorded. The increase in the full year net profit after tax (prior to the one-off non-cash deferred tax charges) reflects revenue expansion, disciplined control of expenses and other operational efficiencies, which together allowed our growth in net profit after tax to reach *23%*[1] in constant currency terms. This positive result was offset by the significant appreciation of the NZ dollar against all major currencies.

The Company's financial statements for the year ended 31 March 2012 and the comparative financial information for the year ended 31 March 2011 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Operating revenue increased by 2%, or *8%* in constant currency terms.

The Directors have approved a final dividend of NZD 7.0 cents per ordinary share carrying a full imputation credit of 2.7222 cents per share (100% imputed based on a 28% tax rate). Non-resident shareholders will receive a supplementary dividend of NZD 1.2353 cents per share. The final dividend will be paid on 6 July 2012, with a record date of 22 June 2012 and an ex-dividend date of 18 June 2012 for the ASX and 20 June 2012 for the NZX.

The Directors have maintained the dividend payment for the year at 12.4 cps being 5.4 cps interim and 7.0 cps final on the basis that the Company's underlying earnings and cashflow in NZ dollar terms have been stable. The Company offers eligible shareholders the opportunity to receive ordinary shares rather than cash under the Dividend Reinvestment Plan (DRP). The Directors have maintained a discount on the DRP of 3% to encourage shareholders to take up the offer as part of the Company's plan to build shareholders' funds.

In May 2010 the Directors reviewed the Company's capital structure and determined that the Company needed to progressively increase its shareholders' funds, to ensure that it has capacity to continue to implement its foreign currency hedging policy as the Company grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) was established. The Directors expect that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the Directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

[1] To avoid confusion, all references to constant currency amounts or percentages are stated in italics

Financial Performance

The following table sets out the consolidated statement of financial performance for the years ended 31 March 2011 and 2012 in NZ$:

	Year ended 31 March	
	2011 NZ$000's	**2012 NZ$000's**
Operating revenue	506,074	516,688
Cost of sales	228,372	241,651
Gross profit	277,702	275,037
Gross margin	**54.9%**	**53.2%**
Other income	1,200	2,400
Selling, general and administrative expenses	141,882	142,644
Research and development expenses	39,277	41,988
Total operating expenses	181,159	184,632
Operating profit before financing costs	97,743	92,805
Operating margin	**19.3%**	**18.0%**
Net financing income (expense)	(4,929)	(488)
Profit before tax	92,814	92,317
Tax expense excluding the effect of legislative changes in May 2010	28,868	28,207
Profit after tax excluding legislative changes	63,946	64,110
Tax expense relating to legislative changes in May 2010	(11,480)	-
Profit after tax	52,466	64,110

Foreign Exchange Effects

We are exposed to movements in foreign exchange rates, with approximately 52% of our operating revenue generated in US dollars, 23% in Euros, 6% in Australian dollars, 4% in British pounds, 4% in Canadian dollars, 4% in Japanese yen, 1% in New Zealand dollars and 6% in other currencies.

As we increase our number of direct sales operations an increasing proportion of our revenue is generated in local currencies, reducing our operating revenue exposure to the US dollar. Our cost base is also becoming more diverse, as we expand our manufacturing output from Mexico.

Exchange rates between the New Zealand dollar and the currencies in which we receive revenue were again very volatile during the period, with the New Zealand dollar appreciating substantially against the US dollar when compared to the comparable period last year. Our hedging policy again served us well, with hedging gains contributing NZ$49.5 million (2011: NZ$38.4 million) to operating profit.

The reported results for the year ended 31 March 2012 were adversely impacted by movements in the value of the New Zealand dollar when compared to the results for the year ended 31 March 2011.

The average daily spot rate and the average effective exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the Company in respect of the relevant financial year) of our main foreign currency exposures for the years ended 31 March 2011 and 2012 are set out in the table below:

	Average Daily Spot Rate		**Average Effective Exchange Rate**	
	Year ended 31 March		**Year ended 31 March**	
	2011	**2012**	**2011**	**2012**
USD	0.7330	0.8072	0.6192	0.6641
EUR	0.5545	0.5864	0.4808	0.4823

The impact of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2012 resulted in a reduction in revenue of NZ$4.3 million (2011: NZ$2.2 million) and a reduction in operating profit of NZ$5.2 million (2011: NZ$1.5 million).

Constant Currency Analysis

A constant currency income statement is prepared each month to enable the board and management to monitor and assess the Company's underlying financial performance without any distortion from changes in foreign exchange rates. The table below provides estimated NZ dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2012 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations.

Constant Currency Income Statements (Unaudited)	**Year ended March 2010 NZ$000**	**Year ended March 2011 NZ$000**	**Variation 2010 to 2011 %**	**Year ended March 2012 NZ$000**	**Variation 2011 to 2012 %**
Operating revenue	*451,359*	*474,985*	*+5*	*514,117*	*+8*
Cost of sales	*224,101*	*228,852*	*+2*	*246,184*	*+8*
Gross profit	*227,258*	*246,133*	*+8*	*267,933*	*+9*
Other income	*3,183*	*1,200*	*-62*	*2,400*	*+100*
Selling, general and administrative expenses	*134,624*	*144,932*	*+8*	*153,739*	*+6*
Research & development expenses	*35,272*	*39,277*	*+11*	*41,988*	*+7*
Total operating expenses	*169,896*	*184,209*	*+8*	*195,727*	*+6*
Operating profit	***60,545***	***63,124***	***+4***	***74,606***	***+18***
Financing expenses (net)	*5,584*	*5,473*	*-2*	*4,268*	*-22*
Profit before tax	***54,961***	***57,651***	***+5***	***70,338***	***+22***
Tax expense	*16,725*	*17,824*	*+7*	*21,465*	*+20*
Profit after tax	***38,236***	***39,827***	***+4***	***48,873***	***+23***

1. The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2012, are USD 0.74, EUR 0.53, AUD 0.75, GBP 0.46, CAD 0.72, JPY 61 and MXN 8.80.

2. The tax expense figures exclude the impact of the one-off non-cash deferred tax charges in the 2011 year.

In constant currency terms, operating revenue increased by *8%* and operating profit increased by *18%* for the year, as we continued to generate significant operating leverage from disciplined expense control, positive contributions from our Mexico manufacturing facility and from direct sales operations established over the past few years.

This constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the Company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year.

A reconciliation of the constant currency income statements above to the actual income statements for each year is provided below.

Reconciliation of Constant Currency to Actual Income Statements (Unaudited)	**Year ended March 2010** **NZ$000**	**Year ended March 2011** **NZ$000**	**Year ended March 2012** **NZ$000**
Profit before tax (constant currency)	***54,961***	***57,651***	***70,338***
Spot exchange rate effect	27,325	(2,249)	(25,961)
Foreign exchange hedging result	28,675	38,397	49,542
Balance sheet revaluation	(4,146)	(986)	(1,602)
Profit before tax (as reported)	**106,815**	**92,814**	**92,317**

In summary, ignoring the effects of balance sheet translations (which are relatively immaterial), over the last two years the movement in the value of the NZ dollar against other currencies has had a net adverse impact on the Company's profit before tax of over *NZ$32* million. The spot rate impact over the two years was *NZ$53.3* million of which *NZ$20.9* million was mitigated by the Company's hedging programme.

Operating revenue

Operating revenue increased by 2% to NZ$516.7 million for the financial year ended 31 March 2012 from NZ$506.1 million for the financial year ended 31 March 2011, principally due to increased sales volume from our core products during the financial year.

Operating revenue in constant currency terms increased *8%* for the year, and *8*% for our core products.

Operating revenue was further impacted by the translation of foreign exchange trade receivables in our offshore offices. Operating revenue for the financial year ended 31 March 2012 was reduced by approximately NZ$4.3 million. The reduction in operating revenue was approximately NZ$2.2 million for the financial year ended 31 March 2011.

The following table sets out operating revenue by product group for the financial years ended 31 March 2011 and 2012:

	Year ended 31 March	
	2011	**2012**
	NZ$000's	**NZ$000's**
Respiratory and acute care products	253,303	270,830
OSA products	236,654	229,105
Core products sub-total	489,957	499,935
Distributed and other products	16,117	16,753
Total	$506,074	$516,688

Underlying growth in demand for our respiratory humidification systems was strong throughout the year. This resulted in total operating revenue of NZ$270.8 million for the respiratory and acute care product group, being growth of 7% in NZ dollars, but *13*% in constant currency terms compared with last year.

Expansion of the application of products and technologies to the care of patients beyond our traditional invasive ventilation market continued, with an increasing proportion of consumables revenue coming from devices used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. Constant currency revenue for these new applications grew *24%* for the year ended 31 March 2012 and in total represented 33% of respiratory and acute care consumables revenue.

Very strong revenue growth in consumables and accessories was supported by robust growth in demand for humidifier controllers despite the current international economic climate.

In the respiratory and acute care group, underlying average sell prices were supported by some modest selling price increases.

In our OSA product group, operating revenue declined 3% to NZ$229.1 million, but in constant currency terms increased *3%* for the year. ICON flow generator sales grew strongly over the year, resulting in constant currency flow generator operating revenue growth of *18%*. Constant currency mask revenue reduced *4%* for the year, although was almost equal to the prior corresponding period for the fourth quarter, following introduction of our new Zest Q and Pilairo masks into selected countries.

Sales of respiratory and acute care products represented 50% and 52% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively. Sales of OSA products represented 47% and 44% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively. Sales of consumable and accessory products for core products accounted for approximately 76% and 74% of operating revenue for the financial years ended 31 March 2011 and 2012 respectively.

The following table sets forth our operating revenue for each of our regional markets for the years ended 31 March 2011 and 2012:

	Year ended 31 March	
	2011	**2012**
	NZ$000's	**NZ$000's**
North America	233,706	230,563
Europe	159,438	170,355
Asia Pacific	90,115	92,981
Other	22,815	22,789
Total	$506,074	$516,688

The breakdown of revenue presented above is based on the geographical location of the customer.

Output increased over the year at our facility in Tijuana, Mexico as we commissioned increased capacity. The Mexico manufacturing facility now produces approximately 25% of our total consumables output.

Expenses

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled NZ$42.0 million for the year ended 31 March 2012 compared to NZ$39.3 million in the previous financial year. The increase was attributable to increases in research and development personnel and costs in connection with the continuing expansion of product and process development activities for the respiratory and acute care and OSA product groups. A number of new products have recently been released to the market, with more to follow during the 2013 financial year. Research and development expenses represented 8.1% of operating revenue for the financial year ended 31 March 2012.

Research and development expenses are expected to continue to increase broadly in line with constant currency revenue growth.

Selling, general and administrative expenses increased by 1% to NZ$142.6 million in the financial year ended 31 March 2012 compared to NZ$141.9 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities. In constant currency terms selling, general and administrative expenses have increased by *6%* in the financial year ended 31 March 2012.

Gross Profit

Gross profit decreased to NZ$275.0 million, or 53.2% of operating revenue, in the financial year ended 31 March 2012 from NZ$277.7 million, or 54.9% of operating revenue, in the financial year ended 31 March 2011. Gross profit decreased despite underlying business growth as the strength of the NZ dollar adversely impacted NZ dollar revenue. Constant currency gross margin percentage increased marginally due to a number of factors, including positive RAC product mix, logistics and manufacturing improvements.

In constant currency terms cost of sales increased by *8%* in the financial year ended 31 March 2012, a slightly lower rate than revenue growth.

Operating profit

Operating profit decreased by 5.0% to NZ$92.8 million in the financial year ended 31 March 2012 from NZ$97.7 million in the financial year ended 31 March 2011. In constant currency terms, operating profit increased by *18%.*

Balance Sheet

Our gearing[2] at 31 March 2012 was 26.4%, in line with our gearing at 31 March 2011. The gearing has remained steady as we have been able to maintain our ratios through profit retention and land revaluation despite the increase in capital expenditure in relation to the construction of our new building.

The gearing figure remains above the target range of 5% to 15%. As previously noted the Directors intend to ensure that the Company progressively moves its gearing into the target range, subject to exchange rate movements, profitability and dividend payout.

Funding

We had total available debt funding of $195 million as at 31 March 2012, of which approximately $80 million was undrawn, and cash on hand of $6 million. Bank debt facilities provide all available funding given the modest level of requirements. We have $73 million of debt maturing in the next 12 months, and are confident we can renew or refinance on satisfactory terms.

Debt maturity

The average maturity of the debt of $100 million was 1.6 years and the currency split was 59% New Zealand dollar; 18% US dollar; 15% Euro; 5% Australian dollar; 1% Japanese Yen and 2% other currencies.

Interest rates

Approximately 80% of all borrowings were at fixed interest rates with an average duration of 6.1 years and an average rate of 6.0%. Inclusive of floating rate borrowings the average interest rate on the debt is currently 5.5%. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 35 times and the group remains in a sound financial position.

The interest coverage for the period included interest capitalised to the new building project, $2.2 million for the period compared to $0.5 million for the corresponding period last year.

Cashflow

Cashflow from operations was $93.9 million compared with $71.1 million for the 2011 financial year. The improvement is due to higher receipts in the current period from the further monetisation of USD forward exchange contracts and higher tax payments in the first half of last year, as a result of the monetisation of USD forward exchange contracts in the 2010 financial year.

Capital expenditure for the period was $67.5 million compared with $43.2 million in the prior year. Of this total, $47.4 million was for the new building project on our East Tamaki, Auckland site, and the balance related predominantly to new product tooling and manufacturing equipment.

Dividend

The directors have approved a final dividend for the financial year ended 31 March 2012 of NZ7.0 cents per ordinary share (2011: NZ7.0 cents), and will be fully imputed at a rate of 28%.

The dividend will be paid on 6 July 2012 to holders registered as at 5.00pm Friday 22 June 2012 (NZT). The shares will be quoted on an ex-dividend basis from 18 June 2012 for the ASX and 20 June 2012 for the NZSX.

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[2] Net interest bearing debt (debt less cash and cash equivalents) to net interest bearing debt and equity (less cash flow hedge reserve-unrealised).

Dividend reinvestment plan

The dividend reinvestment plan is being offered for this dividend payment.

A 3% discount will be applied to shares issued under the plan.

Financial highlights

Unaudited	Year ended March 2011	Year ended March 2012
Pre-tax return on average shareholders' equity	30.6%	27.9%
Earnings per share (cents)	12.4*	12.2
Dividends per share (cents)	12.4	12.4
Gearing	26.4%	26.4%
Interest cover (times)	16.5	34.7

*Excluding deferred tax charges.

Foreign Exchange Hedging Position

The hedging position for our main exposures, the US dollar and Euro, as at the date of this report is:

	Year to 31 March			
	2013	2014	2015	2016
USD % cover of expected exposure	92%	44%	5%	0%
USD average rate of cover	0.76	0.74	0.75	-
USD Close-out value to Income Statement (NZD000's)[3]	$17,781	$21,291	$0	$0
EUR % cover of expected exposure	81%	49%	38%	5%
EUR average rate of cover	0.48	0.41	0.40	0.37

[3] Foreign currency hedging gains to be released to the Income Statement from the Cash Flow Reserve - Realised from previously monetised USD forward exchange contracts.