

## **News Release**

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

### **FISHER & PAYKEL HEALTHCARE REPORTS HALF YEAR RESULTS**

Auckland, New Zealand, 22 November 2007 - Fisher & Paykel Healthcare Corporation Limited (NZSX:FPH, ASX:FPH) announced today that continuing strong volume growth in its obstructive sleep apnea (OSA), respiratory and acute care products contributed to operating revenue of NZ\$172.5 million or US\$127.7 million for six months ended 30 September 2007.

Increasing demand, particularly for its masks, respiratory consumables and neonatal devices, along with expanding activities in international markets all contributed to growth.

#### **Operating Revenue**

In US dollar terms OSA product group operating revenue increased by 21% and respiratory and acute care product group operating revenue increased by 15% compared to the same period last year.

“We continued to gain share within the rapidly growing OSA treatment market, with 25% growth, in US dollar terms, for total mask and flow generator operating revenue.

Demand for our neonatal care product range, which includes infant warmers, bubble CPAP systems and resuscitators, was particularly strong. This, coupled with ongoing growth in respiratory humidification consumables generated robust growth in our respiratory and acute care product group”, commented the company’s CEO, Mr Michael Daniell.

“We continue to make encouraging progress in developing opportunities for our technologies to assist in the care of patients beyond our traditional intensive care market. These include patients requiring non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery.

“Our United States distribution partner has secured a significant hospital group purchasing contract for respiratory humidifier systems which we expect will contribute to accelerated growth in the second half”, concluded Mr Daniell.

The company’s products are sold in over 110 countries worldwide. Over the year, the company derived its trading revenue in a variety of currencies with US dollars contributing 59%, Euros 23%, Australian dollars 8%, UK pounds 5%, and NZ dollars 2%. The average NZD:USD exchange rate increased by 17% to 0.74 compared with 0.63 for the same period last year.

#### **Earnings**

Operating profit for the six months was NZ\$31.2 million compared to NZ\$41.1 million for the prior comparable period and profit after tax was NZ\$18.7 million compared to NZ\$26.3 million. The reductions reflect the effect of the much stronger NZ dollar and increased R&D, sales and operations expenses.

#### **Dividend**

The company’s directors have approved an interim dividend for the financial year ended 31 March 2008 of 5.4 NZ cents per ordinary share (2007: 5.4 cents), carrying full imputation credit. Non-resident shareholders will receive a supplementary dividend of 0.953 NZ cents per share. The final dividend will be paid on 14 December 2007, with a record date of 5 December, and an ex-dividend date of 29 November for the ASX and 6 December for the NZSX.

#### **Research & Development, SG&A**

Research and development expenses increased by 18% to NZ\$11.5 million or 6.6% of operating revenue for the six months ended 30 September 2007. The company continued to expand its

research and development teams and current new product projects include flow generators, masks and additional breathing system consumables.

Selling, general and administrative (SG&A) expenses grew 5% to NZ\$49.8 million, or 15% in constant currency terms, as the company continued to expand its operations and its sales teams in North America, Europe, Asia/Pacific and South America.

### **Outlook**

For the 2008 financial year the company expects a continuation of strong underlying revenue growth across its product range. The company expects that trading revenue will grow to approximately US\$275 million or approximately NZ\$365 million, generating an operating profit of approximately NZ\$68 million if the NZD:USD exchange rate averages 0.75 for the remainder of the financial year.

### **Financial Statements and Commentary**

Attached to this news release are condensed financial statements and commentary in both NZ dollars and US dollars.

The company's financial statements for the six months ended 30 September 2007 and the comparative financial information for the six months ended 30 September 2006 have been prepared under the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). The notes to the financial statements include reconciliations and discussion of any significant differences between previous New Zealand GAAP and NZ IFRS.

### **Full Year Results Conference Call**

Fisher & Paykel Healthcare will host a conference call to review the results and to discuss the outlook for the remainder of the 2008 financial year. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEDT (4:00pm USEST, Wednesday 21 November) and will be broadcast simultaneously over the Internet.

To listen to the webcast access the company's website at [www.fphcare.com](http://www.fphcare.com). Please allow extra time prior to the webcast to visit the site and download the streaming media software required. An online archive of the event will be available approximately two hours after the webcast and will remain onsite for two weeks.

Intending participants may register for the conference call prior to the event, using this link: <http://www.fphcare.com/investor/conference/>. Once registered, participants will be assigned a conference passcode and user PIN. Registered participants can dial in to one of the numbers below and use their codes for instant access to the conference. Alternatively, dial in to one of the numbers below a few minutes prior to the scheduled call time and identify yourself to the operator:

New Zealand Toll Free	0800 449 118
Australia Toll Free	1800 555 619
USA Toll Free	1866 369 4113
International	+61 3 9221 4420

An audio replay of the conference call will be available approximately 60 minutes after the call and will be accessible for two weeks at +61 3 9221 4752, access code 027616.

### **About Fisher & Paykel Healthcare**

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. It also offers an innovative range of neonatal care products. The company's products are sold in over 110 countries worldwide. For more information about the company visit [www.fphcare.com](http://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**

**Unaudited Condensed Income Statements**

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

	Six Months Ended 30 September		
	2007	2006	% Change
Operating revenue	172,548	171,796	+0%
Cost of sales	(80,068)	(73,700)	+9%
Gross profit	92,480	98,096	-6%
Gross margin	53.6%	57.1%	
Selling, general and administrative expenses	(49,838)	(47,299)	+5%
Research and development expenses	(11,456)	(9,702)	+18%
Operating profit	31,186	41,095	-24%
Operating margin	18.1%	23.9%	
Financing income	22	448	-95%
Financing expense	(2,242)	(1,269)	+77%
Exchange gain (loss) on foreign currency borrowings	798	1,062	-25%
Net financing expenses	(1,422)	241	
Profit before tax	29,764	41,336	-28%
Income tax expense	(11,068)	(15,075)	-27%
Profit after tax attributable to shareholders of the company	18,696	26,261	-29%
Basic earnings per share	3.7 cps	5.1 cps	
Diluted earnings per share	3.6 cps	5.0 cps	
Weighted average basic shares outstanding	510,032,719	510,501,016	
Weighted average diluted shares outstanding	525,025,490	523,732,382	

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Unaudited Condensed Income Statements**

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

	<b>Six Months Ended 30 September</b>		
	<b>2007</b>	<b>2006</b>	<b>% Change</b>
Operating revenue	127,703	108,541	+18%
Cost of sales	(59,258)	(46,564)	+27%
Gross profit	68,445	61,977	+10%
Gross margin	53.6%	57.1%	
Selling, general and administrative expenses	(36,886)	(29,883)	+23%
Research and development expenses	(8,479)	(6,130)	+38%
Operating profit	23,080	25,964	-11%
Operating margin	18.1%	23.9%	
Financing income	16	283	-94%
Financing expense	(1,659)	(802)	+107%
Exchange gain (loss) on foreign currency borrowings	591	671	-12%
Net financing expenses	(1,052)	152	
Profit before tax	22,028	26,116	-16%
Income tax expense	(8,191)	(9,524)	-14%
Profit after tax attributable to shareholders of the company	13,837	16,592	-17%
Basic earnings per share	2.7 cps	3.3 cps	
Diluted earnings per share	2.6 cps	3.2 cps	
Weighted average basic shares outstanding	510,032,719	510,501,016	
Weighted average diluted shares outstanding	525,025,490	523,732,382	

**FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED  
AND SUBSIDIARIES**

**Unaudited Operating Revenue  
(In thousands of dollars)**

**Six Months Ended 30 September**

	NZ dollars			US dollars		
	2007	2006	% Change	2007	2006	% Change
Respiratory and acute care products	86,533	88,207	-2%	64,090	55,743	+15%
OSA products	80,814	78,327	+3%	59,766	49,479	+21%
Core products sub-total	167,347	166,534	+0%	123,856	105,222	+18%
Distributed and other products	5,201	5,262	-1%	3,847	3,319	+16%
<b>Total</b>	<b>\$172,548</b>	<b>\$171,796</b>	<b>+0%</b>	<b>\$127,703</b>	<b>\$108,541</b>	<b>+18%</b>

**Unaudited Condensed Balance Sheets  
(In thousands of NZ dollars)**

	As at 30 September	
	2007	2006
Cash and cash equivalents	4,611	4,361
Trade and other receivables	58,570	61,842
Inventories	54,677	40,006
Other current assets	11,345	6,125
<b>Total current assets</b>	<b>129,203</b>	<b>112,334</b>
Property, plant and equipment	188,249	185,734
Other assets	15,922	17,609
<b>Total assets</b>	<b>333,374</b>	<b>315,677</b>
Current liabilities	120,625	70,091
Long-term liabilities	3,947	8,482
Shareholders' equity	208,802	237,104
<b>Total liabilities and shareholders' equity</b>	<b>333,374</b>	<b>315,677</b>

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

	<b>Six Months Ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	173,255	167,395
Dividends received	4	-
Interest received	24	414
Payments to suppliers and employees	(149,890)	(130,840)
Taxation paid	(7,068)	(12,582)
Interest paid	(2,184)	(1,181)
Net cash flow from operations	<u>14,141</u>	<u>23,206</u>
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		
Net purchase of property, plant and equipment	(7,006)	(17,498)
Purchase of intangible assets	(460)	(1,085)
Net sale of short-term investments	-	11,874
Net cash flow (used in) investing activities	<u>(7,466)</u>	<u>(6,709)</u>
<b>CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		
Employee share purchase schemes	271	308
Net issue (repurchase) of share capital	(12,128)	230
Short term borrowings, net	39,486	8,100
Dividends paid	(38,494)	(38,932)
Net cash flow (used in) financing activities	<u>(10,865)</u>	<u>(30,294)</u>
Net (decrease) in cash	(4,190)	(13,797)
Opening cash	2,283	11,048
Effect of foreign exchange rates	(248)	(25)
Closing cash	<u>(2,155)</u>	<u>(2,774)</u>
<b>RECONCILIATION OF CLOSING CASH</b>		
Cash and cash equivalents	4,611	4,361
Bank overdrafts	(6,766)	(7,135)
Closing cash	<u>(2,155)</u>	<u>(2,774)</u>

## Half Year Results Commentary

### OVERVIEW

The company's financial statements for the six months ended 30 September 2007 and the comparative financial information for the period ended 30 September 2006 have been prepared under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The notes to the financial statements include reconciliations and discussion of differences between previous New Zealand GAAP and NZ IFRS.

Our operating revenue is generated in a wide variety of currencies with our products sold in more than 110 countries. US dollars contributed 59% of trading revenue, Euros 23%, Australian dollars 8%, UK pounds 5% and New Zealand dollars 2%.

Since last year the New Zealand dollar appreciated significantly, particularly in comparison to the United States dollar, averaging US\$0.74 against US\$0.63 for the prior comparable period. This resulted in our operating revenue, in NZ dollar terms, increasing only slightly to NZ\$172.5 million for the six months. Expressed in US dollars, operating revenue grew an encouraging 18% to US\$127.7 million, with good growth achieved by both our respiratory/acute care and obstructive sleep apnea product groups.

We achieved an operating profit of NZ\$31.2 million compared to NZ\$41.1 million for the first half last year. Profit after tax for the six months was NZ\$18.7 million compared to NZ\$26.3 million for the same period last year. The reductions reflect the effect of the much stronger NZ dollar and increasing R&D, sales and operations expenses.

The directors have approved an interim dividend for the financial year ending 31 March 2008 of 5.4 NZ cents per ordinary share (2007: 5.4 cents), carrying full imputation credit. Non-resident shareholders will receive a supplementary dividend of 0.953 NZ cents per share. The interim dividend will be paid on 14 December 2007, with a record date of 5 December, and an ex-dividend date of 29 November for the ASX and 6 December for the NZSX.

In August we announced the completion of our NZ\$27.5 million share buyback programme. Since the initiation of this share buyback programme in March 2004 we acquired 9,423,727 ordinary shares at an average price of NZ\$2.92 per share.

### OPERATING REVENUE BY PRODUCT GROUP

US DOLLARS Six Months Ended 30 September			NZ DOLLARS Six Months Ended 30 September			
Percentage change	2006 US\$000	2007 US\$000	Product Group	2007 NZ\$000	2006 NZ\$000	Percentage change
+15%	55,743	64,090	Respiratory/acute care	86,533	88,207	-2%
+21%	49,479	59,766	Obstructive sleep apnea	80,814	78,327	+3%
+18%	105,222	123,856	Core products sub-total	167,347	166,534	+0%
+16%	3,319	3,847	Distributed and other	5,201	5,262	-1%
<b>+18%</b>	<b>\$108,541</b>	<b>\$127,703</b>	<b>Total operating revenue</b>	<b>\$172,548</b>	<b>\$171,796</b>	<b>+0%</b>

## **RESPIRATORY/ACUTE CARE**

Demand for our neonatal care products, which include infant warmers, bubble CPAP systems and resuscitators, was particularly strong in the first half. This, coupled with ongoing robust growth in respiratory humidification consumables, generated operating revenue of US\$64.1 million for the six months, up 15% on the same period last year.

We continue to make encouraging progress in developing opportunities for our technologies to assist in the care of patients beyond our traditional intensive care market. These include patients requiring non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic or “keyhole” surgery.

## **OBSTRUCTIVE SLEEP APNEA**

For our OSA product group, operating revenue grew 21% to US\$59.8 million. Combined operating revenue from masks and flow generators increased 25% in US dollar terms over the same period last year.

Our growth was a result of increasing sales to a wide range of customers, both in the United States and international markets.

Sales of our expanding range of masks continued to be an important driver of growth. Our latest addition, the Opus 360™ nasal pillows mask, has been well received by customers.

We exhibited our new SleepStyle™ auto-adjusting flow generator at the World Sleep 07 conference in Cairns, Australia. The new device is the first to include our unique SensAwake™ technology, which senses when the patient is awake and promptly reduces the delivered pressure to facilitate a return to sleep.

## **INTERNATIONAL SALES**

North America generated 46% of our operating revenue for the half year, with Europe contributing 32% and Asia/Pacific and Other 22%. Our products are sold in more than 110 countries around the world.

We have continued to expand our sales, marketing and operations teams in North America, Europe, Asia and South America to increase our geographical coverage and to support ongoing growth. Early in the second half we began direct sales in Sweden and Denmark from a new office and warehouse established near Stockholm. We now have our own sales offices or sales support staff located in 26 countries.

## **RESEARCH AND DEVELOPMENT**

Investment in research and development continues to be fundamental to increasing our opportunities for growth and to ensuring that we can offer devices which can improve patient care and outcomes.

Our research and development expenditure grew 18%, compared with the same period last year, to NZ\$11.5 million representing 6.6% of operating revenue. We have already introduced significant new products this year and have a substantial new product pipeline under development. Over the next twelve months we expect to be introducing additional new masks, breathing system consumables and flow generators.

## **OUTLOOK**

Our performance in the six months to 30 September 2007, coupled with the introduction of new products and growth in our international sales activities, gives us confidence that we can achieve continuing strong sales volume growth for the full year